

## Executive Summary

Microfinance in Sri Lanka has experienced a rapid growth in the last two decades. The purpose of this study is to investigate and draw insights into the manner and extent by which microfinance has contributed to the sustainable livelihoods of the rural population. Considerable debates exist as to the merits of microfinance, and the degree to which these programs and institutions have had an impact on the rural population. While their capacity to improve the social, financial, and health care has seen significant positive impacts, the growing reliance of debt by the rural poor have led to the prevalence over-indebtedness in this vulnerable sector, and in adverse situations even resulting in loss of life. Therefore urgent attention needs to be focused on these programs in order to effectively provide the services leading to sustainable livelihoods to these communities.

Focusing on the activities of Sanasa Development Bank Limited, this case study attempts to showcase the various aspects of its microfinance program, which have led to livelihood improvements in the rural communities of the Western Province. Looking at the bank's operations and the manner by which it interacts with the multitude of organizations and agencies in order to deliver microfinance services to this segment of the population, this study attempts to articulate the enhancement to rural livelihoods resulting from the bank's activities. Results of the key findings of this case study indicate that the success of the bank at ameliorating the livelihoods can be attributed to several key factors. The most significant of these is the proper identification of livelihood generation business models, which the bank extensively used when determining the levels of risk associated with any rural income generation activity. Identification of the proper business practices and thereafter acting as a 'de-facto financial advisor' is one of the main reasons for the continued success of the bank both financially and by helping increase the financial wherewithal of their rural clients has contributed to the raising of their livelihoods.

It can be said that microfinance helps the rural community by raising both the income levels and human capital stock. Furthermore, the microfinance program of Sanasa Bank helps to reduce the vulnerability of the rural poor to internal and external shocks. Hence it can be seen that livelihoods financed through microfinance boosts the income, which, in turn, increases the food consumption, helps to attain better education, improving health and wellbeing, and finally improve housing and living conditions. The biggest impact of microfinance has been in helping these poor achieve their dreams of a better future.