

**Poverty Alleviation and Long-term Sustainability of
Microfinance Project: with Special Reference to Matale
District**

By

Parahara Withanalage Niroshani Anuruddika Kumari

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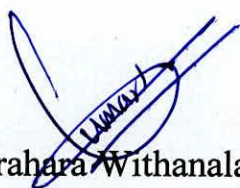
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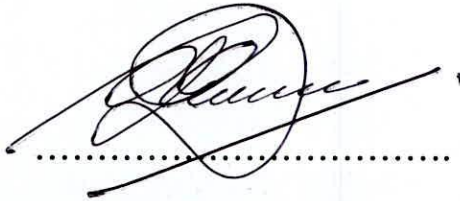
A thesis submitted to the University of Sri Jayewardenepura in
partial fulfillment of the requirements for the Degree of Master of
Science in Management on 31st of January 2013

The work described in this thesis was carried out by me under the supervision of Dr. P J. Kumarasinghe and a report on this has not been submitted in whole or in part to any University or any other institution for another Degree/Diploma”.

A handwritten signature in blue ink, appearing to be 'Parahara Withanage', written over the printed name below.

Parahara Withanage Niroshani Anuruddika Kumari

“I certify that the above statement made by the candidate is true and that this thesis is suitable for submission to the University for the purpose of evaluation”.

A handwritten signature in black ink, appearing to read 'P. J. Kumarasinghe', is written over a horizontal dotted line.

Dr..P. J.Kumarasinghe

Senior Lecturer

Department of Business Economics

University of Sri Jayewardenepura

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List of Abbreviations

PHR	Poverty Headcount Ratio
MFI	Micro Finance Institutions
DCS	Department of Census and Statistics
NGOs	Non Government Organizations
PPP	Purchasing Power Parity
ADB	Asian Development Bank
MREAP	Matale Regional Economic Advancement Project
IFAD	International Fund for Agricultural Development
PRDP	Participatory Rural Development Project
SEWA Bank	Self Employed Women's Association
TCCS	Thrift and Credit Co-operative Societies
MPCSs	Multi-purpose Co-operative Societies
RRDBs	Regional Rural Development Banks
CRBs	Co-operative Rural Banks
SLBDS	Sri Lanka Business Development Center
MIX	Microfinance information exchange
LMFPA	Lanka Micro Finance Practitioners' Association
MRAA	Microcredit regulatory Authority Act
SEC	Securities and Exchange Commission
GIS	General Information Sheet
GDP	Gross Domestic Product

SDI	Subsidy Dependency Index
ESDI	Explicit Subsidy Dependency Index
ISDI	Implicit Subsidy Dependency Index
CBSL	Central Bank of Sri Lanka
HH	Households
LMFPA	Lanka Micro Finance Practitioners Association
BRAC	Bangladesh Rural Advancement Committee
ASA	Association of Social Advancement

Poverty Alleviation and Long-term Sustainability of Microfinance Project: with Special Reference to Matale District

Abstract

This research is attempted to assess the strengths of poverty alleviation initiatives taken by the foreign donors in Sri Lanka. Hence research basically studied the Matale Regional Economic Advancement Project (MREAP) which was funded by the International fund for Agricultural Development (IFAD). Study was based on both primary and the secondary data. Primary data were collected through interviews held with project officers, beneficiaries and other government officers who were involved with various activities in project villages. Descriptive analysis, chi square, t statistics, binomial test, double difference method, and the regression analysis were the analytical tools used in data analysis. According to the results of the double difference analysis and the descriptive analysis microfinance facility provided by the MREAP has influenced significantly on income levels of the beneficiaries. In general, microfinance has influenced positively on poverty alleviation of beneficiaries. According to the beneficiaries MREAP was a successful project as it provided microfinance for the appropriate businesses during the project implementation period but, neither MREAP nor other government organization have monitored the sustainability of project activities. Analysis of the project reveals that Microfinance is one of the effective tool in poverty alleviation in Sri Lanka and, it is very essential to provide a healthy macroeconomic environment avoiding unnecessary political intervention for the microfinance projects to function effectively and efficiently. This information reveals that monitoring of long term sustainability of the activities initiated during the project

period after the termination of the project is a vital fact that due attention of relevant authorities should be received.

Keywords: Microfinance, Poverty, MREAP