



Debt at My Doorstep:
Microfinance Practices and
Effects on Women in Sri Lanka

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Kulasabanathan Romeshun

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The Centre for Poverty Analysis (CEPA) is an independent, Sri Lankan think-tank promoting a better understanding of poverty related development issues. At CEPA, our emphasis is on providing independent analysis, capacity building of development actors, and seeking opportunities for policy influence. We are influenced by a strong orientation towards service provision that is grounded in sound empirical evidence while responding to the needs of the market. CEPA maintains this market orientation through client requests, and also pursues a parallel independent research agenda focusing core functions of Research, Advisory and Policy. These functions are carried out across seven broad thematic areas of: Social Protection & Basic Services, Sustainable Development, Livelihoods & Employment, Labour Migration, Diaspora & Development, Social Cohesion and Urban and Rural Transformations (which explore the broader aspects of poverty and vulnerability). Communications and Research Quality & Learning are integral functions of the thematic areas.

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List of Acronyms

CBO	Community based Organisation
CBSL	Central Bank Sri Lanka
CEPA	Centre for Poverty Analysis
GoSL	Government of Sri Lanka
LMFPA	Lanka Microfinance Practitioners' Association
MFI	Microfinance Institutes
KPI	Key Person Interviews
RCT	Randomised Controlled Trials
NGO	Non-Governmental Organisation
WRDS	Women's Rural Development Society

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Table 1: Number of interviews conducted in the Districts of Monaragala, Batticaloa and Mullaitivu

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Executive Summary

Micro-credit lending is not a new concept to Sri Lanka, and has been supported at different stages through government interventions. Of late, however, questions have been raised regarding the demerits of such lending, not only on the financial burden placed on women, but also as a social issue with major repercussions. In the public domain, these concerns have been raised specifically in relation to the proliferation of microfinance institutes in the former war-affected North and East.

Since the end of the war, CEPA's own research has consistently highlighted rising debt and its impact on female borrowers and their households. This study was conducted in light of these findings, the public perception of Multi Finance Institutions (MFIs) as exploitative, and the flurry of activity by the Government of Sri Lanka (GoSL) to enact changes to the existing regulations. It aims to better understand the processes that underlie micro-lending and how these practices then affect the largely female client-base.

In recognition of the need to privilege the experiences of female borrowers, the study adopted a qualitative approach, using in-depth interviews to collect information on how the women themselves experienced these micro-credit practices. Following a scoping visit, data was collected from female borrowers living in Monaragala, Mullaitivu and Batticaloa Districts. In addition, several relevant government stakeholders at the national and local level – were interviewed along with a few representatives of micro finance institutions.

In general, microcredit lending is based on the notion that, allowing access to credit will help women pull themselves and therefore, their families, out of poverty. Microcredit helps women establish a microenterprise, of which the income is expected to meet the consumption, education and health needs of their family members, especially the children. But these fundamental principles are eroding in the face of high competition among the lenders to reach the same pool of borrowers. The findings point to the shortcuts adopted by the respective MFIs in providing credit to the borrowers in a short space of time.

In all three districts, the majority of the MFIs currently operating are non-banking financial entities registered with the Central Bank. A few exceptions were noted in Monaragala where local, private MFIs maintained an equally significant presence. With no physical presence in the community, the MFIs rely on a single woman in each community as a focal point whose residence then becomes the meeting and collection centre. While group formation and liability are central to how the model functions at present, women proactively choose members who have a good history of repaying loans, thus minimising the risks to themselves but indirectly leading to the marginalisation of poorer women within the community. With only a few documents to be submitted and few cross-checks to ascertain the borrowing history of the client, the women are able to access the loans within an extremely short period of time - at times less than three days for women who are not first-time borrowers. Information regarding the forms they sign and the deductions made are not forthcoming in many instances. Furthermore, the forms are not always in their native language, preventing them from understanding the basic conditions of the credit facility. This was evident in the women being conversant in the installment schedule but being unable to state the interest rate being charged by the MFI.

Partly enabled by the absence of any forms of checks carried out by the officials, women are increasingly borrowing for consumption and non-investment related expenses, ranging from meeting the health and education needs of their children to funding funerals and coming-of-age ceremonies. This raises major concerns regarding servicing repayment. While women were found to repay their loans "somehow or the other", this involves compromising on their consumption, pawning gold jewellery and borrowing from friends, relatives and informal lenders. The MFI officials act as powerful enforcers, despite being outsiders to the local community. Subtle and overt threats in the form of verbal abuse, disallowing women from leaving the collection centre until

all borrowers “paid up” and refusal to leave the residence of female borrowers were common strategies adopted to compel women to repay their loans.

These practices, therefore, coalesce in pushing women into multiple borrowings in order to stay ahead of the creditors. The ease of borrowing and the absence of background checks allow them to join different MFI groups and borrow from multiple institutions. In the face of multiple credit facilities to service, women’s meagre savings and assets (in the form of gold jewellery) are also eroding. Worryingly, they are unable to continue with traditional forms of savings such as seettu because of the need to prioritise repayment of loans. Within the family, the women reported tensions with their spouse and children experiencing discomfort and trauma especially when officers refuse to leave the house until the installment is paid. At the community level, the pressure placed on the women through the collective warranty principle, leads to tensions. This disrupts and threatens the cohesion that exists among women. Similarly, interventions by local government officials to curb the penetration of these private institutes into the communities have generated tensions between the officials and the female borrowers. Community mediation boards are being overburdened with complaints; at times, reaching the Police as well. Moreover, Grama Niladharis are caught in the cross-fire since they have to issue the DS-4 certificate.

Despite these associated problems, women continue to borrow from private MFIs largely because of the challenges encountered in accessing the state-run banking system which is their first preference. This is further exacerbated by the sidelining of or the complete absence of Community based organisations and local NGOs that traditionally provide microcredit, thus leaving the private-led MFIs as one of the few viable alternatives present in the community.

Most women and their families engage in subsistence agriculture and have little to no access to formal employment opportunities that would offer a stable income source. But household expenses continue to increase and must be met somehow. In such a context, it is important that the discourse around micro-lending shifts away from its preoccupation with improving financial inclusion and empowering women, to a more nuanced and in-depth understanding of the realities that women experience through micro-credit practices. Equally important is to give thoughtful consideration on how best to regulate the MFIs, whose lending practices remain unsustainable in the long run.

විධායක සාරාංශය

ක්ෂුද්‍ර ණය යනු ශ්‍රී ලංකාවට නව සංකල්පයක් නොවන අතර රජයේ මැදිහත්වීම් හරහා විවිධ අදියරවල දී ක්ෂුද්‍ර ණය ක්ෂේත්‍රය සඳහා අවශ්‍ය සහාය ලබාදී ඇත. කෙසේ වුවද, මෑතක සිට ක්ෂුද්‍ර ණය යනු කාන්තාවන් මත පැටවෙන මූල්‍ය බර පමණක් නොව බරපතල ප්‍රතිවිපාක අත් වන සමාජ ගැටලුවක් ලෙස ද සංවාදයක් මතුව තිබේ. ප්‍රසිද්ධ කතිකාවේදී මෙම ප්‍රශ්න මතුකරනු ලැබ ඇත්තේ යුද්ධයෙන් පීඩාවට පත් උතුරු නැගෙනහිර ප්‍රදේශ තුළ ක්ෂුද්‍ර මූල්‍ය ආයතන සංඛ්‍යාව වේගයෙන් වර්ධනය වෙමින් පැවතීමට සම්බන්ධිතවය.

යුද්ධය අවසන් වීමෙන් පසුව CEPA ආයතනය කළ පර්යේෂණවලින් නිරන්තරව අවධාරණය කර ඇත්තේ ණයගැති භාවය වර්ධනය වෙමින් පවතින බව සහ කාන්තා ණය ගැනුම්කරුවන්ට හා ඔවුන්ගේ පවුල්වලට ඉන් සිදුවන බලපෑමයි. මෙම අධ්‍යයනය සිදු කරන ලද්දේ මීට පෙර සිදුකල පර්යේෂණයන්හි අනාවරණයන් ද තමන් සූරා කන ආයතන බවට බහුවිධ මූල්‍ය ආයතන පිළිබඳව මහජනයා අතර පවත්නා හැඟීම සහ පවත්නා රෙගුලාසි වෙනස් කිරීම සඳහා ශ්‍රී ලංකා විසින් සිදු කරන කටයුතු ද සැලකිල්ලට ගනිමිනි. පර්යේෂණයේ අරමුණ වන්නේ ක්ෂුද්‍ර ණය ක්‍රියාවලිය සිදුවන්නේ කෙසේද යන්න සහ බොහෝ දුරට කාන්තාවන්ගෙන් සමන්විත වන සේවලාභී පදනමට එම භාවිතයන් බලපාන ආකාරය වඩාත් හොඳින් අවබෝධ කරගැනීමයි.

කාන්තා ණය ගැනුම්කරුවන්ගේ අත්දැකීම්වලට මුල් තැන දිය යුතු බව පිළිගනිමින් මෙම අධ්‍යයනයේ දී ගුණාත්මක ප්‍රවීණතා සහ යොදා ගනු ලැබේ. ඒ අනුව කාන්තාවන් මෙම ක්ෂුද්‍ර මූල්‍ය භාවිතයන් අත්දැකූ ආකාරය පිළිබඳ තොරතුරු රැස් කිරීම සඳහා සවිස්තරාත්මක සම්මුඛ සාකච්ඡා පැවැත්විණ. තක්සේරු කිරීමේ වාරිකාවක නිරතව දත්ත රැස් කර ගන්නා ලද්දේ මොණරාගල, මුලතිවු හා මඩකලපුව යන දිස්ත්‍රික්ක තුනෙහි ජීවත් වන කාන්තා ණය ගැනුම්කරුවන්ගෙනි. මීට අමතරව ජාතික හා ප්‍රාදේශීය මට්ටමේ අදාළ රජයේ පාර්ශ්වකරුවන් කිහිප දෙනෙකු සහ ක්ෂුද්‍ර මූල්‍ය ආයතනවල නියෝජිතයන් කිහිප දෙනෙකු සමග ද සම්මුඛ සාකච්ඡා පවත්වනු ලැබිණ.

සාමාන්‍යයෙන් ක්ෂුද්‍ර ණය සම්පාදනය කරන්නේ ණය වෙත ප්‍රවේශය සලසා දීමෙන් කාන්තාවන්ට සහ ඔවුන්ගේ පවුල්වලට දරිද්‍රතාවෙන් ගැලවීමට මගක් සම්පාදනය වන්නේය යන අදහස මතය. ක්ෂුද්‍ර ණය මගින් ක්ෂුද්‍ර ව්‍යවසායක් ආරම්භ කිරීමට කාන්තාවන්ට සහාය වන අතර ඉන් ලැබෙන ආදායමෙන් ඔවුන්ගේ පවුල් සාමාජිකයන්ගේ, විශේෂයෙන්ම දරුවන්ගේ, පරිභෝජන, අධ්‍යාපන හා සෞඛ්‍ය අවශ්‍යතා සැපයීමට ඇතැයි අපේක්ෂා කෙරේ. එහෙත් එකම ණය ගැනුම්කරුවන් පිරිසක් වෙත ළඟා වීම සඳහා ණය දෙන්නන් අතර ඇති වන තියුණු තරඟය නිසා මෙම මූලික මූලධර්ම ගිලිහී යමින් පවතී. පර්යේෂණය මගින් අනාවරණය වූයේ බහුවිධ මූල්‍ය ආයතන කෙටි කාල සීමාවක් තුළ ණය ලබාදීම සඳහා නොවිධිමත් ක්‍රම යොදා ගන්නා බව යි.

දිස්ත්‍රික්ක තුනේදීම පැහැදිලි වූයේ මේ වන විට ක්‍රියාත්මක වන බහුවිධ මූල්‍ය ආයතනවලින් බහුතරය මහ බැංකුවේ ලියාපදිංචි බැංකු නොවන මූල්‍ය ආයතන බවයි. මොණරාගල දී ඊට පරිබාහිර අවස්ථා කිහිපයක් දක්නට ලැබුණු අතර ප්‍රාදේශීය, පෞද්ගලික ක්‍රියාත්මක බහුවිධ මූල්‍ය ආයතන ඉහත කී ආයතනවලට සමාන වැදගත්කමක් අත් කර ගෙන ඇත. බහුවිධ මූල්‍ය ආයතන ප්‍රජාව තුළ ආයතන මට්ටමින් පෙනී නොසිට ඒ ඒ ප්‍රජාවේ එක් කාන්තාවක නියෝජිතයෙකු ලෙස පත් කරගෙන ඇයගේ නිවස රැස්වීමේ හා ණය එක්රැස් කිරීමේ මධ්‍යස්ථානයක් බවට පත්කරගැනීමට කටයුතු කරයි. වර්තමානයේ ක්‍රියාත්මක වන ආකෘතියේදී කණ්ඩායම් ගොඩ නැගීමට සහ කණ්ඩායමක් ලෙස වගකීමට ප්‍රධාන තැන හිමි වන නමුත් ණය ලබා දීම සඳහා නියෝජිත කාන්තාවන් විසින් තෝරා ගැනෙන්නේ කණ්ඩායම තුළ සිටින ණය ආපසු ගෙවීමේ මනා ඉතිහාසයක් සහිත සාමාජිකයන් බැවින් නියෝජිතයන් මුහුණ දෙන අවදානම් අවම වන නමුත් ප්‍රජාව තුළ සිටින වඩාත් දුප්පත් කාන්තාවන් කොන් වී යාමට එය වක්‍රාකාරයෙන් හේතුවේ. ඉදිරිපත් කළ යුත්තේ ලියකියවිලි ස්වල්පයක් වීම සහ සේවලාභීන්ගේ ණය ගැනීමේ ඉතිහාසය සොයා දැන ගැනීම සඳහා මූලාශ්‍ර කිහිපයක් පමණක් පරීක්ෂා කිරීම නිසා කාන්තාවන්ට ඉතාම කෙටි කාල සීමාවක් තුළදී ණය ලබාගැනීමට හැකියාව ලැබේ. සමහර අවස්ථාවල දී මීට පෙර ණය ලබාගෙන තිබෙන කාන්තාවකට ඒ සඳහා ගත වන්නේ දින තුනකටත් අඩු කාලයකි. එපමණක් නොව ණය පෝරම හැමවිටම ණය ගැනුම්කරුවන්ගේ මව් භාෂාවෙන් නොසැපයෙන නිසා ඔවුන් ණය පහසුකමට අදාළ මූලික කොන්දේසි අවබෝධ කර ගැනීම වැළකී යයි. ණය වාරික ආපසු ගෙවීමේ කාල සටහන පිළිබඳව දන්නා නමුත් බහුවිධ මූල්‍ය ආයතනය විසින් අය කෙරෙන පොලී අනුපාතිකය පැවසීමට කාන්තාවන් අසමත් වීමෙන් මේ බව පැහැදිලි වේ.

නිලධාරීන් කවර හෝ පරීක්ෂාවක් නොකිරීමද හේතු කොට ගෙන තම දරුවන්ගේ සෞඛ්‍ය හා අධ්‍යාපන අවශ්‍යතා සපුරා ගැනීමේ සිට අවමගුල් හා වැඩිවිය පැමිණීමේ උත්සව සඳහා මුදල් සොයා ගැනීම දක්වා විවිධ පරිභෝජන හා ආයෝජන නොවන වියදම් පියවා ගැනීම පිණිස කාන්තාවෝ වඩ වඩාත් ණය ගනිති. මේ නිසා පොලී හා ණය ආපසු ගෙවීම සම්බන්ධයෙන් බරපතල ප්‍රශ්න මතු වේ. කාන්තාවන් කෙසේ හෝ සිය ණය ආපසු ගෙවන බව පෙනී ගිය නමුත් ඔවුන් ණය ආපසු ගෙවන්නේ තම පරිභෝජනය අඩු කිරීමෙන්, රන් ආභරණ උකස් කිරීමෙන් සහ මිතුරන්, ඥාතීන් හා නොවිධිමත් ණය දෙන්නන්ගෙන් මුදල් ණයට ගැනීමෙනි. බහුවිධ මූල්‍ය ආයතනවල නිලධාරීන් ප්‍රාදේශීය ප්‍රජාවට පිටස්තරයන් වුවත් ණය ආපසු ගෙවන ලෙස බල කිරීමේ දී දැඩිව ක්‍රියා කරති. වාචිකව බැණ වැදීම, හිඟ මුදල් ගෙවා අවසන් වනතුරු ණය එක්රැස් කිරීමේ මධ්‍යස්ථානයෙන් පිටව යාමට කාන්තාවන්ට ඉඩ නොදීම සහ ණය ආපසු ගෙවන තුරු කාන්තා ණය ගැනුම්කරුවන්ගේ නිවාසවලින් පිටව යාම ප්‍රතික්ෂේප කිරීම ආදී ස්වරූපයන්ගෙන් නැවත ණය කුමන අයුරකින් හෝ ලබාගැනීමට ඔවුහු කටයුතු කරති.

මෙම සියලු භාවිතයන් නිසා ණය ලබාදෙන්නන්ට මුහුණ දීම සඳහා තව තවත් ණය ගැනීමට කාන්තාවන්ට සිදුවන බව පැහැදිලිය. ණය ගැනීමේ පහසුව සහ පසුබිම් පරීක්ෂාවක් සිදු නොවීම නිසා විවිධ බහුවිධ මූල්‍ය ආයතන විසින් ස්ථාපනය කරන ලද කාන්තා කණ්ඩායම්වලට එක්ව විවිධ ආයතනවලින් ණය ගැනීමට ඔවුන්ට අවස්ථාව සැලසේ. මෙලෙස ණය කිහිපයක් ආපසු ගෙවීමට සිදු වන විට කාන්තාවන් සතු සුළු ඉතිරි කිරීම් හා රන් ආභරණ ආදිය ද අහිමි වී යයි. වඩාත් කණගාටුදායක කරුණ වන්නේ ණය ආපසු ගෙවීමට ප්‍රමුඛත්වය දිය යුතු නිසා සිටිටු වැනි සාම්ප්‍රදායික ඉතිරි කිරීම් ක්‍රම අනුගමනය කිරීමට ඔවුන්ට නොහැකි වීමයි. මෙලෙස අධිල ලෙස ණය වීම නිසා පවුල් තුළ ගැටුම් ඇතිවන අතර ණය වාරිකය ආපසු ගෙවන තුරු නිලධාරීන් නිවසින් පිටව යාම ප්‍රතික්ෂේප කරන විට දරුවෝ අපහසුතාවට හා මානසික කම්පනයට පත් වෙති. ප්‍රජා මට්ටමේ දී සාමූහිකව වගකීමේ මූලධර්මය නිසා කාන්තාවන් මුහුණ දෙන පීඩනය ගැටුම්වලට තුඩු දෙයි. මෙය කාන්තාවන් අතර පවත්නා ඒකාබද්ධතාව බිඳ දමන අතර බිඳ දැමීමට තර්ජනය කරයි. එසේ ම මෙම පෞද්ගලික ආයතන ක්‍රියාකාරීත්වය සීමා කිරීම සඳහා පළාත් පාලන නිලධාරීන් කරන මැදිහත්වීම් නිසා නිලධාරීන් හා කාන්තාවන් අතර ගැටුම්ද ඇතිවී තිබේ. ප්‍රජා සමූහකරණ මණ්ඩලවල පැමිණිලි ගොඩ ගැසී ඇත. සමහර අවස්ථාවල මේ ගැටුම් පොලීසියේ පිහිට පනත මට්ටමට ද වර්ධනය වේ. එපමණක් නොව DS-4 සහතිකය නිකුත් කිරීමට සිදු වන නිසා ග්‍රාම නිලධාරීහු ද මෙම ගැටුම්වලට මැදි වෙති.

මෙවැනි ගැටලු තිබියදීත් කාන්තාවෝ බහුවිධ මූල්‍ය ආයතනවලින් දිගින් දිගට ම ණය ගනිති. ඊට බොහෝ දුරට හේතු වී ඇත්තේ වැඩි කැමැත්තක් දක්වන රාජ්‍ය බැංකුකරණ පද්ධතිය වෙත ප්‍රවේශ වීමේ දී ඔවුන් මුහුණ දෙන අභියෝගයන්ය. සාම්ප්‍රදායිකව ක්ෂුද්‍ර ණය සම්පාදනය කරන ප්‍රජා පාදක සංවිධාන හා ප්‍රාදේශීය රාජ්‍ය නොවන සංවිධාන ප්‍රවලිත නොවීම හෝ එවැනි සංවිධාන නොමැතිකම නිසා මෙම තත්ත්වය තව දුරටත් උග්‍ර වන අතර පෞද්ගලික බහුවිධ මූල්‍ය ආයතන ප්‍රජාව තුළ පවත්නා ප්‍රායෝගික විකල්ප කිහිපයෙන් එකක් බවට පත් වේ.

බොහෝ කාන්තාවන් සහ ඔවුන්ගේ පවුල් යැපුම් කෘෂිකර්මයෙහි නිරතවන අතර ස්ථාවර ආදායම් මූලාශ්‍රයක් සම්පාදනය කරන විධිමත් රැකියා අවස්ථා වෙත ඔවුන්ට ප්‍රවේශයක් නැති තරම්ය. එහෙත් කුටුම්භ වියදම් දිගින් දිගටම වැඩි වන අතර එය කෙසේ හෝ සපුරා ගත යුතුවේ. එවැනි තත්ත්වයක් තුළදී ක්ෂුද්‍ර ණය දීම ආශ්‍රිතව සිදු වන කතිකාව කාන්තාවන් මූල්‍යමය වශයෙන් ඇතුළත් කර ගැනීම හා බල ගැන්වීම වැඩි දියුණු කිරීම කෙරෙහි පමණක් නොව ක්ෂුද්‍ර ණය භාවිතයන් නිසා කාන්තාවන් අත්දකින යථාර්ථයන් පිළිබඳව වඩාත් සියුම් හා පුළුල් අවබෝධයක් අත් කර ගැනීම කෙරෙහි ද යොමු වීම වැදගත් වේ. ඒ හා සමානව වැදගත් තවත් කරුණක් වන්නේ දීර්ඝ කාලීනව පවත්වා ගෙන යා නොහැකි ණය දීමේ ක්‍රම අනුගමනය කරන බහුවිධ මූල්‍ය ආයතන වඩාත් ම මැනවින් නියාමනය කළ හැකි වන්නේ කෙසේ ද යන්න පිළිබඳව විධිමත්ව සලකා බැලීමයි.

நிறைவேற்றுச் சுருக்கம்

அரசு தலையீடுகளினூடாக பல்வேறு கட்டங்களாக நுண்கடன் வழங்கலுக்கு ஆதரவளிக்கப்பட்டு வருவதால், இலங்கையைப் பொறுத்த வரையில் இது ஒரு புதிய விடயமல்ல. இருப்பினும், பெண்கள் மீதான நிதிச்சுமை மட்டுமல்லாது பாரிய விளைவுகளைக் கொண்ட ஒரு சமூகப் பிரச்சினையாகவும் காணப்படுகின்ற இத்தகைய கடன் வழங்கலின் குறைபாடுகள் குறித்து தாமதமாகவே கேள்வி எழுப்பப்பட்டுள்ளது. குறிப்பாக யுத்தத்தினால் பாதிக்கப்பட்ட வடக்கு மற்றும் கிழக்கு மாகாணங்களில் உள்ள நுண்நிதி நிறுவனங்களின் பெருக்கம் தொடர்பாக அதிக கவனம் செலுத்தப்பட்டது.

யுத்தம் நிறைவடைந்ததில் இருந்து, அதிகரித்து வரும் கடன், கடன் பெறுகின்ற பெண்கள் மற்றும் அவர்களின் குடும்பங்கள் மீது அவை ஏற்படுத்துகின்ற தாக்கம் குறித்து வறுமை ஆராய்ச்சி நிலையமானது தனது சொந்த ஆய்வுகளினூடாக தொடர்ச்சியாக சுட்டிக்காட்டியது. சுரண்டலை மேற்கொள்ளும் நிறுவனங்களாகவே பல் நிதி நிறுவனங்களை (MFIs) கருதுகின்ற பொதுமக்களின் கண்ணோட்டம் மற்றும் தற்போதுள்ள ஒழுங்குமுறைகளில் மாற்றங்களை ஏற்படுத்துவதற்காக இலங்கை அரசாங்கத்தினால் மேற்கொள்ளப்படும் பரபரப்பான நடவடிக்கைகள் போன்ற கண்டறிவுகளை வெளிப்படுத்துவதற்காக இத்தகைய ஆய்வுகள் நடாத்தப்பட்டன. இத்தகைய செயல்முறைகள் பெரும்பாலான பெண் வாடிக்கையாளர்களை எவ்வாறு பாதிக்கின்றன என்பதையும், நுண்நிதி கடன் வழங்கல் செயல்முறைகளையும் சிறந்த முறையில் புரிந்துகொள்ளுவதை இது நோக்கமாக கொண்டுள்ளது.

கடன் பெறும் பெண்களின் அனுபவத்தை முன்னுரிமைப்படுத்த வேண்டியதின் அவசியத்தை அங்கீகரிக்கும் பொருட்டு, இத்தகைய நுண்நிதி கடன் நடைமுறைகள் தொடர்பாக பெண்கள் எவ்வாறான அனுபவத்தினை பெற்றுள்ளனர் என்பது குறித்த தகவல்களை பெற்றுக்கொள்வதற்கு இந்த ஆய்வானது ஆழமான நேர்காணல்களை உள்ளடக்கிய ஒரு பண்புசார் அணுகுமுறையை பயன்படுத்தியது. மொனராகலை, முல்லைத்தீவு மற்றும் மட்டக்களப்பு போன்ற மாவட்டங்களில் வாழும் கடன் பெற்ற பெண்களிடம் இருந்து தரவு சேகரிக்கப்பட்டது. மேலும், நுண்நிதி நிறுவனங்களைச் சேர்ந்த ஒரு சில பிரதிநிதிகளுடன் இணைந்து இதனோடு தொடர்புடைய தேசிய மற்றும் பிராந்திய மட்டத்திலான பல்வேறு அரசு பங்குதாரர்களுடன் நேர்காணல்கள் மேற்கொள்ளப்பட்டன.

பொதுவாக நுண்நிதிக்கடன் வழங்கலானது, பெண்கள் தம்மை தற்காத்துக்கொள்ளவும் அதன் மூலம் அவர்களின் குடும்பங்கள் வறுமையில் இருந்து விடுபடவும் உதவக்கூடிய கடனைப் பெற்றுக்கொள்ள அனுமதிக்கும் செயல்முறையினை அடிப்படையாகக் கொண்டுள்ளது. இந்த நுண்கடனானது, பெண்கள் அவர்களது குடும்ப உறுப்பினர்களின் குறிப்பாக குழந்தைகளின் நுகர்வு, கல்வி மற்றும் சுகாதார தேவைகளை பூர்த்தி செய்யும் வகையில் வருமானத்தை பெற்றுக்கொள்ளக்கூடிய ஒரு சிறு நிறுவனத்தை நிறுவுவதற்கு உதவுகின்றது. ஆனால் ஒரே மாதிரியான கடன் பெறுபவர்களை அடைந்துகொள்வதற்கு கடன் வழங்குபவர்கள் மத்தியில் அதிகளவான போட்டி நிலவுவதால் அடிப்படை கொள்கைகள் சிதைவடைகின்றன. ஒரு குறுகிய கால இடைவெளியில் கடன் பெறுபவர்களுக்கு கடனை வழங்குகின்ற நுண்நிதி நிறுவனங்களால் பின்பற்றப்படுகின்ற குறுக்கு வழிகளை கண்டறிவுகள் சுட்டிக்காட்டுகின்றன.

மூன்று மாவட்டங்களிலும் தற்போது செயற்படுகின்ற பெரும்பாலான நுண்நிதி நிறுவனங்களாவை, மத்திய வங்கியில் பதிவு செய்யப்பட்ட வங்கியல்லாத நிதி நிறுவனங்களாகும். மொனராகலை மாவட்டத்தில் ஒரு சில விதிவிலக்குகள் குறிப்பிட்டு காட்டப்பட்டுள்ளன அதாவது, இங்கு பிராந்திய மற்றும் தனியார் நுண்நிதி நிறுவனங்கள் குறிப்பிடத்தக்களவு சமமாக பராமரிக்கப்பட்டுள்ளன. பௌதிகரீதியான எந்தவொரு இருப்புமின்றி, இத்தகைய நுண்நிதி நிறுவனங்கள் ஒவ்வொரு சமூகத்திலும் மைய புள்ளியாக விளங்குகின்ற பெண்களையே நம்பியுள்ளதோடு அவர்களின் வசிப்பிடமானது அவர்களுக்கிடையில் சந்திப்புக்களை மேற்கொள்கின்ற மற்றும் நிதி சேகரிப்பினை மேற்கொள்கின்ற நிலையமாக மாற்றமடைந்துள்ளது. தற்போது மாதிரி செயற்பாடுகள் எவ்வாறு உள்ளன என்பதற்கு குழு அமைப்பும், அவற்றின் கடப்பாடும் மையமாக அமைகின்ற அதேவேளையில், கடன் பெறுவதால் ஏற்படக்கூடிய ஆபத்துக்களை குறைக்கின்ற வகையில் முன்னெச்சரிக்கையாக கடனை திரும்பச் செலுத்தக்கூடியவர்களையே குழு உறுப்பினர்களாக தேர்ந்தெடுக்கின்ற போதிலும், சமூகத்திலுள்ள வறிய பெண்கள் ஒதுக்கப்படுவதற்கு இது மறைமுகமாக வழிவகுக்கின்றது. ஒரு சில ஆவணங்களையே சமர்ப்பிக்க வேண்டியிருப்பதாலும், வாடிக்கையாளர்கள் ஏற்கனவே பெற்றுள்ள கடன் குறித்து உறுதிப்படுத்துவதற்கு ஒரு சில குறுக்கு விசாரணைகளே மேற்கொள்ளப்படுவதாலும் ஏற்கனவே கடன் பெற்றுள்ள பெண்களும் கூட மிகக்குறுகிய காலப்பகுதிக்குள் அதாவது, மூன்று நாட்களுக்கும் குறையாத காலப்பகுதிக்குள் கடன்களை பெற்றுக்கொள்ள முடிகின்றது. கடன் பெறுபவர்கள் கையொப்பமிட வேண்டிய படிவங்கள் மற்றும் கடன்

பெறும்போது மேற்கொள்ளப்பட்ட விலக்குகள் தொடர்பான தகவல்கள் பல சந்தர்ப்பங்களில் கிடைக்கக்கூடியதாக இல்லை. மேலும், படிவங்கள் எப்போதும் அவர்களின் சொந்த மொழிநடையில் இல்லாததன் காரணமாக கடன் வசதிகள் குறித்த அடிப்படை நிபந்தனைகளை அவர்களால் புரிந்துகொள்ள முடிவதில்லை. பெண்கள் தவணை முறையில் பணத்தை மீளச்செலுத்தக்கூடியவர்களாக இருப்பினும் நுண்ணிதி நிறுவனங்களால் விதிக்கப்படுகின்ற வட்டி வீதத்தை செலுத்த முடியாத நிலையில் இருக்கின்றார்கள் என்பதை அவதானிக்க முடிகின்றது.

அதிகாரிகளால் எந்தவொரு பரிசோதனைகளும் முன்னெடுக்கப்படாததால், பெண்கள் தமது நுகர்வுத் தேவை, முதலீடுகளற்ற செலவுகள், அவர்களது குழந்தைகளின் கல்வி மற்றும் சுகாதார தேவைகள் போன்றவற்றைப் பூர்த்தி செய்வதற்கும், இறுதிச் சடங்குகள் மற்றும் பூப்புனித நீராட்டு விழா போன்றவற்றுக்கு தேவையான நிதியினைப் பெற்றுக்கொள்ளவதற்கும் அதிகளவில் கடன் பெறுகின்றனர். இது கடனை மீளச் செலுத்துதல் குறித்த கவலையை அதிகரிக்கின்றது. பெண்கள் தமது கடன்களை "எப்படியாவது அல்லது வேறெந்த வழியிலாவது" மீளச் செலுத்துகின்ற போது, அவர்களது நுகர்வினை தியாகம் செய்தல், தங்க நகைகளை அடகு வைத்தல், நண்பர்கள், உறவினர்கள் மற்றும் முறைசாரா கடன் வழங்குபவர்களிடம் இருந்து கடன் பெறுதல் போன்றவற்றில் ஈடுபடுகின்றனர். உள்ளூர் சமூகத்திற்கு அந்நியர்களாக இருக்கின்ற போதிலும், நுண்ணிதி நிறுவன அதிகாரிகள் சக்திவாய்ந்த நிர்வாகிகளாக செயல்படுகின்றனர். வாய்மொழி மூல துஷ்பிரயோக வடிவில் நுட்பமானதும் வெளிப்படையானதுமான அச்சுறுத்தலானது, கடன் பெற்ற அனைவரும் "கடனை திருப்பிச் செலுத்தும்" வரை பணம் வசூலிக்கும் நிலையத்தில் இருந்து செல்வதற்கு அனுமதிக்கப்படுதில்லை அத்தோடு கடன் பெற்ற பெண்களின் வீடுகளிலிருந்து செல்ல மறுப்பது பெண்கள் அவர்களது கடன்களை மீளச்செலுத்துத்துவதற்கு பயன்படுத்தப்படுகின்ற பொதுவான உத்தியாகும்.

எனவே இத்தகைய செயற்பாடுகள் கடன் கொடுத்தவர்களிடம் இருந்து விடுபடுவதற்காக பெண்களை மேலும் பல கடன்களைப் பெற்றுக்கொள்ளும் நிலைக்கு தள்ளுகின்றன. இலகுவாக கடனைப் பெற்றுக்கொள்ளக்கூடியதாகவும், அவர்களது பின்னணி குறித்து போதுமான விசாரணைகள் மேற்கொள்ளப்படாததன் காரணமாகவும் அவர்கள் பல்வேறுபட்ட நுண்ணிதி நிறுவன குழுக்களுடன் இணைந்து பல நிறுவனங்களிடம் இருந்து கடன்களைப் பெற்றுக்கொள்வதற்கு அனுமதிக்கப்படுகின்றன. பெற்றுக்கொண்ட பல கடன் வசதிகளை மீளச் செலுத்துவதற்கு பெண்களின் சிறு சேமிப்புகள் மற்றும் (தங்க நகைகள் வடிவிலான) சொத்துகள் அழிக்கப்படுகின்றன. கடன்களை மீளச் செலுத்துவதற்கு முன்னுரிமை அளிக்க வேண்டிய தேவை இருப்பதன் காரணமாக சீட்டு போன்ற பாரம்பரிய சேமிப்பு முறைகளில் அவர்களால் ஈடுபட முடிவதில்லை. குறிப்பாக தவணைப் பணத்தை பெற்றுக்கொள்ளும் வரை கடன் பெற்றவரின் வீட்டிலிருந்து அதிகாரிகள் செல்ல மறுக்கின்ற போது, குடும்பத்தில் அவர்களது கணவன்மார்கள் மற்றும் குழந்தைகளுடன் ஏற்படுகின்ற நெருக்கடி நிலைமைகளால் அசௌகரியத்தையும், மனவுளைச்சலையும் அனுபவிக்க வேண்டியுள்ளதாக கடன் பெற்ற பெண்கள் தெரிவித்தனர். சமூக மட்டத்தில், கூட்டு உத்தரவாத கொள்கை மூலமாக பெண்கள் மீது ஏற்படுத்தப்படுகின்ற அழுத்தமானது நெருக்கடிகளுக்கு வழிவகுக்கின்றது. இது பெண்கள் மத்தியில் காணப்படுகின்ற ஒற்றுமையை சீர்குலைப்பதாகவும் அச்சுறுத்துவதாகவும் அமைகின்றது. அதேபோல், சமூகங்களில் இத்தகைய தனியார் நிறுவனங்களின் ஊடுருவலை தடுப்பதற்காக அரசாங்க அதிகாரிகளால் மேற்கொள்ளப்படும் தலையீடுகள் நுண்ணிதி நிறுவன அதிகாரிகள் மற்றும் கடன் பெற்ற பெண்களுக்கிடையில் நெருக்கடிகளை ஏற்படுத்தியுள்ளது. இப்பிரச்சினை குறித்து காவல்துறையினரையும் அணுகுகின்ற அதேநேரத்தில் இது குறித்து பெறப்பட்ட முறைப்பாடுகளினால் சமூக மத்தியஸ்த சபைகள் பெருஞ்சுமைக்கு ஆளாகியுள்ளன. மேலும், கிராம உத்தியோகத்தர்கள் DS-4 சான்றிதழ்களை வழங்கவேண்டியுள்ளதால் பல வழிகளில் சிக்கல்களை எதிர்போக்கியுள்ளனர்.

இத்தகைய பிரச்சினைகள் இருந்த போதிலும், பெண்களின் முதல் தெரிவாக இருக்கின்ற அரசினால் நடாத்தப்படுகின்ற வங்கி முறைமையினை அணுகுவதில் ஏற்பட்ட சவால்கள் காரணமாக தனியார் நுண்ணிதி நிறுவனங்களிடம் இருந்து அவர்கள் தொடர்ந்தும் கடனைப் பெற்று வருகின்றனர். பாரம்பரியமாக சிறு கடன்களை வழங்குகின்ற சமூக அடிப்படையிலான நிறுவனங்கள் மற்றும் உள்ளூர் அரச சார்பற்ற நிறுவனங்கள் இல்லாததன் காரணமாக அல்லது அத்தகைய நிறுவனங்கள் சிறுகடன் வழங்கும் திட்டத்தை புறக்கணிப்பதன் காரணமாக இந்நிலை மேலும் தீவிரமடைகின்றது, இதனால் கடன் பெறுவதற்கு தனியார் தலைமையிலான நுண்ணிதி நிறுவனங்களே சமூகத்தில் மாற்று வழிமுறையாக காணப்படுகின்றன.

பெரும்பாலான பெண்கள் மற்றும் அவர்களது குடும்பங்கள் விவசாயத்தில் ஈடுபட்டுள்ளதோடு நிலையான வருமானத்தை தரக்கூடிய முறைசார் வேலைவாய்ப்புகளை அணுகுவதற்கான சந்தர்ப்பம் குறைவாகவே காணப்படுகின்றது. எவ்வாறிருப்பினும், குடும்ப செலவுகள் தொடர்ந்தும் அதிகரிப்பதோடு எப்படியாவது அவை பூர்த்தி செய்யப்படுகின்றன. இத்தகைய ஒரு சூழ்நிலையில், நுண்கடன் நடைமுறைகளினூடாக பெண்கள்

அனுபவிக்கின்ற உண்மை நிலைமைகளை மேலும் நுட்பமாகவும் ஆழமாகவும் புரிந்துகொள்வதற்கு, பெண்களையும், நிதி சேகரிப்பினையும் ஊக்குவிக்கின்ற ஒரு விடயமாக நுண்நிதிக்கடனை பார்ப்பதில் இருந்து விலகி சிந்திப்பது அவசியமாகின்றது. அதேபோல, நீடித்து நிலைத்திருக்கக்கூடிய கடன் வழங்கும் நடைமுறைகளை கொண்டிருக்காத நுண்நிதி நிறுவனங்களை எவ்வாறு சிறந்த முறையில் ஒழுங்குபடுத்துவது குறித்து கருத்தில் கொள்ள வேண்டியதும் அவசியமாகின்றது.

Introduction

In Sri Lanka, the euphoria surrounding the ability of microcredit to enable the poor to borrow and thus, access financial services is increasingly brought into question. To its proponents, it is seen as a viable strategy to reduce poverty by increasing access to financial services. Critics, however, argue that the micro-credit sector is increasing debt by incentivising unsustainable levels of borrowing. With the Government of Sri Lanka (GoSL) seeking to strengthen financial inclusion (Central Bank of Sri Lanka (CBSL) Annual Report 2017, 281; Daily Mirror, March 2018), it is important to unpack and understand this rising discontent with microcredit, especially in light of the proliferation of Microfinance Institutes (MFIs) in Sri Lanka. It is in this light that the Centre for Poverty Analysis (CEPA) conducted this study specifically focusing on the practices adopted by the MFIs in micro-lending and their effects on the female borrowers.

Current Context in Sri Lanka with regard to Microfinance

Microfinance has become a mainstay in the Sri Lankan financial landscape. According to the Lanka Microfinance Practitioners' Association (LMFPA), data gathered from 37 MFIs for 2017/18, indicates over 2.8 million active borrowers (of which over 2.4 million are women) with a total loan portfolio of Rs. 94 billion rupees. These MFIs also serve over 2.4 million depositors and hold deposits to the value of Rs. 33,249,899,424 (LMFPA, 2018a). However, the data does not reflect the ground reality as a large number of MFIs, by some estimates amounting to thousands (Kongovi and Sinha, n.d.) operate beyond the purview of any regulatory body.

The expansion of the microfinance sector as a possible lender has simultaneously given rise to concerns about mounting debt and the inability of poor women, specifically those living in the North and the East (i.e. directly war-affected) to service their credit. Debt-related suicide is reported frequently in the media with a few garnering international media attention (Srinivasan, 2017). One of the first signs of problems associated with microcredit arose from Batticaloa, where the then District Secretary, took the unprecedented step of issuing restrictions on micro-lending by private MFIs including the imposition of a cap on interest rates. Although these conditions were later withdrawn, guidelines have been issued instead to tackle the social issues related to microcredit lending, especially to curtail the presence of male MFI officers in the local communities in the evenings.

Nationally, the fear of debt traps has caught the attention of the government. In the latter part of 2017, following a visit to the North, the Governor of the Central Bank stated the consideration of a "mixture of responses" to counter rising debt concerns. This included a moratorium, increasing the maturity of loans and an exploration of the reduction or a cap on interest (Srinivasan, 2017). It was later reported that a six-month moratorium was issued for loans up to Rs. 50,000 obtained by Northern Province residents, following a visit by the Minister of Finance and the Governor of the Central Bank in April 2018 (Razak, April 2018; Rubatheesan, July 2018). However, subsequent media reports indicate that people remain unaware of this declaration (Rubatheesan, July 2018).

In August 2018, the Finance Minister announced a debt moratorium targeting women who had accrued loans less than 100,000 rupees, making some 75,000 women eligible for this 'relief'. To be implemented in 12 districts¹ adversely affected by the drought, the initial phase was to be rolled out by 1 September 2018. This would target women who had borrowed less than 100,000 rupees prior to 30 June, 2018, at an interest rate of over 35 percent and were unable to repay the installments for three months or more. Recognising that women were multiple borrowers, the capital of the largest loan was to be eligible under the moratorium (EconomyNext, 02 August 2018). It is unclear if this programme was indeed successful in supporting the clients of these MFIs.

¹ The districts identified are Trincomalee, Ampara, Batticaloa, Jaffna, Mullaitivu, Killinochchi, Vavuniya, Mannar, Kurunegala, Puttalam, Anuradhapura and Polonnaruwa (Official Government News Portal of Sri Lanka (25 July 2018).

In the face of rising accusations against the MFIs, the LMFPFA launched a Code of Conduct for its 76-strong member group in the latter part of 2018. It seeks to reduce indebtedness by such measures as ensuring that only up to 40 percent of the household income is channelled towards loans and that any loan amount above 200,000 rupees will only be granted when 75 percent of existing loans are settled. The maintenance of transparency, loan disbursement and recovery practices, healthy competition and the quality of staff through periodic trainings, along with development of a feedback mechanism and information sharing are some of the other guidelines issued. Though self-regulatory, the LMFPFA will investigate any complaints lodged against the members and if found in violation, the MFI stands to lose its membership (LMFPFA, 2018b). How far this Code of Conduct would aid to “reign in” practices that are detrimental to both the borrowers and the sector as a whole, is unknown especially in light of the implementation of the Microfinance Act No. 06 of 2016.

While the introduction of the Act was welcomed in some quarters, the setbacks with regard to regulating the sector continue to persist. For instance, MFIs can choose to apply for a license or continue to operate but without mobilising savings (Tilakaratna and Sooriyamudali, 2016). While there is provision in the Act for the Monetary Board to impose an interest rate cap, its impact would be rather limited, especially if a majority of the MFIs can operate outside of the regulatory body. However, one of the protections that the regulation offers is safeguarding the deposits of the clients of the MFIs which successfully gain the license from the Central Bank. According to the CBSL, by the end of 2017, only nine applications were received for consideration of issuing a license. Interviews with the Central Bank officials last year also indicated that the anticipated number of licenses would not exceed 20 - a target stated elsewhere as well (Tilakaratna and Sooriyamudali, 2016).

When juxtaposed against the landscape of postwar socio-economic conditions, the implications of the exponential growth of the MFI sector cannot be ignored. Research conducted by CEPA in the north (Romeshun, Gunasekara, Munas, 2014) found that people increasingly rely on private finance and leasing companies to access credit since they lacked collateral to access financial services from state and commercial banks. Even where well-intentioned donor interventions attempted to ease the burden of debt – particularly in connection to housing construction – such efforts could not by itself, address the underlying concerns “...that are deeply linked to the broader structural issues of the political economy of the North” (Gunasekara, Najab and Munas, 2015, xi). A recently concluded study further elaborates the nexus between entrepreneurship and debt noted among women entrepreneurs in the East (Ranawana and Senn, 2019).

The impacts of unsustainable lending and outreach, however, extend beyond the directly war-affected regions. CEPA’s findings indicate that community mediation boards are burdened with resolving cases related to defaulting of microcredit loans by women borrowers (Munas and Lokuge, 2016). Furthermore, a commissioned study conducted in six districts found that women are increasingly seeking to work overseas as a means to “pay off” accrued microcredit debt (International Labour Organisation, 2018).

Despite these associated ‘problems’, the promotion of access to microcredit as a viable pathway out of poverty continues unabated. In the absence of critical analyses, questions regarding how such access can potentially lead to women being burdened with debt remain largely under-explored. Similarly, other questions also persist. How do MFIs balance the social missions with that of maximising profits? How have such MFIs adapted to differentiate themselves from the “pack” and thus remain competitive? And more importantly, despite the public discourse, why do women continue to borrow from sources of credit that are considered exploitative? This study tackles some of these questions by examining the microcredit practices adopted by the MFIs and how these impact the female borrowers.

The remaining sections of this paper provide a review of the global literature and those that have focused on Sri Lanka in order to position the study within the status quo of existing knowledge and details the methodology adopted for the study. Thereafter, the paper explores the practices adopted by MFIs in Sri Lanka, as viewed

through the experiences of women borrowers, the implications of such borrowings and why women continue to borrow. The paper concludes by reflecting on the implications to the women borrowers, the community at large and the MFI sector.

Microcredit and its Approach to Lending: A Review of the Literature

The promise of microcredit peaked in the early 2000s (Bateman, 2002), with the United Nations' declaration of 2005 as the International Year of Microcredit (United Nations, 2004). In 2006, Dr. Muhammad Yunus and the Grameen Bank were jointly awarded the Nobel Peace Prize "*for their efforts to create economic and social development from below*" (The Nobel Peace Prize, 2006.). Since then, however, its ability to be the panacea for poverty alleviation has stymied (Bateman, 2012; Duvendack Palmer-Jones, Copestake Hooper Loke and Rao, 2012).

Discourse and practice have also shifted away from the provision of mere micro-credit services to the offering of a more comprehensive package of financial services, encompassing, micro-savings, credit and insurance (Pomeranz, 2014). While micro-credit and micro-finance are at times used interchangeably, the differentiation is important, particularly in the Sri Lankan context, to understand the types of financial services offered to the poor. While literature on microcredit has captured many of these ebbs and flows, the general tendency is to assess microcredit's impact in supporting people move out of poverty (Fouillet, Hudon, Harriss-White & Copestake, 2013).

For the purpose of this study, the sections below discuss some of the general practices associated with microfinance and the growing body of work that questions the fundamental principles that governing microcredit. The section concludes by providing an overview of the fast-changing context in Sri Lanka in this regard.

Beyond the support of enterprises

Despite evidence that over-lending and over-borrowing by clients have resulted in microfinance crises arising in different parts of the globe (Cull and Morduch, 2017), the underlying practices of MFIs are rarely examined in depth. Instead, the major focus of the studies has been to assess the capacity of microfinance to alleviate or reduce poverty. The findings are mixed, as noted in several reviews; more recent studies have established that the outcomes are generally heterogeneous in nature; age, gender and income level of the borrowers matter just as changes in power structures within the community (Hudon and Sandberg, 2013, 565). A comprehensive, systematic review of the existent studies assessing the impact of microfinance lending has found no evident positive impact of such lending among borrowers (Duvendack et al., 2012, 75). Given these limits of impact assessments to capture the lived realities of the borrowers, there are growing calls to look at the practices embedded within the microfinance model. This, it is argued, would help throw light on how such microfinance practices are embedded within local institutions, how women discover and attach meanings to these processes and also on how they perceive empowerment (Guérin, Kumar and Agier, 2013, 76).

Since microfinance "*view...the poor as budding entrepreneurs, who, with access to formal financial services, would pull themselves out of poverty through business development, asset accumulation and wealth creation*" (Dichter, 2007 as quoted by Dey and Steyaert, 2010, 96), financing is generally targeted at small-scale enterprises. However, such capacity to strengthen or help expand these small-scale enterprises has been questioned (Bateman, 2012), with several studies indicating only moderate outcomes from accessing micro credit. But this singular understanding of microfinance as supporting enterprises itself is misplaced.

More recent studies show that credit facilities are considerably directed towards meeting household expenses (Cull and Morduch, 2017; Wichterich, 2012; Rankin 2002). Micro-credit, can in some instances, act as an asset that enables women to respond to gaps in consumption and in meeting health expenditure (Cull and Morduch, 2017).

However, since the focus has been on enterprise development and/or growth, there is adherence to the principle of group lending. Group liability is seen as a means of moderating the effects of issuing non-collateralised financing to the poor (Schuster, 2014, 568). In addition,

... clients have an incentive to screen other clients so that only trustworthy individuals with good projects are allowed into the program. In addition, clients have incentives to make sure that funds are invested well and that effort is exerted. Finally, repayment enforcement is enhanced as clients face both legal and peer pressure. Thus, by effectively shifting the responsibility of certain tasks from the lender to the clients, group liability claims to overcome information asymmetries typically found in credit markets especially for poor households without collateral (Gine and Karlan, 2014, 65).

Such joint liability does not always benefit the clients. For example, the fellow members have to bear the cost of any failures of the enterprise but not necessarily when such an enterprise succeeds (Fischer, 2013, 883). Similarly, it may disproportionately penalise the "good" clients who have to contribute towards the repayment of her "bad" colleagues, *"resulting in higher dropouts and the destruction of social capital among members..."* (Gine and Karlan, 2014, 73). Although in some instances, this has led the MFIs to promote individual borrowing, such changes are also effected within the structure of the 'loan societies' (Schuster, 2014). In instances where MFIs have experimented with promoting individual borrowings, the outcomes for the MFIs appear to be mixed, thus group liability continues to be a general principle adhered to, by the MFIs.

Authors like Rankin (2002) have also argued that group liability acts as a form of social collateral, *"by ensuring against default through social sanction and peer enforcement* (p. 12). While this may result in the re-negotiation of the social contract, this does not always generate positive outcomes, especially as such spaces *"can be oriented to serve the goal of capital accumulation* (Keating, Rasmussen and Rishi, 2010, 163). Furthermore, women will self-select the members for their group (along caste/class lines), thus excluding the poorest of the poor (Rankin, 2002).

Moreover, the principle governing group lending which views only positive outcomes through the establishment of an associational relationship has also been questioned, largely on the grounds that such rigorous peer-monitoring *"can generate an environment of hostility and coercion that in practice atomizes rather than unites them"* (Rankin, 2002, 16). Hence, what may initially look as a straight-forward attempt to collectivise the clients (mostly women) at the community level, can render much change within the social fabric, especially in how power relations and social contracts can be realigned along the lines of those who can and cannot access credit.

To enable the poor to access credit that is otherwise denied to them through the more formalised mainstream financial services, the MFIs generally charge comparatively higher interest rates. Though counter-intuitive in relation to the clientele of MFIs, this has been largely defended on the basis of the higher risks and costs involved in lending to the poor (Fernando, 2006; Hudon and Sandberg, 2013). The introduction of an interest ceiling is considered by some to be counterproductive (Fernando 2006), especially since MFIs in the Non-Governmental Organisations (NGO) sector has been largely subsidised by multilateral donors and the respective governments. A further defense is that MFIs offer a lower interest rate in comparison to informal lenders (Cull and Morduch, 2017). But the question of why the MFIs do not generally offer a receding interest rate on the existing capital continues to dog the industry.

The idea of facilitating access to finance to the poor has been undermined in some contexts through the imposition of external surveillance, especially through crosschecks carried out on the credit-worthiness of the women borrowers. In Paraguay, inclusion into the formal financial services *"is actually premised on the implicit – though rarely discussed – threat of permanent exclusion"*. When women are unable to repay the loan, they are prevented from accessing credit facilities from other financial institutes, a threat that the borrowers considered

a “horrifying prospect”. (Schuster, 2014, 572). While such cross-checks maybe common and can be helpful, the implications to the women borrowers can be dramatic – women were found to compromise on meeting their family needs in order to repay the loans somehow and stay ahead of being branded unworthy of credit.

This also raises the question of how clients service their credit. The repayment schedules are considered unsuitable for the agriculture sector in particular, as the grace period and the credit terms are considered too short:

No vegetable grows as fast as the farmer’s repayment schedule. And where women start selling eggs, running a food stall, collecting medicinal herbs and the like, there is a general tendency to repeat similar ventures, leading to market overkill. They soon must deal with excess supply and face predatory competition on local markets, rather than securing a stable and sustainable livelihood (Wichterich, 2017, 287).

Pushing people to begin repaying the loan soon after it is granted, without a grace period, also discourages investment in the long-run, disallowing the clients to aspire to long-term growth (Cull and Morduch, 2017). At the same time, the proliferation of MFIs and the open competition within the sector, adds pressure on the collectors who in turn, pressurise the borrowers to repay somehow, leading to accusations of harassment and exploitation (Maitrot, 2018). Rather than being transformative, research points to how the terms and conditions of the credit facilities may prevent women from repaying. One of the cumulative concerns raised, therefore, is that “MF not only has counter-productive economic effects but also reduces the durable social networks, social status and acquaintance of clients [who are] unable to repay. (Fouillet et al.,2013).

The targeting of women as a “favoured group” (Wichterich, 2017, 276), continues to hold sway within the sector. This is in spite of doubts raised on the viability of microcredit being empowering. In general, microcredit is viewed as a means of correcting a gendered injustice where women, in contrast to men, had few to no personal assets (Schuster, 2014). Lending to women was considered to carry long term effects as this would enable women (and their households) to ‘migrate’ out of poverty through engagement in small scale enterprises. Women are also generally considered to be more reliable in terms of repayment, leading to high repayment and lower default rates (Wichterich, 2017; Rankin, 2002). As noted by Bateman (2012) and Wichterich (2012), repayment as high as 98 percent was used as a ‘carrot’ to encourage investments into the sector.

Within the microcredit discourse, women are generally portrayed as ‘change agents’ who can change the direction of their households through such credit access. But the nexus of microcredit and empowerment has come in for much criticism, leading some to term such access as “empowerment debt” (Rankin, 2008). A core problem is that empowerment is narrowly defined to entail only economic ‘empowerment’ at the cost of sidelining the social, political and structural elements that impede women’s progress in general (Radhakrishnan and Solari, 2015; Wichterich, 2017; Rankin, 2002). Critics view microfinance advocates co-opting the empowerment rhetoric to enable capitalist accumulation (Keating, et al., 2010) leading to the notion that empowerment can now be easily resolved by market forces. The major concern is the failure to acknowledge the need for a multi-layered approach to addressing empowerment, in preference for market-oriented solutions (Radhakrishnan and Solari, 2015). Moreover, by treating women as a homogenous group, MF practices also fail to recognise that women’s “empowerment” is determined by the intersecting identities of caste, class, gender and the strength of their social network and kinship support, among many other factors (Guérin, Kumar and Agier, 2013, 76).

The criticisms also stem from an examination of the underlying premise of microfinance which positions the “poor as agents of their own survival” and “obscures the structural sources of inequality produced by the present political-economic conjuncture” (Rankin, 2002).

By firmly entrenching the core problem facing poor people as being their lack of assets, and the core solution being innovation to reduce credit market failure, it shifts attention away from other possibilities: that poverty is also borne of rampant inequality and of rotten relationships that are rife with coercion, discrimination exploitation, and powerlessness, for example (Copestake et al., 2015, 5).

The ideology of the “rational economic woman” (Rankin, 2001) therefore, is central to this notion of empowerment and is critiqued for being both top-down and ignoring the underlying structural factors that constrain women’s ability to be independent. At the same time, women are being told to be both economically independent while fulfilling their traditional role of daughter, wife and mother within the family (Keating, et al., 2010; Wichterich, 2017). Such an approach further entrenches gendered roles and hierarchies rather than challenging the status quo.

Beyond the concerns raised on the narrow definition of what constitutes empowerment, the extent to which microfinance can be ‘empowering’ is becoming more problematic in light of the commercialisation of micro-lending NGOs into profit-making MFIs (Fouillet et al., 2018). This has, rightly, raised fears that the social missions of the MFIs have been largely subsumed in preference for profit, resulting in a “mission drift” (Copestake, 2007). It is argued that the present-day MFIs engage in a trade-off that sidelines the social mission of microfinance in order to survive in a highly competitive, and at times, overcrowded sector (Hudon and Sandberg, 2013). Such transformations can have far-reaching repercussions:

“The predatory and fraudulent strategies and tactics developed by field-level staff to achieve the targets affect the social performance of the MFI in ways that contradict its stated social mission...[resulting in] a ‘practice drift’. These informal yet institutionalized practices shape client recruitment and follow-up, loan renewals, top-up loans and repayment collection procedures” (Maitrot, 2018, 4).

This transformation has led to increases in lending targets, adding pressure on the loan officers to meet unrealistic targets. Rather than extending services to the financially marginalised, loan officers ‘encourage’ the existing clients “to repay current debts by taking out new and bigger loans” thus leading to a “reworking of the existing debt relationship” (Fouillet et al., 2018). Loan officers thus perform a central role in linking the borrowers with the larger financial systems that operate beyond the reach of the local communities (Maitrot, 2018). But their role has not received much attention.

The few that do, illustrate how the nature of such relationships is informed by the process adopted in providing and accessing loans through the MFIs. In Zambia for example, officers see-saw between the “task oriented” and “nurturing” roles they are called upon to perform. Given the pressure to collect debt, the officers prioritise recoveries over assessing the loan applications and organising the clients into groups. The impact on the women is varied. Women experience verbal abuse and sexual harassment by the officials and feel tense and anxious on the collection day (Dixon, Ritchie and Siwale, 2007). These practices are “characteristic of the enabling organisational structures and management systems of commercial, standardised and low-cost WW models of microfinance implementation with insufficient social-performance monitoring and framework” (Maitrot, 2018, 26).

The commercialisation of the industry has also led to a review of the role of the State. On one hand, the entry of the private sector into micro-lending has helped reduce political patronage that was required in order to access credit (Fouillet et al. 2018); on the other, there is criticism that the state has withdrawn itself from providing social safety nets to the poor as microfinance is envisioned as a ‘catch-all’ solution. This is especially true in cases where the state subsidises MFIs instead of funding better-targeted and therefore, more effective poverty-reduction efforts (Bateman, 2012). With development assistance providers acting as a mediator, “the

'enabling' state in the Global South is giving the poor, market instruments to manage their poverty on their own initiative" (Wichterich, 2017, 294), thus leading to financial inclusion goals overtaking those that deal with multidimensional aspects of development.

Micro Finance in Sri Lanka

Lending or borrowing money to help with difficult financial crunches or to support livelihoods is not new to Sri Lanka. Formal lending practices hark back to the early twentieth century, with the introduction and support of the cooperative movement by the then Ceylonese government (Senanayake, 2002; Premaratna, 2009). By the early 1960s, state owned and then private commercial banks were offering microcredit facilities (Gant, de Silva, Atapattu, and Durrant, 2002) with state intervention reaching its peak with the establishment of the National Development Trust Fund in 1991 as the "apex lending institution" (Premaratna, 2009).

By the 1990s, microcredit was recognised as a tool to alleviate poverty and both government and non-governmental organisations widely adopted this approach (Premaratna, 2009). Critical among these is the Samurdhi Savings and Credit programme, established in 1997 by the GoSL and which has over two million members (Tilakaratna and Hulme, 2015; Atapattu 2009). During the same period, NGO-led MFIs grew rapidly with a number of commercial banks also entering the sector. Such growth increased in the post-tsunami recovery period through a fresh infusion of donor funds (Tilakaratna and Hulme, 2015). Though there is assertion that the non-banking financial sector would play a significant role in the future (Premaratna, 2009), this early literature, makes no mention of its entry into microfinance lending (Tilakaratna and Wickramasinghe 2005; Premaratna 2009).

Although microfinance focuses on women and on the entrepreneurial poor, data indicates that the programmes tend to overlook the extreme poor in preference for the moderately poor (Tilakaratna and Wickramasinghe, 2005) resulting in different outcomes. Average gains on savings and income at the household level for the poor have been noted (De Silva, 2012), with an improvement in assets among the middle income quintile and improvements in employment among higher income categories, while the very poor show an increase in consumption. (Tilakaratna and Wickramasinghe, 2005). In one study, over 50 percent indicated that they had no savings prior to the introduction of the MFIs thus pointing to the central role MFIs play in encouraging the savings habit (Tilakaratna and Wickramasinghe, 2005).

The presence of the MFIs however, has not led to a sidelining of the informal lenders. Although microcredit lending helps mitigate risks such as crop failures, for other emergency expenses (sickness, death in family, personal uncertainties) borrowers were found to rely on informal lenders as well (Tilakaratna and Wickramasinghe, 2005). In other instances, informal lending was an important source of credit to meet costs of consumption (De Alwis, 2009) as well. When such borrowing from varied sources are taken into account, multiple borrowing was found to be as high as 70 percent at the household level, aided by the presence of four or more financial institutes at the Grama Niladhari (GN) level in some instances (Tilakaratna and Hulme, 2015).

As indicated in the global literature, understanding of women's empowerment is quite narrow in Sri Lanka. While there is some confirmation of the capacity of microfinance lending to support women, women's access to outside markets and their age were found to determine the room for empowerment (Herath, Guneratne and Sanderatne, 2015). Reflecting these varied outcomes, Shaw (2004) concludes that microenterprise credit does not necessarily support reducing poverty because of other factors "although it can work well for clients who are close to the poverty line and live in environments with the conditions necessary to sustain high-value microenterprises".

Access to credit in the post-war context has received some attention. Although there is agreement of the importance of access to financial services in a post-war context due to “*high levels of poverty, few formal employment opportunities, and a traditional agriculture and fishery based economy*” (Tritschler & Bartocha, 2007), there remains little understanding on general trends (Kajenthiran, Achchuthan and Ajanthan, 2017; Thilepan and Thiruchelvam, 2011) especially in light of the overwhelming presence of non-banking financial institutes in the region. A study conducted in Mullaitivu and Killinochchi found that resettled communities were struggling to access credit because of the lack of documentation, collateral and information on the availability of credit facilities (Morais, Matthews, Thevathas and Kokularajah, 2012, 15-16). The conditions in which the resettled communities were living are viewed as increasing the likelihood of borrowing to “cope” rather than to invest:

“In the case of recent returnees, the expression of the need for credit was high. In a context where recent returnees are still struggling to re-start livelihood activities and where support for household food needs through distributions is tapering off, it is anticipated that a large portion of credit taken by recent returnees will likely be spent on consumption and housing needs. While the recent returnees would like to take loans, this might finally increase their burden in terms of repayment (18).

The subsequent studies conducted by CEPA (Romeshun, Gunasekara, Munas, 2014; Gunasekara, Najab and Munas, 2015) confirm these concerns raised and also begin to engage with the social implications of multiple borrowings in the context of the absence of concerted efforts to improve livelihoods.

Interestingly, in terms of the changing role of MFIs, a study assessing a commercial bank’s microcredit outreach concluded that the bank has expanded through a tradeoff between sustainability and outreach (Perera, n.d). Similarly, Wijesiri, Vigano and Meoli (2015), find that the relatively older MFIs were experiencing a form of mission drift. What is problematic is that MFIs with more social efficiency were losing profits in contrast to those that were more financially exposed as the latter were able to attract new lenders. In terms of expansion of the industry, the absence of a comprehensive regulatory system, the poor quality of human resources within MFIs, the involvement of the GoSL in provision of credit and the lack of transparency and standardisation have been identified as constraints that keep the industry from a growth trajectory (Venkatapathy and Pretheeba, 2012).

But the evolving nature of the sector has also raised the spectre of a financial crash within the sector. Examining panel data, Tilakaratna and Hulme (2015) argue that despite increases in multiple borrowing – an increase “*by 255 percent between 2006–2007 and 2009–2010*” - a repeat of the Andra Pradesh scenario is unlikely in Sri Lanka. They argue that moderate levels of debt (less than two percent reported an income-debt ratio exceeding 50 percent), savings that act as partial collateral, low-risk loan products and a relatively more diverse MFI sector, help mitigate the fears of a “bust” in the microfinance sector (Tilakaratna and Hulme, 2015, 58).

Although the importance of the GoSL regulating the microfinance sector has been discussed, there is no consensus on the degree to which the sector must be monitored. For instance, some argue against regulation as it helps create an enabling environment for ‘commercialisation’ of the sector. The authors further recommend that the government removes debt relief and instead, target “*the most vulnerable with grant funded activities and restructure and depoliticise such programmes as Samurahi*” (Gant et al., 2002, 29). In contrast, a more critical perspective on the role of the State also exists:

“It is no coincidence that the growth of global enthusiasm for microfinance has taken place in a context of shrinking resources for rural development and social services.... Development strategies based on self-reliance are unlikely to have much effect in the absence of an enabling environment which supports the efforts of the poor to develop their productive capacity. Microenterprise development programmes need to be

complemented by investment in social and physical infrastructure; they are no substitute for it. The reorientation of development spending towards rural capital projects may well go further than any other investment towards reducing poverty” (Shaw, 2004, 1262).

In conclusion, while much has been written about the micro-credit sector in Sri Lanka, drawing out a clearer picture of the current status is challenging. Conducted over a decade ago, Tilakaratna and Wickramasinghe’s (2005) study remains one of the most comprehensive in Sri Lanka, covering 17 districts excluding the North and East. While useful, the study predates the entry of the non-banking financial sector into microfinance. Furthermore, the lack of ‘coverage’ in the literature with regard to the status of lending and the presence of the MFI sector in the post-2009, North and East is a visible gap in the literature, especially in light of the flurry of activity and public debate around high levels of indebtedness. At the same time, despite women being targeted by programmes, including the state-run Samurdhi programme, they remain invisible within this impact-based approach of analysis.

In the fast-evolving MFI sector in Sri Lanka though, the need for research that focuses on women’s experiences of MF lending and how they position the role of the MFIs in their everyday lives is of importance. This is especially important in light of literature identifying that, certain MFIs may be engaging in a tradeoff that sidelines the social mission for the sake of long-term stability that is achievable through profit-making.

Methodological Approach

Partly informed by CEPA’s own findings from different studies pointing to indebtedness as an emergent complication for households, the study was initiated with the primary objective of understanding whether the processes adopted by the microfinance sector in Sri Lanka has evolved and if so, how these changes then impact the female borrowers.

In order to explore this relationship, the study was guided by two main research questions:

1. How do microfinance institutes lend to the poor and how do women perceive these practices adopted by MFIs?
2. How does access to microfinance/credit affect the female borrowers and the community at large?

In line with the research questions, the study adopted a qualitative approach to data collection. The choice for qualitative over quantitative was informed by the current debate centering on how best to conduct studies related to microcredit lending. There is growing popularity of the notion that Randomised Controlled Trials (RCTs) are the best suited to assess the impact of microfinance activities (Pomeranz, 2014). However, such studies also generate mixed results, raising questions of generalisability in light of the external factors that affect lending/borrowing patterns. Furthermore, such a deterministic, linear approach to examining microcredit lending, sidelines the experiences of female borrowers. In general, these studies fail to capture the ground realities that women encounter, especially since microfinance is largely viewed as empowering women. Such approaches reinforce the notion that microfinance is in essence a “*situation where the affluent (read: the [global] north) gains the upper hand in determining the course of development and where beneficiaries (read: the poor) are increasingly supposed to act according to the giver’s premises and practices*” (Dey and Steyaert, 2010). Thus, the borrowers who are mostly women, are framed as mere subjects of microcredit.

Recognising these limitations, this study focused on “privileging” the experiences of the women (Khan, 2016), over a more static analysis to assess the impact of microfinance. Moreover, the focus was on examining the practices adopted by microfinance institutes as experienced by women. The study therefore, does not adhere to clear-cut parameters afforded through impact assessments, (Khan, 2016), but points to the ways in which

the women themselves perceive their access to such institutes and to credit.

Locations of the study

Data collection was carried out in the Mullaitivu, Batticaloa and Monaragala Districts. Spanning a period of ten months, the initial scoping visits to Batticaloa, Monaragala and Mullaitivu were conducted subsequent to discussions with government and non-governmental stakeholders in Colombo which were completed by July 2017. During the scoping visits, discussions were held with government officials (including the District Secretary, Divisional Secretaries/Assistant Divisional Secretary) and community members (non-borrowers and women who had at some point, borrowed from MFIs) in order to explore the general trends noted by the different 'actors'.

Selection of respondents

The selection of the communities in the three districts was partly informed by the Key Person Interviews (KPIs) conducted during the scoping phase and partly by concerns regarding accessibility to such communities. The primary criterion in identifying respondents was to speak to women who had, at some point, borrowed money from a micro lender. Rather than focus only on private MFIs, the sample included women who had borrowed from state-led institutes such as Samurdhi and other community based and NGO-led institutes as well. Respondents were identified with the assistance of key individuals in the community.

In addition, government stakeholders and a few representatives of MFIs were also interviewed. This included, at the national level, representatives of the Central Bank of Sri Lanka, the NGO Secretariat, academics and practitioners of microfinance. At the district-level, interviews were held with government officials attached to the Divisional Secretariat office, including the Grama Niladharis. Accessing officials of the private MFIs was the most challenging culminating in two interviews with private MFI representatives and one with a regional manager of a NGO-led MFI in Mullaitivu.

Field work at the identified sites in the three districts was concluded between March and May 2018. A semi-structured interview guideline was developed following a review of the information collected from the scoping visits. Data was collected from a total of 106 microcredit borrowers. In addition, two focus group discussions – one each in Monaragala and Mullaitivu were conducted. The breakdown of the interviews conducted at the three locations is provided below.

Table 1: Number of interviews conducted in the districts of Monaragala, Batticaloa and Mullaitivu

District	Borrowers	Government officials	Lenders	Other stakeholders	Total
Monaragala	35	03	01	01	40
Batticaloa	36	04	00	-	40
Mullaitivu	35	09	03	-	47
Total	106	16	04	01	127

Despite much public debate around the issue of microcredit lending, during the scoping visits, it was noted that women showed a reluctance to speak about their borrowing habits. While in many communities, a lot of women are clients of MFIs, the inability to service some of the loans make them less open to inquiry from outsiders. In designing the questions, special attention was paid to these aspects. For instance, women were hesitant to openly discuss the multiple loans they had borrowed. Instead, they discussed only a single loan or two loans.

Questions therefore, were adapted to ask about the daily routines of the women (i.e. from Monday to Friday) and identify their participation in multiple borrower groups.

A lesson learned through the scoping visits is the particularities of the language women used in order to speak of microcredit. The terms "loan", "*sathi loan*" (weekly loans) and "*naya samithi*" (credit societies) are commonly used by women to refer to microcredit lending by private and NGO MFIs. In contrast, credit accessed through Samurdhi and other state-led institutes such as the Regional Cooperative Banks are referred to as "*naya*" (in Sinhalese). These subtle nuances were important because of some women's insistence that they had not taken "loans" but were presently, clients of the Samurdhi Societies.

Data coding and analysis

Information shared during the interviews was not audio-recorded but extensive notes were taken. These were later coded into the sub-themes and themes using the NVivo software for analysis. All the interviews have been anonymised to protect the identities of the respondents.

The Embedded Practices of Microcredit Lending: Findings from the Three Locations

This section focuses mostly on the lending practices adopted by MFIs operating at the local level and on the process adopted and the targeting of the women specifically.

While efforts to bring MFIs into the financial mainstream through the Microfinance Act (2016) is underway nationally, at the local level, data indicates there is an overwhelming presence of regulated, licensed, non-bank financial institutes operating as MFIs. This then raises greater questions around how such regulated, commercial entities adopt a social mission to its profit-oriented base of operation. The following sections 'break down' the practices adopted by the MFI lenders and their implications for the women borrowers.

Women as recipients

The experiences of the women in accessing microcredit confirm the presence of four or more MFIs at the local level (Tilakaratna and Hulme, 2015) but interestingly, while women are borrowing from the traditional sources such as the Samurdhi Bank, micro lending is increasingly being provided by companies that are licensed under the non-bank finance sector of Central Bank. Their presence in the community is strong, to the extent of reducing the role of the NGO-led MFIs in the community, raising concerns that MFIs with a strong social mission may lose out to the more commercially-oriented MFIs (Wijesiri, Vigano and Meoli, 2015). The entry and strong presence of the private, regulated entities was also confirmed by both government officials at the national and local level.

Regardless of which entity lends, microcredit lending continues to target women, confirming the available data (LMFPA, 2018a). But a majority of the women lacked access to a stable income source: a few are engaged in operating micro-enterprises such as, retail shops with a significant number of women engaged in subsistence agriculture/fishing and supporting their spouses in cultivation activities associated with the geographic location. Those very few who recorded as working in the formal sector were noted in Monaragala, employed either in the rubber plantations and one female borrower employed in the banana "farm" managed by a multinational corporation. Hence, women reported relying mostly on the spouse's income or in his absence, an adult son to contribute towards household expenditure.

In Monaragala, the men were also engaged in agriculture with a few employed in the Civil Defense Force. In contrast, in Mullaitivu, there appears to be a growing tendency to send the spouse or adult son overseas for work purposes. This sole-income source is used towards meeting the general household expenditure which includes consumption and education and health related costs; the latter two were noted as considerably high by women with young children. Though not constituting a majority, a considerable number of women reported receiving the Samurdhi benefits with some reporting having received drought relief provided by the GoSL.

The preferential treatment shown to women, instead of the men, was rationalised thus by the borrowers:

They [MF lenders] give this loan only for women because she is at home and she can manage the home budget and repay the money (Female borrower, Batticaloa, 24 April 2018).

They [MF lenders] don't give to men because they think they will not be able to get the money back from the men. The women on the other hand, whatever problems we have in the family, we will somehow or the other, pay the installment (Female borrower, Monaragala, 22 March 2018).

Although women are the primary 'targets' of such lending, that women do not echo the language of 'empowerment' generally associated with access to microfinance is of interest. Instead, they are acutely aware of why they are being targeted instead of the men. As also noted in the literature, women will somehow meet the repayment schedule. Unlike men who are better placed to shirk or delay the responsibility of paying up the loan, women are bound to the house and largely restrained by the fear of defaulting (Schuster, 2014). Hence, for MFIs in operation in these communities, lending money solely to women, and excluding the men from accessing such microcredit can constitute a good business practice.

Group Formation and Liability

The MFIs adopt a rather skeletal version of the microcredit model as popularised by the Grameen Bank. Notably, in order to enter a community, such micro lenders have used Community Based Organisations (CBOs) such as the Women's Rural Development Society (WRDS) as a conduit. The underlying implications of using existent women's groups must be seen in light of the promotion of microcredit as "empowering". Using the WRDSs is effective because it helps package the issuance of microcredit as a helpful tool to enable the women to access finance. CBOs can also lend legitimacy to the MFI, since the WRDSs and such community based societies are generally recognised within the community and consist of a member-base that could potentially become clients of the MFIs. Whether this trend still holds sway is unclear, as established MFIs now tend to use individual focal points to promote its services to women.

Generally, a leader is "appointed" as the focal point in the community. Meetings of the respective MFI are usually held at her residence. Those leaders the research team spoke to, stated that they received no pecuniary benefits from the MFI for hosting the meetings and for acting as a focal point. The presence of a leader in each community enables the MFI to anchor itself in the village, relying on the female leaders to provide logistical support (a free space to host the meeting); a relatively powerful source of information (on the community's women's profiles) and outreach and promotion of its service (through the use of her social contacts).

Although there is some variation noted in the number of meetings one has to attend prior to securing a loan facility especially as a first-timer, generally women have to participate in three or less than three meetings. These few meetings are used by the MFI representative to introduce the loan instrument and to explain the process in accessing the credit facilities.

Before getting the loan we had to visit three meetings. Meetings were held at the nursery school. I attended three meetings regularly and at the fourth meeting, I got the loan. In those initial three meetings they discussed about the repayment process, for example how we should pay on time and if any one does not pay the installment then, other group members have to share the amount and pay. Earlier, one group consisted of five members, nowadays a group consists three members (Female borrower, Batticaloa, 55 years old, 24 April 2018).

We have to go to at least four meetings before getting the loan. We have to pay back as installments. So when we go to these meetings, the officers tell us how to pay back the loans and not to delay the repayments. They don't explain in detail that the interest rate is this much (Female borrower, Monaragala, age not revealed, March 20, 2018).

Groups of three to five women are then "formed" to access the credit facilities. Interestingly, as noted in the literature (Gine and Karlan 2014; Rankin 2002), the formation of a group is not random: the women's decision to 'collectivise' is informed by prior experiences and also on the basis of whom they trust. Some tend to reach out to their siblings or in-laws, whereas others seek out women who have had a "good" history of repayment from other MFIs. But the implications of group-warranty/responsibility can be far-reaching:

If one person does not pay the repayment, other members have to pay for her. When we form the group [therefore] we must be aware, because if one group member does not pay, we have to pay that repayment. Likewise, I paid my group member's repayment for two months, each month 5000 rupees each. That's why I did not get another loan. I stopped after that loan (Batticaloa, female borrower, 26 years, 25th April 2018).

We paid well. Two of us finished paying the loan but one of us took 200,000 rupees last time so we acted as guarantors and signed for her. I have savings [with the MFI] but after she finishes paying this new loan, only then I can get my savings (Mullaitivu, female borrower, 50 years, 28th April 2018).

By allowing women to form into groups, the MFIs also reduce the risk of liability. Women choose other group members consciously, excluding those who have had problems with repayment previously. Hence, 'bad' cases are filtered, thereby reducing their own liability of being held accountable when other members in their group do not repay on time (Fischer, 2013). This then leaves the poorer women outside of this type of group lending (Gine and Karlan, 2014).

But in some instances, women also step into support other women who are unable to access loans either because of their bad repayment history or more importantly, because a woman has already borrowed from multiple sources. Though not widespread, in such instances, the proxy was driven by the need to help out and indicated the level of trust that exists between the women. Such a strong sense of trust and dependence on each other to overcome difficult times harks back to the notions that led to such movements focusing on women. Hence, in some ways, women continue to act as 'social collateral' (Rankin, 2002) in spite of the associated risks of acting as a proxy.

This group liability in the Sri Lankan context, however, now has an added element. The process adopted by the MFIs particularly the larger, private entities, reveal a much harsher reality. Of late, women's capacity to borrow also hinges on their ability to produce a letter from an adult male (i.e. spouse, adult son) indicating he is aware of her seeking a loan. The persistence of this practice was found across all locations in the three districts with the copy of the male's national identity card (NIC) and in some instances, a "permission letter" required to be considered for a loan facility.

My husband vouched that the loan would be paid back. They asked my husband "do you know that your wife is planning to get a loan" and then whether he minded if I took the loan. (Monaragala, 34 years, 23 March 2018).

I showed the shop for getting the loan. If we need a bigger amount, then we have to give any government officer's salary particulars. But I didn't take any big loan. I submitted photo of my shop, my ID copy and my husband's ID copy, family card, bank account and his signature (Mullaitivu, female borrower, 50 years, 28 April 2018).

During the scoping visits, it was alluded that women's borrowing habits had led to tensions arising within families. It is unclear if the MFIs are responding to this criticism by seeking the "approval" of an adult male for women to secure a loan. Regardless of the rationale, the necessity to produce such documentation completely overturns the empowerment principle. Women are framed as less than capable of and irresponsible in making financial decisions. The vulnerabilities women face with regard to this caveat was explained thus by one of the female borrowers:

I have no way of getting the weekly loan. I am separated, but not by law. They [the MFI] are asking for a photocopy of the registration saying we are separated. He has to sign as a guarantor also. So, because of these reasons, I can't get this loan (Monaragala, female borrower, age not revealed, 23 March 2018).

The requirement to keep an adult male informed of the women's decision to borrow money, subscribes not to empowerment principles but to existing notions that women lack the capacity to make decisions on their own. Such an overtly patriarchal approach to enable access to credit echoes the persistent cultural values that place the Sri Lankan woman within the household and as the primary caregiver, rather than as an individual capable of making independent decisions related to managing finances.

Hence, though women are targeted, their access to credit is not necessarily a foregone conclusion. Therefore, the touting of the notion of women being empowered through micro credit in the Sri Lankan context must be accompanied with a strong caveat especially with regard to accessing loans from the private MFIs: women are encouraged to borrow but where an adult male relative is made aware of her borrowing habits.

Training

The process of securing the credit facility is straight-forward. Once the prerequisites have been met, women attend meetings and form into small groups, complete a set of forms indicating the reason for borrowing, and upon submission of the related documents, receive the loan facility within less than a week. On some rare occasions, the receipt of credit facility can take up to weeks, but such instances are generally associated with the NGO-based MFIs rather than the private-sector.

Absent in this 'rushed' process is the development of a proposal on how the loan facility will aid in improving or establishing the proposed livelihood. In Monaragala and Mullaitivu, female borrowers spoke of drawing up an estimate of the costs and revenue of the proposed livelihood activity in Batticaloa, this practice was not as common. The women received no formal training or capacity building on how to make a cost estimation, but appeared to be doing so more through prior experience. A history of borrowing has taught women to over-estimate the cost of the proposed livelihood activity, in order to receive the expected amount:

We had to come up with an estimation of costs. If it is for paddy cultivation, we had to show the expenses for fertiliser, paddy seed, and preparation of the field and so on. I, of course, don't know these things. My husband came up with the cost. So in order to get 50,000 rupees, we have to show the estimate at about 75000 rupees. They didn't teach us...we said it was for cultivation but the loan was taken to build the house (Monaragala, female borrower, age not revealed, 20 March 2018).

Importantly, where women had received any type of training on livelihood development, such opportunities were made available only by the NGO-led MFIs. In such instances, women had received training on livestock development and how to engage in self-employment.

Micro-Enterprise Development?

The reason to not offer trainings may be informed by the associated costs and a keen understanding of the reasons that compel women to borrow. The analysis on reasons why women borrow indicates a varied number of reasons that are not necessarily related to micro-enterprise development. Under the guise of channeling money to livelihood activities, women are making use of the existent system to access credit for non-investment related purposes. These include consumption, non-consumption related activities, livelihood opportunities and meeting the rising costs of children's education and health related expenses. In general, the most predominant reason to borrow from MFIs is not towards strengthening or establishing an income generating activity, but as an immediate response to a shortage in the cash flow within the household. This is a trend noted elsewhere (Bateman, 2012; Cull and Morduch, 2017) as well as in Sri Lanka, but only among the poorer segments (Tilakaratna and Wickramasinghe, 2005).

This practice is commonplace and is aided by the lack of monitoring, the absence of any commitment on the part of the MFI loan officers to conduct follow-up visits and the availability of some type of livelihood activity that can be “used” as a means to access the loans.

They give the loan for livelihood development but we use the loan for other purposes. I showed tailoring and cattle rearing as reasons for getting the loan (Batticaloa, Female borrower, 40 years, 24 April 2018).

I took the loan saying it was for cattle rearing. ...I showed someone else’s cattle as my own, since I don’t have my own. That is how people borrow. We show different different things and borrow (Monaragala, female borrower, 23 March 2018).

Some regional differences were also evident. For instance, women in Mullaitivu sought to finance their spouse or child’s migration overseas through the loans. Since low-skilled migration overseas remains costly (Weeraratne, Wijayasiri and Jayaratna, 2018), women appear to shoulder the responsibility especially in the formerly war-affected region. Although such instances can be seen as a form of investment, especially because of the anticipated higher financial returns through wages earned in a foreign currency, not all migration trajectories are successful. When men return prematurely, due to different reasons, women are saddled with loans to pay off in the absence of the promised foreign remittances.

People get the loan to send their husbands or sons abroad; [but sometimes] they couldn’t reach abroad. So people are struggling to repay their loans, because they don’t have money to repay it. They lose their income and they get the loan then they cannot pay the loan properly (Mullaitivu, Grama Niladhari, 23 May 2018).

For example, in Mullaitivu, a son’s decision to migrate to Australia is funded by the mother by accessing credit through MFIs. However, upon his arrest and subsequent return home, she struggles to meet the payments. In such cases, while access to credit enables the families to consider the option of migrating overseas for work purposes, the associated risks of such migration trajectories can quickly derail the aspirations for higher financial and social returns.

Noticeably, women are compelled to borrow to finance health emergencies, pointing to the costs incurred in accessing public services provided by the State:

When my husband was sick, the hospital here could not help so he was sent to the Badulla hospital. We had a lot of money problems. We had to go to Badulla every day and so for these expenses, I took a loan of 40,000 rupees (Monaragala, female borrower, age not revealed, 20 March 2018).

I borrowed many loans because my husband is suffering from a kidney disease and I have spent 700,000 rupees for his treatment. (Mullaitivu, female borrower, 43 years, 28 April 2018).

In addition, women are also financing funerals, coming-of-age ceremonies and weddings through microcredit facilities.

People take loans to do cultivation. But when we spend for other things, again we take another loan. When my mother died, I took one lakh each from two institutes. I told them it was for cultivation. Because Sir could not give the money immediately, I borrowed from a lender in the village until the loan came through. For my daughter’s concert, we had to pay 10,000 rupees. Like that, we have expenses for three children. When my husband met with an accident, I borrowed about two lakhs. For my mother’s

alms giving, I borrowed 150,000 rupees. Altogether, I have to pay back about seven lakhs in debt (Monaragala, female borrower, 31 years, 21 March 2018).

We take the loan for daily needs. We submit ID copy, vote list and husband's signature. I showed a livelihood purpose to get the loan but I didn't use it for that. We use this money to cover food and education expenses. They [the officers] don't come to check the occupation (Batticaloa, female borrower, 41 years, 26 April 2018).

Relying on borrowings to meet the consumption related needs of the family and its predominance across all three districts is indicative of several underlying factors: MFIs do not appear to be paying much attention to the reasons that are pushing women to borrow. On the other hand, women's tendency to borrow for consumption raises the more pressing concern of how they would then, repay the money borrowed. Even though there is discontent at the community level that women are borrowing to finance their fast-changing consumption patterns, the findings show that in many cases, it is the most basic of needs that the women attempt to achieve by securing these credit facilities.

Where women do borrow for a livelihood opportunity, it is also to support the spouse's livelihood rather than one's own. But on the few occasions where women seek financing for a livelihood of their choosing, rarely do they embark on pursuing new livelihood options. The women engage in small-scale enterprises, mostly to do with cultivation or running a small retail shop in the community. There were no instances of women venturing 'outside' of the community to establish an enterprise, nor of women expanding their existing business, with a single exception noted in Mullaitivu.

The multiple reasons cited by women for borrowing microcredit helps raise a pertinent question: to what degree are the lenders aware of the multiple reasons behind women's borrowing habits? Women work within the system by providing 'proof' of some livelihood option to satisfy the documentation that the MFI requires, but how is it that such unchecked lending can take place within a small local community?

Echoing findings from elsewhere (Copestake, 2007; Hudon and Sandberg, 2013; Maitrot 2018), the overcrowding of the sector and the resultant target-driven competitiveness, were cited as the reasons underlying the compromises being made in issuing microcredit². Large-scale private entities were accused of poaching the staff and clients of medium-scale, NGO-based MFIs with the promise of better benefits. Hence, as long as the paper trail confirms the basic information, complemented in some cases by the cost estimations and the pictorial evidence, loans are granted. As stated by the women, rarely do the officers visit to corroborate the information provided nor conduct monitoring visits to trace the progress of the proposed livelihood activity.

Documentation and Background Checks

The private led MFIs specifically, adopt a "fast-track" approach to issuing the loans, indicating that background checks do not appear to be an industry-wide practice adopted by them. Some of the women are conversant in financial language, referring to the use of the Credit Information Bureau (CRIB) to check their history of borrowing, through the use of the NIC number. As long as pending loan amounts had not defaulted with arrears, women could still borrow. This practice of checking for details against the CRIB appears to be a more recent development and therefore, associated with only a few non-bank financial institutes that lend microcredit:

When they enter our ID number in the computer they can get to know about our loan history but it doesn't show the Samurdhi loan. The loans taken from [names of two finance companies] are mentioned and [these] come up. (Monaragala, female borrower, 32 years, 21 March 2018).

² Key person interview conducted on 07 July 2017 in Colombo with founder member of an NGO-led MFI

Two opposing views are present in the use of the CRIB. While the use of the CRIB has its advantages, given the conditions in which the women borrow, it can act as a disabling tool by raising the spectre of women being branded non credit-worthy, leading to further marginalisation within financial circles (Schuster, 2014). Hence, even when women borrow on behalf of their spouse or an adult son, she bears the risk of being denied further access to credit. On the other hand, since a large number of MFIs operate beyond the existing regulatory framework, when women are thus denied access; several other options are still available to them in order to access credit.

The quick turnaround time in issuing loans by the private MFIs is aided by the minimal number of documents required for submitted. These in general include the copies of the NIC of the borrower, the spouse or an adult male relative, and documents to confirm one's residence; generally, the DS-4³ form filled by the Grama Niladhari or an electricity, telephone or water bill and in some instances, the copy of the savings bank account. The request for a copy of the bank book was viewed by some women as a requirement where the husband was not present in Sri Lanka, making the bank book a form of security.

In the Mullaitivu District, women were asked to submit the "family card" – a document issued by the Ministry of Resettlement that provides details on the family and their livelihoods. In some rare instances, women were asked to provide a copy of the marriage certificate or a land deed. What prompted such requests for additional documentation is unclear since the women neither questioned this nor were provided any explanation. There was some indication that additional documents, such as a land deed, were required for amounts exceeding 100,000 rupees but such claims could not be substantiated.

Lending amounts and period of repayment

In general, women tend to borrow less than 100,000 rupees with only a few recorded instances of borrowings exceeding 150,000 rupees. This is in line with the GoSL's own estimations that have sought to provide debt relief for loans less than 150,000 rupees.

The repayment schemes, however, point to the larger concerns regarding indebtedness. Women can opt for weekly installments or monthly installments, hence, the labelling of loans as "sathi loan". One instance of a small retail shop owner repaying a daily loan was noted in Monaragala, where the lender was a private MFI operating exclusively in Monaragala. Weekly loans appear to be the most popular, with some women noting the 'presence' of the MFI officials in the community on different days of each week. There appears no correlation between the loan amount and the time given for repayment, but some variation was noted among the different MFIs in providing access to such credit.

In general, women receive the credit less than four weeks after joining a group, with those requesting a second loan, receiving it within a two-week period, and at times, within a turnaround time of two days.

We receive the money within a day or two, once we have filled the forms and handed it over to the officer. Then the sir calls and tells us that the money will be ready by ten in the morning. Some of the details in the form is in English, some in Sinhalese. He explains what is mentioned in the form. I don't have a copy of it though (Monaragala, loan borrower, age not revealed, 20 March 2018).

If it is a big amount it will take one month and if it is a small amount, we can get it within two weeks. I visited their office before I got the loan and I signed on the guarantor form, it is in both languages. We can read it and in it, it is mentioned that we are responsible

3 A confirmation of an individual's residence issued by the Grama Niladhari

for the loans of other members in the group (Mullaitivu, female borrower, 33 years, 28 April 2018).

We got a loan from [name of finance company] yesterday. We requested for it the day before, and received it yesterday. We got 20,000 rupees. There are three people in the group. The day before they called and asked us to come to the Monaragala office to get the money. Because we are old, the amount given is smaller (Monaragala, spouse of female borrower, 66 years).

In contrast, NGO-led microfinance institutes take a relatively longer time, with the government institutions, especially the Samurdhi Bank taking the longest to issue the loans to the applicants. Women are acutely aware why these entities take a relatively longer time. While many cited the preference for the relatively more flexible post-loan conditions provided by the NGO and state-led MFIs, the speed with which the private MFIs offer cash makes them far more attractive, especially where cash is required as a stop-gap measure.

Interest rates

Conspicuous by their absence in these narratives, are further details about the interest rates being charged. In an overwhelming majority of the cases, the women were unable to clearly indicate the interest rate(s) of the credit facilities that had been offered to them. Instead, the credit facility is viewed in terms of the repayment period (weekly/monthly/daily) and the amount to be paid as an installment:

I got 40,000 rupees from [name of finance company] with a weekly installment of 1,050 rupees. I have to pay back in a year. In the end, I would have paid 54,600 rupees. The interest rate was mentioned, but I cannot remember exactly what it is. I think either 26 percent or 23 percent. We don't get these on a reduced rate no. I got it because of an emergency. Because they come to the doorstep, we take since it is faster (Monaragala, female borrower, 36 years, 21 March 2018).

During the initial stage, I got 30,000 rupees and monthly repaid 3000 rupees, within one year I settled this loan, in [name of NGO led MFI], the interest rate is very low for 30,000 rupees, interest was only 6000 rupees. After that, I borrowed 60,000 rupees, now I am repaying 4500 rupees monthly ...And I borrowed loan from [name of finance company], they said "in our company interest rate is high; if you wish only, borrow the money from us". For 75,000 rupees 30,000 rupees interest. I also borrowed 75,000 rupees and now I am repaying monthly 6000 rupees. (Batticaloa, female borrower, 38 years, 25 April 2018).

This stringent imposition of the interest rate de-incentivises women from paying back the loan earlier, as experienced by a borrower:

Once, I took a loan and then my husband shouted at me and said we cannot repay it, so to return it. On the same day, we went to the office and returned the same amount but then the officers said we still have to pay the whole amount including the interest rate. (Monaragala, 23 March, 39 years).

Some of the women pointed out that a grace period of a day or about a week were afforded by certain MFIs, but they were also careful to note this was not a service offered by all lenders, only a select few. Unlike in state-run entities, women also noted they do not have to pay an additional amount when they default.

Serious concerns have been raised with regard to the high interest rates being charged (United Nations Sri

Lanka, September 2018) and should be duly taken note of, but equally important is to consider the manner in which MFIs have 'localised' financial language into terms that the women could easily grasp. Instead of directly referring to the rate of interest, the MFIs calculate and promote the weekly or daily payment. This makes borrowing more palatable to the women, especially when the weekly installment appears small and manageable. Furthermore, by breaking down the capital and the interest amount into weekly or monthly installments, women can also easily compare the different MFI entities that offer microcredit, rather than working out the interest rates and the payment schedule on their own.

By deflecting attention away from the high interest rates to the repayment schedule, women are also geared towards meeting the daily/weekly/monthly repayment schedule rather than questioning the de/merits of the interest rate(s) being charged, the basis for charging a high interest rate and/or the absence of a reducing interest rate.

Signing of Agreement

The inability to access further information or details pertaining to the financial services and ancillary services was prevalent among women. Some were placing their signatures on documents that were in English rather than in their native language.

Others stated the contents of the form were not explained. Incidentally, women neither questioned nor requested further explanations from the officials.

We get many documents to sign but we don't read it. We just sign where they mention on the documents. Mostly, the form is in English but they [the officers] don't explain it. My husband also needs to sign on it. I signed as guarantor to guarantee the payment of other members in the group. We don't get any copy [of the document]. We cannot read English no, so then how can we read it? (Batticaloa, female borrower, 42 years, 25th April 2018).

We didn't sign any contract because we got smaller amounts but I don't think that if they give bigger amounts, then we have to sign an agreement. We have Tamil and English forms. We filled a form at the centre in Tamil and we signed a form at their office in English. No, they don't read what that form says; they informed that it is the guarantor's signature for other loans. (Batticaloa, female borrower, 38 years, 24 April).

Besides being unaware of what was in the "form", women also did not generally have access to a copy of the signed form.

I filled a Tamil form and handed over. And myself and the group members visited Walachenai and signed in an English document but those two forms are different and they [officials] do not explain anything. They told us which place to sign, and we signed in that place and got the money to hand, and came back. We also did not read the Tamil form. They did not give a copy of that document. (Batticaloa, female borrower, 36 years, 25 April 2018).

Apart from documents being in English, certain "forms" are not made available in the native language of the minority ethnic group, as noted among the Tamil residents in the plantations in Monaragala:

The form is in Sinhala and English [shows a specimen from a private finance company]. We fill the form by asking a person who knows Sinhala. The government bank also doesn't have someone who knows Tamil. Even in "kachcheriya", it is the same. But I can read Sinhala. Sir [MFI officer] doesn't fill the form; we have to fill the form. We have to

sign on stamps to the value of 70 rupees (Monaragala, female borrower, 39 Years, 23 March 2018).

Despite the lack of access to a copy of the form signed and not knowing what the information in the “form” entailed, there was a general understanding that the women were acting as guarantors to the others in their group; that should any individual in the group fail to repay the installment, the women would be held responsible for the repayment. This was the only piece of information that was forthcoming from the officials.

By not sharing a copy of the signed agreement, women’s ability to refer to such documents in the future is curbed. The clinical approach to issuing loans within such an information vacuum escalates the marginalisation women experience in attempting to integrate into financial markets. By controlling their capacity to both question the terms and conditions of the credit facility, and also be informed of what legalese is contained in the documents, women can easily be deceived.

The absence of the basic business practice of having an agreement to sign in a language that the women are conversant in, can inadvertently raise the larger concern of how such a practice serves the MFIs. Whether it is purely an oversight on the part of the MFIs or whether this general practice is adopted as a form of enforcement/coercion indicative of the power exercised by the MFIs remains open for debate. But the implications for the women are much clearer: in their narratives, the “form” and the different “places” where they place their signature carried one strong message: to vouch for the women in the group and to know that she was legally bound to repay the defaulting loans of the other members of the group.

Savings and Insurance

There is little to no promotion of savings by the MFIs, except by those organisations that are NGO-led or by the Samurdhi programme. Women were asked to open bank accounts in order to receive the loans, but very few noted the promotion of savings as a precursor to accessing credit. For many of the women, the notion of savings remains an aspiration since “loose change” was scarce and where available, was directed towards servicing the loan payments.

Rather than savings, some women noted that a certain amount of money is deducted from the capital to pay for insurance. While many remained unaware of the reasons for deductions, the insurance was seen as a form of security, should the borrower fall on “hard times”:

We got an insurance along with the loan but we couldn’t get it back. They inform us that if something happens to the husband or wife then we don’t need to pay the loan but that will not happen for all. (Batticaloa, female borrower, 51 years, 25 April 2018).

We signed a paper and took the money; did not receive a copy of it though. They said there is an insurance. So, from 40,000 rupees, they had deducted 600 rupees and we received 39,400 rupees to our hand. If my husband or I die, they said the loan would be deducted and that we would also receive 10,000 rupees to our hand, as a donation towards the expenses. Also, they said, if our cultivation is destroyed, then they would get rid of the loan (Monaragala, female borrower, 36 years, 21 March 2018).

Among those who were aware of the availability of an insurance scheme, the conditions upon which the insurance could be claimed varied. While the general sentiment was that the demise of the borrower or the spouse would lead to the write-off of the loan, there was little understanding of how this would work. However, there were isolated incidents where women cited community members receiving this benefit upon the demise of a family member.

They deduct the insurance amount along with loans and they said the reason for it. Insurance payment is for sudden natural death or inability. Company will cancel our loan if suddenly the head of the family dies. My relative is affected by cancer now, so she doesn't need to pay the loan in future. [name of MFI] terminated her loan (Mullaitivu, female borrower, 48 years, 30th April 2018).

However, women noted they did not possess any proof of document to indicate the existence of an insurance, raising yet again concerns regarding women's access to the basic information pertaining to the credit facility. As one of the respondents pointed out, women have no option but to "sign up" for the insurance and its benefits are only accessible under strict conditions. Hence, while offering a form of protection, the insurance schemes also offer greater security to the liabilities that the MFI assumes in granting loans to those who are generally considered not credit-worthy.

On the basis of the narratives, what is also evident is that what women are offered in essence is microcredit, with the insurance acting only as a form of security. Hence, despite many of these MFIs possessing the capacity to offer microfinance services, what women receive is merely access to micro-credit.

Repayment of loans

On paper, repayment of microcredit lending remains high, but what these numbers fail to capture is how MFI lending practices in essence 'enforce' such repayments. The shortcut practices adopted in lending - the absence of savings, the approval of loans in a short time, lending for consumption rather than livelihood and the imposition of the collective warranty – coalesce to make repayment of such loans challenging for the women. But women continue to post high repayment trends.

They feel compelled to meet the demand of the weekly/monthly payment, partly because of the fear of inconveniencing the other members of the groups, but also because they strongly believe there is no other option available to them:

We must pay the money on time. If we do not have money that day, must borrow money from neighbours and pay or pawn the jewellery and pay. Until we pay the money they do not go. If it is happening in the centre they keep our group members in centre until we pay the money. Otherwise, they come home and wait until we pay. If it is even 5 o'clock they do not care but we have to do our household work [and] when they wait like that, it disturbs us (Batticaloa, female borrower, 55 years, 24 April 2018).

If we do not [have anything to] eat at home other people do not ask [why] and do not make problems. But if we borrow the loan, people come to the doorstep and ask for the repayment. For example, today I have 100 rupees; if I do not have a loan to pay, I can cook from that money. [But], if I have a loan I have to use that 100 rupees for the loan and have to stay without eating. (Batticaloa, female borrower, 36 years, 25 April 2018).

In the absence of a stable income, women borrow money from others, including the women who are not part of their group, pawn their jewellery and at times, borrow money from informal lenders in order to meet the installment. The persistence of the officials in pursuing the women to "pay up" is very strong. Refusal to accept the payments of the other women until all group members provide the installment is common. This adds pressure on the defaulter in particular and the other members of the group as women are forced to collect money among themselves to raise the collection in order to be rid of the official. Group liability and the insistence of the group formation therefore, work effectively in pressuring women to repay the loan installments (Gine and Karlan, 2014; Rankin 2002).

Notably, none of the borrowers were aware of the government regulations that had been introduced in order to write-off loans that were provided for cultivation and had subsequently been affected by droughts/floods etc. Such lack of information then further pushes the women into somehow paying the pending credit facilities.

The presence of the young male officers in the community is well noted by both the borrowers and the non-borrowers in the community. The officers exercise their power by either holding the women 'hostage' at the collection centre, by refusing to leave the community until women provide the installments or by visiting the women's houses and refusing to leave until the payment is made. The physical presence of the men in the household discomforts the women as they run the risk of being stigmatised within their community.

I heard, one officer once scolding [a borrower] "if you do not have money then beg and pay the repayment". He scolded a lot and it was difficult to listen to. We must somehow pay on time. If I do not repay on time my group members have to pay. Until we pay, they [officials] remain in the house and somehow collect the money (Batticaloa, female borrower, 38 years, 25 April 2018).

If we are unable to pay that day, the officer says to find money from somewhere and come. They say this and that, and scold us. They say things like, "Even after a whole month, why were you not able to find the money. We will lose our job also because of this; so find the money from somewhere and bring, borrow if you have to". They shout at the Centre leader also saying to find the money and pay somehow" (Monaragala, female borrower, age not revealed, 20 March).

The use of verbal abuse by the officials against female borrowers was mentioned consistently by community members ⁴. They were alerted to the presence of the officials in the village by the heightened levels of distress and anxiety and changes in behaviour noted among the female borrowers. As evidence from other countries also note (Dixon, Ritchie and Siwale, 2007; Maitrot, 2018), the use of foul language acts as a strong coercive tactic, as women are fearful of public humiliation and embarrassment.

There are several advantages in the use of young men as officials of MFIs. Logistically, some of the locations the MFIs have a presence in, are not easily accessible and require a commitment toward long, tedious hours in the field. Such a task may be perceived as too difficult for young women to cope with, in the long term. But the use of young men is effective in a more fundamental manner: they have the capacity to shame the women by their mere presence in the community and at times, in the women's 'private' domain of the household. This was confirmed in interviews conducted with government officials at the DS level, who receive complaints regarding the presence of young men in the houses of the female borrowers.

The extent of the 'threat' imposed by the presence of outside men in the community was highlighted when the District Secretary of Batticaloa issued a set of "rules" on private MFIs. One such "rule" required that the officials of the MFIs leave the communities by 5 p.m. Acknowledging borrowers tend to hide from them, the defense of the private MFIs is that visiting the communities during the day is not as effective because people engage in livelihood activities⁵. But this was challenged by an official of a NGO-led MFI, who confirmed their collection is carried out between 9.30 a.m. and 12.30 p.m., despite encountering the same challenge of recovering the loan from the borrowers.

Their role as an officer of the MFI, gives such officers unprecedented power to exert pressure on the women, to overwhelm the women by harassing them verbally and to "restrain" women within the centre. Though rare, women were also worried about getting the "Sir" in trouble through their defaults. In such instances, women

⁴ Noted in all three districts by the small group discussions held with male and female community members during the scoping phase.

⁵ Interview with official of private MFI, 23 May 2018.

were compelled to borrow and provide the installment payment out of sympathy for the "Sir".

Furthermore, women cannot afford to risk the relationship to the "Sir" because he has the sole authority to deny access to future credit facilities.

The ability of a single (male) official to render a group of women immobile, displays the degree of power and authority they exercise over the women. Such tensions also challenge the notion that microcredit, as it is widely practiced in Sri Lanka now, leads to the strengthening of the solidarity and the collectivism among the women. Rather, what is evident is an erosion of the existing social solidarity, and a further disempowerment of women within their own communities.

Similarly, stories of women being taken to the police or to the courts, act as powerful reminders of the severity of the 'crime' of not paying their loans on time. Women cited specific instances of female borrowers having to visit the Police, the Courts and some going into hiding or leaving the community in order to escape the MFI officials.

I went to the police today. [name of private MFI based in Monaragala] had complained to the police about me. I took 20,000 rupees from them and I have only to pay 8000 rupees of this amount. So they said to pay it before the 25th of next month. I asked if I could pay 1000 rupees a month but they didn't agree to that. There were five other people like me, who also had not paid (Monaragala, Multiple borrower, 38 years, 20 March 2018).

One of the loans I signed for, she was not able to pay. Sir asked us about it. We told her about it. They had referred her to the Police. In the end, she had to pay about 50,000 rupees and she had sold some shop or something she had and settled the loan (Monaragala, female borrower, 36 years, 21 March 2018).

The threat of having to face legal action acts as a strong control mechanism. The use of community mediation boards by MFI lenders was highlighted previously in a study conducted by CEPA (Munas and Lokuge, 2016). The continuation of this trend was confirmed by the President of a community mediation board who stated that, over 80 % of the cases brought for mediation are now related to micro-credit. Community mediation boards are thus exploited by the private led MFIs which have no physical presence in the local communities. The use of such facilities that are meant for the benefit of the local communities therefore, takes away state resources that are meant to help resolve civil matters at the local level.

This section focused on the general practices adopted by MFIs in issuing microcredit, as experienced by the female borrowers. The evidence points to the MFIs, especially those that are considered non-banking financial institutes under the Central Bank categorisation, adopting a rather skeletal form of the MF model in order to issue loans. Group formation is adhered to with group liability central to the issuance of micro-credit. In addition, women now have to provide proof that their spouse or an adult male relative is aware of her accessing the loan.

Women receive no training on developing a proposal or estimating the cost of a business "venture" (unless through an NGO led MFI), they are not encouraged to save and have to present only a set of standardised documents in order to be considered for microcredit. Even though there is a perception among the women that their NIC number is being used to check their history of borrowing through the CRIB, this also appears not to be a universal practice. While some monitoring visits are conducted, this is not a general practice and follow-up visits are not conducted at all, unless it is through the NGO-led MFIs. This leads women to rely on microcredit as a way to meet a varied number of needs, under the guise of livelihood promotion. While the loan amounts remain mostly below 100,000 rupees, women appear not to be as conversant with regard to the interest rates being charged from them. With little to no information or explanation forthcoming of the documents they have signed, they remain largely ignorant of the terms and conditions of the loan other than of their commitment to

act as a guarantor for their peers. With a repayment schedule that could be daily, monthly or weekly, women are constantly paying back their loans, by borrowing from friends, family, informal lenders and pawning their jewellery. The male officers act as a powerful authoritative figure in ensuring that women fall in line with the payment schedules.

These practices, when considered holistically, point to a rather disturbing trend: the entry of non-banking financial institutes (i.e. finance and leasing companies) into the microfinance lending business has opened up the question of how they balance the social mission aspect of microcredit with the profit making missions. Unlike in other countries where a 'mission drift' was noted when the NGO-led MFIs became "commercial" (Copestake, 2007; Hudon and Sandberg, 2013), the already regulated non-banking entities have embraced microfinance as a new financial tool to reach out to underserved communities. Such companies therefore, are not operating on the basis of a social mission but rather, on the principle of profits generation. Hence, the question of a mission drift is a moot point, as the mission of such entities is founded on a different principle.

But such overcrowding of a sector that was largely oriented towards a social mission carries some major repercussions. The dangers of over-competitiveness and the flooding of the sector because of the promise of higher returns can surmount to the marginalisation of the more socially aligned NGO-led MFIs. They struggle to maintain a foothold in a sector where, by the sheer size of the companies, the non-banking financial institutes can override the smaller, socially-aligned entities. This is also indicated in the data as the female borrowers tend to borrow mostly from the non-banking financial institutes followed by the NGO-led MFIs.

This skeletal form of the MF model and the shortcuts adopted also has long-standing repercussions for female borrowers. With concerns regarding empowerment of women already high, this fast-track means of securing microcredit is lessening the women's ability to improve their economic and social wellbeing and that of their families.

The lending practices therefore, carry cumulative effects. Delving beyond the punishing interest rates imposed on the microcredit to examine the practices adopted at different stages of the lending process, allows for a more nuanced understanding of how microcredit is operating on the ground. It helps further illustrate how this "credit to the doorstep" approach, can culminate in women falling into debt traps. In the absence of an assessment of their credit worthiness, shortcut lending practices enables women's access to loans conveniently, with little attention paid to their capacity to repay.

As the findings indicate, women in all these districts are dealing with a huge conundrum: they have little to no access to sustainable income sources at the community level but the expenses related to consumption, education and health and other family commitments continue to increase. Hence, while women may not have access to a stable source of income, family and social expectations must nevertheless be met, regardless of how she finances such expectations. Therefore, the presence of MFIs must be placed against the absence of sustainable livelihood options for women. The structural inequalities in access to formal work opportunities and resources disproportionately affect such women in these regions. Under these trying circumstances, it is commonplace for women to seek help through MFIs and remain caught up in a circle of multiple borrowings.

Multiple Borrowings, Erosion of Savings and Social Discord: The Effects of Microcredit Lending

The lending practices adopted by the MFIs have far-reaching effects that impact not merely the borrowers, but their family members and the community at large. That such issues become further exacerbated in the post-war resettlement communities is not surprising, thus, adding to the myriad of socio-economic issues the communities have to deal with, in their daily lives.

This section focuses on the effects of the practices adopted by the MFIs in issuing loans to women. It focuses on the rising tendency for women to engage in multiple borrowings, the tensions within the family as a result of such borrowings and the erosion of women's "solidarity" in the face of group liability and peer pressure.

Multiple Borrowings and Indebtedness

The inability to service the loan payments and the subtle and overt coercion by the officials and fellow women borrowers lead the women, ironically, to borrow yet again. This "condition" among women was cited by government officials in all three districts:

People take the loan to settle another loan. Loan is [taken] for another loan. They gave their land deed to get the loans and they couldn't pay the loan amount also. They got the loan to build the house and they gave their deed to get another loan for settle previous loan. Finally, they couldn't pay anything and they lost their land and house. This is happening here (Mullaitivu District, Development Officer, 24 May 2018).

That such multiple credit facilities are accessed via other MFIs active in the community is of interest. It raises the question of how well the established, Central Bank-regulated financial institutes carry out routine practices such as accessing an applicant's prior history of borrowing through the CRIB. On the other hand, over-competitiveness among the MFIs was also cited as an underlying reason causing women to seek multiple borrowings.

The MFI field officers' insistence that women must pay 'somehow' has pushed women into indebtedness which they find extremely difficult to manage on their meagre incomes. Rather than an exception therefore, multiple borrowings have become a common feature among women who access microcredit facilities. Among those interviewed, servicing one loan was a rarity whereas, women would be paying two or more credit facilities including those accessed through Samurdhi. Managing four to five loan payments is not uncommon with women managing both weekly and monthly payments to different private MFIs.

Sometimes I don't have even money for bus tickets. I get money from my sister if I need money suddenly. I couldn't explain about my problem. I was also sick, so we spend more money for that also. Every day, I have to face many loan problems. I had a lot of jewellery but now I don't have even just a single chain. I pawned this jewellery to resettle the loan and for sending them abroad (Batticaloa, female borrower, 42 years, 25 April 2018).

We have got these loans for sudden expenses, we didn't get loans before. I took these loans only for my son. We have got the money from money lenders so they give problems to me. Then I took the Rs 80,000 from [name of finance company] and Rs150,000 from [name of finance company], and Rs150,000 rupees from [name of finance company] to repay their loans. I settled one loan. It was a 15-day loan and I paid Rs 4,000 for 2 weeks. I took the Rs30,000 from [name of NGO MFI] at the start and I have got Rs 60,000 now and I am paying Rs 6000 per month. For the Rs150,000, I am paying

Rs. 3000 per week. I have [also] taken Rs150,000 from People's Bank. It is also group loan. I took Rs. 50,000 from Samurdhi and I am paying Rs. 3,000 per month. (Mullaitivu, female borrower, 49 years, 30 April 2018).

At times, the women's loan payments exceed the combined incomes in the households, adding the burden of paying debt to the family's general expenses. The prevalence of a high income to debt ratio was cited by a NGO-led MFI official thus:

Normally, an average family can earn 30,000 rupees per month as income and from that, they need to pay 25,000 rupees for the loans [and then] education, meals and other expenses, how could they manage it with the loans? (Regional Manager, 24 May 2018).

The problem of microcredit being used for consumption rather than investment or an income-generating venture resurfaces in this context as does the issue of multiple borrowing. But in instances where women have attempted to engage in an income generating activity, losses incurred due to various reasons further exacerbate the inability to meet the repayment schemes. Single parent families in particular are saddled with debt that is beyond serviceable:

I got a loan from RDB to keep the Grocery shop. I borrowed 55,000 rupees; we also took things from that shop and ate. Shop was a loss, so I closed that shop. Monthly I have to repay 5500 rupees. After that I borrowed a loan from WRDS. I borrowed 50,000 rupees. But I repaid only one installment (2000 rupees), I did not pay another installment. I borrowed another loan from [name of finance company]. I borrowed 80,000 rupees and put towards a coconut business, monthly repayment is 5500 rupees. Every month first Wednesday I have to pay the loan. I borrowed weekly loan from [private MFI bank]. From this loan I started kerosene oil business, but because of a small conflict in the village, people did not buy from me. That was also a loss. Now I am repaying 1400 rupees weekly. I tell my son "I want to repay the loan so, earn however and come". I do not have any means to repay the loans. Except WRDS loan, I have to repay monthly nearly 17,000 rupees (Mullaitivu, female borrower, single parent, 29 April 2018).

If the micro lenders are indeed following the basic principles governing microfinance, such a degree of lending would not be evident at the community level. Irresponsible lending practices, especially to communities where access to viable livelihood options is still very limited beyond subsistence agriculture and fishing, push women into situations where they are forced to then, borrow at any means.

Hence, rather than allowing women to establish themselves through an income-generating activity that would require such an infusion of capital, the MFI lending practices are keeping women within a vicious cycle of borrowing. They continue to borrow to 'stay ahead' of the repayments and avoid being targeted by the collectors, and being labelled as a defaulter by the women in their groups and the respective MFIs.

In short, while the amounts remain relatively "small", multiple borrowing has ensured that women are borrowing beyond their repayment capacity. By some accounts, such borrowing has resulted in women struggling with loan amounts exceeding a million rupees. The fact that such loans have to be repaid within a short period of time, generally not exceeding 18-24 months on monthly loans, makes it even more difficult for the women to find means to repay, leading them to give up the few assets they own.

Erosion of Savings

One of the key aspects the study tracked was also to understand the assets; both movable and immovable, that the women had acquired over the years. There were less than 10 instances where the women had an active

savings account in their name. In both Batticaloa and Mullaitivu, some women had opened the accounts in order to receive remittances from their husbands who were working overseas. In Mullaitivu, women also opened accounts in state banks to receive the housing “benefits” provided through the Divisional Secretariat office (i.e. AGA office).

But interestingly, many had opened the account in order to receive the loan amounts being transferred through different MFIs, and not necessarily as a condition of the MFIs to encourage savings. Despite the existence of bank accounts, women are unable to save. Even among women who had managed to save small amounts previously, many were unable to maintain the savings accounts at their respective banks. For the women, their priority lay in settling outstanding loans, over saving for a “rainy” day. In some instances, women’s accrued savings were depleted because they were forced to divert such funds toward setting off outstanding debt.

I have an account in Sampath bank to get money from my husband when he was abroad. I don't have more money to save, so I couldn't do anything on it. I can save little bit because we have loan, so we should pay the loan properly. Earlier time we don't have any loan system here but now we adopt towards loan so we couldn't save the money for future needs. We depend on the loan for every work. (29 years, Batticaloa, 25 April 2018).

I have a bank account. Those days, my son was in the Army and he would deposit a small amount in it. That's why I opened the account. Now of course there is no saving. All the wealth in the village is going out of the village with the loans (Monaragala, female borrower, age not revealed, 20 March 2018).

The inability to save however, is only partly attributed to the burden of paying off existing loans. Women make rational choices in their decisions regarding saving money for themselves. Given the opportunity, they prioritised spending for children’s education and directing whatever small amounts of savings they had towards the children’s accounts rather than their own.

While the establishment of bank accounts is a central element in ‘integrating’ women within the larger formalised financial structures, such approaches fail to consider the importance of more traditional forms of savings women engage locally. The seettu system in practice among women in Sri Lanka, is understood as an organic system based on mutual trust and collectivism that tie women together at the community level (Chandrasekara, 2009). The presence of seettu at the community level was noted by women and this included both cash seettu systems and those for furniture and household items. While many prefer to join seettu groups, because of rising household expenses and prioritising loan settlements over savings, they are unable to join.

I had the saving habit earlier but now I couldn't save the money because of the loan payment. We saved in seettu and furniture. Earlier, I held this furniture seettu properly and I gave them, but now people don't like this seettu as they are getting loans and buying furniture by cash. I am paying Rs 200 per month for seettu only now, we don't have big seettu here. Saving habits have changed over the years due to economic conditions. (Batticaloa, female borrower, 30 years, 25 April 2018).

Yes, I am involved in the money seettu but I am struggling to pay it now because I have to pay more loans so I couldn't manage it. I am not involved in furniture seettu. (Mullaitivu District, female borrower 32 years, 29 April 2018).

In stark contrast to the credit repayments, the amounts collected through the seettu remain relatively small - many tend to be not more than 500 rupees a month. However, as the women point out, setting aside even this considerably small amount of money is becoming increasingly difficult.

The depletion of assets in relation to microcredit is more tellingly felt with regard to the gold jewellery the women own. Pawning is considered a normal practice among Sri Lankan women, and such services are promoted by leading banks and non-banking finance institutes. Women pawned their jewellery to overcome emergencies, but were also used to finance men's migration overseas for work, and also to pay for health and education related expenses of their children. Unlike with microcredit, women were well aware of the interest rates offered by different finance companies and banks, and would consider the interest rates and the reputation of the institute prior to pawning the jewellery. In Mullaitivu however, women were compelled to pawn their jewellery at chetty shops⁶ because regulated financial institutes do not allow small gold items to be pawned. Despite the presence of a varied number of MFIs at the community level, women have to travel to the nearby towns to access pawning centres.

Compounded by the lack of a stable income source and in the face of mounting debt, women are increasingly under threat of losing this easily liquefiable asset. Women tend to reduce the risk of losing the jewellery by paying the minimum interest amount in order to keep the jewellery from being auctioned. But how long this practice can be sustained by them is not clear.

Every day, I have to face a loan problem. I had a lot of jewellery, but now I don't have [any] just a single chain. I pawned them to resettle the loan I pawned the jewellery at jewellery shop and I couldn't get it back. I need more money so I pawned the jewellery in shop. It is a high interest rate and we struggle to get it back. You can ask anyone about me, because I get the jewellery from relatives and neighbour but still I don't return their jewellery. (Batticaloa, female borrower, 42 years, 25 April 2018).

I pawn the jewellery at the banks and chetty shop for school fees and loan purpose. I couldn't get it back. I pawned the jewels for housing scheme also. I am paying interest for, so I haven't lost the jewellery yet at auction (Mullaitivu, female borrower, 33 years, 28 April 2018).

Back to moneylenders?

At the outset, micro-credit was viewed as a viable and less extractive alternative to the informal moneylenders in the community (Cull and Morduch, 2017). Although the women were averse to borrow from local lenders because of the high interest rates they charged, money lenders were still important. Some of the women borrowed smaller amounts of money to address an unanticipated expense within the household, whereas others were compelled to mortgage their land and/or their house in order to finance their spouse's or son's travel overseas. In some instances, such borrowers subsequently rely on microcredit facilities to settle such loans to informal lenders.

First I borrowed 25,000 rupees, monthly I repaid 2500 rupees within one and half years and I settled that loan. Afterwards, I borrowed 40,000 rupees, I settled that loan within one and half years. Husband sent money from abroad to settle these loans. I got both these loans to settle another loan because I got many loans from local lenders to send my husband abroad. (Batticaloa, 38 years, 25 April 2018).

The choice of replacing the high interest informal lending with the microcredit facility makes financial sense, as the interest rates in micro lending would still be relatively lower than those charged by the informal lenders. But, while microcredit may have helped women seek out a more reasonable source of financing, women are also 'returning' to borrowing from informal lenders when they are unable to service their loan installments to the MFIs.

⁶ These are small jewellery shops where one's gold jewellery can be exchanged for cash.

I borrow from informal lenders also. That's when I cannot repay the installment. Then later, when I cannot pay the interest amount [to the informal lender] the interest amount is doubled. When that happens, I collect another bit of money from somewhere and repay those (Monaragala, female borrower, 34 years, 21 March 2018).

In Mullaitivu, women were also borrowing what were termed as "meter" loans which is an informal lending where the interest is added onto the capital for every day/week that the borrower fails to repay. Although such lending is perceived as unfair, women have no other recourse but to rely on such loans when unable to meet the installments of the microcredit loans.

Hence, it would be short-sighted to claim that microcredit lending has helped replace the more exploitative forms of financing offered by local lenders. As multiple borrowings lead to unmanageable levels of debt, the informal lenders become one of the few, remaining options available for women to meet the repayment schedules. The danger in seeking out the informal lenders lies in the risk of losing their immovable assets in order to access amounts that exceed 100,000 rupees. Thus, rather than making the informal money lender obsolete, practices of MFIs indirectly help sustain the local lenders.

Disruptions to family life

Unserviceable loans are leading to rising tensions within the family. Instances where children plead with their mothers to stop borrowing because of family tensions and the psychological trauma they experience as a result of the women being visited by the MFI officials were cited by some of the women. In some instances, first-hand accounts revealed that the husband or the female borrower had had to leave the community and search for work elsewhere in order to service the loans taken.

When I was planning to take the loan, my [nine-year-old] son asked me not to take the loan because once taken, my husband and I argue about how to pay the installment and he doesn't like us fighting (Monaragala estate community, female borrower, 40 years, 23 March 2018).

Because of this loan, some people face family conflict, wife borrows the loan without telling the husband then husband hits the wife in the road because of these loans. Some people borrow the loan and run away from the village, after that group members have to repay the loan. Close to this area, the officer went to collect the repayment and she did not have any money, he stayed [in the house], then she tried to commit suicide, but village people went and saved her and the officer ran out. (Mullaitivu, 43 years, 29 April 2018).

Instances of suicides associated with the inability to repay the loans have been reported widely in the media, and were confirmed by some of the Grama Niladharis (GNs) interviewed ⁷. The references to such instances by the respondents were regarding a family member, or of such, an incident taking place in a neighbouring community. Establishing a correlation between suicide and micro-lending is difficult without understanding the individual experiences of these women, but the few instances of such attempted suicides point to the psychological burden placed on women and the absence of options or a means out of such mounting debt.

I also got many loans and I helped other people get loans. After, I was stuck at one point. I thought to die. And I ran away from the village and stayed with my elder daughter in Puttalam (Batticaloa, female borrower, 55 years. 24 April 2018).

⁷ A GN in Batticaloa reported 08 cases of microcredit related suicides within his GN division (26 April 2018).

Hence, while suicides or attempted suicide as a result of the pressure to repay microcredit is highlighted in public discourse, such discussions must move beyond the surface to examine, how the access to such microcredit in the absence of social support or safety nets by the government can add an unprecedented amount of pressure on the women.

Weakening of women's solidarity?

By promoting and pushing for the formation of women's small groups, the cohesion that exists among the women is largely disrupted. The exploitation of women's collectivism and tendency to support each other culminates in further complications as the example below illustrates:

We must somehow pay on time. If we do not pay, conflict will arise within the group. If we do not have money to repay, we will borrow from others and repay the loan. If I do not pay the repayment, group members have to repay. ... If one group member does not come, that is not an issue but her money has to be there. If not, we have to repay her loan. I am also paying their repayment; they also pay my repayment. (Mullaitivu, female borrower, age not indicated, 30 April, 2018).

While reliance on the women in the group to extend support can be beneficial in the short-term, the composition of the group becomes critical, when women have to service multiple loans. Each group can include women who are also multiple borrowers and vouching for each other's loans has its limitations. Hence, rather than encouraging or strengthening existing social networks, MFIs can easily disrupt these social ties, using them as a means of control, rather than as a means of pulling each other out of difficult economic conditions.

Similarly, adopting shortcuts to issue microcredit can create space for certain women within the community to wield their power to exploit other women, as the example below illustrates:

In our area [name of private MFI] stopped to give the loan. Because many people struggle to pay, and one lady ran out from the village. People borrowed loans under their names and gave that loan to one woman. She gave a commission of 5500 rupees to them. She got the loans from many people and ran away from the village, now these people are repaying the loans. This case went to the Police, and now the court gave the judgment saying that people can pay back to the company monthly, whatever they could pay each month.

Hence, the empowerment rhetoric embedded within microcredit discourse must be revisited, as lending can easily become a site of exploitation of women rather than a strengthening of social solidarity and collectivism.

Tensions with local government officials

At the community level, as noted in the scoping phase, the presence of young men in the community was raising concerns regarding women's safety within their own community. It has also led to the stigmatisation of women whose inability to repay the loan becomes visible with the persistent presence of the male MFI officials in the community.

At a less visible level, microcredit lending has created tensions within members of the community and their respective Grama Niladharis. As the immediate mediators living in proximity to the communities they serve, GNs in particular, and officers at the DS level in general are increasingly frustrated in their attempts to resolve 'problems' arising out of microcredit lending. Issues at the community level, ranging from the presence of the male officials to debt-related suicides are reported to the GN officials who, in turn, report about the "menace"

of microfinance schemes at the DS level committee meetings. The GNs and DS level field officers have sought to discourage people from borrowing and sought means to stop the private MFIs from setting up “office” in the communities, but with little effect. Noticeably, it has led to tensions between the prospective borrowers and themselves. However, in one respect, the officers have succeeded: the use of community spaces (i.e. schools, community centre) has been prohibited forcing the MFIs to use a focal point’s house as the “centre”. In some instances, women also reported that the GNs in particular have protested the presence of these schemes in the community by refusing to issue the DS-4 certificate ⁸. Government officials also report that “problems” faced by borrowers are generally reported by other community members and not the women themselves, because of the fear that such reporting would lead to their Samurdhi benefits or livelihood subsidies being removed.

Preference for Microfinance

Despite the apparent implications and repercussions to the individual borrowers, the family and the community at large, MFIs continue to operate and in some instances, thrive in these communities. Although there was a single incident where a specific private MFI exited the community because of the exploitation of the lending schemes by a particular individual, women noted the presence of several MFIs in the community, lending to the same group of women in the same community (Tilakaratna and Hulme, 2015). This was confirmed by the representatives of the MFIs interviewed in Mullaitivu who, interestingly pointed to the proliferation of MFIs in the town of Mullaitivu while also, pointing to the lack of employment and income-earning opportunities for the local people who are the primary targets of the MFIs.

The persistence presence of MFIs at community level is because of the profits to be earned from lending, but the women themselves may contribute towards a withdrawal of these MFIs or a scaling down of their activities, as they “wisen up” to the negative repercussions.

If I have to ever take another loan, I will only borrow from Samurdhi. I won't borrow from others. If I borrow, it would be for some household expense. The interest rate and the installment are low. If you have built a trust at Samurdhi, they even give the loan without us having to give anything. Even for big amounts, it can be the case (Monaragala, female borrower, 37 years, 22 March 2018).

Some women have ‘sworn off’ from borrowing from MFIs again, others are equally wary of these lending practices. Sometimes, women regret falling into debt by borrowing from multiple sources, they are acutely aware that loans are necessary in order to meet the rising costs within the household; mostly to do with consumption related and non-investment expenses.

Informed by their experiences, the preference is for low-interest rate loans that are serviceable, not through weekly installment schemes but preferably monthly. For, as the women point out, if the spouse or the woman engages in an income generating activity, servicing loans monthly rather than weekly or daily aligns with their spending habits. The weekly loans on the other hand, are seen as detrimental to the wellbeing of the family because of the constant need to set aside the money in preparation for collection, which then diverts money away from consumption and meeting the expenses of the children. This is also reflected in the change in practices noted by a particular private MFI, which is increasingly shifting away from weekly loans to a 15-day or monthly loan schemes.

Although some women had, through experience, learned to be sceptical of such borrowing schemes, the MFIs continue to be one of the few available options that allow women to access finance. The absence of the “usual

⁸ According to a Grama Niladhari in Batticaloa, this led the MFIs to ask for an electricity bill instead or a letter from a Justice of Peace (27 April 2018).

suspects" (i.e. NGO-led institutes) was stark in many of the communities. Similarly, the community-led WRDS and Funeral Aid Societies also appear to have taken a back seat in offering microcredit facilities, their ability to lend to their members possibly being further curtailed through the implementation of the Microfinance Act No 06 of 2016. Hence, the demands at home to cover health and education expenses and other costs can only be met by accessing such loans:

Although people say "don't take loans", how can we, when we have to do everything by ourselves? We were able to build the house, buy the vehicle and get a water connection all because of these loan societies. So, it is a help. What I am trying to do is at least go for casual labour and settle these outstanding loans by August next year. We work all thirty days. I am not saying loans are good, but it is a relief for us...once the loans are settled I will stop. Otherwise, I can't. I must save something also...Once my son sits for his examination next August, I will stop borrowing money (Monaragala, female borrower, 38 years, 22 March 2018).

If there is an emergency, then I would have to borrow again. It cannot be just stopped. There is no good MFI... the weekly loans are difficult. I borrowed because we needed cash. One can't live without the medicine, so I borrowed (Monaragala, female borrower, 36 years, 21 March 2018).

The preference for MFIs is also fuelled by a set of other reasons. While women overwhelmingly support the idea of access to low interest rate loans and view the government-led institutes as offering the best alternatives, they also find themselves excluded from accessing these loan facilities. For example, Samurdhi is perceived as being accessible only to its beneficiaries, keeping away potential clients from seeking out loan facilities.

A lot of the people have now become accustomed to borrowing from private institutes rather than the government ones. When someone tries to access a loan from a government institute, they ask government officials as guarantors and then ask for deeds also. They take a long time as well. Also, government officials will not sign on our behalf right? These sirs are not like that. If we ask for a big loan and it doesn't come through, they tell us what the reason was. They even give us a report. Of course the interest rate is too high, but our needs are met (Monaragala, female borrower, 41 years, 22 March 2018).

We couldn't get the government staff's signature to get a loan from banks because if we delay the loan payment then their salary will be held. So government staff officers don't like to add their signature for us. Bank loan is the better loan, but we just cannot get this loan easily (Mullaitivu, 54 years, 28 April 2018).

The stated preference for MFIs is also because the next best alternative is the informal lender and given the high rates of interest being charged at daily or monthly rates, women perceive the MFIs as more tolerable. More importantly though, the speed with which such loans are made accessible, and the simplified process, makes the MFIs attractive, especially in an emergency. As one government official pointed out, accessing loans has become as easy as buying groceries at the supermarket.⁹

State banks are good. People's Bank only charges 8 percent as interest. But then in state banks, to get a loan you have to waste a lot of time Miss [rasthiyaduwaney]. Because of that, this is good. We receive the money within a week. (Monaragala, female borrower, age not revealed, 23 March 2018).

Similarly, the credit to the doorstep approach reduces the cost in time and money that women would otherwise have to expend in accessing such credit facilities. The exception was found in a remote community in Monaragala, where private and NGO-led MFIs had yet to establish themselves; perhaps the difficult terrain in order to access

⁹ Interview with Assistant Divisional Secretary (Mullaitivu district), 24 May 2018.

the community was considered not worthy of the effort. Instead, both men and women generally borrow from the regional cooperative bank which maintains a physical presence in the community. In contrast, in postwar Mullaitivu, the MFIs appear to have been one of the few available options of finance for the resettled in the absence of any state-led financial institutes being established:

When we came to this village [four years ago, during] that time we had lost all the things we owned, in that time no one was there to give loans for us, but they gave the loan for livelihoods (Mullaitivu, female borrower, 31 years, 29 April 2018).

However, while the MFIs may have identified an existent gap in access to finance, their presence does not necessarily lend itself to supporting income generation:

This loan is helpful for us. If we have proper income, we can repay the loan without problems. But here we are all doing seasonal job (fishing), if we have a regular income there is no issue. This loan is helpful for us as they give capital to start the job, but in our area there is no job opportunity. (Mullaitivu, female borrower, 30 years, 29 April 2018).

Therefore, although the negative implications of borrowing may at times, far outweigh the positive, women have few options other than the MFIs from which to access credit. MFIs are particularly important also because; women make informed decisions regarding not wanting to secure loans through informal lenders in the village. Although the women want to access low-interest loans, the inability to maintain a good savings record in the bank accounts and stringent documentation and security required, leaves women outside of the formal financial institutes. Therefore, what remains is the MFIs as the next best alternative.

As noted in the literature, the major setback in the approach to microfinance and its rationale is the watered down approach to women's empowerment. The assumption that financial inclusion would empower women to be micro-entrepreneurs who can earn a decent wage and then support their families to graduate from poverty, is further constrained by the shortcuts adopted by private sector-led MFIs in Sri Lanka. Rather than transformative positive change enabling the marginalised to exit from poverty through social or political mobilisation, what microfinance has effectively done in these districts is to contribute towards managing poverty. This becomes further heightened in the post-war context of Mullaitivu and Batticaloa, where the absence of social support and state-led interventions to support the war-affected, was commonly cited by the women, as a major impediment to their efforts to establish themselves both socially and economically in their communities.

It remains to be seen how MFIs, particularly those of the non-banking financial sector, maneuver this highly congested market, and how this would further impact women borrowers. What is of critical importance is that the entry of the regulated non-banking sector has also been propelled by the vacuum created by the exit of the locally based CBO and NGO-led programmes, and the withdrawal of programmes targeting the strengthening of community based organisations such as the WRDS. By using the existing community organisations as a conduit to enter the communities and relying on community mediation boards, these private MFIs have managed to penetrate and establish their authority over these communities. While the NGO led MFIs appear to occupy the margins, the capacity for larger non-banking institutes to crowd out the smaller entities is evident in the data. As one senior government official pointed out, microfinance has become a 'cash cow' for struggling finance companies to establish a footing in the financial industry ¹⁰. Especially in light of the continued fears raised regarding the "health" of the non-banking financial sector (Wettasinghe, March 2019), women's indebtedness will also then be linked not only to the regulations that have been brought about through the MF Act of 2016 but also on how the Central Bank regulates its non-banking financial sector.

¹⁰ Interview with senior official of the Central Bank, - 31 August 2017.

Conclusion

In post-war Sri Lanka, rising household debt has become a cause for concern, with micro credit debt and the high interest rates charged from the 'poor', implicated in far-reaching social repercussions. This study was conducted with the objective of examining the process adopted by microfinance institutes to provide credit to their clients, and how such practices are perceived by female borrowers and the effects on these women. The study was partly informed by CEPA's existing body of work that pointed to a rise in concern regarding microfinance-induced debt and partly by the insistence in some quarters that the borrowers' experiences of microfinance lending is being sidelined in favour of assessing its impact through instrumental, static methodological approaches such as RCTs. The remaining sections highlight some of the key issues arising from the study.

Microfinance lending has undergone a dramatic change at the local level, marked by the withdrawal or scaling down of traditional, community lending entities and the fast-paced entry of non-banking financial institutes, all lending microcredit to female borrowers. While women prefer state-led banking because of the low interest rates charged and more favourable conditions regarding repayment, such services are inaccessible because of the inability to produce assets and/or government officials as guarantors. Although a significant proportion of women had also borrowed from Samurdhi, the non-members of Samurdhi were unaware of their ability to access credit through the "bank". But even among Samurdhi borrowers, preference for microfinance lending was propelled by the quick turnaround time and the low demands on producing collateral in order to secure a credit facility. Although women could not necessarily identify the interest rates, they were aware it was high. Regardless, MF lending was still a better option than borrowing from informal lenders.

Although the focus on high interest rates charged by the MFIs has been in the limelight in public discourse, the analysis of the data also reiterates the importance of examining the chain of practices that encompass microcredit lending. Group liability continues to form the basis for lending but with the added condition that women also have an adult male from the family as a guarantor who is informed of their lending. Although it is unclear if NGO-led MFIs also demand such a form of 'collateral', this practice undermines the basic principle governing microfinance that of empowerment and that women can vouch for each other's credit line. The implications of such a 'practice' in light of the existence of female headed households in the North and East must be examined in-depth to better understand how women are negotiating such additional conditions imposed on them. That such a practice further exacerbates rather than reduces women's exclusion is evident, especially in perpetuating the idea that women are less than credit-worthy and less responsible than a male in their borrowing habits.

With little to no encouragement by the MFIs to promote savings, or provide trainings and capacity building efforts to support the borrowers, including few monitoring or follow-up visits and checks on their history of borrowing, women's borrowing patterns are undergoing changes. Many borrow in order to meet consumption-related needs at the household level rather than for investment or income-generating activities. These then culminate in women struggling to repay their loans within a short span of time as MFIs provide little to no time as a grace period. The unrelenting pursuit of collection at any cost is forcing women to break those social bonds that essentially, lead to the conceptualisation of the idea of collectivism in micro-lending. The pressure on women to settle the loans "somehow or the other" is largely successful as MFIs continue to post high repayment rates. What these numbers fail to capture are the struggles the women undergo and the compromises they make in order to repay their loans, usually resulting in the instigation of a vicious cycle of debt.

These practices also have resulted in tensions rising within the small groups and within one's family. Women are compelled to borrow, pawn their jewellery or borrow from informal lenders in order to meet the daily/weekly or monthly installments of microcredit lending. Hence, rather than merely high interest rates, this chain of activities

'lends" itself to creating an environment where a majority of women are persistently kept within a perpetual cycle of borrowing and repayment. The "lure" of microfinance as even a temporary means of addressing shortages in cash flow is too strong for women to resist especially because of the lack of other viable options for financing at the local level.

That microfinance lending has failed to recognise the existent heterogeneity and the specificity in the socio-economic contexts they work in, is quite evident. The absence of major differences in practices of lending in Monaragala, Batticaloa and Mullaitivu illustrates that the unique socio-economic conditions that exist in the post-war districts are not given much attention. Rather, this degree of dismissal of the ground realities where both men and women continue to struggle to earn a living raises the question of whether such microfinance models are merely paying lip service to the fundamentals of a social mission. In a context where microfinance is lauded as the means of integrating the poor into global financial systems, and the GoSL is adopting a similar approach to "battling" financial exclusion, deeper consideration must be given to how the MFIs are reaching the marginalised and the potential for exploitation, rather than empowerment in such a process.

The study though limited in scope, points to some pertinent issues that need to be further explored. The entry of the private sector into MF lending needs to be further explored, especially in terms of the limits to regulating such 'unethical' practices as such entities are already regulated through different departments of the CBSL. Without a clearer understanding of how much the sector has undergone changes, the donor community and the GoSL will continue to push microfinance as a panacea for what ails the under-developed regions, thus on one hand, diverting much required funding from establishing social safety nets and support mechanisms in preference for financial tools to enable the poor to 'pull themselves up" from poverty.

The changes taking place within the sector since the introduction of the Microfinance Act of 2016 (no 6) also need to be examined further, especially the ramifications for the local communities. This is especially pertinent in light of some of the local NGO based entities joining the commercialised mainstream financial market. Such an elevation has been largely supported by the deposits and borrowing habits of the poor but the implications of upscaling to the local communities, in this fast-commercialising industry require more understanding.

However, most importantly, the 'otherness' of women within the much-touted microfinance model needs to be explored in-depth and with much rigour. Even within the narrow, over-simplified notion of empowerment promoted by microfinance proponents, women continue to experience exclusions. They continue to experience marginalisation from the more formalised, regulated forms of financial services offered by the state, and are at the receiving end of the withdrawal or limited access to community-based entities offering credit. This leaves them with only a minute number of alternatives, mostly in the form of private MFIs, to borrow credit from, in order to meet consumption related expenditure at the household level. Within these, women's capacity to borrow is questioned, group liability is tested and basic but important information regarding the process is not shared. Moreover, their savings and the few assets they own are increasingly put into jeopardy in the push to meet the repayment schedules of multiple loans.

In the absence of any substantial efforts to offer social safety nets coupled with the glaring absence of income-generating options, women will continue to borrow especially in order to meet their household expenditure. The unique contexts in which these marginalised women continue to live, raises the spectre of unmanageable debt especially in the absence of any concerted effort to provide long-term solutions to the socio-economic problems the women experience. Hence, despite being linked to the larger financial systems through access to microcredit, the cost of such inclusion may be too high for the women, both financially and socially. Women will continue to exist in the margins, using microcredit as a means to manage poverty rather than to graduate from economic hardships.

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In light of concerns regarding rising indebtedness and multiple borrowings, micro-credit lending and its effects on women has garnered much attention in the public discourse. This unprecedented focus has led the Government of Sri Lanka to consider varied options to mitigate these negative effects. This study, using data collected through in-depth interviews with female borrowers of the districts of Monaragala, Batticaloa and Mullaitivu, focuses on underlying microcredit practices to better understand how the process of accessing such credit affects female borrowers. Evidence points to how financial institutes that are already registered with the Central Bank of Sri Lanka, use shortcuts to reach out to the same pool of borrowers at the community level, leading to multiple lending. The absence of background checks and monitoring of borrowers inadvertently leads women to borrow for reasons other than income-generation. This has resulted in an inability to service the loans, the erosion of savings and assets and, discontent within the family and community.

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