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Impact of Samurdhi Programme on Poverty reduction in Nuwara- Eliya District, Sri Lanka

Gunasekaran Narmatha

Department of Management,
Faculty of Commerce and Management,
Eastern University, Sri Lanka.
E-mail: sekarnarmatha00@gmail.com

Jeyaprabha Suresh

Department of Economics
Faculty of Commerce and Management
Eastern University, Sri Lanka.
E-mail: pjprabal1@yahoo.com.au

Abstract

Sri Lanka has been prosperous in reducing poverty over the last three decades and reported as an early achiever of millennium development goal. This declining trend in poverty shows the effectiveness of the poverty alleviation efforts in Sri Lanka. Samurdhi is one of the active and long-standing poverty alleviation programmes, has been implementing in Sri Lanka since 1995 and has a significant role in the poverty reduction of the country. Hence, this study has an objective to examine the impact of Samurdhi on the reduction of the poverty level in the Ambagamuwa Division of Nuwara Eliya District. The level of poverty examined through four leading indicators; such as employment, income, education and health and nutrition. This study used primary data, which collected through a closed structured questionnaire. Stratified random sampling method used to select 200 Samurdhi beneficiaries from five Samurdhi Banks, namely Ginigathena Samurdhi Bank, Vidulipura Samurdhi Bank, Polpitiya Samurdhi Bank, Hatton Samurdhi Bank and Norwood Samurdhi Bank. Univariate and bivariate methods used to analyses the data. The findings of this study revealed that the Samurdhi has a significant and positive impact on four poverty indicators. It seems that the Samurdhi programme increases the employment opportunities, increase the income level, improve the education level and improve the health and nutrition of the poor people who are living in the Ambagamuwa Division. The policy implication of this study suggests that the government of Sri Lanka can promote the Samurdhi Banks to expand their services and support to eradicate the poverty from Sri Lanka.

Keywords: Samurdhi, Poverty level, Employment, Income, Education, Health and Nutrition

1. Introduction

Sri Lanka being a developing country, has been trying several ways and means to achieve development and give affluence to its people. However, poverty has been identified as a severe social-economic issue to overcome when the country hike towards the development and affluence (Kumari, 2016). That is why numbers of poverty alleviation programmes are implemented by the government of Sri Lanka to reduce the poverty level (Damayanthi, 2014). Samurdhi programme is one of poverty alleviation programme executed by the government of Sri Lanka (Thibbotuwawa et al., 2012). Moreover, the government is devoting much money on Samurdhi programme (Glinskaya, 2000).

Poverty has been declined from 15.2 per cent to 4.1 per cent from 2006/7 to 2016 in Sri Lanka (Department of Census and Statistics, 2018). But this reduction in poverty level not equal among the Districts. There is considerable inequality in poverty among Districts. Kilinochchi District recorded the highest Poverty Headcount Ratio (PHCR) of 18.2 per cent while the lowest PHCR recorded in the Colombo District of 0.9 per cent. Therefore, the impact of the Samurdhi programme on the poverty level of poor people is the most investigable issue in Sri Lanka. Hence, this study is being made out to find the reality of the programme and to find out whether the mission of the Samurdhi programme is fulfilled or not.

According to the Department of Census and Statistics (2018), the PHCR of Nuwara-Eliya district is 6.3% in 2016 and Ambagamuwa Division, which comes under Nuwara- Eliya District, includes 28053 Samurdhi beneficiaries. Therefore, this study has been chosen Ambagamuwa Division as a research area to find out the impact of Samurdhi on the poverty level of the household. The sub-objectives of this study are

- i. To determine the level of Samurdhi
- ii. To determine the level of poverty indicators
- iii. To find out the relationship between Samurdhi and poverty indicators
- iv. To examine the impact of Samurdhi on poverty indicators

The next section discusses the theoretical and empirical works of literature on the relationship between Samurdhi and Poverty. Section 3 presents the methodology used in this study. Section 4 deals the findings and discussion. The final section presents the conclusion and recommendation.

2. Literature Review

Poverty means that one cannot afford specific pre-determined consumption needs (Ravallion, 2004). The conventional view links wellbeing primarily to command over commodities, so the poor are those who do not have enough income or consumption to put them above some adequate minimum threshold (World Bank, 2002).

There are 767 million world populations live below 1.90 USD per day, and 10.7% of the world's population live below one USD per day. Most of those poor people living below USD 1.9 per day live in Sub-Saharan Africa. In East Asia, the number of people living on less than one USD per day fell from around 1.8 billion to 767 million between 1990 and 2013, despite the data setbacks of the financial crisis (World Bank, 2018). In Sri Lanka, the total poor households were 3.1 per cent of the total households, and it was approximately 169, 392 households in 2016. Even though poverty has declined to a greater extent at the national level in the last few decades, poverty disparities still exist across the provinces and districts (Department of census and statistics, 2016).

Then the term poverty alleviation was first conceived as a procedure or process of transforming the poor from one level to the other across a given threshold of income or consumption (Jazairy et al., 1992). Poverty alleviation strategy is one of the means that were considered for adoption in the new paradigm of a sustained development as stipulated in the human development report of 1994 of United Nations Development Programme (UNDP, 1994). So every country uses several kinds of poverty alleviation programme to reduce poverty. Sri Lanka also one of the countries which used the poverty alleviation programme to reduce the poverty level and achieve development.

Samurdhi is the most extensive poverty reduction programme in Sri Lanka. It was introduced in 1995 as a poverty alleviation programme in Sri Lanka and replaced Janasaviya beneficiaries to the programme (Prathapage, 2006). The Samurdhi programme takes up a considerable portion of government expenditure and covers a large part of the population (Kesavarajah, 2011). The main objective of the programme is to get the low income earning families to join the mainstream of the country's economic process by encouraging them while subsidizing them financially to enable them to maintain their living conditions at least at the critical minimum level (Samurdhi Authority of Sri Lanka, 2008). The scheme of Samurdhi Programme is Welfare Grants, Insurance Scheme, Social Development Programmes, Credit and Saving Programme and Rural Infrastructure Development.

The Samurdhi poverty alleviation programme is given more attention to people who identify as poor. It means people who unable to fulfil their basic needs in their day to day life. Moreover, Samurdhi is relating to some unique indicators which used to measure the poverty level of poor people in Sri Lanka. This study also mainly focused on those poverty indicators such as employment, income, education and health and nutrition. Samurdhi programme has a prime objective gives to reduce unemployment, which is the most insistent problem among the youth, eradication of poverty from the country at large and obtaining the direct participation of the youth in development (Glinskaya, 2000). Samurdhi components are like savings, credit, insurance, and social security schemes that improve access to finance for households (Anuradha, 2015).

The social assistance programmes must fulfil with other government social spending, such as primary education and health (Glinskaya, 2000). The Samurdhi programme gave priority on the activities such as the development of infrastructure facilities, improving health and nutritional conditions among the rural community and creating opportunities (Anuradha, 2015).

There is empirical evidence for the impact of Samurdhi on poverty. Using Household Income and Expenditure Survey (2006/07) data, Thibbotuwawa et al. (2012) examined the impact of microfinance on household welfare. They mentioned that the Samurdhi programme in Sri Lanka is the most extensive state-sponsored microfinance programme in Sri Lanka. Propensity score matching used to minimize selection bias. Propensity scores were estimated using a probit model to match "treated" households with the "control" group to identify effects. The results show that, despite the inefficiencies and political interference associated with the intended distribution of services, Samurdhi has a significant impact on household welfare for income, consumption and education.

Jayasuriya (2007) investigated the impact of the Samurdhi on poverty alleviation in Sri Lanka by studying the impact of saving and credit programme for uplifting living condition of poor. The study collected data from five Samurdhi bank and 20 Samurdhi holders randomly from Kegalle District. Findings of the study indicated that Samurdhi credit scheme helps poor people to sustain their current survives, the majority of the clients have graduated to higher loans for the development of their projects, resulting employability also could increase in the area. According to Shaw (2004) in contrast to these positive results of microfinance on poverty reduction is the study to author studies households participating in microfinance programmes in Sri Lanka, and find no clear evidence for microfinance to be a broad solution to poverty in this country. Only participants who live very close to the minimum poverty line showed some improvement in their situation. Kesavarajah (2011) examined the poverty and economic support in Sri Lanka. Through this research paper, he seems to indicate that Samurdhi spending by the Sri Lankan government does not play a significant role in poverty reduction. Therefore, it is possible to redesign the Samurdhi programme and increase Samurdhi spending to achieve poverty and other development goals, such as reducing poverty and increasing worker productivity through human development and improving education and health.

3. Methodology

The population of this study is 28053 Samurdhi beneficiaries who are living in the Ambagamuwa Division. The sample size of this study is 200 Samurdhi beneficiaries. This study used a stratified random sampling method for collecting these samples. Target area considered in this study is five Samurdhi Banks which are come under the Ambagamuwa Division to cover these 200 respondents. Such as from Ginigathena 23 respondents, Polpitiya 29 respondents, Vidulipura 29 respondents, Norwood 79 respondents, Hatton 40 respondents.

This study mainly considers the primary data. The primary data collects through questionnaire from 200 respondents. The questionnaire structure used for this study based on two parts, which are personal information and research information. This study used a five-point Likert Scale model, the model used to evaluate the variables, and these scales ranging from strongly disagree to strongly agree.

Reliability of Instruments- Cronbach's alpha value calculated to test the internal consistency reliability of the instrument. Reliability coefficient as Cronbach's alpha coefficient shows the average correlation among items that include under a variable. The value of the Cronbach's alpha coefficient equal or greater than 0.7 confirm the existance of the reliability in the instrument (Sekaran, 2010)

The collected data from the questionnaires were analyzed and evaluated by using univariate and bivariate techniques. The Statistical Package for Social Science (SPSS) was used to simplify the analysis work of this study. Under the univariate analysis, mean and standard deviation were used to evaluating the level of Samurdhi and level of poverty indicators. Under the bivariate analysis, correlation and Simple Liner regression were used to evaluating the relationship between Samurdhi and Poverty indicators and impact of Samurdhi on poverty indicators.

The simple regression equation for this study as follows,

$$Y = b_0 + b_1 X_1 + e$$

where;

Y = Dependent variable (Poverty indicators)

X_1 = Independent variable (Samurdhi)

b_0 = Intercept of the regression line

b_1 = Slope of the regression line

e = Error/deviation from actual/observed of variable Y

Research Hypotheses

The hypothesis testing is the process of determining whether or not a given hypothesis is true. In any testing of hypotheses problem, there is a pair of hypothesis such that one of them is always true is called the null hypothesis and the other one is alternative hypothesis.

H0: There is no impact of independent variable on dependent variable ($p \geq 0.05$) (Null Hypothesis)

H1: There is impact of independent variable on dependent variable ($p \leq 0.05$) (Alternative Hypothesis)

Decision attribute for hypothesis is, accepted H1 if the p value is less than 0.05 ($p < 0.05$). Hence the hypothesis conducted in order to find out the results regarding.

1. Hypothesis One

H0: Samurdhi does not significantly and positively impact on Employment

H1: Samurdhi significantly and positively impact on Employment

2. Hypothesis Two

H0: Samurdhi does not significantly and positively impact on Income

H1: Samurdhi significantly and positively impact on Income

3. Hypothesis Three

H0: Samurdhi does not significantly and positively impact on Education

H1: Samurdhi significantly and positively impact on Education

4. Hypothesis Four

H0: Samurdhi does not significantly and positively impact on Health and Nutrition

H1: Samurdhi significantly and positively impact on Health and Nutrition

4. Findings and Discussion

Demographic Profile of the Respondents

Ten variables have shown personal information; such as Samurdhi bank, gender, age, civil status, level of education, main occupation, family members, income (per month), how long getting Samurdhi benefit and type of benefits received from 200 Samurdhi beneficiaries who are living in Ambagamuwa Division. The result shows that most of the Samurdhi beneficiaries are from Norwood Samurdhi bank. Female candidates have a higher intention to engage in Samurdhi activities, while the majority of the respondents have come under the age group of 40-49 years. Most of the respondents (83%) were married. Nearly 75% of the respondents have secondary education qualification, implies that Samurdhi beneficiaries are less educated. Informal employment is the income source for many Samurdhi beneficiaries (85%), seems that low and unstable income of the respondents. Moreover, the household size is also high (3-6) among the poor. Majority of the respondents (65%) are getting Rs.10000-15000 monthly income, and nearly half of them are getting Samurdhi benefit for 5-10 years.

Samurdhi loan is popular among the respondents. Mostly, they receive 50000-100000 rupees loan amount with the interest rate of 12%. Monthly recovery is more comfortable for them. The purpose of getting a loan is mostly vegetable cultivation, animal farming and small business. All the respondents engage in group and compulsory saving, and 10000 rupees saving is standard. The Samurdhi banks provide 5%-7% interest for savings. Training also is given by the Samurdhi programme, and it is mostly related to small business.

Reliability Analysis

According to this study, reliability analysis of the overall variables given here; Cronbach's Alpha coefficient for the Samurdhi is 0.796 and poverty indicators is 0.916 while indicators employment, income, education, health and nutrition are 0.752, 0.806, 0.744 and 0.704 respectively. When the Cronbach's Alpha Coefficient value is above 0.70 is considered an excellent reliable instrument. In this study also, Cronbach's Alpha Coefficient values for overall variables are 0.796 and 0.916, so it reveals that all items considered reliable constructs.

Univariate analysis

Univariate analysis is used to evaluate the levels of Samurdhi and poverty indicators. For this analysis mean values and standard deviation of the variable were taken consideration.

Table 1: Mean and standard deviation for statements related to Samurdhi and poverty

No	Statements	Mean	S. D
1	Food stamp amount give more contribution to livelihood	3.71	.632
2	The credit amount is sufficient to fulfill a purpose	3.83	.586
3	Credit Interest rate is more favorable compared to other external financial sources.	3.90	.623
4	The insurance service is effective	3.77	.783
5	The training programme is effective.	3.71	.830
6	The variety of saving schemes available.	3.91	.578
7	The saving interest rate is reasonable.	3.90	.626
8	Employment opportunities have increased because of Samurdhi benefit	3.84	.571
9	I can able to provide employment to my family members because of Samurdhi benefit	3.93	.531
10	I can freely make decisions about my employment activities because of Samurdhi benefit	3.80	.750
11	I feel satisfaction from my employment because of Samurdhi benefit	3.85	.568
12	I can start a new business with help of Samurdhi benefit	3.67	.851
13	I can able to get employment related training from the Samurdhi benefit	3.65	.776
14	My income level has increased because of Samurdhi benefit	3.87	.555
15	My income is stable because of Samurdhi benefit	3.86	.621
16	The multiple income sources have founded through Samurdhi benefit	3.88	.601
17	I can fulfill my children basic level education because of Samurdhi benefit	3.84	.721
18	My children able to give continuous attendance in school because of Samurdhi benefit.	3.94	.527
19	I can able to spending on my children's education because of Samurdhi related income helps to cover education expenses.	3.87	.582

20	I can ensure Sustainability in my children's education because of Samurdhi benefit	3.81	.748
21	My family can get enough food daily because of Samurdhi benefit	3.83	.688
22	My family can able to get proper nutrition foods because of Samurdhi benefit	3.83	.586
23	I can cover medical expenses because of Samurdhi benefit	3.90	.626

Source: Estimation based on own survey data (2019)

Correlation Analysis

Pearson correlation is used to evaluate the relationship between Samurdhi and Poverty indicators.

Table 2: Correlation between Samurdhi and Poverty indicators

Variables	Variables	Samurdhi	Employment
Employment	Pearson Correlation	1	0.879
	Sig. (2-tailed)		0.000
	N	200	200
Variables	Variables	Samurdhi	Income
Income	Pearson Correlation	1	0.709
	Sig. (2-tailed)		0.000
	N	200	200
Variables	Variables	Samurdhi	Education
Education	Pearson Correlation	1	0.807
	Sig. (2-tailed)		0.000
	N	200	200
Variables	Variables	Samurdhi	Health and Nutrition
Health and Nutrition	Pearson Correlation	1	0.765
	Sig. (2-tailed)		0.000
	N	200	200

Source: Estimation based on own survey data (2019)

Table 2 shows the correlation coefficient (r) between Samurdhi and all poverty indicators were above 0.5, which was significant at the one per cent critical level. If we have a look at the relationship between Samurdhi and individual variable by Correlation coefficient (r), it was 0.879 between Samurdhi and employment, concludes there was a strong positive relationship between Samurdhi and employment. Then second Pearson correlation results used to expose the relationship between Samurdhi and income. The correlation coefficient (r) was 0.709, which was significant at one per cent level, concludes there was a strong positive relationship between Samurdhi and income. Next Pearson correlation results were to expose the relationship between Samurdhi and education. The correlation of coefficient (r) was 0.807, concludes there was a strong positive relationship between Samurdhi and education. Finally, the correlation coefficient (r) of 0.765 between Samurdhi and health and nutrition also indicates there was a strong positive relationship between Samurdhi and health and nutrition.

Hence, correlation analysis concludes that there is a positive relationship between Samurdhi and poverty indicators.

Regression Analysis

The simple linear regression analysis to expose the impact of Samurdhi on poverty indicators.

Table 3: Coefficient of Simple Linear Regression between Samurdhi and Employment

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig
	B	Std. Error	Beta		
Constant	0.374	0.133		2.822	0.005
Samurdhi	0.894	0.034	0.879	25.932	0.000

Dependent Variable: Employment

Source: Estimation based on own survey data (2019)

Based on Table 3, regression equation can be written as follow:

$$Y=a+ bx$$

$$\text{Employment} =0.374+0.894(\text{Samurdhi}).$$

Table 3 presents the unstandardized constant statistic of 0.374 units show that the model would predict if the independent variable was zero. Regression result indicates that the coefficient value of Samurdhi is 0.894, implies that if Samurdhi increases by one-point, employment will increase by 0.894. The model is significant at one per cent critical level. Regression result concludes that the Samurdhi significantly and positively impacts on employment. Hence, the null hypothesis of this study was rejected concerning alternative hypothesis. Then, the first hypothesis of the study was accepted.

Table 4: Coefficient of Simple Linear Regression between Samurdhi and Income

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig
	B	Std. Error	Beta		
Constant	0.840	0.216		3.896	0.000
Samurdhi	0.792	0.056	0.709	14.135	0.000

Dependent Variable: Income

Source: Estimation based on own survey data (2019)

Based on Table 4, regression equation can be written as follow:

$$Y=a+ bx$$

$$\text{Income} =0.840+0.792(\text{Samurdhi}).$$

Table 4 presents the unstandardized constant statistic of 0.840 units show that the model would predict if the independent variable was zero. Coefficient of Samurdhi is 0.792 predicts if Samurdhi increases by one-point income increases by 0.792. Based on the evidence, we conclude that the Samurdhi is significantly and positively impact on income. Hence, the null hypothesis of this study was rejected concerning alternative hypothesis. Therefore, the second hypothesis of the study was accepted.

Table 5: Coefficient of Simple Linear Regression between Samurdhi and Education.

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig
	B	Std. Error	Beta		
Constant	0.512	0.175		2.918	0.004
Samurdhi	0.877	0.046	0.807	19.220	0.000

Dependent Variable: education

Source: Estimation based on own survey data (2019)

Based on Table 5, regression equation can be written as follow:

$$Y=a+ bx$$

$$\text{Education} =0.512+0.877(\text{Samurdhi}).$$

According to Table 5 beta value of Samurdhi is 0.877 reject the null hypothesis. Therefore, the third hypothesis, *Samurdhi significantly and positively impact on education*, of the study was accepted.

Table 6: Coefficient of Simple Linear Regression between Samurdhi and Health and Nutrition

Model	Unstandardized		Standardized	T	Sig
	Coefficients	Std. Error	Coefficients		
	B		Beta		
Constant	0.589	0.196		2.999	0.003
Samurdhi	0.855	0.051	0.765	16.740	0.000

Dependent Variable: Health and Nutrition

Source: Estimation based on own survey data (2019)

Based on Table 6, regression equation can be written as follow:

$$Y = a + bx$$

$$\text{Health and Nutrition} = 0.589 + 0.855(\text{Samurdhi}).$$

According to Table 6 coefficient value of Samurdhi is 0.855 reject the null hypothesis. Therefore, the fourth hypothesis, *Samurdhi significantly and positively impact on health and nutrition*, of the study was accepted.

5. Conclusion

This study primarily focuses on the impact of the Samurdhi programme on the poverty level of poor in Ambagamuwa division. Data were collected from Samurdhi beneficiaries who are living in Ambagamuwa divisional secretariat of Nuwara-Eliya district. There were 200 Samurdhi beneficiaries were randomly selected for this analyze. The simple regression analysis has been employed to study the impact of Samurdhi on employment, income, education and health and nutrition, and those are the indicators for poverty. The results show that Samurdhi has a strong positive impact on employment, income, education and health and nutrition among Samurdhi beneficiaries in Ambagamuwa division. Then, it is understood that the Samurdhi programme increases the employment opportunities, increase the income level, improve the education level and improve the health and nutrition condition of the poor people who are living in Ambagamuwa Division. So this study concludes that Samurdhi significantly impacts on poverty reduction of poor in Ambagamuwa division.

The government can motivate the Samurdhi banks to expand their service in all part of the country. Samurdhi must raise more awareness about their programme, its activities and benefits to people who live under poverty specially create awareness among youth. Samurdhi should provide training programme more than one time per year, and the Samurdhi banks should keep their interest rate in minimum level at all time for loans. That will help beneficiaries to get maximum utilization from the loans.

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