

**Understanding Local Realities of
Microfinance and Women's Empowerment
Capabilities in Sri Lanka: The Perspective of
the Samurdhi Program and its Beneficiaries
in Two Adjoining Rural Communities**

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ABSTRACT

Microfinance programs have evolved as an important mechanism for empowering women and thereby integrating them into the overall economic development process in many developing countries. Nonetheless, there is much to understand about the grassroots level operations of these microfinance programs and their effectiveness in empowering poor women in many different contexts. The aim of this study is to understand the local realities of microfinance programs and their capabilities in empowering poor rural women from the perspective of the *Samurdhi* program and its beneficiaries in two adjoining communities in Sri Lanka.

In addressing the importance of exploring the ground realities of microfinance programs and empowerment of women, the study utilized the single embedded case study method with qualitative research approach. The study analyzed the grassroots level operations of the *Samurdhi* program in the context of *Ihala Koswaththa* and *Welankale* villages situated in *Kurunegala* district of Sri Lanka. The assessment of women's empowerment capabilities of the *Samurdhi* program in these two communities was guided by a conceptual framework consisted of three dimensions of economic empowerment, household well being, and sociopolitical empowerment.

The study findings highlight that the welfare grant component and the regulatory relaxations as a government program has largely contributed to the dominant position of the *Samurdhi* program as the largest microfinance provider for the majority of poor rural women in the country. Even though the program design aims for promoting entrepreneurial activities among these poor women, the study finds in reality the provided enterprise credit are not often invested productively hence failing to reach the potential economic empowerment. The majority of program benefits for these women come in the area of household well being given that their circumstances have prompted them to utilize the enterprise credit towards household utility maximization. The evidence suggests that the direct impact of loans is limited, however the organization of women into small groups for the facilitation of credit provision and their engagement in other related program activities are effective particularly for sociopolitical empowerment. Finally, the comparison of two communities showed some characteristics affecting the performance of the beneficiary women and thereby the impact on their empowerment through the participation in the *Samurdhi* program.