

# Social Banking to Meet Needs of the Poor

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The fifty-two Janashakthi banking societies in the southern Sri Lankan district of Hambantota with a membership of nearly 20,000 poor rural women have succeeded in evolving an innovative alternative banking practice. It is a social banking process that caters specially to the development needs of the poor in sharp contrast with conventional commercial banking, which has marginalised the poor.

As is well known, commercial banks have not been successful in servicing the development needs of the poor given their profit orientation and style of operations. The transaction cost of servicing the poor has proved too high for commercial banks.

Moreover, high rates of loan delinquency and defaults have characterised their operations whenever they have stepped out of the mainstream to extend credit facilities to the poor.

Let us start with some basic statistics about the Janashakthi banking societies. In the past three years, over 24,000 small loans (an average of Rs 1,600) have been given to poor women for either cultivation or self-employment activity, and the repayment record has ranged from 93 to 100 percent depending on the administrative division.

Starting from a mere Rs 1,000, the size of the loan that a member can take has increased up to Rs 7,000 currently and the loan limit can be expected to rise progressively as the resource base expands and the members' demand for productive credit rises.

Currently the resources mobilised through shares, savings and deposits of various forms have exceeded an average of Rs 725 per member. These statistics reveal an impressive record for a people's initiative, which is only about three years old.

The above statistics, impressive as they are, cannot by themselves capture the performance and impact of this social banking programme. There are many quantitative achievements, which cannot be reduced to numbers. All of the dimensions of the human and social development process cannot be presented quantitatively.

Successful development processes enable hitherto marginalised people to enhance their dignity, self-respect and social recognition. People come into their own, express their creativity, become *more human*, and demand that they be treated on equal terms. They develop capacities to make decisions and implement them, reduce their dependence on the elite, and become increasingly self-reliant over time.

In short, people hitherto deprived and marginalised, become empowered. As we shall see, such qualitative achievements – not easily measurable – are important aspects of the social banking programme as implemented by the poor women at Hambantota.

The Janashakthi banking programme is more than a savings and credit operation of the usual type. Savings and credit activities are carried out by the women who have mobilised and organised themselves, who have become development conscious and are willing to take initiatives for improving their socio-economic conditions. In other words, a process of social mobilisation (awareness creation, building confidence in one's capacities, and readiness to take initiatives to change one's situation) is an integral component, which operates side by side with the savings-credit operations, in fact reinforcing the latter.

A specially trained cadre of social mobilisers operates at community level for this purpose. They are a new type of extension worker who stimulates and assists people to initiate development actions; they are animators and facilitators rather than delivery agents of pre-packaged materials and services.

Building a network of organisations where the membership is confined to the poor is another distinguishing feature. Starting at five-member groups at the base, the organisation structure has moved up to cover a women's development society at the village level, a banking society for an average of 6 to 7 villages, and culminating in the Women's Development Federation, the apex body.

This bottom up organisational structure has broken the isolation of poor women, created a forum for interaction and given them social recognition. They now have an effective instrument to deal with outside agencies and bargain for resources and service deliveries. They are no longer atomised individuals; they have emerged as a social power of some sort to reckon with.

The organisational network has been used as an instrument to mobilise resources both from internal sources (from amongst the members) and external resources (various donors and service delivery agencies). The financial resources (shares, savings, deposits of various kinds and loan funds) mobilised have amounted to a little over Rs 18.7 million as at end of September 1993.

In addition training of skills of different sorts – treasurers, administrative personnel, social mobilisers, group leaders and other office bearers – technical training, and experiences gathered in organising and managing different programmes and projects, have enabled the creation of a substantial stock of human capital (knowledge, skills and experience) within the organisational structure.

The organisational strength and the mobilised resources are being used by the membership to achieve three fundamental goals:

- (i) Generating new incomes and employment opportunities through appropriate economic activities as decided by the families concerned;
- (ii) Raising the capacity of families to achieve basic needs, in particular to a measure of stability in family consumption in times of distress (*e.g.* crop failures, family illness and dislocations), nutrition, health and education; and
- (iii) Raising the social status and developing the power base to deal with problems of poverty. The members of the Janashakthi banking societies have many achievements to their goals. A solid beginning has been made and they are marching forward on the right path.

The Janashakthi bank programme was started with small contributions of the poor women of Hambantota district. But from the beginning it was evident that the programme needed a helping hand from outside. In this situation the intervention of the Sri Lanka-Canada Development Fund has been of immense help. They have had the unstinting support of its director Mr P P Abeydeera.

The Sri Lanka-Canada Development Fund has extended Rs 350,000 in assistance to enable the Women's Development Federation to buy computers, photocopying machines and other equipment for its head office.

The availability of this equipment has made the Janashakthi banking operations more efficient. The Women's Development Federation has been able to record and analyse data about the banking operations and the 20,000 members with ease as a result of this support.

The Sri Lanka-Canada Development Fund while extending financial support to the Women's Development Federation did not lay down strict conditions or interfere in the internal workings of the organisation.

The Women's Development Federation and its constituent organisations the Janashakthi banks and the women themselves have had the freedom to develop progressively, strengthen their institutions, and maintain their independence.

The poor women of Hambantota in the process have become dedicated change agents in the alleviation of poverty and in developing their areas, generating jobs and creating confidence among themselves.

**Source:**

Women's Development Federation, Hambantota, Sri Lanka