

# THE FUTURE FORECLOSED

**Women trapped in endless indebtedness  
in Sri Lankan rural economy**



**Vidura Prabath Munasinghe  
Dimali Wijesinghe**



Law & Society Trust

# “WE ARE NOW A HIGHER MIDDLE-INCOME COUNTRY, BUT MOST OF OUR FAMILIES REMAIN IN DEBT”



**ACCORDING** to the World Bank categorization issued on July 01, 2019, Sri Lanka is now listed under higher middle-income countries considering its per capita income of 4,060 USD.<sup>1</sup> As per the last census conducted by the Department of Census and Statistics on the income and expenditure of families in Sri Lanka (2016), the average income of a family was Rs. 62,237.00 while the average expenditure was Rs. 54,999.00.<sup>2</sup>

Each Sri Lankan government that governed the country after independence initiated different projects to combat poverty. There are arrays of such projects that include food coupons, Janasaviya,

Samurdhi, GamiDiriya, GramaShakthi, Gamperaliya, and Enterprise Sri Lanka. According to the Asian Development Bank, the percentage of people who are living under the poverty line in Sri Lanka is only 4.1%, which is the lowest in South Asia.<sup>3</sup> According to the Department of Census and Statistics the Sri Lanka, 693,956 (4.3%) of the rural population and 82,308 (8.8%) of the estate population lives under the poverty line.<sup>4</sup>

According to the last census done in Sri Lanka (2011), a large majority of the population (i.e. 81.8%), do not live in urban areas. Specifically, 77.4% of the population lives

in rural areas and 4.4% live in estates.<sup>5</sup> Therefore it can be assumed that when Sri Lanka achieved the status of a higher middle-income state, in general the country's rural economy has achieved considerable progress through the projects implemented to combat poverty. But it is also a generally known fact that even the families who are above the poverty line are also heavily indebted. By December 2018, the total amount of debt of the family units in Sri Lanka exceeded 7.2 billion USD.<sup>6</sup> According to the report of the UN Expert on Debt and Human Rights, more than 2.4 million women in Sri Lanka, have taken loans from micro financing institutions,

Published by :



**Law & Society Trust**

3, Kynsey Terrace,  
Colombo 8,  
Sri Lanka

Tel : +94 (0) 11 268 48 45  
Fax : +94 (0) 11 268 68 43  
Web : [www.lstlanka.org](http://www.lstlanka.org)

**© Law & Society Trust - 2019**

The Law & Society Trust (LST) is a not-for-profit organisation engaged in human rights documentation, legal research and advocacy in Sri Lanka. Our aim is to use rights-based strategies in research, documentation and advocacy in order to promote and protect human rights, enhance public accountability, and ensure respect for the rule of law.

**Front cover photo** - Oliver Friedmann

**Back cover and inside photos** - Oliver Friedmann, Vidura Prabath Munasinghe, Gjertrud Johnsen Dyrkolbotn

**Cover design** - Prabath Hemantha Kumara

**Page layout** - Dileepa Liyanage

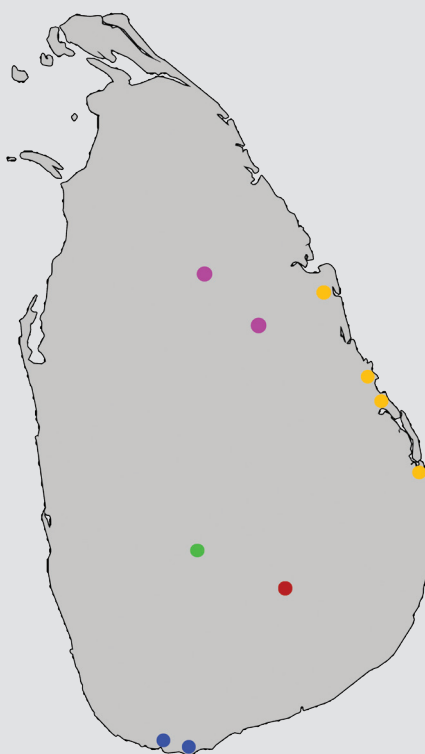
**Graphics** - Kelum Nawarathne

which charge high interest rates (30%-220%).<sup>7</sup> This indicates the challenges that Sri Lankan women face when it comes to access credit.

In order to understand the burden of debt in parallel to the increased per capita income of Sri Lanka, it is necessary to view the income-expenditure ratio and the debts (pattern of taking loans) of more than 81% of the non-urban population. It is also particularly important to investigate the situation of women who have more limitations to access credit than men.

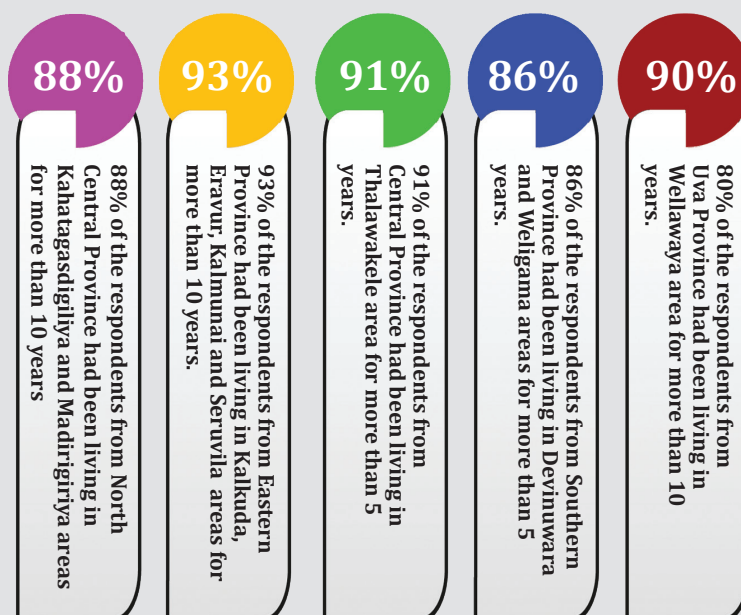
With this objective, this publication presents the results of a survey done with 500 women from selected locations in 5 Provinces.

**THE** following areas were selected since they generally represent a cross section of Sri Lankan rural economy (agriculture, estate economy, fisheries, wage labour and small-scale enterprises).



Through simple random sampling, 100 individuals were selected from each region. By coincidence, the majority of women in these samples were married, and have been living in their respective areas for a long time (more than 5-10 years) with their families. Therefore it can be assumed that their domestic economic units will continue to function in the same manner within the same area in the future

1. <https://blogs.worldbank.org/open-data/new-country-classifications-income-level-2019-2020>
2. [http://www.statistics.gov.lk/HIES/HIES2016/HIES2016\\_FinalReport.pdf](http://www.statistics.gov.lk/HIES/HIES2016/HIES2016_FinalReport.pdf)
3. <https://www.adb.org/countries/sri-lanka/poverty>
4. [http://www.statistics.gov.lk/poverty/Poverty%20Indicators\\_2016.pdf](http://www.statistics.gov.lk/poverty/Poverty%20Indicators_2016.pdf)
5. [http://www.statistics.gov.lk/PopHou-Sat/CPH2011/Pages/Activities/Reports/CPH\\_2012\\_5Per\\_Rpt.pdf](http://www.statistics.gov.lk/PopHou-Sat/CPH2011/Pages/Activities/Reports/CPH_2012_5Per_Rpt.pdf)
6. <https://www.ceicdata.com/en/indicator/sri-lanka/household-debt>
7. <https://documents-dds-ny.un.org/doc/UNDOC/GEN/G19/009/95/PDF/G1900995.pdf?OpenElement>

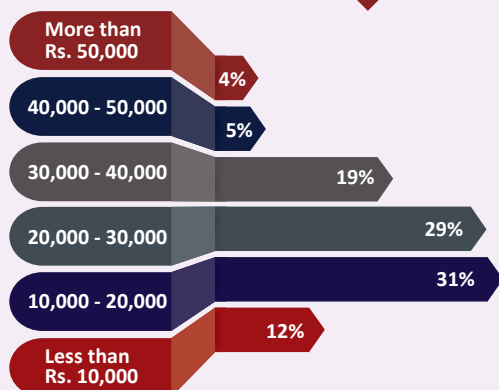




1

**AREAS** : KAHATAGASDIGILIYA - MEDIRIGIRIYA  
**DISTRICT** : ANURADHAPURA - POLONNARUWA  
**PROVINCE** : NORTH CENTRAL PROVINCE

### Monthly income of the families



No. of respondents

### Respondents

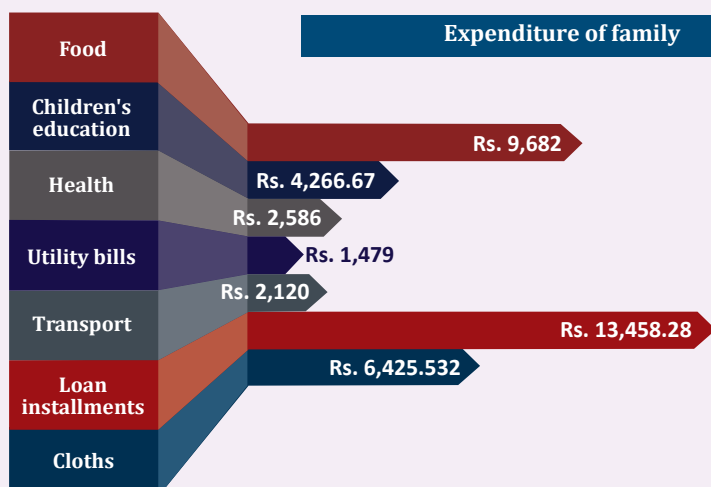
Women involved in farming

Agricultural daily wage labourers

Women being the main income earner of the family

11%

### Expenditure of family



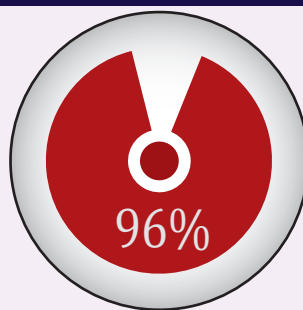


“ My husband is suffering from a chronic kidney disease. My eldest son and I cultivate paddy while the other two children are schooling. We eke out a living with much difficulty. Especially as the medicine for my husband’s illness is costly. I know his death is inevitable and when that happens that would be the biggest expense. I can’t even imagine how I can afford it because I’m already in debt.

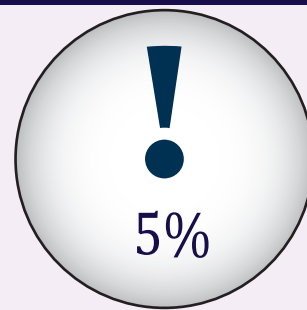
– Chithra –

**96%** of women responded that their families often face urgent financial needs. Only 5% of them responded that they had savings to be used in such occasions.

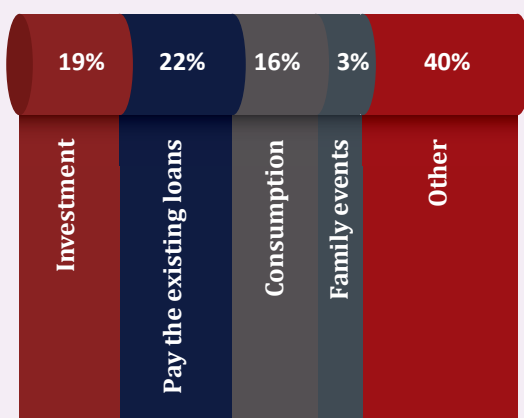
Urgent/unexpected financial needs



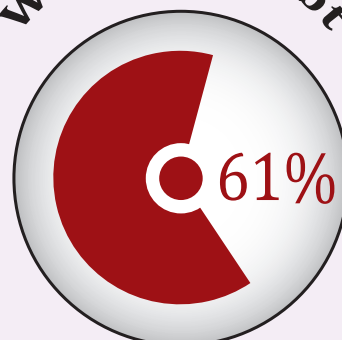
Had savings for emergencies



Reasons for obtaining loans

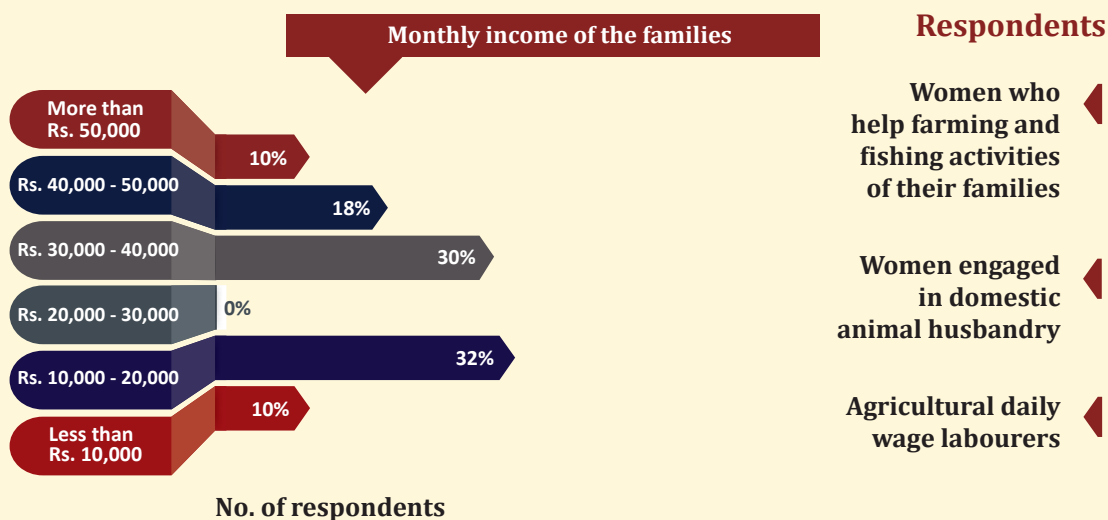


Women in debt

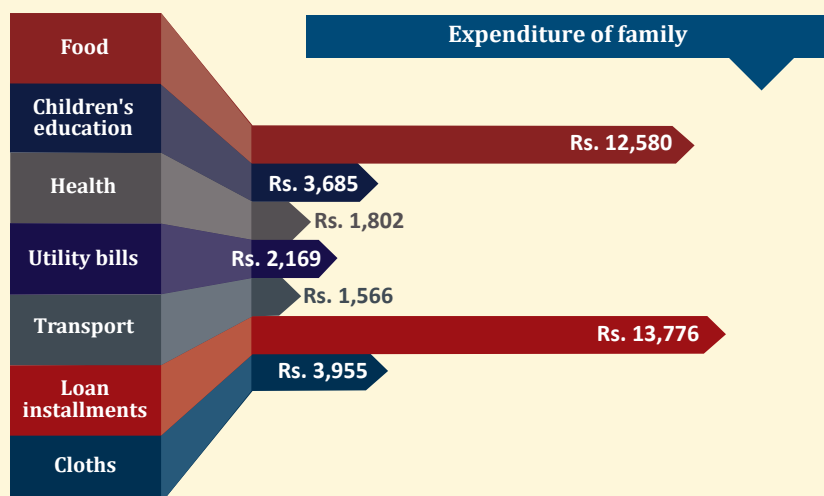


2

**AREAS** : KALKUDA - ERAVUR - KALMUNAI - SERUWILA  
**DISTRICT** : BATTICALOA - TRINCOMALEE - AMPARA  
**PROVINCE** : EASTERN PROVINCE



**Women being the main income earner of the family**



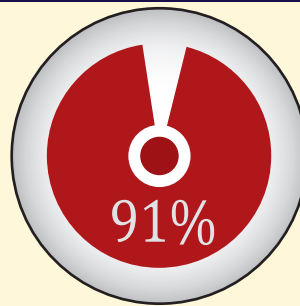


“ Our family was devastated after our father was attacked by an elephant. He underwent a major surgery in Jaffna hospital, which left us in debt. I rear goats and my husband is working in construction projects in Colombo. Sometimes I take the goats to the woods alone. People do not approve of it but I don't care because they don't pay my debts.

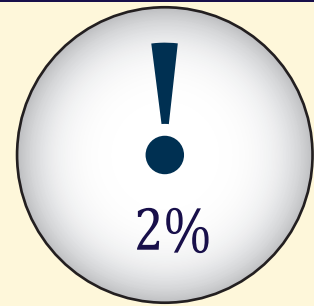
– Divya –

**91%** of women responded that their families often get unexpected financial needs. Only 2% of them responded that they had savings to be used in such occasions.

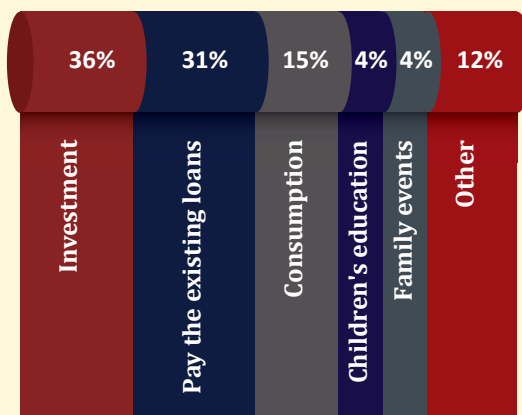
Urgent/unexpected financial needs



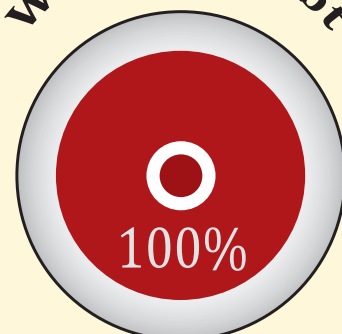
Had savings for emergencies



Reasons for obtaining loans



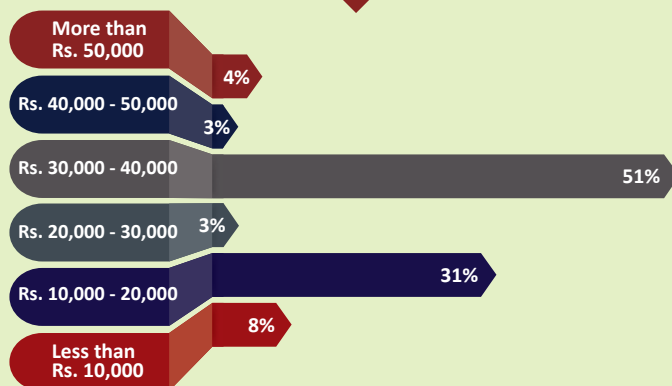
Women in debt



3

AREAS : THALAWAKELE  
 DISTRICT : NUWARA ELIYA  
 PROVINCE : CENTRAL PROVINCE

### Monthly income of the families



No. of respondents

### Respondents

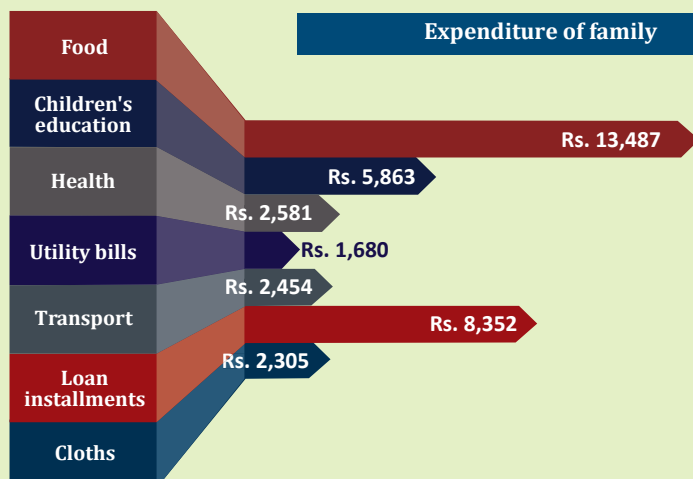
Monthly waged plantation workers

Daily waged labourers in the vegetable gardens

Women being the main income earner of the family



### Expenditure of family





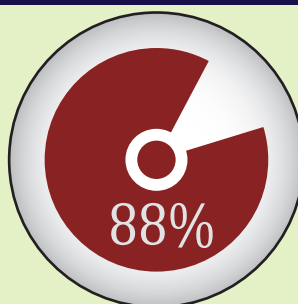


“ My husband is not well. I work in vegetable cultivations. I’m paid Rs. 150 for arranging a vegetable plot. I can make 4 plots per day and I receive around Rs. 600 daily. But that is not sufficient to cover the expenses of our meals and medicine for my husband.

– Krishnaleela –

**88%** of women responded that their families are often confronted with unexpected financial needs. Only 15% of them responded that they had savings to be used in such occasions.

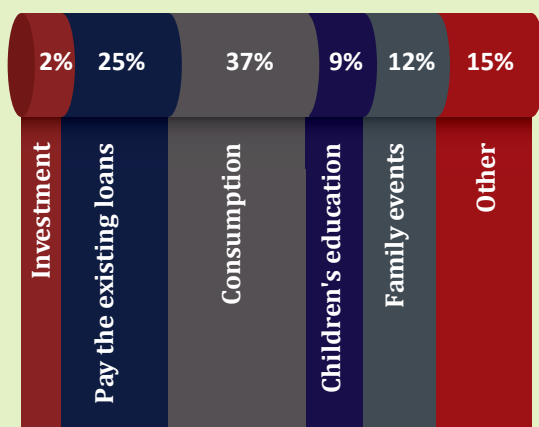
Urgent/unexpected financial needs



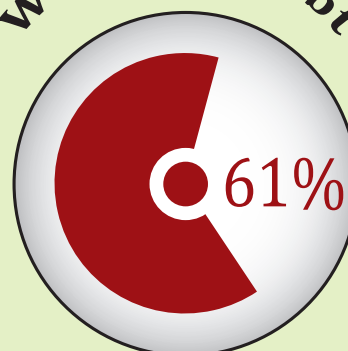
Had savings for emergencies



#### Reasons for obtaining loans



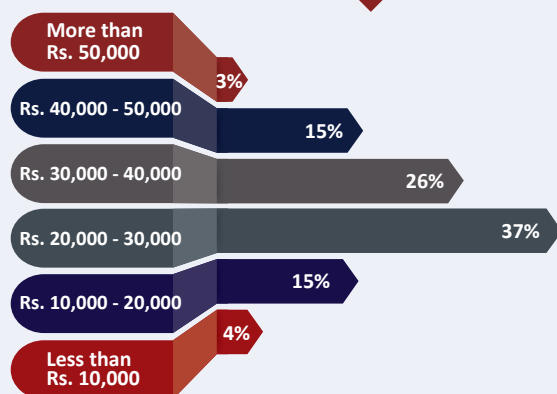
Women in debt



4

**AREAS : DEVINUWARA - WELIGAMA**  
**DISTRICT : MATARA**  
**PROVINCE : SOUTHERN PROVINCE**

### Monthly income of the families



No. of respondents

### Respondents

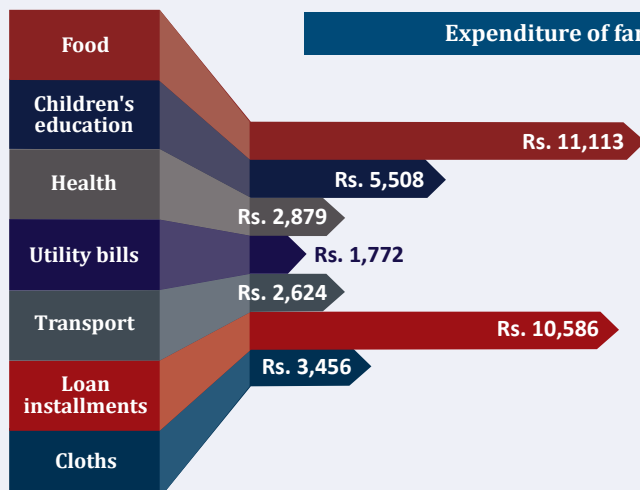
Women who support fishing activities of their families

Women who engaged in other subsidiary industries such as drying fish

Women being the main income earner of the family

17%

### Expenditure of family



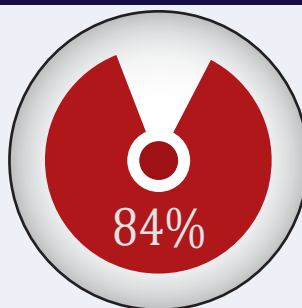


“ My husband worked in the CTB. He was suspended from work. I work as a care taker in a school van and earn Rs.12,000 per month. After I drop the children to their homes, I work in a shop near my home from 3.00 p.m. to 8.00 p.m. and earn around Rs.3000 to Rs.4000 per month. At the moment I’m the breadwinner of my family. But what I earn is not sufficient to cover our expenses. So I get loans, and get even more loans to settle them.

– Chandani –

**84%** of women responded that their families often face unexpected financial needs. Only 20% of them responded that they had savings to be used in such occasions.

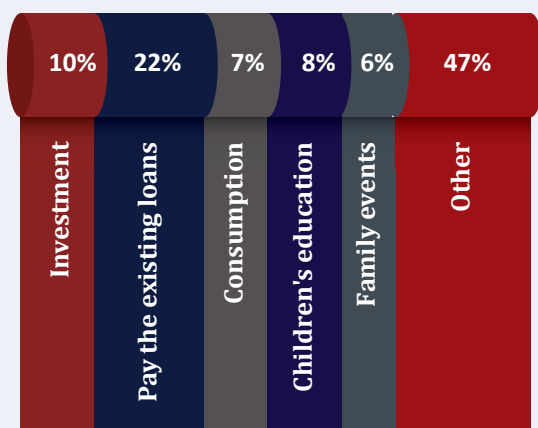
Urgent/unexpected financial needs



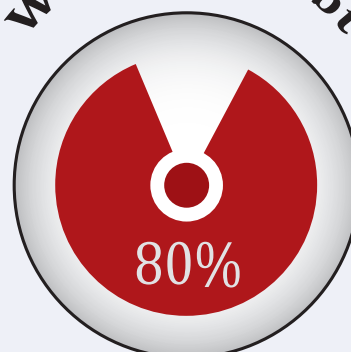
Had savings for emergencies



Reasons for obtaining loans



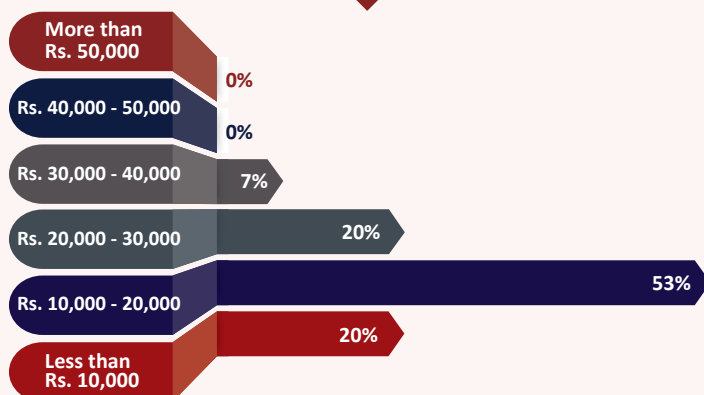
Women in debt



5

AREA : WELLAWAYA  
DISTRICT : MONARAGALA  
PROVINCE : UVA PROVINCE

### Monthly income of the families



No. of respondents

### Respondents

Women involved in farming

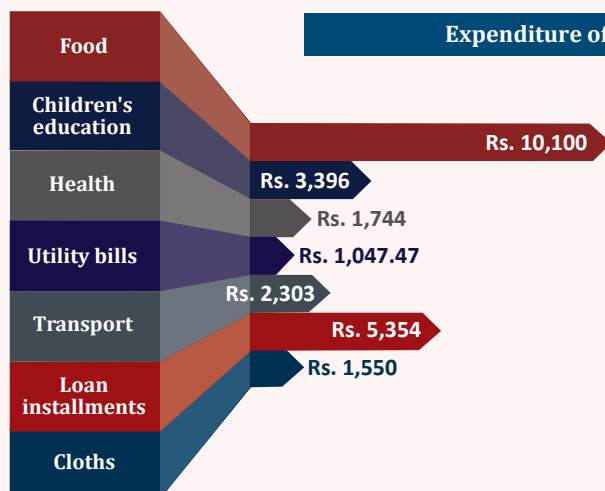
Monthly waged labourers in the large scale agro businesses

Daily waged labourers

Women being the main income earner of the family



### Expenditure of family



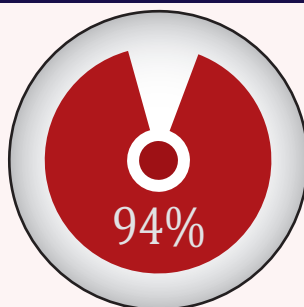


“ My husband and I cultivate paddy and for that we need to take loans. For several seasons we couldn't yield a harvest because of the drought and attacks by elephants. Eventually we couldn't settle the loans. Now I work in the Uma Oya project which pays me a daily wage.

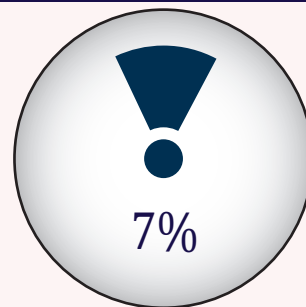
– Sujatha –

**94%** of women responded that their families often face unexpected financial needs. Only 7% of them responded that they had savings to be used in such occasions.

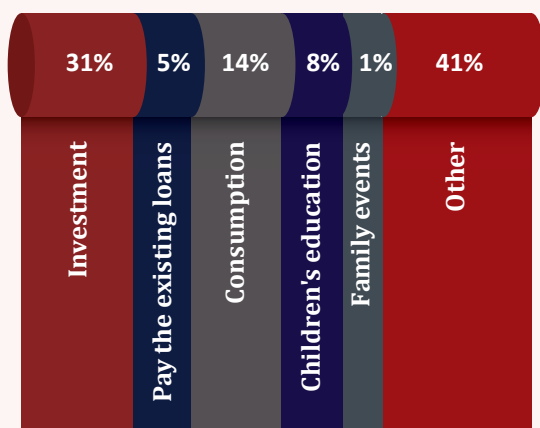
Urgent/unexpected financial needs



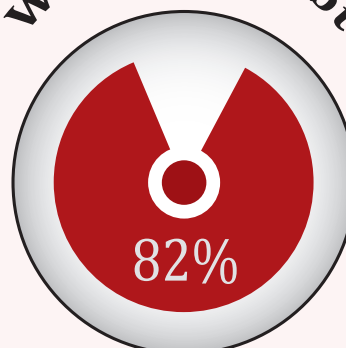
Had savings for emergencies



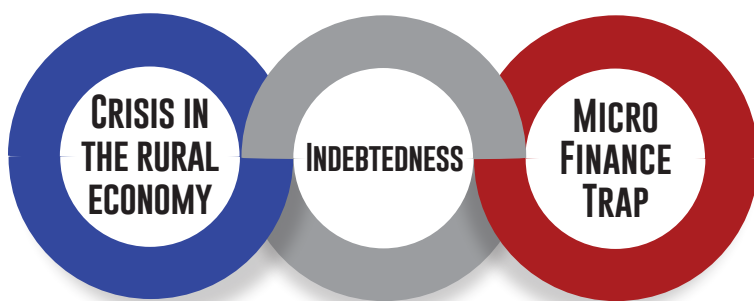
Reasons for obtaining loans



Women in debt







**I**t is explicit that in every area the monthly income of the respondents is less than or is barely sufficient to cover their expenses. In every area, a majority of the monthly income of the family was spent on food and to settle loans. However in the areas examined in Northern and North Central Provinces, respondents allocated a larger portion of their income to settle loans than for food, which is to say their primary monthly expenditure was to settle the loans taken. These secondary loans had been taken to settle other loans taken prior to that and to meet other basic necessities of the family.

A large majority of the respondents also replied that their families often face unexpected financial needs such as education expenses of their children for new school terms, family occasions, healthcare needs of family members, lack of harvest, new year and unexpected travelling. But only a few responded that they have savings that could be used in such occasions.

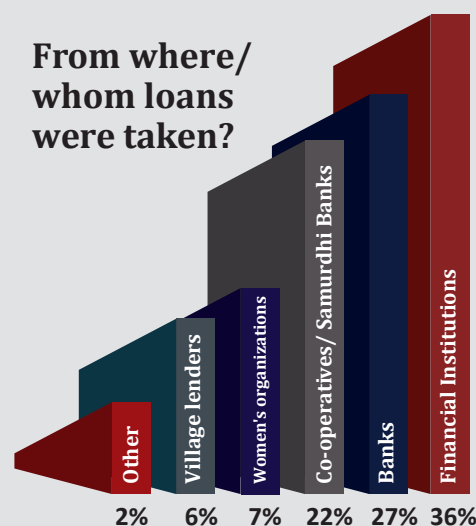
As a result a vicious cycle is created in which they are obliged to take loans and spend a considerable amount of their monthly family income to settle the loans.

On the other hand, there are some instances where women have taken loans to invest in self-employment ventures and similar economic activities as a means of supplementing their family income. But a majority of respondents of the survey who had taken loans with such intentions noted that they could not get the expected results and that it only added to their debts. The lack of knowledge on suitable domestic industries/enterprises, the absence of a market for the products, lack of support from other family members and family responsibilities were some of the reasons they raised for this situation.

A vast majority of women who participated in the survey were uncertain of their future, and were frustrated, not knowing a way out of the vicious cycle of debt.

**ANOTHER** challenge faced by women is the restriction they have to face when it comes to accessing credit. A majority of these women cannot submit asset guaranties, guarantors or the salary slips that conventional banks require when granting loans. In this context they often resort to loan granting institutions that do not require such securities such as finance institutions, co-operative societies, Samurdhi Bank societies, various women's organizations, village money lenders. Considering the total number of women from all areas surveyed, most of them (i.e. 36%) had taken loans from micro-finance institutions. The markets for these micro-finance institutions, to which 2.4 million women of Sri Lanka are in debt, are created in this context.

### From where/ whom loans were taken?



The general norm of Sri Lanka is that the man/husband is the main contributor to the domestic income. Although this norm might be true in the field of formal employment, this survey revealed that almost every woman who participated in it played or was striving to play a significant role in earning their domestic income. However, women had equal decision-making power as their husbands within the family only for the matters regarding the children. While 71% of women responded that they have equal power as their husband in decision making regarding their children, only 37% responded that they have such power when

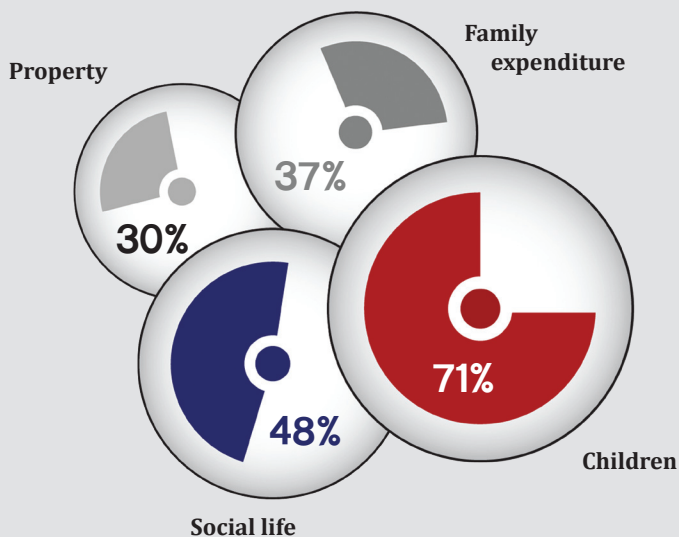
it comes to taking decisions regarding their domestic expenditures. 48% of the women responded that they have considerable autonomy in decision making about their social life and only 30% responded that they had equal decision making power with their husbands with regard to family assets.

With respect to the empowerment of women, it is conceivable that the limitations women face in their roles within the family also have an impact on limiting their economic activity. These limitations, while negatively affecting women's economic activities, also contribute to increasing their indebtedness.



**ANY** initiative that investigates solutions to the indebtedness faced by 81% of the non-urban (rural and estate) Sri Lankan population as well as the specific dilemmas faced by women in this situation, should take into account the critical factors of culture and context raised above. The development discourse based on the statistics of a higher-middle income country often excludes factoring the indebtedness in which the rural population is ensnared. It is even more important to understand that without following an innovative approach to include and address the realities of women who are the most marginalized victims, it is impossible to find a sustainable solution to this issue. ■

### Equal power when making the decisions





Supported by

