



Ministry of Agriculture, Livestock, Land and Irrigation



RURAL FINANCE STRATEGY



INCLUSION



FINANCE



GROWTH



SUSTAINABILITY



Smallholder Agribusiness and Resilience Project - SARP

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List of Abbreviations

- SARP – Smallholder Agribusiness Resilience Project
- SAPP – Smallholder Agribusiness Partnerships Programme
- 4P – Public-Private-Producer Partnership
- YED – Youth Enterprise Development
- LRGs – Livelihood Resilience Groups
- PFI(s) – Participating Financial Institution(s)
- MFI(s) – Microfinance Institution(s)
- NBFI(s) – Non-Banking Financial Institution(s)
- CRB(s) – Community Rural Bank(s)
- CDF – Community Development Forum
- FBS – Farm Business School
- FSP(s) – Financial Service Provider(s)
- M&E – Monitoring & Evaluation
- CRIB – Credit Information Bureau (Sri Lanka)
- NCGIL – National Credit Guarantee Institution Limited
- AAIB – Agricultural and Agrarian Insurance Board
- NCRCS – New Comprehensive Rural Credit Scheme (“Sarusara”)
- DFS – Digital Financial Services
- BDS – Business Development Services
- MSME(s) – Micro, Small, and Medium Enterprise(s)
- ROI – Return on Investment
- DSCR – Debt Service Coverage Ratio
- CapEx – Capital Expenditure
- OpEx – Operating Expenditure
- SDGs – Sustainable Development Goals

EXECUTIVE SUMMARY

The SARP Rural Finance Strategy facilitates access to inclusive, affordable, and climate-resilient financial services for smallholder farmers, youth, women, and rural entrepreneurs. Rather than directly lending, SARP builds enabling environments by partnering with Banks, NBFIs & MFIs. The strategy strengthens financial literacy, promotes digital inclusion, and aligns credit with agribusiness investment cycles. Key mechanisms include the SAPP Revolving Fund, specialized loan facilities (Youth, 4P, Livelihood Resilience), bundled insurance, and credit guarantees. The ultimate goal is to enhance resilience, market integration, and sustainable livelihoods in climate-vulnerable communities in the dry zone.

Background and Rationale

SARP operates in climate-vulnerable dry-zone districts (Anuradhapura, Vavuniya, Mannar, Puttalam, Kurunegala, Matale), targeting river basin-linked agribusinesses. Smallholders face barriers such as a lack of collateral, low financial literacy, and exclusion due to rigid banking norms (CRIB). These hinder their ability to adopt climate-smart practices and access markets. Financial inclusion is essential for improving agricultural productivity, resilience, local entrepreneurship, and reducing rural poverty.

Program Objectives

1. Improve financial inclusion for smallholders, women, and youth.
2. Facilitate appropriate financial products aligned with agricultural cash flows.
3. Strengthen financial literacy and responsible borrowing.
4. Promote market-driven finance linked to 4P partnerships, value chains, and YED.
5. Align finance with climate-resilient investments and sustainability principles.

Key Stakeholders and Roles

- SARP PMU: Facilitation, beneficiary screening, monitoring, capacity building.
- Participating Financial Institutions (PFIs): Credit assessment, disbursement, recovery.
- SAPP: Revolving Fund management, concessional financing mechanism.
- NCGIL: Credit guarantees for collateral-free loans.
- AAIB: Crop and livestock insurance integration.

- CBSL Regional Offices: Deliver financial literacy programs.
- Producer Organizations/4P Promoters: Aggregate demand, provide endorsements, reduce transaction costs.
- Community Development Forums (CDFs): Mobilization and local endorsement.

Relevant Frameworks Explained

- 4P (Public–Private–Producer Partnerships): Strengthens value chains and integrates smallholders into structured markets.
- YED (Youth Enterprise Development): Dedicated loans, mentorship, and financial literacy for youth entrepreneurs.
- Nutrition: Though not explicit, access to finance enables investments in diversified food systems and processing, improving dietary diversity.
- FFS/FBS: Platforms for financial literacy, business planning, and credit preparedness.
- Resilience: Bundled credit-insurance products, alternative financing (MFIs, CRBs), and emphasis on climate-smart practices.

Implementation Roadmap

1. Beneficiary Identification & Screening (field teams, Promoter company, CDF).
2. Business Plan Development & Financial Literacy (mandatory pre-loan training).
3. Application Submission & Matching with suitable institutions (Banks, MFIs, CRBs).
4. Credit Assessment & Approval by PFIs with SARP facilitation.
5. Loan Disbursement & Post-loan Support (monitoring, advisory via FFS/FBS).
6. Joint Monitoring Visits (SARP + PFIs).
7. Recovery Support Mechanisms (case-by-case restructuring, systemic risk interventions).

Monitoring and Evaluation Framework

- Access Metrics: Number of clients opening accounts or accessing loans.
- Usage Metrics: Loan volumes, repayment rates, savings mobilized.
- Outcome Metrics: Increased agribusiness investment, incomes, and resilience indicators.
- Inclusivity Metrics: Disaggregated by gender, youth, and marginalized groups.
- Process Monitoring: Pre- and post-loan inspection reports, supervision visits.

Risk and Mitigation Strategy

- Credit Risk: Addressed via NCGIL guarantees, group guarantees, and flexible client selection.
- Climate Risk: Bundled crop/livestock insurance, climate-smart business planning.
- Market Risk: 4P agreements, buy-back contracts, aggregation hubs.
- Operational Risk: Strong institutional partnerships, joint supervision.
- Systemic Shocks (floods, droughts, market collapse): Case-by-case restructuring, recovery support meetings, and policy advocacy.

Budget and Resource Plan

Sources:

- SAPP Revolving Fund (once operational).
- Pooled concessional lending from banks, MFIs, CRBs, SANASA.
- Grants for financial literacy & capacity building (through SARP budget).
- Technical assistance via CBSL, AAIB, and NCGIL partnerships.

Allocations:

- Credit support: 70% (through PFIs + Revolving Fund).
- Financial literacy, training, monitoring: 20%.
- Digital platforms, awareness campaigns: 5%.
- Risk mitigation (insurance subsidies, guarantees): 5%.

Annexures (Templates, Tools, References)

Included:

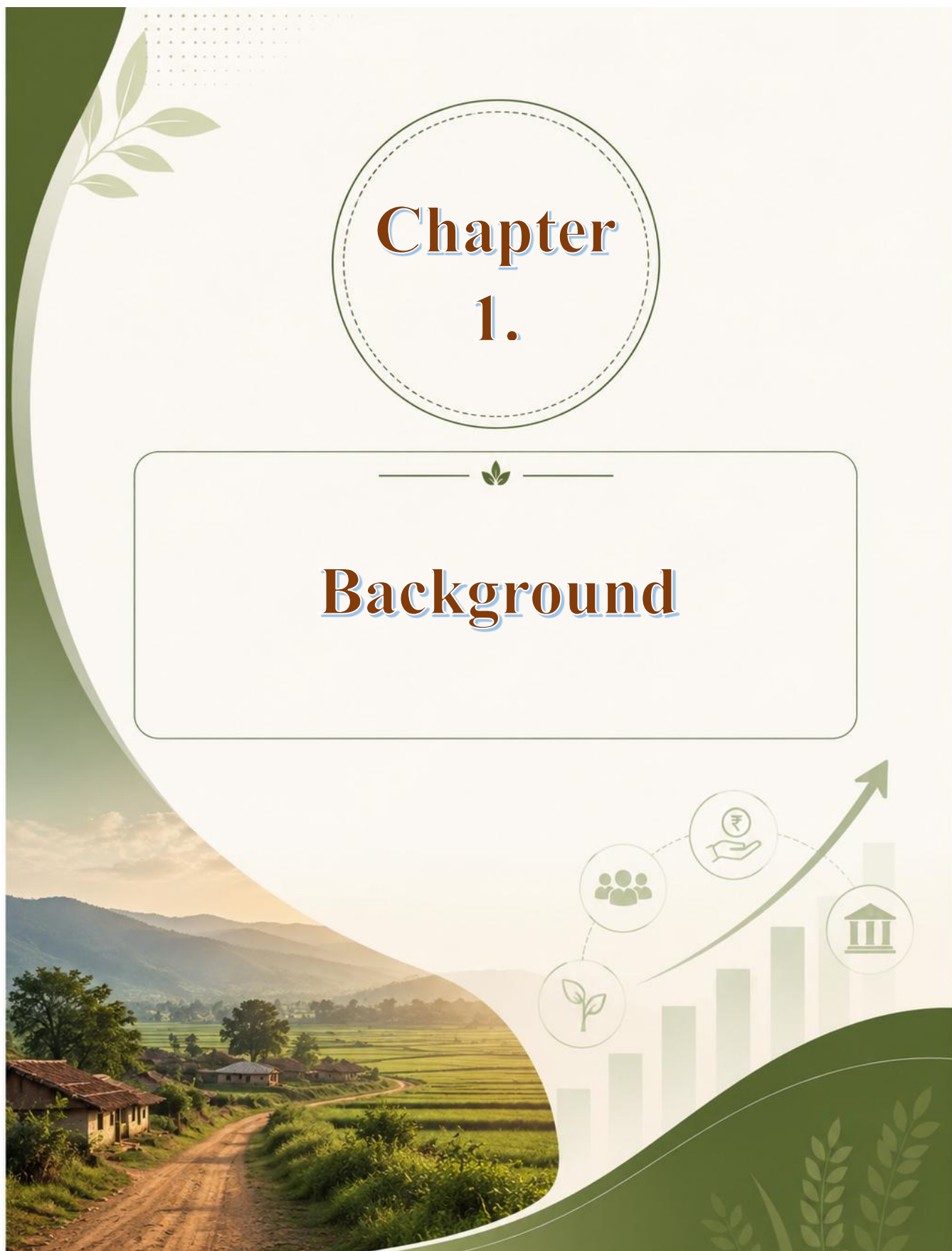
- Loan Application Form (specimen).
- Pre-Sanction Inspection Report.
- Post-Supervision Inspection Report.
- Credit Proposal Evaluation Template.
- Loan Arrangement Steps & Responsibilities.
- Business Plan Checklist & Templates.
- Financial Analysis Tools.

Additional:

- Gender & Youth Inclusion Checklist.
- Risk Assessment Matrix (climate, market, credit).
- Standard Training Modules (financial literacy, digital finance).

Chapter 1.

Background



SARP RURAL FINANCE STRATEGY

Supporting Smallholder Resilience, Financial Inclusion, Agribusiness Access, and Market Linkages in Climate-Vulnerable Zones

Chapter 1. BACKGROUND

Under the Smallholder Agribusiness Resilience Project (SARP), the project does not directly provide credit or operate its lending portfolio. Instead, SARP is facilitating by supporting the enabling environment for access to finance, particularly Banks, Finance Companies, Microfinance institutions, and cooperative societies to extend credit services to eligible smallholder beneficiaries.

SARP's rural finance strategy focuses on facilitating access to formal credit through hassle-free support systems for beneficiaries. Its involvement in Credit assessment, evaluation, disbursement, post-credit monitoring, and recovery support plays a critical role in safeguarding portfolio performance, building institutional trust, and reinforcing a credit culture within rural communities.

By maintaining a facilitative and supportive posture rather than a direct lending role, SARP reduces financial risk exposure while strengthening the credit ecosystem around rural smallholders. This design encourages bank confidence, enables scale-up of agricultural finance, and promotes sustainability through shared responsibility.

1.1 Strategy Objectives

- Improve financial inclusion for smallholder farmers and rural entrepreneurs.
- Facilitate access to appropriate financial products and services to support climate-resilient agribusiness development.
- Strengthen financial literacy and capacity among target communities.
- Facilitate market-driven rural finance mechanisms, particularly for Youth, 4P beneficiaries, and value chain actors.
- Align financial services with agribusiness investment cycles and cash flows.

1.2 Guiding Principles

- **Client-centered approach:** Adopt a client-focused strategy by analyzing actual cash flows, identifying seasonal trends, and assessing the specific risks linked to each project client
- **Inclusivity:** Promote inclusivity by catering to the specific needs of women, young people, and marginalized or vulnerable populations
- **Market orientation:** Link finance to viable agribusiness models and commercial value chains.
- **Sustainability:** Enhance the capacity of existing institutions to prioritize concessional financing for the agricultural sector
- **Digital Platform:** Utilize digital financial solutions whenever practical to enhance accessibility and efficiency.

1.3 Context & Constraints

- **Regions:** Focused on Vavuniya, Mannar, Puttalam, Kurunegala, and Matale dry-zone districts impacted by climate change.
- **Sectors:** Agribusiness, tied to Deduru Oya, Mee Oya, and Malwathu Oya river basins.
- **Challenges:**
 - Limited collateral and credit history.
 - Low financial literacy.
 - Weak access to formal financial institutions.
 - High climate risk and uncertainty in agricultural incomes.

1.4 Strategic Components

A. Introduction of Financial Product

- Introduce tailored financial products aligned to seasonal cash flows (e.g., crop-cycle-based loans, grace periods, flexible repayments).
- Introduce value chain finance models: promoter -guaranteed loans, input supplier credit.
- Promote savings and insurance products (e.g., Crop, livestock insurance).

- Introduce start-up and working capital products for youth and women-led agribusiness ventures.

B. Institutional Partnerships

- Collaborate with Rural Financial Institutions, such as Cooperative Rural Banks, and Microfinance Institutions, to extend tailored financial products and services to underserved rural communities, strengthen institutional capacity, and promote sustainable rural economic development.
- Engage agribusinesses and cooperatives as key intermediaries to facilitate financial service delivery, aggregate demand, reduce transaction costs, and provide tailored support to smallholder farmers and rural enterprises.
- Leverage Public-Private-Producer Partnerships (4P) mechanisms to align the interests of governments, private sector actors, and producer organizations, fostering investment, improving value chain integration, and enhancing service delivery to smallholder farmers

C. Capacity Building & Financial Literacy

- Implement Financial Literacy Programs
- Design a simple, visual financial literacy booklet in local languages
- Target youth, women for specialized financial education.
- Conduct agribusiness management training (e.g., cash flow, bookkeeping, investment planning) through Farm Business School (FBS)

D. Enabling Environment & Policy Engagement

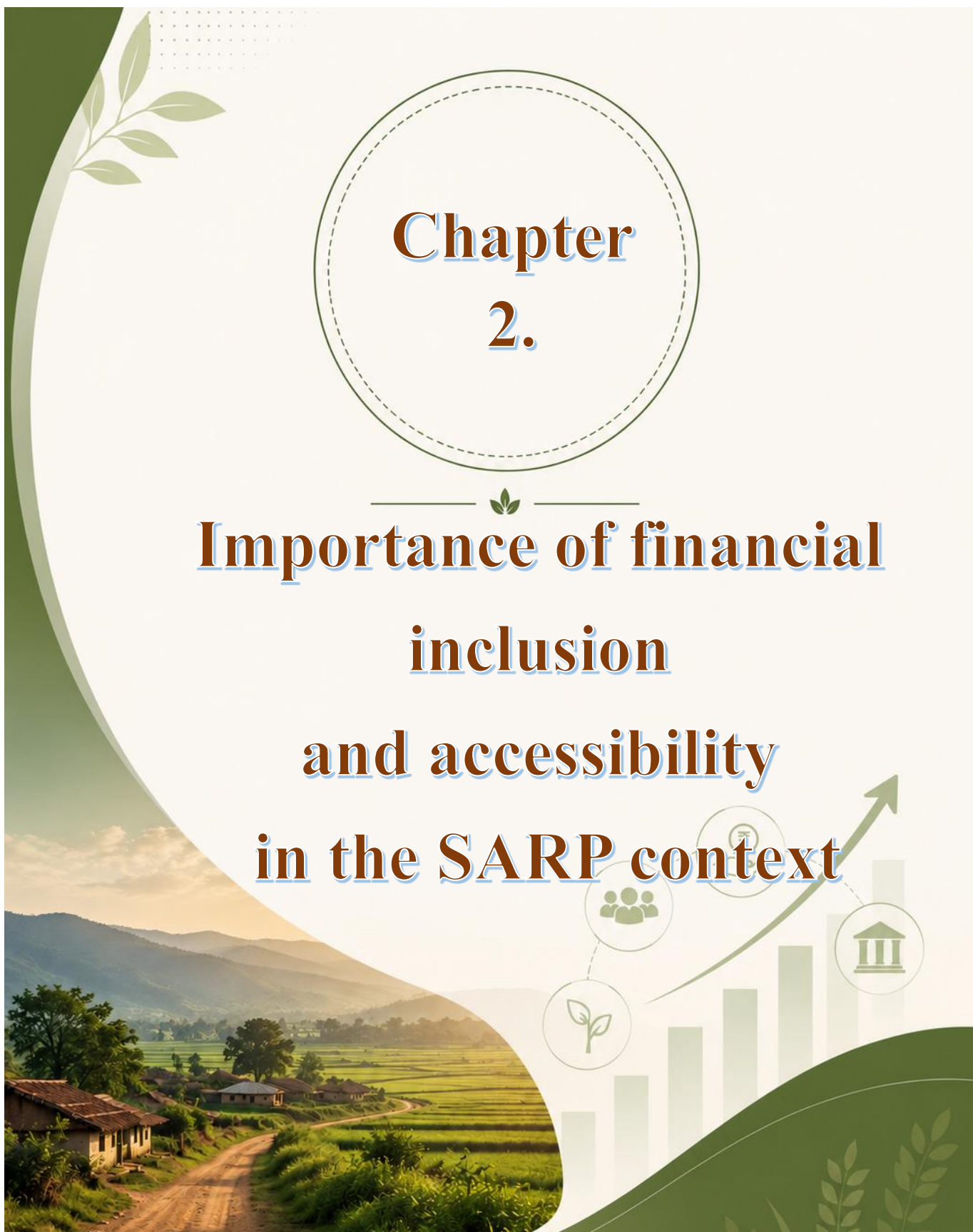
- Advocate for **credit guarantee mechanisms** for Agri Business.
- Promote the **CRIB score** to build informal credit scores from agribusiness transactions.
- Support **local government and institutional coordination** to align infrastructure and finance interventions.

1.5 Monitoring and Evaluation (M&E)

- **Access metrics:** number of clients accessing formal financial services.
- **Usage metrics:** Repayment rates, loan amounts disbursed, savings volume.
- **Outcome metrics:** Increased investments in agribusiness, improved incomes, improved resilience indicators.
- Use **disaggregated data (gender, youth)** to track inclusivity.

Chapter 2.

Importance of financial inclusion and accessibility in the SARP context



CHAPTER 2. IMPORTANCE OF FINANCIAL INCLUSION AND ACCESSIBILITY IN THE SARP CONTEXT

2.1 Economic Empowerment: The majority of the SARP target communities, located in climate-affected dry zones of Anuradhapura, Vavuniya, Mannar, Puttalam, Kurunegala, and Matale, depend on smallholder agriculture or micro-enterprises. Through SARP's rural financial services strategy, access to tailored savings, credit, and insurance products will enable these communities to invest in climate-resilient livelihoods, enhance productivity, and reduce reliance on high-risk informal lending. This empowers households to better manage financial risks and make long-term livelihood improvements.

2.2 Improved Agricultural Productivity: By designing credit products aligned with agricultural cash flow cycles, SARP enables farmers to access financing for seeds, inputs, equipment, and water-efficient technologies. This will promote adoption of improved practices and support investment in agribusiness upgrades, contributing to increased yields, improved food security, and higher incomes across the value chain.

- i. **Social Protection:** SARP communities are highly exposed to climate shocks, water scarcity, and market volatility. The strategy promotes inclusive financial products such as weather-indexed crop insurance, which strengthen household resilience and reduce vulnerability to unexpected crises.
- ii. **Promoting Equality:** SARP's approach prioritizes financial inclusion for women, youth, and marginalized rural populations by addressing their specific constraints, such as limited collateral and financial literacy, and partnering with community-based institutions. This ensures equitable access to financial services, supporting inclusive economic participation across project geographies.
- iii. **Encouraging Local Business Growth:** By working with financial institutions and value chain actors, SARP supports the development of micro and small rural enterprises with appropriate working capital and investment financing. This catalyzes entrepreneurship, creates employment, and fosters diversification beyond subsistence agriculture, particularly in rural agribusiness hotspots.

- iv. **Reduction of Poverty:** With access to structured credit, savings, and risk management tools, SARP beneficiaries are empowered to build sustainable income sources, accumulate assets, and plan for the future. This integrated financial support contributes directly to breaking cycles of rural poverty and enhancing long-term household wellbeing.
- v. **Sustainable Development:** The financial inclusion initiatives under SARP are aligned with national rural development goals and the UN Sustainable Development Goals (SDGs). By expanding rural access to finance, particularly in climate-vulnerable river basin areas, SARP contributes to resilient economic growth, reduced inequalities, and empowered rural communities capable of driving their development.

2.3 Credit Support under SARP's Rural Finance Strategy

- i. As part of its rural finance services strategy, SARP aims to enhance access to affordable credit for its target groups, with a special focus on the **4P (Public-Private-Producer-Partnership (5,200 beneficiaries) and Youth Entrepreneurs (1,200 individuals). And Livelihoods Resilience 16,900.** To facilitate this, SARP is coordinating closely with the **Smallholder Agribusiness Partnerships Programme (SAPP)** to leverage its **Revolving Credit Scheme**, implemented through selected commercial and Development banks.
- ii. While SARP intends to channel credit support through the SAPP mechanism, the operationalization of the revolving fund is experiencing delays due to ongoing policy revisions and regulatory alignment. Despite these challenges, SARP is actively working to secure low-cost funds and ensure the availability of concessional financing for beneficiaries through different categories of financial institutions located in the SARP project area.

2.4 Challenges in Client Selection and Credit Access

One key barrier rural community face is the stringent client selection criteria that formal banking institutions apply. Among these, the Credit Information Bureau (CRIB) report plays a significant role in determining borrower eligibility. However, many smallholder

farmers in SARP's operational areas, particularly those previously affected by crop failures, natural disasters, or lack of financial awareness, have accumulated arrears on past seasonal loans. In several cases, these were due to circumstances beyond their control or limited understanding of credit obligations.

As a result, a significant portion of potential SARP beneficiaries may be disqualified from accessing formal credit under current banking norms. This poses a substantial challenge to achieving inclusive financial access, particularly for smallholders, women, and youth entrepreneurs, who often lack alternative pathways to build creditworthiness.

In response, SARP will work collaboratively with **SAPP**, Participating Financial Institutions, and relevant government stakeholders to explore flexible credit facilities for SARP beneficiaries. SARP aims to create a more inclusive and equitable rural finance environment, ensuring that viable entrepreneurs are not excluded due to historical financial setbacks or limited formal credit history.

2.5 Alternative Financing Pathways for Financially Excluded Beneficiaries

To address the exclusion of rural clients due to rigid banking criteria, particularly disqualification based on adverse CRIB records, SARP has proactively engaged with Non-Banking Financial Institutions (NBFIs), Microfinance Institutions (MFIs), and Regional-Based Credit Providers to offer alternative financing solutions for its beneficiaries. These include Community Rural Banks (CRBs), and other locally embedded financial entities that are more flexible and familiar with the socio-economic realities of smallholder farmers.

These partnerships are a key component of the SARP Rural Financial Strategy, ensuring that even those who are unable to access conventional Bank financing due to past credit issues are not left behind. By working with Regional-Based Credit Providers, SARP aims to provide credit for all SARP beneficiaries.

2.6 SARP Loan Applicant Selection Criteria

In line with the SARP strategy for inclusive and resilient financial services, SARP takes a practical approach to choosing loan applicants. The goal is to ensure that financial support reaches smallholder farmers, 4P partners, and youth entrepreneurs who can make use of the loans, while

considering the challenges faced by rural populations in climate-vulnerable areas. The following criteria will be used to select loan applicants under SARP:

i Target individuals' Eligibility

- Must be a registered SARP beneficiary under one of the following categories:
 - 4P (Public-Private-Producer-Partnership) project participants.
 - Youth entrepreneurs (ages 18–35) engaged in or intending to start agribusinesses.
 - Members of producer organizations, cooperatives, or similar local institutions supported by SARP.
- Must reside and operate within SARP's designated districts (Vavuniya, Mannar, Puttalam, Kurunegala, Matale) aligned with the Deduru Oya, Mee Oya, or Malwathu Oya river basins.
- The beneficiary should not have benefited from any other projects within the last five years.

ii. Business Viability and Purpose of Loan

- Must have a clear business or investment plan related to agriculture, agribusiness, or climate-resilient rural livelihoods.
- Proposed activity must demonstrate:
 - Economic viability (e.g., market access, reasonable return, 30% increase in income).
 - Relevance to SARP value chains.
 - Potential for income generation (30% incremental income) and/or employment creation.

iii. Financial Behavior and Credit History

- Preference will be given to applicants with reasonable repayment capacity and demonstrated financial responsibility.
- CRIB reports will be reviewed, but past arrears alone will not automatically disqualify applicants. SARP promotes a balanced approach:

- Minor or historical CRIB issues may be accepted if justified (e.g., due to crop failure or unforeseen events or circumstances).
- Applicants previously excluded from banks may be considered through alternative lenders (e.g, SANASA, MFIs, CRBs) with credit rehabilitation support.

iv. Participation and Community Linkages

- Active involvement in community structures supported by SARP (CDF) will be an added advantage.
- Endorsement or recommendation from Producer Organizations, Agribusiness Partners, or SARP Field Officers will strengthen applications.

v. Financial Literacy and Capacity

- Applicants must attend or agree to participate in basic financial literacy training provided under SARP to ensure responsible credit use and repayment.
- Priority will be given to those demonstrating a willingness to adopt good financial practices and keep simple records.

vi. Commitment to Climate-Resilient and Sustainable Practices

- Proposed activities must align with SARP's principles of climate resilience, water conservation, and sustainable rural development.
- Applicants should be open to incorporating improved technologies, water management systems, or sustainable land practices where relevant.
- Use of renewable energy for power generation for various agricultural practices

vii. Assessment and Selection Process

- Initial screening by SARP field teams in coordination with the Area Coordinator, Agribusiness Specialists, Youth Enterprise Development Specialist, and the Officer of the Line ministries

- Due diligence and risk profiling carried out in partnership with participating financial institutions (Banks, NBFIs, MFIs).
- Final selection based on technical viability, repayment potential, inclusivity, and alignment with project goals.

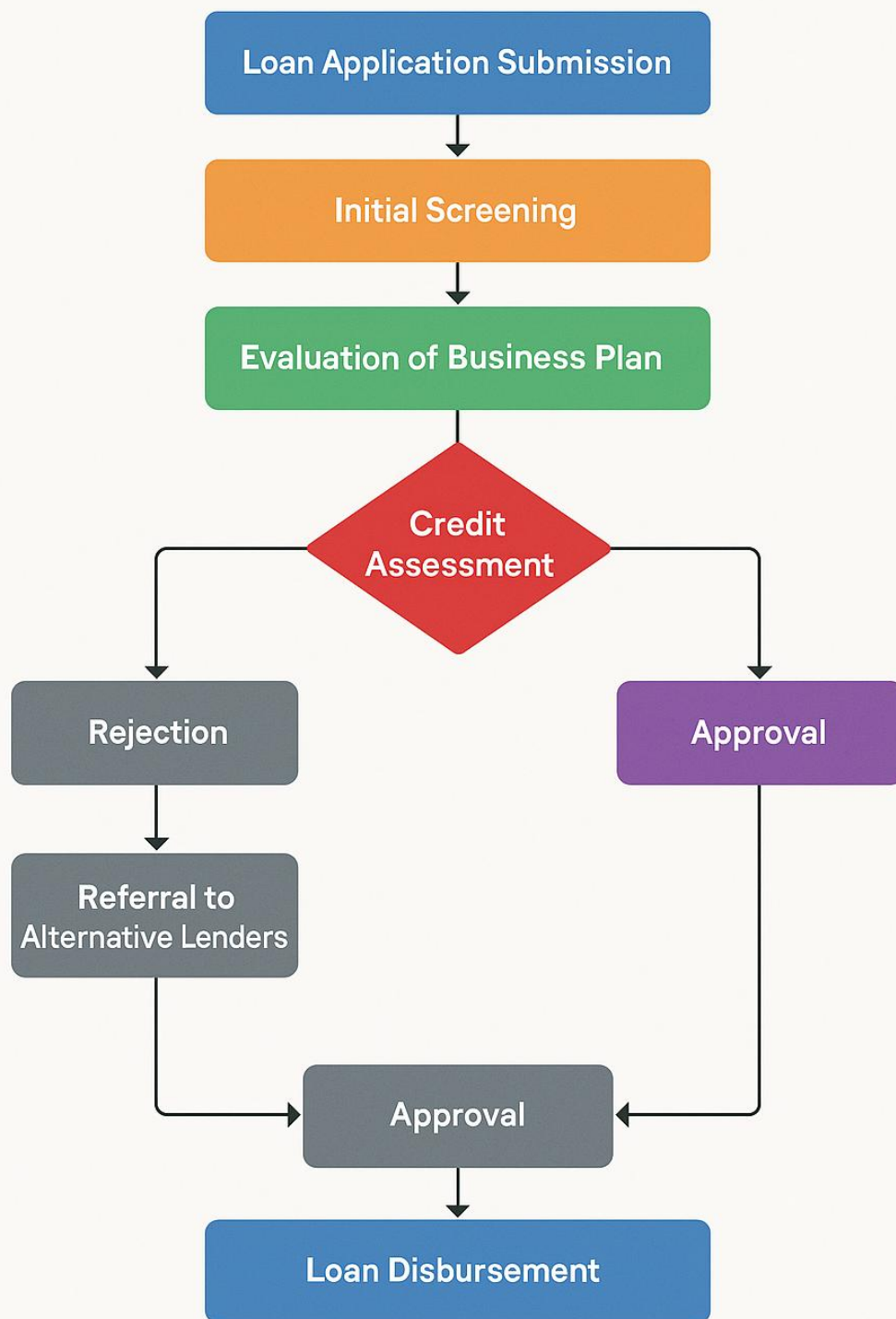
2.7 Credit Facilities Application Submission Process

Activity	Assigned Personnel	Action Required	Procedure
Step 1: Identification and Preliminary Screening by SARP Field Teams	SARP Field Officers, Agribusiness Specialists, Community Mobilizers Promoters	Identify potential applicants among registered SARP beneficiaries based on selection criteria.	➤ Conduct awareness sessions on loan opportunities. ➤ Screen applicants for basic eligibility (category, location, project alignment) ➤ Verify community involvement (Community Development Forums (CDF), 4P promoters, others).
Step 2: Business Plan Development and Technical Validation	SARP Agribusiness Specialists, YED Specialists, Program Officers	Support applicants in developing basic business/investment plans.	- Ensure proposed activities are viable, income-generating, and linked to value chains. - Validate plans against climate-resilient practices and market access. - Assist in estimating financing needs, cash flows, and potential risks.
Step 3: Financial Literacy and Credit Preparedness	SARP Rural Finance Specialist and Financial Literacy Resource Team	Build applicants' credit readiness and promote responsible borrowing.	- Enroll applicants in mandatory financial literacy sessions. - Guide on budgeting, loan management, and recordkeeping. - Assess repayment capacity and train on loan application documentation.

Step 4: Application Form Completion	SARP Field Team, Rural Finance Specialist	Complete the loan application form and prepare supporting documents.	- Complete the loan application form from the selected financial institution. - Prepare a business plan and personal identification documents. - Obtain CRIB consent or alternative credit history explanation where applicable.
Step 5: Financial Viability Check	Area Coordinator Agri Business specialist YED Specialist Rural Finance Specialist	Analyze gross margin, ROI, and breakeven point. - Confirm the project fits within the loan ceiling and repayment tenure. - Include Pay Back Period and Debt Service Cover Ratio (DSCR).	when preparing a business plan, ensure the calculation of necessary ratios to evaluate the project's viability. If it is a viable project can proceed for the credit component.
Step 6: Matching Applicants with Suitable Credit Institutions	Rural Finance Specialist in consultation with PFIs and Hub Offices	Categorize applicants based on creditworthiness and institutional fit.	- Direct bankable clients to PFIs under the SAPP Revolving Fund. - Refer applicants with CRIB constraints or informal credit history to MFIs, NBFIs, CRBs, SANASA. - Support beneficiaries accessing credit through banks registered with SAPP until the Revolving Fund is operational.
Step 7: Submission of Loan Applications to Financial Institutions	Applicants (supported by SARP as needed)	Formal submission of loan application packages.	- Submit business/investment plans, CRIB consent or alternative justification, community/group endorsements, and proof of financial literacy participation. - SARP facilitates batching or bulk submissions for value chain or 4P loans. - Rural Finance Specialist liaises

			with PFIs to coordinate documentation and clarify policy.
Step 8: Credit Assessment and Final Decision by PFIs	Participating Financial Institutions (banks, MFIs, NBFIs)	Conduct due diligence, risk analysis, and loan approval.	- Review applications, verify documents, and assess viability. - Apply flexible criteria for applicants with historical credit issues as agreed with SARP.
Step 9: Loan Disbursement and Post-Loan Support	Financial Institutions and SARP Field Teams	Loan disbursement, monitoring, and advisory support.	- Monitor initial and ongoing use of loan funds. - Provide advisory support via Farmer Business Schools, agribusiness advisors, and CDFs. - Encourage recordkeeping and reporting. - Early identification and intervention for repayment challenges.

SARP Loan Application and Approval Process



SARP Loan Approval Process 1

Lending Institutions Distribution In Hub 1

DISTRICT	NAME OF THE DIVISIONAL SECRETARIAT DIVISION	BANKS								NBFIs					MFIs					RFIs					TO TA L
		B O C	P B	R D B	C O M	H B	S D B	F C	D R	L O C	C C	A C	S F	D E	B E R E N D I A N	S A Y A	L J J Y A	D B R	O H A R	CR B	S A I	S M A D H A B	A U R H E R		
KURUNEGALA	Giribawa																			1		1	1		3
	Polpithigama	1	1	1							1				1					1	1	1	1		9
	Galgamuwa	1	1	1		1	1		1	1										1	1	1	1		11
	Ehetuwewa																			1		1	1		3
	Kobeigane	1	1																	1	1	1	1		6
	Ambanpola	1	1																	1		1	1		5
	TOTAL	4	4	2	0	1	1	0	1	1	1	0	0	0	1	0	0	0	0	6	3	6	6	0	
PUTLAM	V'willuwa		1																	1		1	1		4
	Pallama	1																		1		1	1		4
	Anamaduwa	1	1	1	1	1	1		2	1	1									1		1	1		14
	Nawagaththe gama		1	1																1		1	1		5
	TOTAL	2	3	2	1	1	1	0	1	1	1	0	0	0	0	0	0	0	0	4	0	4	4	0	
MATALE	Yatawatta	1	1																	1		1	1		5
	TOTAL	1	1	0	0	0	0	0	0	1	1	0	0	0	0	0	0	0	0	1	0	1	1	0	
	GRAND TOTAL	7	8	4	1	2	2		2	3	3				1					11	3	1	1		

Lending Institutions Distribution In Hub 2

DISTRICT	NAME OF THE DIVISIONAL SECRETARIATE DIVISION	BANKS								NBFIs					MFIs					RFIs					TOTAL
		BOC	PR	RDB	COM	HNB	SDB	DFCC	OTHER	LOIC	Com: Credit	AFC	SDF	OTHER	BERENDINA	SEJAYA	LAKJAYA	DUMBARA	OTHER	CRB	SANASA	SAMURDHI	AB	OTHER	
ANURADHAPURA	Medawachchiya	1	1	1	1	1	1	0	3	1	1	1	1	4						1	1	2		1	22
	Mahawilachchiya	2	1	0							1											2			6
	N P C						3															3			6
	Thirappane	1	1	1	1		1		1											1	1	2			10
	Rambewa	1	1	1	1		1		1											2	1	3			12
	Mihintale	1	1	1	1		1		1				1							1	1	3			12
	TOTAL	6	5	4	4	1	7	0	6	1	2	1	2	4	0	0	0	0	0	5	4	15	0	1	68
VAVUNIA	Vavuniya South								2											1	1	1	1		6
	Vavuniya	2	2	1	2	2	1	1	3	1	1	1	1		1	1				1	1	2	1		25
	Vengalcheddikulam	1	1																	1		1	1		5
	TOTAL	3	3	1	2	2	1	1	5	1	1	1	1	0	1	1	0	0	0	3	2	4	3	0	36
MANNAR	Musali	0	1	0	0	0	0	0		0	0			0	0	0			1	1	1		1		5
	Nanattan	1	1	0	0	1	1	0		0	1			0	0	0			1	1	1		1		9
	Manthai West	1	0	0	0	0	0	0		0	1			0	0	0			1	1	1		1		6
	Mannar Town	1	1	1	1	1	1	1	3	1	1	3		0	0	0	2		1	1	1	1	1	1	23
	TOTAL	3	3	1	1	2	2	1	3	1	3	3	0	0	0	0	2	0	4	4	4	1	4	1	43
	GRAND TOTAL	12	16	6	7	5	0	2	4	3	6	5	3	4	1	1	2	0	4	12	10	30	7	2	

2.7.1 SARP loan application form

Specimen

(For 4P and Youth Enterprise Development Beneficiaries)

Confidential – To be submitted to Participating Financial Institutions (PFIs)*Section A: Applicant Information*

Field	Details
Full Name	
NIC Number	
Date of Birth / Age	
Gender	☐ Male ☐ Female
Contact Number	Mobile Fixed
WhatsApp Number	Email
Address	
GN Division / DS Division	
District	☐ Vavuniya ☐ Mannar ☐ Puttalam ☐ Kurunegala ☐ Matale ☐ Anuradhapura
Marital Status	☐ Single ☐ Married ☐ Other
SARP Beneficiary Category	☐ 4P Participant ☐ Youth Entrepreneur (YED)
Registered under SARP CDF since	
Producer Organization/CDF Name	

Section B: Business / Enterprise Information

Field	Details
Type of Activity / Enterprise	
Location of Business/Activity	
Business Registration	☐ Registered ☐ Not Registered ☐ Pending for Registration
Value Chain/Commodity	
Proposed Loan Amount (LKR)	
Purpose of the Loan	☐ Working Capital ☐ Equipment ☐ Expansion ☐ Other (Specify)
Expected Start Date of Business Activity	
Have you received SARP support before?	☐ Yes ☐ No (If yes, specify type: _____)
Market Linkages Established?	☐ Yes ☐ No (Specify: _____)

Section C: Financial Details

Item	Amount (LKR)
Estimated Monthly Revenue	
Estimated Monthly Expenses	
Net Monthly Income	
Existing Loans/Obligations (if any)	
Preferred Loan Repayment Period	☐ 6 months ☐ 1 year ☐ 18 months ☐ 2 years ☐ 5 years

Section D: Credit History

Question	Response
Have you borrowed from a Bank or MFI before?	☐ Yes ☐ No
Have you ever defaulted on a loan?	☐ Yes ☐ No
Are you willing to submit your CRIB report for assessment?	☐ Yes ☐ No
If there is any past credit issue, please explain briefly:	

Section E: Business Plan Summary

Item	Summary
Short Description of Enterprise	
Key Inputs and Estimated Costs	
Marketing/Distribution Plan	
Expected Monthly Profit	

Employment Generation Potential	

Section F: Community Endorsement

(To Be Completed By SARP/PO)

Field	Signature / Comments
Recommendation by CDF Organization / Cooperative	
Comments from SARP Field Officer / Specialist	

Section G: Declaration By Applicant

I declare that the information provided above is true and accurate. I agree to participate in the required financial literacy training and commit to using the loan for the stated purpose. I understand that this application does not guarantee approval.

Signature of the Applicant: _____

Date.....

Section H: Attachments Checklist

(Please attach the following)

- ☐ Copy of NIC
- ☐ Business Plan or Investment Proposal
- ☐ CRIB Consent Form (if applicable)
- ☐ Any previous credit or grant records (if relevant)
- ☐ Recommendation Letter (PO/Field Officer)

2.7.2 SARP Pre-Sanction Inspection Report

Specimen

Section A: Basic Information

Date of Inspection	
Name of Applicant	
Contact Numbers	
WhatsApp Number	
SARP Beneficiary Type	☐ 4P Partner ☐ Youth Entrepreneur ☐ Cooperative Member ☐ Livelihood Resilience
Gender of Applicant	☐ Male ☐ Female
NIC Number	
Age	
District / GN Division	
Type of Enterprise	
Project location	
Name of the Inspecting Officer	

Section B: Eligibility Verification

Criterion	Yes/No	Remarks
Registered under the SARP beneficiary list		
Located within a designated SARP district		
Associated with, CDF cooperative or the 4P cluster		
Participated in financial literacy training (or willingness to attend)		
Endorsement from SARP Officer / Community Representative		
Succession Plan		

Section C: Availability of Infrastructure of the Project Site

Criterion	Yes/No	Remarks
Access to Roads		
Water Availability		
Electricity		
Availability of Raw Material		
Labor		
Buildings/ Farm House/ Stores		
Marketing facilities		
Any other		

Section D: Business Assessment

Indicator	Observation
Nature of Business / Activity	
Alignment with SARP value chains	
Employment Generation Potential	
Market Linkage / Buyer Connection	
Proposed Technology Use (e.g., water-saving, climate-smart)	
Compliance with environmental standards	
Land / Space Availability and Ownership Status	

Section E: Financial Assessment

Indicator	Details
Estimated Project Cost (LKR)	
Proposed Loan Amount (LKR)	
Own Contribution (if any)	
Expected Monthly / Seasonal Income	
Cash Flow Match with Loan Repayment	
Existing Debts / Loans	
CRIB Status / Remarks	
Viability Indicators (ROI, NP)	

Section E: Risk Assessment

Risk Category	Level (Low/Medium/High)	Mitigation Plan
Market Risk		
Climate / Weather Risk		
Operational Risk		
Credit Risk		

Section F: Summary and Recommendation

General Comments on Project Feasibility:

(Inspector to provide a narrative summary of findings)

Recommendation:

☐ Recommend for Loan Sanction ☐ Recommend with Conditions ☐ Not Recommended (state reasons)

Section G: Signatures

Institution	Name	Designation	Signature	Date

2.7.3 SARP Post-Supervision Inspection Report

Specimen

Section A: Basic Information

Date of Inspection	
Name of Beneficiary	
SARP Beneficiary Type	(4P / Youth / / LR)
Loan Sanction Date	
Loan Amount (LKR)	
PFI / Lending Institution	

Section B: Physical and Financial Progress

Nature of Activity Undertaken	
Progress vs. Original Business Plan	
Machinery/Assets Procured (List and Status)	
Status of Infrastructure (if applicable)	
Working Capital Utilization	

Section C: Loan Utilization Check

Total Disbursed Amount	
Amount Utilized	
Loan Used for Intended Purpose (Yes/No with details)	
Supporting Documents Verified (Receipts, Quotations, etc.)	

Section D: Financial Performance

Income Generated to Date	
Repayment Installments Paid	
Any Overdue Payments	

Net Cash Flow Observed	
Business Sustainability Assessment	

Section E: Environmental and Social Compliance

Continued Use of Climate-Smart Technologies	
Environmental Safeguards Observed	
Community/Workforce Feedback	

Section F: Challenges and Support Required

Summary of any issues the beneficiary faces, support needed, and follow-up action planned.

--

Section G: Inspector Comments and Recommendation

General Remarks:

Recommendation: ☐ Satisfactory ☐ Needs Follow-Up ☐ non-compliant

Section H: Signatures

Name	Designation	Signature	Date



SMALLHOLDER AGRIBUSINESS
& RESILIENCE PROJECT

SPECIMEN

2.7.4 SARP- Project Appraisal Report

Section A: Information on the Beneficiary

Full Name												
Address												
GN Division												
Age												
NIC Number.												
CDF Name												
Account No												
Loan Scheme												
Register No												

Section B: Information of the Business

Business Name (if any)	
Nature of the Business	
Location of the Project	
Date of Commencement	

Existing Bank Accounts		
Income	Existing project	
	From other sources	
Brief description of past performance		
Past financial details (if available under the existing Project)	a. Gross Sales	
	b. Net Profit	
	c. Fixed Assets	
	d. Current Assets	
Existing Borrowings (if any)	e. Borrowings	
	a. Nature of facility	
	b. Source	
	c. original amount borrowed (Rs.)	
	d. Purpose	
	e. Repayment period	
	f. Interest rate	
	g. Balance outstanding	

	h. Comments on repayment performance	
	i. Security	

Section C: Information About the Proposed Project

3.1 Description of the proposed project

Type of sub-Project	Specific Purpose	Estimated cost per Unit	No of Units	Total Cost Rs
Total Cost of the Project				

3.2 Fixed assets of the project

	EXTENT	OWNERSHIP
Land		
Building		

Section D: Financial Analysis

4.1 Cost of Project and Means of Finance

DETAILS	EXISTING		PROPOSED PROJECT		TOTAL (RS.)
	BANK & OTHER (RS.)	EQUITY (RS)	BANK & OTHER (RS.)	EQUITY (RS.)	
Land (if on lease, advance paid)					
Building (cattle shed)					
Plant & Machinery					
Vehicles					
Other Fixed Assets					
Pre-operative Expenses					
Working Capital Requirement					
TOTAL					

4.2 Overall Debt/Equity Ratio after Expansion

PROJECT EVALUATION						
Beneficiary/ Investor						
Proposed Loan Amount						
Nature of the Project						
FINANCIAL ANALYSIS		YEAR	YEAR	YEAR	YEAR	YEAR
		1	2	3	4	5

I	Gross Income	Note 1					
II	Raw Materials	Note 2					
III	Direct labor	Note 3					
IV	Power & Fuel	Note 4					
V	Other variable costs	Note 5					
VI	Overhead expenses (Excluding depreciation, maintenance, and repair, etc.)	Note 6					
VII	Administrative & Establishment expenses (rent, rates, insurance, etc.)	Note 8					
VIII	Selling & distribution expenses	Note 9					
IX	Interest on Proposed Loan						
X	Interest on other term loans						
XI	Depreciation	Note 7					
XII	Net profit before taxation (I-II to XI)						
XIII	Taxation						
XIV	Net profit after taxation (XII-XIII)						
XV	Net profit to sales Ratio (XIV / I) 100						
XVI	Return on Investment (XII + IX + X) 100/ total cost of project						
XVII	Break-even point - sales (VI+ to XI)/ (I- to V) *I						

XVIII	Break-even point - As a % of Gross Sales (XVII/I)100						
XIX	Break-even point quantity						
XX	DSCR (<u>XIV+IX+X+XI</u>)/IX+X+Annual Repayment of Loans						

Assumptions

Annual Profit Increase	
Input/output prices	
Yield Assumption	
Production Cycle Duration	
Labor Rate	
Exchange Rate	
Depreciation	
Land	
Buildings	
Vehicles	
Machinery	
Livestock	

YEAR 1		
Investor		
Proposed Loan Amount	Rs	
Proposed Loan Disbursement	Purchase of cattle, construction of Cattle shed, pasture establishment	
NOTE NO 1		Rs.
<u>Gross income</u>		Annual
Total		
NOTE NO 2		
<u>Raw Materials</u>		
Total		
NOTE 3		
<u>Direct Labor</u>		
Total		
NOTE NO 4		
<u>Power and Fuel</u>		

Total	
NOTE NO 5 <u>Other Variable Cost.</u>	
Total	
NOTE NO 6	
<u>Other Overhead Expenses</u>	
Total	
NOTE NO 7	
<u>Depreciation</u>	
Total	
NOTE NO 8	
<u>Administrative & Establishment</u>	
Total	
NOTE NO 9	
<u>Selling & distribution expenses</u>	

Total					
Total Cost of The Project					
Annual Repayment of Loans					
Percentage of Capacity Utilization					
Number of Working Days					
Selling Price of Goods Rs					
PROPOSED LOAN DETAILS	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Interest in Proposed Loan					
Capital for Proposed Loan					
Interest on other term loans					
Interest on Housing loans					
Taxation					

Section E: Terms & Conditions of the Loan Proposed

Amount	
Repayment	
Grace Period	
Interest Rate	
Security	

Section F: Implementation Schedule & Loan Disbursement Schedule

Purpose	Time Frame of Implementation		Amount	Loan Disbursement Period
	Commencement	Completion		

Section G: Justification

(Please comment briefly)

A	Project viability	
B	Availability of infrastructure facilities	
C	Availability of raw materials	
D	Availability of manpower	
E	Approval of relevant authorities	
F	Technical know-how of the project Holder	
G	Marketing arrangements	
H	Repayment capacity (Please comment on the other source of income also)	
I	Adequacy of securities	
	Proposed Securities	

J	Succession plan		
K	Risk & Risk Mitigation	<u>Market R</u>	
		<u>Business</u>	
L	Economic Justification		
8 Recommendation of The Program Officer			
Name of the Program Officer		Signature	Date
9. Recommendation of The Area Coordinator			
Name of Area Coordinator		Signature	Date

10. Observations & Recommendations of the Rural Finance Unit

Rural Finance Specialist	Signature	Date

11 Approval of Project Director

Approved/ Not Approved

Project Director

Smallholder Agri Business& Resilience Project

Date

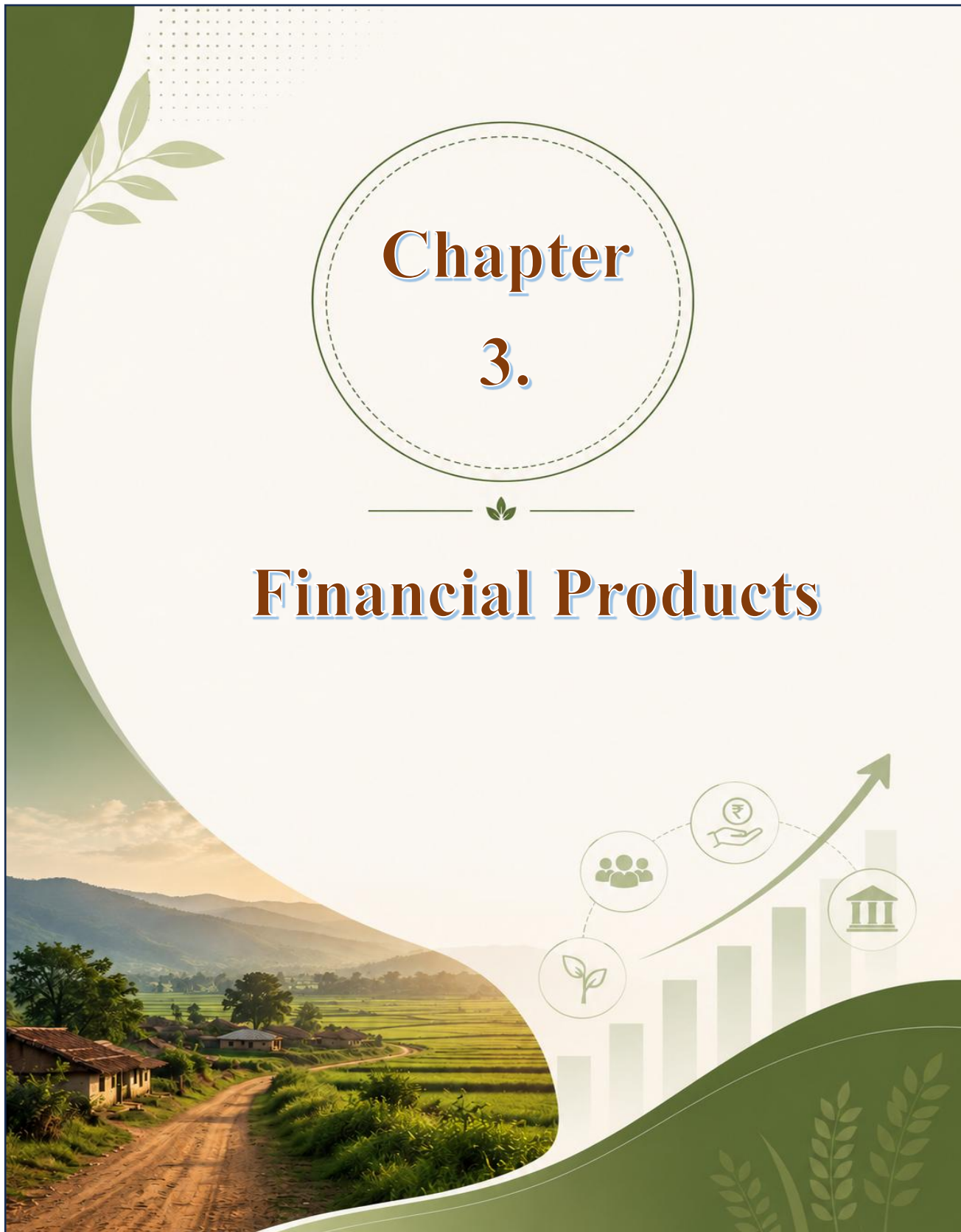
Step	Action	Responsible	Date Initiated	Date Completed
1	Submission of the identified farmer name list to the PFI branch by the Promoter, with the coordination of the SARP program Officer, for CRIB checking and sending farmers to open accounts	Promoter / Program Officer / PFI Branch		

2	Submission of the identified farmer name list to SARP - M&E and IT	Promoter / Program Officer		
3	Verification of the list with the database and notifying of any corrections or duplications	M&E – SARP/ Program Officer		
4	Loan inspections by the FI Branch and issuance of loan applications to screened farmers. List with account numbers sent to SARP PMU 1(b)	Promoter / Program Officer / PFI Branch / PFI Head Office		
5	Signing and entering into buyback agreements with each farmer (BD provides format; PFI consent required)	Promoter / PFI Branch/Program Officer		
6	Finalizing the insurance, if available	Promoter / Insurance Company / PFI Branch/ Program Officer		
7	Finalizing the Credit Guarantee	Promoter / NCGIL / PFI Branch/ Program Officer		
8	Submission of signed buyback agreements to the FI Head Office	Promoter / PFI Branch		
9	Submission of the final verified farmer list with buyback agreement details to SARP	PFI Head Office		
10	Loan Disbursement approval based on the verified list and agreements	SARP / RF/ Program Officer		

11	Loan disbursement to individual farmer accounts	PFI Branch/ Program Officer/RF		
12	Transfer of the matching grant to the farmer accounts post-loan disbursement	SARP / VCD/Finance/Program Officer		
13	Field monitoring of loan utilization	M&E - SARP /RF SARP/Program Officer/ Promoter		
14	Submission of the utilization and repayment report to SARP	PFI Branch / Promoter/Program Officer.		

Chapter 3.

Financial Products



Chapter 3. FINANCIAL PRODUCTS

3.1 Strategic Credit Delivery Approach under SARP

As a core component of the SARP Rural Financial Strategy, the SARP is facilitating to enhancement of access to affordable and inclusive credit for its priority target groups. This includes:

- **4P Partnerships (Public-Private-Producer Partnerships):** 5,200 beneficiaries
- **Youth Agri Entrepreneurs:** 1,200 individuals
- **Livelihood Resilience Groups (LRGs):** 16,900 low-income, vulnerable rural households

3.2 SAPP Revolving Fund

The **Small Agribusiness Resilience Project (SARP)** is strategically designed to enhance livelihoods, boost agricultural productivity, and strengthen the resilience of rural communities through improved access to financial services.

A critical constraint faced by the project's target groups, namely, smallholder farmers, youth, youth groups, Agri-promoters, farmer organizations, and cooperatives, is the limited availability of affordable and timely credit. This financing gap is a significant impediment to investment in productive assets, adoption of improved technologies, and expansion of agribusiness activities. Structural challenges such as high borrowing costs, collateral requirements, and limited penetration of rural financial institutions exacerbate the issue. Overcoming these barriers is essential to unlocking the full potential of rural entrepreneurs and ensuring the inclusive growth and sustainability of the agri-food system. SARP places strong emphasis on developing innovative, targeted financial solutions to address these gaps and promote equitable access to finance across all segments of the rural economy.

3.3 Current Development

In alignment with national efforts to enhance rural financial inclusion and promote sustainable agricultural development, the **Development Finance Department** of the **Ministry of Finance**,

Planning and Economic Development, in collaboration with the **Ministry of Agriculture, Livestock, Land and Irrigation**, is currently establishing the **SAPP Revolving Fund**. This initiative represents a critical step toward creating a dedicated, long-term financial mechanism capable of delivering **concessional finance** to a broad range of actors across the agricultural value chain.

The fund is designed to address persistent challenges that constrain access to affordable credit in SARP areas, such as high interest rates, stringent collateral requirements, and limited reach of formal financial institutions. By providing credit at preferential terms, the SAPP Revolving Fund will enable increased investment in productivity-enhancing inputs, agribusiness development, and value-added activities, particularly among underserved groups such as smallholder farmers, youth, women, Agri-promoters, cooperatives, and farmer organizations in SARP operating areas.

Once operational, the fund will serve as a strategic financing arm for projects such as the Small Holder Agribusiness Resilience Project (SARP). SARP will be positioned to access this facility to extend tailored, low-cost financial products to its target beneficiaries, thereby supporting enterprise development, climate-smart agriculture, and inclusive rural growth.

3.4 Strategic Opportunity for SARP

Once operational, the SAPP Revolving Fund will serve as a critical financial instrument for SARP, enabling the project to:

- Secure credit at concessionary interest rates for various rural stakeholders.
- Offer tailored financial products aligned with different borrower groups' unique cash flow patterns and risk profiles.
- Expand financial inclusion, especially for underserved segments such as rural youth, women, and informal producers.
- Mitigate financial risks for lending institutions through potential guarantees or interest rate subsidies.

3.5 Recommendations

1. **Fast-track the establishment of the SAPP Revolving Fund**, with clear operational guidelines and eligibility criteria that accommodate SARP's target groups.
2. **Formalize coordination mechanisms** between SARP and the Fund Management Unit to ensure streamlined access and alignment of financial products.
3. **Develop a pipeline of bankable proposals** from SARP-supported beneficiaries to enable immediate uptake once the fund is operational.
4. **Ensure technical support and capacity building** are provided alongside financing to strengthen borrower performance and loan recovery.

SARP collaborates closely with the Smallholder Agribusiness Partnerships Programme (**SAPP**) to facilitate this goal to leverage its existing **Revolving Credit Scheme**. This mechanism is implemented through a network of participatory credit institutions operating in the SAPP project.

3.6 Cultivation Loan Facility

3.6.1 Purpose:

The Cultivation Loan is designed to provide timely and affordable credit to smallholder and marginal farmers for financing seasonal agricultural activities. This facility supports essential inputs and operations required for successful crop production, such as the purchase of seeds, fertilizers, pesticides, irrigation services, land preparation, and hired labor.

3.6.2 Target Group:

Eligible beneficiaries include registered SARP farmers who are actively engaged in seasonal crop production and meet the basic creditworthiness criteria defined by participating financial institutions under the New Comprehensive Rural Credit Scheme (**NCRCS**)

3.6.3 Key Features:

a) **Short-Term Financing:**

The Cultivation Loan is structured as a short-term credit facility, generally with a

repayment period aligned to the specific crop cycle (usually ranging between 6 to 12 months).

b) **Grace Period Aligned with Crop Cycle:**

A moratorium or grace period on principal repayment will be provided, typically matching the growing season. Repayment is expected post-harvest when the farmer realizes income from the sale of produce.

c) **Tranche-Based Disbursement:**

Loan amounts may be disbursed in multiple tranches corresponding to the key stages of crop production (e.g., land preparation, sowing, top-dressing, pest management), ensuring that credit is used as intended and reducing misuse of funds.

d) **Concessional Interest Rate:**

Cultivation Loans under the NCRCS will be offered at a concessional interest rate, subsidized or negotiated under the SARP framework to remain affordable for smallholder farmers. This promotes financial inclusion and supports rural resilience.

e) **Linkage with Technical Support:**

Beneficiaries of the loan may be linked with agricultural extension services and input suppliers approved under SARP, ensuring proper agronomic practices and maximizing productivity.

3.6.4 Implementation Modality:

SARP farmers may access Cultivation Loans through commercial banks, rural banks, and microfinance institutions currently participating in the New Comprehensive Rural Credit Scheme. The project will facilitate credit linkage by:

- a) Pre-identifying eligible farmers through SARP-supported farmer groups or cooperatives.
- b) Assisting with documentation and application processes.
- c) Coordinating with financial institutions for awareness sessions and financial literacy training.
- d) Monitoring loan utilization and repayment performance in coordination with banks.

3.6.5 Risk Mitigation:

To safeguard both farmers and lenders, the following measures may be incorporated:

- a) Group guarantees or community-based credit assurance mechanisms.
- b) Optional crop insurance integration.
- c) Advisory on climate-resilient practices and diversified cropping systems.

3.7 The Salient Features of the NCRCS

The **New Comprehensive Rural Credit Scheme (NCRCS)**, also known as the “**Sarusara**” **Scheme**, is a government-funded initiative in Sri Lanka aimed at enhancing the socio-economic conditions of micro and small-scale farmers. It provides affordable credit for cultivating short-term crops and home gardening.

Feature	Description
Purpose	Provides working capital for farmers cultivating short-term crops, home gardening, and nurseries.
Eligible Beneficiaries	- Sri Lankan citizens who are permanent residents in the project area. - Micro and small-scale farmers. - Must not be willful defaulters.
Eligible Crops	34 crop varieties including: Paddy, maize, chillies, onions, potatoes, legumes, vegetables, spices, sugarcane, turmeric, etc. Also supports home gardening and nurseries.
Loan Amounts	- Up to Rs. 756,000 per acre for eligible crops (varies by crop). - Up to Rs. 100,000 for home gardening. - Up to Rs. 500,000 for nurseries.
Interest Rate	8% per annum (fixed).
Repayment Period	- 270 days for most crops. - 365 days for long-term crops like sugarcane and turmeric.
Credit Guarantee	60% of the principal amount is covered by the credit guarantee in case of default.

3.8 Youth Agri-Business Development Loan Facility

3.8.1 Objective

To promote inclusive rural transformation and youth empowerment through enhanced access to structured financial services, the Youth Agri-Business Development Loan Facility is established under SARP as a specialized credit mechanism targeting rural youth.

3.8.2 Scope

The Youth facility aims to bridge the financing gap for youth-led Agri-enterprises and strengthen youth participation in productive and value-added agricultural activities.

3.8.3 Target Beneficiaries

Eligible borrowers shall meet the following criteria:

- Youth aged **18 to 35 years**.
- Residents of SARP-identified rural areas.
- Registered with SARP either as individuals, members of youth cooperatives, or recognized Agri-enterprise groups. Or CDF
- Engaged in or proposing viable agri-business activities.

3.8.4 Eligible Activities

The following business types are supported under the facility:

- Sustainable crop production using improved technologies.
- Seedling nurseries and agro-input dealerships.
- Animal Husbandry
- Agro-processing and value addition enterprises.
- Transport, distribution, and agri-logistics services.
- SMART agriculture initiatives

3.8.5 Loan Terms and Conditions

Feature	Provision
Loan Type	Short- to medium-term working capital and investment loans
Loan Tenure	12 to 36 months , depending on enterprise type and cash flow
Grace Period	Up to 6–12 months based on business startup requirements
Disbursement Modality	In tranches linked to specific business milestones
Interest Rate	Prevailing rates of the lending institutions
Collateral Requirements	As per the lending institution

3.8.6 Support Mechanisms

To ensure the success and sustainability of youth Agri-enterprises, the following non-financial services shall be integrated:

- **Business Development Services (BDS):**
 - Training in enterprise development, financial literacy, and record keeping.
 - Business planning support and market linkage facilitation.
- **Mentorship and Advisory Support:**
 - Access to technical advisors and mentors through SARP and Line Agencies.
 - Exposure visits and peer learning opportunities.
- **Digital Enablement:**
 - Promotion of mobile-based loan management, advisory, and e-extension platforms.
 - Encouragement of ICT tools to increase operational efficiency and market access.

3.8.7 Risk Management Provisions

- **Insurance Coverage:** Encouraged for insurance coverage.
- **Credit Risk Sharing:** Support by Credit Guarantee
- **Business Continuity Planning:** Youth borrowers will be supported in integrating climate-resilient and risk mitigation strategies into their operations.

3.8.8 Institutional Responsibilities

- **SARP PMU (Project Monitoring Unit):**

- Facilitate partnerships with financial institutions.
- Provide business development services and monitor implementation.
- Maintain a youth loan database and track outcomes.
- **Lending Institutions:**
 - Assess loan applications, manage disbursements, and monitor credit performance.
 - Coordinate with SARP for due diligence, business appraisals, and reporting.
- **Local Government/Community-Based Structures:**
 - Mobilize and endorse eligible youth applicants.
 - Support awareness campaigns and field-level monitoring.

3.8.9 Monitoring and Evaluation

The monitoring system will track:

- Loan uptake and disbursement trends.
- Youth business survival and growth rates.
- Repayment performance and default rates.
- Impact on employment and income generation.

Periodical monitoring from the Lending Institutions, the SARP Hub office, and the PMU is mandatory for the success of the project successfulness.

Credit facilities can be obtained from the respective lending institutions through the available MSME credit schemes that focus on Youth Development.

3.9 Agri-Business Development Loan Facility for 4P Promoters

3.9.1 Objective

This loan facility aims to enhance the role of **4P Promoters** in catalyzing inclusive and sustainable agricultural value chains through Public-Private-Producer Partnerships (4Ps). It supports investments in production, aggregation, processing, and marketing infrastructure and services that strengthen farmer-market linkages, boost rural enterprise growth, and improve smallholder competitiveness.

3.9.2 Scope

This provision applies to all 4P Promoters participating in SARP-supported value chains, including registered producer organizations, Agri-enterprises, NGOs, and private entities that facilitate structured market access and shared value creation among farmers and private sector actors.

3.9.3 Target Beneficiaries

Eligible 4P Promoters shall include:

- **Farmer Organizations**, cooperatives, or federations serving as lead partners in 4P agreements.
- **Private companies** or SMEs acting as anchor firms or service providers in contract farming or value chain partnerships.
- **Non-profit organizations** facilitating inclusive business models under SARP.
- Must be formally registered, compliant with applicable national regulations, and pre-screened through the SARP 4P guidelines and mechanism.

3.9.4 Eligible Activities

The following investment areas are supported under this facility:

- Aggregation centers, bulking units, and collection hubs.
- Agri-processing and semi-processing infrastructure.
- Storage and cold chain logistics for perishable goods.
- Farm input distribution or mechanization services.
- Transport and delivery services linked to structured markets.

- Any other activities acceptable by the SARP

3.9.5 Loan Terms and Conditions

Feature	Provision
Loan Type	Working capital and capital expenditure loans
Loan Tenure	12 to 60 months , based on business model and repayment capacity
Grace Period	6–12 months , depending on setup and cash flow cycles
Disbursement Modality	Tranche-based , tied to project milestones or capital expenditures
Interest Rate	As per the lending institution's applicable rate
Collateral Requirements	Depending on the project risk assessment and the requirements of the Lending institutions

3.9.6 Technical Support and Facilitation

SARP and partners shall ensure that 4P Promoters have access to:

- Support in developing bankable business plans and investment proposals.
- Advisory on inclusive business structuring, governance, and compliance.
- Linkages to extension services, market actors, and digital tools.
- Coaching in financial management, monitoring, and reporting.

3.9.7 Risk Management Framework

The following instruments will be integrated into the loan support package:

- **Insurance Mechanisms:** For key assets, inventory, and revenue-related risks, Crop & livestock
- **Value Chain Risk Sharing:** Promoters encouraged to co-develop risk-sharing agreements with buyers, producers, or input suppliers.
- **Contingency Planning:** Support for developing business continuity plans, climate risk mitigation, and post-shock recovery strategies.
- **Partial Credit guarantee** with National Credit Guarantee Institution Limited (NCGIL)

3.9.8 Institutional Responsibilities

- a) **SARP Project Monitoring Unit (PMU):**
 - Validate 4P Promoters and screen eligible proposals.
 - Facilitate capacity development and financial literacy.
 - Monitor progress and performance through joint supervision with PFIs.
- b) **Financial Institutions (FIs):**
 - Assess creditworthiness, approve disbursements, and manage repayments.
 - Work with SARP to provide tailored financial products and track loan utilization.
- c) **Line Agencies:**
 - To provide necessary technical advice
 - Ensure Sustainable development initiatives

3.9.9 Monitoring and Evaluation

Key indicators for performance tracking shall include:

- Volume and value of loans disbursed and repaid.
- Number of farmers integrated into 4P-supported value chains.
- Increase in production, value addition, or market access facilitated.
- Financial sustainability and institutional strengthening of 4P Promoter entities.

Progress reports will feed into the overall SARP M&E system to inform policy review, replication, and scaling of successful models.

Credit facilities can be obtained from the respective lending institutions through the available credit schemes that focus on SME Development.

3.10 Cash-Flow-Based Lending (CFBL) for SARP Beneficiaries

3.10.1 What is CFBL?

Cash-Flow-Based Lending (CFBL) is a lending approach where the borrower's ability to repay is assessed primarily through projected and observed **cash inflows and outflows**, rather than depending solely on conventional collateral. For agriculture and rural micro/small enterprises, this

method uses **seasonality, buyer contracts, input repayment schedules, and household–enterprise cashflows** to size and structure loans.

How it differs from classic collateral lending:

- Traditional loans require land titles or fixed assets.
- CFBL recognizes **predictable revenue streams** (e.g., crop sales, milk deliveries, poultry cycles, or Agro-processing receivables) as repayment sources.
- This enables **land-poor, tenant farmers, and Agri-MSMEs** to access finance based on their **cash-generation capacity**.

3.10.3 Why CFBL is Relevant to SARP Beneficiaries

1. **High seasonality and low formal collateral:** Most smallholders lack bank-acceptable collateral but have **repeatable seasonal income** (paddy cycles, dairy milk, poultry batches). CFBL unlocks finance by aligning loans to these cycles.
2. **Supply-side barriers:** Rural credit is constrained by risk perceptions, high transaction costs, and limited appraisal skills. CFBL reduces these constraints by focusing on **cash generation capacity**.
3. **Policy momentum and guarantees:** National policy and credit guarantee schemes (e.g., NCGI) now support unsecured lending. CFBL loans can be paired with guarantees to lower bank risk.

3.10.4 Advantages and Disadvantages

Advantages

- Expands access for land-poor farmers and Agri-microenterprises.
- Matches loan repayment to **seasonal income flows** → lowers default risk.
- Encourages value chain formalization and stronger buyer linkages.

Disadvantages/Challenges

- Higher monitoring and origination costs per borrower.
- Requires branch-level skills in cashflow modelling.

- Exposed to **price volatility and climate shocks** unless insured.
- Needs **regulatory clarity** on provisioning and receivable treatment.

3.10.5 Typical CFBL Product Design (SARP Example)

- **Product name:** Seasonal Cashflow Loan (SCL)
- **Target group:** Smallholders, farmer organizations, Agri-MSMEs, processors, aggregators
- **Loan size:** depending on scale
- **Tenor:** 3–12 months (crop cycle) or blended up to 24 months for multi-crop systems
- **Repayment:** Seasonal/step repayments tied to harvests or regular inflows (e.g., milk)
- **Security:** Cashflow first; optional assignment of buyer receivables, inventory pledge, warehouse receipts; credit guarantee cover encouraged
- **Monitoring & covenants:** Sales receipts, buyer confirmations, bank statement uploads, periodic site checks
- **Pricing:** Risk-based; lower margin if backed by contracts or guarantees
- **Ancillary services:** Bookkeeping training, bundled insurance, digital payments, market linkage facilitation

3.10.6 Underwriting & Monitoring

1. **Cashflow worksheet:** Mandatory 12-month rolling cashflow forecast capturing incomes, costs, working capital, and household withdrawals.
2. **Verification:** Buyer contracts, historical sales, minimum 6 months bank transactions (where available).
3. **Stress tests:** Test repayment resilience against –20% price drop and –30% yield loss.
4. **Early warnings:** Missed instalments, unexplained bank outflows, or delayed buyer payments → trigger restructuring visit.
5. **Portfolio monitoring:** Track performance by commodity, geography, and guarantor coverage.

3.10.7 Risk Mitigation & Complementary Tools

- **Credit guarantees:** Deploy NCGI or project-level guarantees to cover unsecured lending.
- **Insurance:** Bundle crop/livestock insurance to cushion against weather and biological risk.
- **Value chain contracts:** Assignment of a forward sales contract to reduce repayment risk.
- **Digitalization:** Promote mobile payments, digital receipts, and MIS dashboards for real-time monitoring.
- **Capacity building:** Train branch loan officers in seasonal cashflow analysis with simplified sector templates.

3.11 SARP Rural Finance Credit Risk Mitigation Strategy

3.11.1 Importance of Crop and Livestock Insurance

Crop and livestock insurance play a critical role in enhancing the resilience of smallholder farmers and Agri-entrepreneurs to climate and market-related risks. In the context of the **Small Agri-Business Resilient Project (SARP)**, insurance is a **risk mitigation instrument** that complements rural credit and investment by protecting farm income, stabilizing livelihoods, and enabling productive borrowing.

3.11.2 Key Reasons for Integration:

- **Protects Productive Assets:** Insurance shields farmers from losses due to drought, floods, pests, disease outbreaks, or livestock mortality, preserving their ability to recover and reinvest.
- **Improves Creditworthiness:** Insured farmers are more likely to access loans, as insurance reduces the risk exposure of both the borrower and the lender.
- **Promotes Investment:** Knowing that their operations are protected, farmers are more willing to adopt improved technologies and engage in higher-value activities.
- **Reduces Loan Defaults:** In the event of production failure, insurance payouts can help farmers meet repayment obligations, thereby protecting the financial system.

- **Supports Inclusive Finance:** By bundling insurance with rural loans (e.g., cultivation loans, youth agri-business loans), SARP ensures that even vulnerable groups can access safer financial services.

Strategic Actions under SARP:

- Facilitate partnerships with insurance providers for crop and livestock products tailored to smallholders.
- Promote bundled insurance-credit products through participating financial institutions.
- Raise awareness and build capacity on agricultural insurance among farmers and other prospective entrepreneurs.
- Insurance is a mandatory requirement for credit facilitation.

3.11.3 The Agricultural and Agrarian Insurance Board (AAIB)

The Agricultural and Agrarian Insurance Board (AAIB) of Sri Lanka offers a range of insurance schemes to support farmers and livestock owners. Here's an overview of the available agricultural and livestock insurance schemes:

3.11.4 Agricultural Insurance Schemes

Crop Insurance Schemes Available for Farmers

Scheme	Coverage	Risks Covered	Sum Insured	Premium	Eligibility
Compulsory Crop Insurance	Paddy, maize, chili, potato, onion, soybean	Flood, drought, and wild elephant damage	Rs. 40,000 per acre	Fully subsidized by the government	Farmers registered for the fertilizer subsidy
Voluntary Crop Insurance	Additional crops and higher sums insured	Variable (depending on the scheme)	Up to Rs. 100,000 per acre	Approx. Rs. 6,400 per acre	Open to farmers opting for extended coverage

3.11.5 Livestock Insurance Schemes

Scheme	Coverage	Risks Covered	Sum Insured	Premium	Eligibility / Enrollment
Livestock Insurance	Cattle, goats, sheep, and other farm animals	Death due to disease, accidents, natural disasters, or theft	Not specified	Not specified	Livestock owners across Sri Lanka, Enrollment via AAIB district offices or Agricultural Research & Production Assistant Officers

3.11.6 General Insurance Schemes Under AAIB

Scheme	Coverage	Risks Covered	Sum Insured	Premium	Eligibility / Enrollment
Tractor and Agricultural Equipment Insurance	Farming machinery	Damages to tractors and agricultural equipment	Not specified	Not specified	Farmers and agricultural equipment owners
Storage Insurance Scheme	Stored agricultural produce	Loss or damage to stored crops	Not specified	Not specified	Farmers and storage facility owners
Third-Party Insurance	Two-wheel and four-wheel tractors and other vehicles	Liability for damages to third parties	Not specified	Not specified	Owners of tractors and agricultural vehicles

3.11.7 The National Credit Guarantee Institution Limited (NCGIL)

The National Credit Guarantee Institution Limited (NCGIL) is a Public-Private Partnership between the Government of Sri Lanka and 13 leading financial institutions. Established to support Micro, Small, and Medium Enterprises (MSMEs.)

3.11.8 Addressing Collateral Challenges for Small Agri Business through Partnership with NCGIL

Access to collateral remains a significant barrier for farmers in securing credit facilities from banks and Non-Bank Financial Institutions (NBFIs). This challenge limits their ability to invest in productive agricultural activities and expand their livelihoods. Recognizing this critical issue, the Smallholder Agribusiness and Resilience Project (SARP) intends to collaborate closely with the National Credit Guarantee Institution Limited (NCGIL).

SARP aims to leverage NCGIL's credit guarantee schemes through this strategic partnership to provide farmers with collateral-free credit access. By offering a credit guarantee cover, banks and NBFIs will be more willing to extend loans to smallholder farmers without requiring traditional collateral security. This innovative approach is designed to unlock much-needed financing for the farming community, promote financial inclusion, and stimulate rural economic growth.

Together, SARP and NCGIL will work to develop a sustainable credit guarantee framework that ensures risk mitigation for financial institutions while empowering farmers to access timely and affordable credit for their agricultural investments.

3.11.9 NCGIL Support for MSMEs

Component	Details
a) Credit Guarantee Scheme for MSMEs	- Purpose: Facilitates access to term loans by providing credit guarantees to participating financial institutions. - Guarantee Coverage: Up to 67% of the principal loan amount. - Eligibility: MSMEs with viable business models, including startups and existing businesses with annual turnover less than Rs. 1 billion. - Loan Assessment: Based on cash flow viability rather than traditional collateral requirements.

b) Priority Sector Support	- Targeted Sectors: Tourism, Agriculture, IT Services, and Exports. - Focus Areas: Special emphasis on women-owned/managed businesses and environmentally sustainable enterprises.
c) Partnership with Financial Institutions	- Participating Institutions: Bank of Ceylon, People's Bank, Commercial Bank, Hatton National Bank, Sampath Bank, Seylan Bank, National Development Bank, Nations Trust Bank, Sanasa Development Bank, Regional Development Bank, LB Finance, Central Finance, Citizens Development Business Finance.
d) Support for Financial Inclusion	- Objective: Reduce collateral barriers, enabling MSMEs to access financing through formal banking channels. - Approach: Encourages lending based on business viability and cash flows, promoting inclusive economic growth.

3.11.10 Agriculture and MSME Credit Schemes of Bank of Ceylon.

Targeted Beneficiaries		Rate of Interest	Loan Amount	Loan tenure	Collaterals	Purpose of Loan
Farmers		8%	As per the CBSL scales of Finance	270 Days	Personal Guarantee	Paddy, Chillies, Onion, Cowpea, Green Gram, Black Gram, Soya beans, Kurakkan, Maize, Ground Nut, Gingelly, Sun Flower, Potato, Sweet Potato, Manioc, Kiri Ala, Brinjal, Ladies fingers, Beet Root, Beans, Cabbage, Carrot, Capsicum, Tomato, Leeks, Radish, Knoh Khol, Luffa, Bitter Gourd, Snake Gourd, Pumpkin, Ginger, Sugarcane, Turmeric
Youth		7%	500,000.00	5 Years	Personal Guarantee	Any income-generating activities.
Women entrepreneurs		9%	1 Mn	5 Years	Personal Guarantee & Property Mortgage	Any income-generating activities.
MSMEs		10.50%	50 Mn	10 years	Personal Guarantee & Property Mortgage	Micro, Small & Medium Enterprises

3.11.11 Agriculture and MSME credit schemes of commercial Bank of Ceylon limited

Name of the Program	Type of Support	Targeted Beneficiaries	Rate of Interest	Loan Amount	Loan tenure	Collaterals	Purpose of Loan
Diribala Loan	Credit	Credit	Individuals or Registered entities.	12.50%	Maximum of 250 Mn	Maximum 07 years	Personal Guarantee/ Property Mortgage
Biz Loan	Credit	Credit	Small & Medium Enterprises (SMEs)	11.50%	Maximum of 250 Mn	Maximum 7 years	Personal Guarantee/ Property Mortgage
Anagi Business Loan	Credit	Credit	Women Entrepreneurs	13% - 14.5%	Maximum - Rs. 2 Mn without collateral or Rs. 250 Mn with collateral.	Maximum period - 03 years (Can be extended up to 07 years with a collateral acceptable to the Bank)	Personal Guarantee/ Property Mortgage
Diribala Green Development Loan	Credit	Credit	Individuals or Registered entities.	11.5% - 12.5%	Maximum of Rs. 250 million.	Maximum tenor of 08 years	Personal Guarantee/ Property Mortgage
Agri Business Loans	Credit	Credit	SMEs in all sectors	14.00%	The loan amount will be decided based on client requirement and repayment capacity	Maximum 7 years	Personal Guarantee/ Property Mortgage
Agri Stock Purchase Loans	Credit	Agri Stock Purchase Loans	Credit	SMEs engaged in agri stock purchasing	12.00% + 2.00% Commission	The loan amount will be decided based on your agri stock requirement and repayment capacity.	Capital to be repaid monthly, biannually, seasonal or any other structured repayment frequency considering the income pattern
Commercial Agri Loans For Professionals	Credit	Commercial Agri Loans for Professionals	Credit	SMEs in all sectors	14.00%	The loan amount should be decided considering the requirement and repayment capacity of the borrower subject to 25% of minimum	Maximum 7 years

						equity of total investment.	
Agri Leasing	Leasing	Agri Leasing	Leasing	SMEs in all sectors		Financing up to 70% of the value of the asset.	Maximum 7 years
Agri Pawning	Credit	Agri Pawning	Credit	SMEs in all sectors	11.50%	Depend on the pawned article	
Dirishakthi Loan Scheme	Credit	Dirishakthi Loan Scheme	Credit	Micro entrepreneurs	16.00%	Rs.500,000/- (Can be extended up to Rs.1.0Mn with a collateral accepted to the Bank)	Maximum 05 years
NCRCS	Credit	NCRCS	Credit	Farmers who cultivate short term crops	8%	As per scales of Finance of CBSL	270 days
DIRIBALA BUSINESS DEVELOPMENT LOAN SCHEME	Credit	DIRIBALA BUSINESS DEVELOPMENT LOAN SCHEME	Credit	Business owners as Individuals, Sole Proprietorships, Partnerships and Companies	11.50%	No upper limit	Maximum 07 years

3.11.12 Agriculture and MSME Credit Schemes of Cargills Bank

Name of the Program	Type of Support	Targeted Beneficiaries	Rate of Interest	Loan Amount	Loan tenure	Collaterals	Purpose of Loan
Term Loans	Credit	New Small & Medium Enterprises (SME) business connections and existing Business Customers of Cargills Bank.	11-15%	Maximum of 25 Mn	7 years	Personal guarantee or Property mortgage. Depend on the project size	For the purpose of starting new MSME requirements or the purchase of fixed assets, Bank offer a flexible and customized repayment plan based on individual situations and cash flows.

3.11.13 Agriculture and MSME Credit Schemes of DFCC Bank

Name of the Program	Type of Support	Targeted Beneficiaries	Rate of Interest	Loan Amount	Loan tenure	Collaterals	Purpose of Loan
SMELoC - SME (ADB)	Credit	SME		Rs. 30 million (with grant) Rs. 50 million (for non-grant)	Maximum 78 Months	Mortgage	SME Development
E-Friends II - (RF) GL	Credit	SME	6.50%	Rs. 30 Mn	10 years	Mortgage	Environmentally Friendly Solutions Fund II (E-Friends II) Revolving fund, also known as E-Friends II-RF General Loan, is offered in collaboration with the Ministry of Industry and Commerce to assist industrial enterprises in finding solutions to the environmental problems, such as industrial pollution caused by their manufacturing and energy consumption, and their environment improvement initiatives such as waste minimisation, resource recovery and savings, and pollution control and abatement.
E-Friends II - (RF) TAL	Technical & Credit	SME	2%	Rs. 1 Mn	5 years	Mortgage	E-Friends II (RF) TAL is designed to provide consultancy services for investigating environmental problems, waste minimisation, resource recovery and savings, pollution control and abatement measures and associated design, supervision of installation and operation of the equipment financed under the fund.
SMILE III (RF) GLS	Credit	SME	8%	Rs. 5Mn	10 years	Mortgage	The Small and Micro Industry Leader and Entrepreneur (SMILE) Promotion Project, also known as SMILE III RF General Loan Scheme, is offered in collaboration with the Ministry of Industry and Commerce to support the manufacturing and industry-related service sectors.

SMILE III (RF) TTAS	Technical & Credit	SME	5%	Rs. 2.5Mn	7 years	Mortgage	The SMILE III (RF) TTAS is designed to support training costs on upgrading staff's accounting, managerial, and technical skills, consultancy cost, quality control and laboratory equipment.
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3.11.14 Agriculture and MSME Credit Schemes of Hatton National Bank

Name of the Program	Type of Support	Targeted Beneficiaries	Rate of Interest	Loan Amount	Loan tenure	Collaterals	Purpose of Loan
Expo credit	Credit	Export sector Agri or any other	12.50% - 16.50%	250 MN	Maximum 8 years	Property mortgage or any other security acceptable to the Bank	To bridge the working capital requirements of SME-Export clients under both pre-shipment and post-shipment up to Rs. 40 Mn. And other export-related activities
HNB Microfinance – “Gami Pubuduwa”	Credit plus Technical	MSMEs	Depend on the project nature	10 MN	Maximum 4 years	Personal Guarantee or Property mortgage	Committed to harnessing the untapped potential of rural and urban communities and helping them achieve their livelihood goals.
NCRCS	Credit	Farmers	8%	As per CBSL scales of Finance	270 Days	Personal Guarantee	Paddy, Chillies, Onion, Cowpea, Green Gram, Black Gram, Soya beans, Kurakkan, Maize, Ground Nut, Gingelly, Sun Flower, Potato, Sweet Potato, Manioc, Kiri Ala, Brinjal, Ladies fingers, Beet Root, Beans, Cabbage, Carrot, Capsicum, Tomato, Leeks, Radish, Knoch Khol, Luffa, Bitter Gourd, Snake Gourd, Pumpkin, Ginger, Sugarcane, Turmeric

3.11.15 Agriculture and MSME credit schemes of HDFC Bank

me of the Program	Type of Support	Targeted Beneficiaries	Rate of Interest	Loan Amount	Loan tenure	Collaterals	Purpose of Loan
NCRCS	Credit	Farmers	8%	As per CBSL scales of Finance	270 Days	Personal Guarantee	Paddy, Chillies, Onion, Cowpea, Green Gram, Black Gram, Soya beans, Kurakkan, Maize, Ground Nut, Gingelly, Sun Flower, Potato, Sweet Potato, Manioc, Kiri Ala, Brinjal, Ladies fingers, Beet Root, Beans, Cabbage, Carrot, Capsicum, Tomato, Leeks, Radish, Knoh Khol, Luffa, Bitter Gourd, Snake Gourd, Pumpkin, Ginger, Sugarcane, Turmeric

3.11.16 Agriculture and MSME Credit Schemes of NDB Bank

Name of the Program	Type of Support	Targeted Beneficiaries	Rate of Interest	Loan Amount	Loan tenure	Collaterals	Purpose of Loan
NDB "Jayagamu Sri Lanka"	Marketing	SME Clients	Depend on the loan size & period	As per the Business plan	7 Years	Personal & Property Mortgage	To meet operational needs, including pre and post-export finance, trade-related facilities, and capital expenditure financing.
NCRCs	Credit	Farmers	8%	As per CBSL scales of Finance	270 Days	Personal Guarantee	Paddy, Chillies, Onion, Cowpea, Green Gram, Black Gram, Soya beans, Kurakkan, Maize, Ground Nut, Gingelly, Sun Flower, Potato, Sweet Potato, Manioc, Kiri Ala, Brinjal, Ladies fingers, Beet Root, Beans, Cabbage, Carrot, Capsicum, Tomato, Leeks, Radish, Knoch Khol, Luffa, Bitter Gourd, Snake Gourd, Pumpkin, Ginger, Sugarcane, Turmeric

3.11.17 Agriculture and MSME Credit Schemes of PABC Bank

Name of the Program	Type of Support	Targeted Beneficiaries	Rate of Interest	Loan Amount	Loan tenure	Collaterals	Purpose of Loan
“Haritha Shakthi”	Credit	MSMEs	AWPLR +	Loan amount of up to Rs. 100 Mn for a project	Repayment period of up to 10 years	Personal Guarantee or Property Mortgage	Haritha Shakthi loans to support businesses relating to a sustainable future.
NCRCS	Credit	Farmers	8%	as per CBSL scales of Finance	270 days	Personal Guarantee	cultivation of seasonal field crops

3.11.18 Agriculture and MSME Credit Schemes of People's Bank

Name of the Program	Type of Support	Targeted Beneficiaries	Rate of Interest	Loan Amount	Loan tenure	Collaterals	Purpose of Loan
Business Power Loan Scheme	Credit	SMEs	1 to 3 years 13.5% per annum (Fixed) 4th year onwards (AWPLR + 2.00% Monthly Review)	Rs. 250 Mn	10 years	personal guarantee or property mortgage	"Business Power" is a Loan scheme implemented to make banking access to a wider segment of SMEs, agriculture, construction, exports, innovations, and technology-based businesses.
Aswenna Loan Scheme	Credit	Micro & SMEs	13.50%	Rs.5.0Mn	5 years	personal guarantee or property mortgage	The Aswenna Loan Scheme is a specific agriculture loan scheme for farmers to purchase of Lands for Agriculture
Vanitha Saviya Loan Scheme	Credit	Women Entrepreneurs	8.0% - 10%	Rs.5.0 Mn	3- 5 years	personal guarantee or property mortgage	In line with the Government's vision towards the development of women entrepreneurs in the country, People's Bank has decided to introduce a new development lending loan scheme in order to make banking access to a wider segment of women entrepreneurs engaged in commercially, technically and financially feasible business activities.
People's Spark (Entrepreneurship Development Programme)	Entrepreneurship Development/ Credit	Young graduates and people who have NVQ level 5 or above	7% - 10%	Rs. 2.5 Mn.	Investment Loan - 7 years Working capital Loan - 3 years	personal guarantee or property mortgage	Agriculture (Farming, Livestock, Fisheries, Agro produce collectors and intermediaries, small rice miller), Manufacturing Industries focused, Food and Beverages, Innovation and technology-based businesses, Essential Services (Health,

							Education, Logistics, Telecom), Tourism
NCRCS Loans	Credit	Micro & SMEs	8%	Loan Amount will be varied base on the crop	Maximum – 270 days	personal guarantee	NCRCS has been introduced with the primary purpose of uplifting the socio-economic conditions of micro and small-scale farmers who engage in cultivation of seasonal (short-term) crops by funding working capital requirements at a lower cost.
People's Thurunu Shakthi	Credit	Micro & SMEs	15%	1 Mn	60 Months	Personal guarantee	People's Thurunu Shakthi loan scheme for entrepreneurs, recommended by the National Youth Services Council
People's Diri Udana	Credit	Micro & SMEs	15%	1 Mn	60 Months	Personal guarantee	People's Diri Udana loan scheme for entrepreneurs, recommended by the Small Enterprise Development Division
People's Divi Maga	Credit	Micro & SMEs	Weekly AWPLR+ 2.5% (Monthly Review)	0.3 Mn	60 Months	Personal guarantee	People's Divi Maga loan scheme for entrepreneurs recommended by Urban Settlement Development Authority
People's Power Loan Scheme	Credit	Micro & SMEs	10.00%	5 Mn	5 years	personal guarantee or property mortgage	People's Power Loan Scheme is a special loan scheme designed for the purpose of providing financial assistance to commercially and technically viable, financially feasible MSMEs to improve their products, services, and related processes whilst upgrading their business levels and also, uplifting the living standards of low-income earners through providing finance for their income-generating activities.

Pledge Loan Facility for the Purchase and Storage of Paddy and Maize	Credit	Micro & SMEs	13%	There is no maximum loan limit related to pledge loans.	For Paddy - 180 days, For Maize - 270 days	pledge stock	Pledge Loan Facility for the Purchase and Storage of Paddy and Maize Loan Scheme is a special loan scheme designed for the purpose of providing financial assistance to working capital requirements of wholesale buyers and rice millers engaged in the grains-related industry.

3.11.19 Agriculture and MSME Credit Schemes of Sampath Bank

Name of the Program	Type of Support	Targeted Beneficiaries	Rate of Interest	Loan Amount	Loan tenure	Collaterals	Purpose of Loan
E Friends II Revolving Funds	Credit	Industrial Enterprises, including sole proprietorships, partnerships, private limited liability companies, and co-operative societies	6%	25Mn	10 years	property, mortgage, or other acceptable securities	Eco-Friendly Projects
Sampath "DIRIYA" loan Scheme	Credit	Manufacturing & Export businesses/Individuals	14%	10 Mn	5 years	property, mortgage, or other acceptable securities	Startup or expansion of existing business
NCRCS	Credit	Farmers	8%	as per the CBSL scales of Finance	270 days	Personal Guarantee	cultivation of seasonal field crops
"Sampath Saviya" Buisness Startup Advisory Service	Technical	The business startups that contacted the Bank to get guidance on business startups					

3.11.20 Agriculture and MSME Credit Schemes of SDB Bank

Name of the Program	Type of Support	Targeted Beneficiaries	Rate of Interest	Loan Amount	Loan tenure	Collaterals	Purpose of Loan
SDB SME	Credit	SME	The rate is to be decided based on the credit grading and collateral of the borrower.	To be decided based on the working capital requirement of the particular business	7 years	Personal Guarantors or Property Mortgage	Especially intended for small and medium-scale enterprises (SMEs) that aim to contribute to the local economy while elevating the living standards of the communities in which they operate. The SME scheme facilitates quick access to financing for entrepreneurial SMEs that are launching a business or expanding an existing enterprise.
SDB Divi Saviya Loan Scheme	Credit	SME	Depend on the loan amount & period	1 Mn	03 years	Personal Guarantors or Property Mortgage	To develop an existing business, to purchase new machinery and equipment
Uththamavi	Credit	SME	Depend on the loan amount & period	1 Mn	5 years	Personal Guarantors or Property Mortgage	As part of the comprehensive Uththamavi financial solutions package, SDB Bank offers loan facilities for women entrepreneurs, meeting diverse business financing needs for self-reliant women driving our local economy forward
SMELoC 2 – Working capital Financing	Credit	SME	8%	10 Mn	3 years	Personal Guarantors or Property Mortgage	MSMEs in agriculture, tourism, manufacturing, technology, export-oriented sectors, and any MSMEs (except trading, leasing, and renting businesses) that are women-led, which require working capital, and financial needs.
Stimulating Package for Re-energizing the MSME Sector in Sri Lanka - Government Funded Loan Scheme	Credit	SME	7%	15 Mn	10 years	Personal Guarantors or Property Mortgage	Purchase of assets such as machinery, equipment, or furniture for business expansion, cost reduction initiatives, i.e., solar installations, or productivity improvement. Introduce new or advanced technologies for business upgrading. New constructions/expansions/refurbishment of a factory, building, warehouse, and tourism sector-related locations. Vehicle purchase is not allowed unless it is a

							land vehicle, or sub-borrowers are in the hotels or tourism sectors.
E- Friends 11 Refinance Loan Scheme General Loan Scheme	Credit	SME	6.50%	30 Mn	10 years	Personal Guarantors or Property Mortgage	Financially viable industrial manufacturing institutes with maximum total assets of LKR 250Mn. (Excluding land and Building) are eligible for this scheme.
E- Friends 11 Refinance Loan Scheme Solar Loan Scheme	Credit	SME	6.50%	10 Mn	10 years	Personal Guarantors or Property Mortgage	Manufacturing Industry. Factories, production plants. (Including value addition processes)
E- Friends 11 Refinance Loan Scheme Technical Assistance Loan	Credit & Technical	SME	2.00%	1 Mn	10 years	Personal Guarantors or Property Mortgage	SME development
SMILE 111 RF Scheme Small and Micro Industry Leader and Entrepreneur Promotion Project 111 RF - Refinance Loan Scheme	Credit	SME	8%	25 Mn	7 years	Personal Guarantors or Property Mortgage	Industries (Machinery & equipment), Agriculture (Poly tunnel construction), Dairy (Cattle purchasing, Shed constructions, Machinery & equipment)
Value Chain Financing	Credit	SME	The rate is to be decided based on the credit grading and collateral of the borrower.	To be decided based on the working capital requirement of the particular business	To be decided based on the trading cycle of the particular businesses	Personal Guarantors or Property Mortgage	To get an advance on the supply of goods to the buyer, or to purchase goods from a specific company on cash/credit terms
NCRCS	Credit	Farmers	8%	As per the CBSL scales of Finance	270 Days	Personal Guarantee	Paddy, Chillies, Onion, Cowpea, Green Gram, Black Gram, Soya beans, Kurakkan, Maize, Ground Nut, Gingelly, Sun Flower, Potato, Sweet Potato, Manioc, Kiri Ala, Brinjal, Ladies fingers, Beet Root, Beans, Cabbage,

							Carrot, Capsicum, Tomato, Leeks, Radish, Knoch Khol, Luffa, Bitter Gourd, Snake Gourd, Pumpkin, Ginger, Sugarcane, Turmeric
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3.11.21 Agriculture and MSME Credit Schemes of Ceylan Bank

Name of the Program	Type of Support	Targeted Beneficiaries	Rate of Interest	Loan Amount	Loan tenure	Collaterals	Purpose of Loan
NCRCS	Credit	Farmers	8%	as per the CBSL scales of Finance	270 days	Personal Guarantee	cultivation of seasonal field crops

3.11.22 Agriculture and MSME Credit Schemes of the Regional Development Bank

Name of the Program	Type of Support	Targeted Beneficiaries	Rate of Interest	Loan Amount	Loan tenure	Collaterals	Purpose of Loan
Agriculture Loan	Credit	Persons, individuals involved in agriculture	15%	Depend on the Project size	7years	Personal Guarantee or Mortgage	Any activities relating to Agriculture
Ranketh Govipola Upakarana Loan	Credit	Farmers	15%	Depend on Farm Machinery	7 years	Personal Guarantee or Mortgage	Farm Machineries
New Comprehensive Rural Credit Scheme (NCRCS)	Credit	MSMEs engaged in agriculture and home stay owners	8%	as per the CBSL scale of Finance	270 Days	personal Guarantee	Cultivation of seasonal crops
E – Friend	Credit	MSME Entrepreneurs	6%	maximum of 25 Mn	10 years	Personal Guarantee or Mortgage	Eco-Friendly Projects

3.11.23 Agriculture and MSME Credit Schemes of State Mortgage and Investment Bank

Name of the Program	Type of Support	Targeted Beneficiaries	Rate of Interest	Loan Amount	Loan tenure	Collaterals	Purpose of Loan
The business development loan scheme	Credit	SME and Corporate Entrepreneurs to continue or improve their business. Loans amount up to 100 Mn.	13%-18.5%	LKR 50 Mn	A maximum loan period of 05 years	Personal Guarantee or Property	This product has been designed to finance individual and corporate entrepreneurs (who have been in business for a minimum of one year) to continue or improve their businesses.
Loan scheme for herbal plantation & organic fertilizer development	Credit	To finance the herbal plantation and organic fertilizer-related activities.	13%-18.5%	10 Mn	A maximum loan period of 05 years	Personal Guarantee or Property	
MSME Special Loan Scheme	Credit	Any Individuals, Sole Proprietorships, Partnerships, and Limited Liability Companies in the MSME Sector.	13%-18.5%	3 Mn	A maximum loan period of 05 years	Personal Guarantee or Property	A special loan facility for Micro, Small & Medium Enterprises (MSMEs) that offers financing solutions to launch a business or expand an existing enterprise
SMILE 111 RF Scheme General Loan Scheme (GLS)	Credit	SME	8%	7.5 Mn	3-10 years	Personal Guarantee or Property	SMILE III Revolving Fund is a loan program aimed at providing financial assistance to the manufacturing sector and industries related to services.
SMIB ECO	Credit	SME	13% - 18.5%		3 to 7 years	Personal Guarantee or Property	In support of sustainable energy and eco-friendly products, SMIB introduces a special loan scheme to help customers purchase and implement various eco-friendly products and initiatives.

3.11.24 Agriculture and MSME Credit Schemes of Union Bank

Name of the Program	Type of Support	Targeted Beneficiaries	Rate of Interest	Loan Amount	Loan tenure	Collaterals	Purpose of Loan
NCRCS	Credit	Farmers	8%	As per the CBSL scales of Finance	270 Days	Personal Guarantee	Paddy, Chilies, Onion, Cowpea, Green Gram, Black Gram, Soya beans, Kurakkan, Maize, Ground Nut, Gingelly, Sun Flower, Potato, Sweet Potato, Manioc, Kiri Ala, Brinjal, Ladies fingers, Beet Root, Beans, Cabbage, Carrot, Capsicum, Tomato, Leeks, Radish, Knoh Khol, Luffa, Bitter Gourd, Snake Gourd, Pumpkin, Ginger, Sugarcane, Turmeric

3.12 New Comprehensive Rural Credit Scheme NCRCS

3.12.1 Scale of Finance for the Eligible Crops

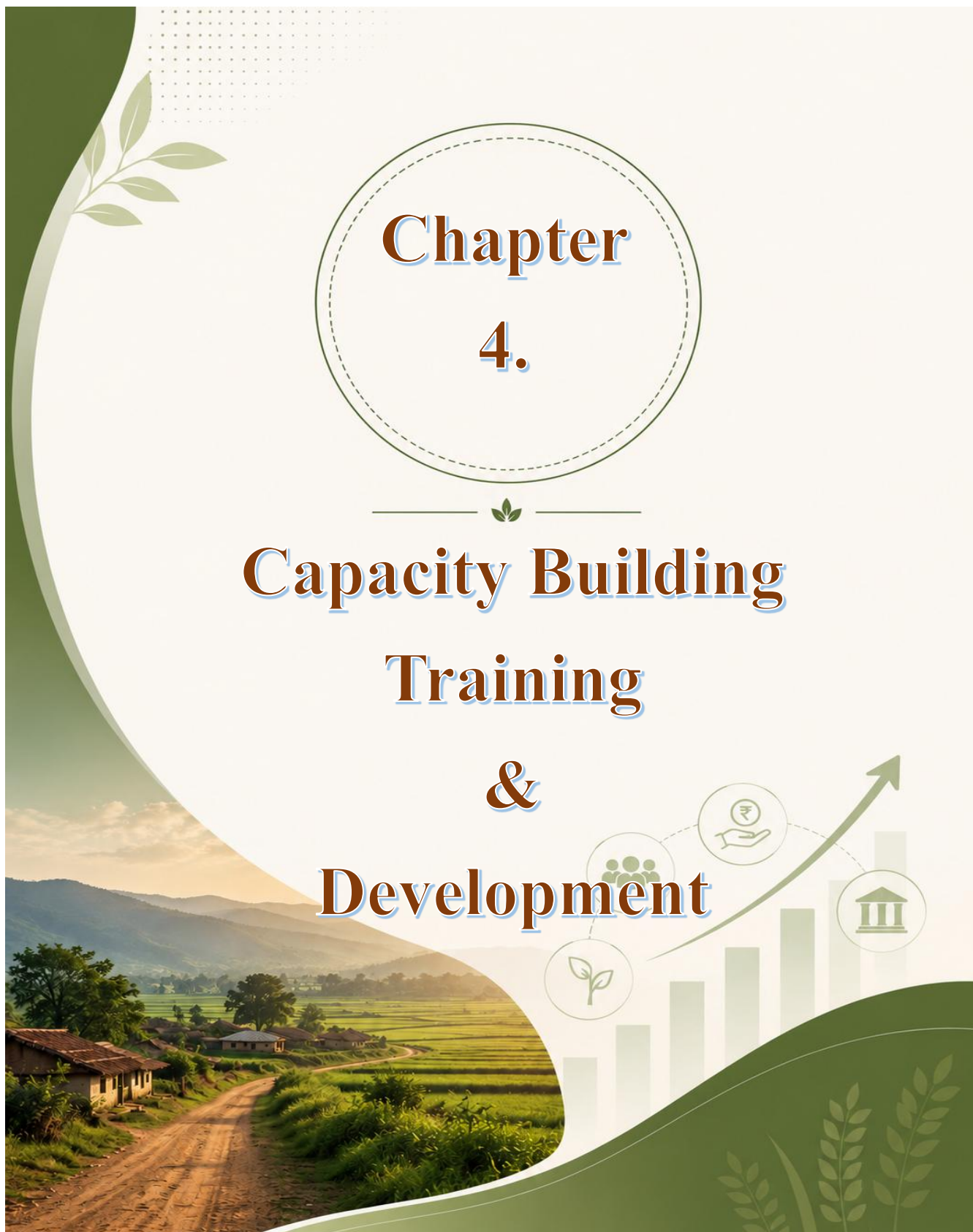
Crop and Code		Land Preparation (Rs.)	Seeds Nursery and planting	Fertilizer Cost (Rs.)	Chemical (Pest/Weed /Fungi)	Other Cost (Rs.)	Total Cost	Maximum Loan Limit per Acre	Extent of Land Units (Acres)	
									Min	Max
Paddy	Irrigated (PI)	34,156	15,767	28,140	13,300	39,246	130,609	97,957	0.250	20
	Rainfed (PR)	38,284	18,075	22,225	10,165	29,844	118,593	88,945	0.250	20
Chillies		59,762	135,022	93,005	114,906	213,574	616,269	462,202	0.125	4
Onion (O)	Red onion (OR)	12,054	470,215	124,088	20,397	156,004	782,758	587,069	0.125	4
	Big onion (OB)	89,650	187,132	47,295	86,570	201,797	612,444	459,333	0.125	4
Pulses	Cowpea (M1)	13,246	19,950	3,268	5,443	43,400	85,307	63,980	0.125	10
	Green gram (M2)	24,287	20,607	5,811	20,920	26,994	98,619	73,964	0.125	10
	Black gram (M3)	26,725	15,025		17,700	33,702	93,152	69,864	0.125	10
	Soya bean (M4)	46,250	33,571	8,775	43,456	55,921	187,973	140,980	0.125	10
	Kurakkan (M5)	25,375	7,960	4,925	5,000	39,400	82,660	61,995	0.125	10
	Maize (M)	19,075	37,700	28,860	31,469	40,485	157,589	118,192	0.125	20
Oil Seeds	Ground Nut (L 1)	16,190	38,017		21,376	30,099	105,682	79,262	0.125	10
	Gingerlly (12)	13,757	6,546			18,725	39,028	29,271	0.125	10
	Sun Flower (L3)	25,000	20,000	30,000	5,000	40,000	120,000	90,000	0.125	10
Root & Tuber	Potato (T)	70,968	444,320	127,860	97,445	85,800	826,393	619,795	0.125	4
	Sweet Potato (T 1)	58,975	21,150	42,964	41,725	99,900	264,714	198,536	0.125	10
	Manioc (T2)	30,991	19,050	66,450	21,833		138,324	103,743	0.125	10
Vegetables	Brinjal (VI)	73,266	53,730	60,450	189,250	217,537	594,233	445,675	0.125	4
	Ladies Fingers (V2)	60,000	32,200	71,860	89,500	110,000	363,560	272,670	0.125	4

	Beat Root (V3)	108,960	80,533	97,140	152,000	106,000	544,633	408,475	0.125	4
	Beans (V4)	65,408	48,900	79,832	74,000	155,902	424,042	318,032	0.125	4
	Cabbage (V5)	99,262	125,100	89,340	84,270	76,249	474,221	355,666	0.125	4
	Carrot (V6)	138,573	162,990	152,095	102,790	87,390	643,838	482,879	0.125	4
	Capsicum (V 7)	80,498	308,783	108,173	105,016	211,522	813,992	610,494	0.125	4
	Tomato (V8)	61,231	202,322	53,337	122,843	194,239	633,972	475,479	0.125	4
	Leaks (V9)	258,293	117,150	100,000	170,000	106,000	751,443	563,582	0.125	4
	Radish (V10)	97,293	36,000	50,660	43,000	82,000	308,953	231,715	0.125	4
	Knoh Khol (Vil)	108,960	63,278	57,800	140,000	82,000	452,038	339,029	0.125	4
	Luffa (V 12)	45,000	100,000	69,200	57,000	172,000	443,200	332,400	0.125	4
	Bitter gourd (V 13)	11,224	29,104	55,121	93,407	218,226	407,082	305,312	0.125	4
	Snake gourd (V 14)	45,000	49,000	69,200	89,500	142,000	394,700	296,025	0.125	4
	Pumpkin (V15)	7,055	51,228	26,315	12,416	33,612	130,626	97,970	0.125	4
	Other									
	Ginger (W1)	59,500	730,000	99,710	13,600	205,500		831,233	0.250	4
	Sugar Cane (W2)	37,000	32,500	43,000	27,500	94,000	234,000	175,500	1.000	10
	Turmeric (W3)	75,000	199,000	113,360	9,601	226,500	623,461	467,596	0.125	1

Note: The PFIs are authorized to release cultivation loans according to the requirements of the borrower subject to a maximum of 60% limit of the total loan amount for the first installment for land preparation, seeds, plants, fertilizer, fungicide, insecticide etc. and the balance could be released in one or two instalments for purchasing fertilizer or harvesting as recommended by the field officer. The Branch Managers are requested to release only the amount required by each farmer considering his capacity to meet above cost components The Branch Managers are entitled to decide loan amounts to be granted to each farmer according to the cultivation pattern, irrigated or rainfed the cultivation season, Yala or Maha, the crop mixture and the farmer's repaying capacity etc. within the above maximum loan amounts per acre.

Chapter 4.

Capacity Building Training & Development



Chapter 4. CAPACITY BUILDING TRAINING & DEVELOPMENT

4.1 Importance of Rural Finance Awareness for SARP Beneficiaries

4.2 Overview

Rural finance awareness is a cornerstone of the Smallholder Agribusiness Resilience Project (SARP)'s Rural Finance Strategy. Empowering beneficiaries- including smallholder farmers, youth and women entrepreneurs, rural micro, small, and medium enterprises (MSMEs), and agribusinesses- is critical to make informed, responsible, and strategic financial decisions.

A well-informed beneficiary is better equipped to understand financial products, engage confidently with formal financial institutions, and manage credit, savings, and insurance services effectively. This financial literacy fosters trust, reduces the risk of default, and enhances the productive use of funds, thereby contributing to improved income stability, business growth, and long-term livelihood resilience.

The SARP Rural Finance Strategy emphasizes the delivery of inclusive, demand-responsive, and sustainable financial services. Promoting rural finance awareness directly supports these objectives by stimulating demand for appropriate financial products, increasing uptake of digital financial services, and strengthening the overall rural financial ecosystem. Furthermore, targeted awareness efforts help address gender and youth-specific barriers to access, ensuring that the most vulnerable groups are not left behind.

In Nature, rural finance awareness is not just a preparatory activity; it is a strategic enabler that ensures beneficiaries can fully leverage the financial tools and services provided by SARP. By investing in tailored, context-sensitive awareness and literacy interventions, the project establishes a foundation for responsible financial behavior, inclusive economic participation, and resilient rural development.

4.3 Introduction

Rural finance awareness plays a vital role in enabling the effective delivery and uptake of financial services under the SARP. It supports the project's goal of building resilient, inclusive, and market-oriented rural economies by equipping beneficiaries, smallholder farmers, rural youth, and women entrepreneurs, MSMEs, and agri-businesses with the knowledge and confidence to engage with the formal financial sector.

This awareness is not merely about understanding products; it is a strategic enabler for financial inclusion, responsible borrowing, and economic empowerment. Therefore, financial awareness efforts must be systematically integrated into SARP's rural finance interventions to ensure sustainability and impact.

4.4 Strategic Justification in Line with SARP Rural Finance Strategy

The SARP Rural Finance Strategy is built upon three core pillars: **inclusivity**, **demand-responsiveness**, and **sustainability**. Rural finance awareness underpins each of these pillars:

- **Inclusivity:** Many rural populations, especially women and youth, are excluded from formal finance due to limited financial literacy. Awareness initiatives break down these barriers and facilitate equitable access to services.
- **Demand Stimulation:** Financial awareness generates informed demand by helping beneficiaries understand the value and use of credit, savings, insurance, and digital financial services (DFS).
- **Sustainability:** A financially literate client base is more likely to repay loans, maintain savings, and manage risks, thereby reducing the burden on financial service providers (FSPs) and supporting long-term financial system viability.

4.5 Objectives of Rural Finance Awareness

The rural finance awareness component under SARP aims to:

- **Enhance financial literacy:** Educate beneficiaries on key financial concepts such as interest rates, repayment schedules, savings discipline, insurance, and risk management.

- **Promote responsible financial behavior:** Enable informed decision-making in selecting and using financial products, and instill habits such as record-keeping and budgeting.
- **Strengthen engagement with formal financial institutions:** Build trust and reduce misconceptions about FSPs, leading to increased formal account ownership and usage.
- **Facilitate adoption of digital financial tools:** Introduce beneficiaries to mobile money, digital payments, and remote banking services to enhance financial inclusion.
- **Ensure gender and youth-responsive outreach:** Tailor messages to address the unique financial education needs of women and youth, ensuring their active and informed participation.

4.6 Key Delivery Approaches

To ensure impact, SARP will use a mix of participatory, community-based, and technology-enabled methods for awareness-raising, including:

- **Central Bank Assistance:** SARP has already initiated the organization of financial literacy programs in collaboration with the Regional Development Department of the Central Bank of Sri Lanka. These programs are being supported through the Central Bank's three regional offices located in Anuradhapura, Kilinochchi, and Matale, with the involvement of qualified resource persons to ensure effective delivery
- **Group-Based Learning:** Integration with Farmer Field Schools (FFS), Producer Organizations, and women/youth groups to provide practical, peer-supported financial learning.
- **Mass Communication:** Use WhatsApp, SMS campaigns, and community events to reach wider audiences, especially in low-literacy populations.
- **Demonstrations and Clinics:** Village-based financial clinics and mobile service agents to demonstrate DFS tools and provide personalized financial advice.
- **Partnerships with FSPs:** Joint campaigns with partner MFIs, banks, and fintech providers to ensure consistency in messaging and support onboarding.

4.7 Content Areas for Awareness Campaigns

SARP's rural finance awareness efforts will cover the following thematic areas with the support of financial literacy Training.

Thematic Area	Key Topics Included
Credit literacy	Loan application, interest calculation, collateral, repayment terms
Risk management and insurance	Crop/livestock insurance, diversification, contingency planning
Digital financial services (DFS)	Mobile wallets, USSD use, agent banking, cybersecurity basics
Client rights and responsibilities	Consumer protection, grievance mechanisms, and credit history awareness
Financial planning for entrepreneurs	Cash flow management, investment decisions, and record keeping

4.8 Proposed Financial Literacy and Awareness Programs under SARP

As part of SARP's commitment to enhancing rural financial inclusion and building the financial capabilities of its beneficiaries, we have planned a series of structured financial literacy initiatives in collaboration with the **Central Bank of Sri Lanka (CBSL)** and other key stakeholders.

Specifically, the project has scheduled:

- **15 financial literacy programs** targeting **4P beneficiaries** (Producers, Processors, Private sector partners, and public institutions involved in value chains), and
- **6 financial literacy programs** focused on **Youth Enterprise Development (YED)** beneficiaries.

These sessions will be conducted with the technical support of the **Regional Development Department of CBSL**, leveraging their regional offices and expertise to ensure content quality and appropriate importance.

In addition to the structured training programs, SARP also plans to conduct **on-demand training sessions** as and when required, delivered by qualified **resource persons**. These sessions will focus on key thematic areas such as **responsible borrowing, digital financial services, savings practices, and risk management**. The content will be **tailored to the specific needs of target beneficiary groups**, including **women, youth, and smallholder farmers**, ensuring relevance, inclusivity, and practical impact.

Furthermore, several **Participating Financial Institutions (PFIs)** that intend to provide credit under the SARP credit support facility have expressed their willingness to actively engage in **delivering financial literacy and digital banking campaigns**, as well as **supporting corporate social responsibility (CSR) activities** related to rehabilitated irrigation tanks. These initiatives are designed to complement the project's broader efforts by **promoting the adoption of mobile banking, USSD services, and digital payment platforms** among rural beneficiaries. Such collaboration will contribute significantly to **advancing SARP's objective of fostering a digitally inclusive and financially empowered rural ecosystem**.

Together, these initiatives aim to ensure that SARP beneficiaries are not only financially included but also empowered to make informed, responsible, and productive financial decisions.

4.9 Importance of USSD in SARP Rural Financing.

In the interior pockets in the SARP areas, smartphone use and internet connectivity are limited. **USSD offers a low-cost, accessible way for SARP beneficiaries to access digital financial services (DFS)** through any basic mobile phone (feature phone).

4.10 Common USSD Uses in Rural Finance:

Function	Example
Check account balance	* Dial a code to view available funds
Transfer money	* Send money to another mobile wallet or bank
Buy mobile airtime	* Recharge your phone or someone else's
Pay utility bills	* Make electricity or water bill payments

Receive farming subsidies	* Check and withdraw, i.e., Fertilizer Subsidy, Insurance claims, etc.
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4.11 Benefits of USSD for SARP Beneficiaries:

- No smartphone required – Works on any mobile phone
- No internet needed – Operates on simple mobile signals
- Fast and real-time – Instant transactions and updates
- Available in local languages – Many USSD menus support Sinhala and Tamil
- Secure – Protected with PIN codes

4.12 SARP's Role in Promoting USSD Use

Through its financial literacy programs, SARP supports training sessions and demonstrations to help beneficiaries learn how to use USSD safely and effectively. This ensures broader access to financial services, especially for those in remote areas without smartphones. And also, through the Community Development Forum.

4.13 Monitoring, Evaluation, and Feedback

To ensure effectiveness, SARP will:

- **Conduct baseline and endline assessments** to measure changes in financial knowledge, attitudes, and practices.
- **Monitor uptake and usage of financial services** (e.g., number of new accounts, credit accessed, DFS usage).
- **Collect feedback** from beneficiaries and FSPs to refine messages and adjust delivery channels.
- **Incorporate lessons learned** into ongoing strategy revisions and training materials.

4.14 Conclusion

Rural finance awareness is a foundational component of SARP's approach to building sustainable rural livelihoods. It ensures that financial services reach beneficiaries who not only need them but are capable of using them responsibly and productively. By investing in tailored and inclusive financial education, SARP strengthens its commitment to inclusive rural transformation and the long-term sustainability of rural finance systems.

4.15 Importance of Business Plan Preparation for SARP Beneficiaries

Under the Rural Finance Service Strategy of SARP, empowering rural entrepreneurs, including smallholder farmers, youth, women, and MSMEs, with strong business planning skills is a key priority. Preparing a business plan is not just a formality; it is a critical tool that enables beneficiaries to conceptualize, structure, and manage their agri-business ventures more effectively.

A well-developed business plan provides a roadmap for success, improves access to finance, and enhances the ability of beneficiaries to engage confidently with value chain actors, financial institutions, and service providers. It also ensures that business decisions are data-driven, market-oriented, and financially viable, which is vital for the sustainability of smallholder enterprises.

4.16 Why Business Plans are Important for SARP Beneficiaries

a) Access to Finance:

Financial institutions and MFIs often require a business plan to assess the feasibility and creditworthiness of a proposed enterprise. A solid plan increases the chances of loan approval under the SARP credit support facility.

b) Clarity of Vision and Direction:

A business plan helps beneficiaries articulate their goals, target markets, value proposition, and competitive edge.

c) Risk Identification and Mitigation:

Through structured planning, entrepreneurs can anticipate potential risks, such as climate impact, price volatility, or input shortages, and propose strategies to manage them.

d) **Resource Planning and Management:**

It enables efficient use of resources such as land, labor, capital, and inputs by identifying what is needed, when, and how much.

e) **Market Linkages:**

Business planning ensures that enterprises are designed with a market-oriented approach, aligning production with the demand and quality requirements of buyers or processors.

f) **Performance Monitoring:**

By setting clear targets and budgets, a business plan serves as a benchmark against which actual performance can be tracked.

g) **Alignment with SARP Objectives:**

Promotes climate-smart, inclusive, and commercially viable agri-business models in line with the project's development goals.

4.17 Salient Features of a Business Plan

Section	Description
1. Executive Summary	Brief overview of the business idea, objectives, and key success factors.
2. Business Description	Details of the enterprise (e.g., crop/livestock/product focus), legal structure, location, and ownership.
3. Market Analysis	Description of the target market, customer segments, demand trends, competitors, and pricing strategy.
4. Value Proposition	Explanation of what makes the business unique—its competitive advantage, quality, or innovation.
5. Operations Plan	Production plan, supply chain strategy, resource inputs, technologies to be used, and timelines.
6. Marketing Plan	Strategies for reaching customers, product branding/packaging, and distribution channels.
7. Financial Plan	Cost estimates, revenue projections, break-even analysis, and financing needs (including SARP credit support if applicable).
8. Risk Analysis	Identification of business risks (e.g., weather, pests, market) and proposed mitigation strategies.

9. Environmental & Social Considerations	Description of environmental sustainability, gender inclusiveness, and community impacts.
10. Monitoring and Evaluation	Key performance indicators (KPIs), reporting frequency, and tools for tracking business progress.

4.18 Integration with SARP Support Services

- Farm Business School (FBS):**
 SARP provides technical support to beneficiaries in preparing and refining business plans through resource persons.
- Credit Linkages:**
 Business plans serve as a key requirement for accessing credit facilities and help justify funding needs to Participating Financial Institutions (PFIs).
- Market and Technical Advisory Services:**
 Plans are reviewed to ensure alignment with market demand and climate-smart agricultural practices promoted under SARP.

The preparation of business plans is an essential step for all SARP-supported Agri-entrepreneurs. It transforms ideas into structured action plans, increases confidence in interacting with financiers and market actors, and supports long-term viability and growth. As part of the project's agri-business development framework, beneficiaries will continue to receive targeted support in developing realistic, practical, and inclusive business plans that align with the principles of the SARP Rural Finance Service Strategy.

4.19 Checklist of Business Proposal

Item	Completed (✓/X)
Clear description of business idea	
Defined target market and buyer linkages	
Simple cost and income estimates	
Identification of key inputs/resources	
Basic marketing strategy (where, how)	

Risk identification and mitigation	
Gender and youth-inclusive design	
Credit requirement and repayment plan	
Value chain linkage explained	
Business timeline and milestones defined	

4.20 Financial Plan

The financial plan is a critical component of the business plan as it translates the business idea into practical financial terms. It provides a realistic overview of the costs involved, the expected revenues, the enterprise's ability to generate profits, and its financing needs. For SARP-supported businesses, the financial plan also serves as a basis for evaluating creditworthiness and loan viability under the Rural Finance Component.

4.21 Start-up and Operational Cost Estimates

The first step is to estimate all costs required to start and run the business. These are categorized into:

- **Capital Expenditures (CapEx):** Costs for long-term assets such as land preparation, equipment, machinery, livestock, or infrastructure (e.g., poultry sheds, irrigation systems).
- **Operating Expenses (OpEx):** Recurring costs such as inputs (seeds, feed, fertilizer), labor, water, electricity, transportation, packaging, and maintenance.

A breakdown of costs allows the beneficiary to understand upfront investment needs and plan accordingly.

4.22 Revenue Projections

Estimate expected income based on:

- Unit price × Estimated yield or number of units sold
- Market price assumptions (including seasonal variations)

- Sales channels (e.g., local markets, contract buyers)

Revenue projections should be conservative but realistic and based on local market intelligence, experience, or similar enterprises in the area.

4.23 Profitability Analysis

Profitability is calculated as:

$$\text{Net Profit} = \text{Total Revenue} - \text{Total Costs}$$

This helps determine whether the business is financially viable and sustainable in the medium to long term. It also supports loan officers in assessing repayment capacity.

Key profitability metrics may include:

- **Gross margin**
- **Return on Investment (ROI)**
- **Net income per production cycle**

4.24 Break-even Analysis

Break-even analysis identifies the minimum volume of production or sales required to cover all costs (i.e., when the enterprise starts generating profit). It answers:

"How much do I need to sell just to avoid a loss?"

This is useful for smallholders to set sales targets and monitor performance.

$$\text{Break-even Point} = \text{Fixed Costs} \div (\text{Selling Price} - \text{Variable Cost per Unit})$$

4.25 Financing Needs and Credit Plan (Including SARP Support)

This section outlines:

- Total capital required (start-up + operational)

- Funds already available from the owner
- Additional funds required through external sources (e.g., SARP credit support)

Include:

- Loan amount requested under SARP
- Proposed repayment period, interest rate, and installment schedule
- Contribution from the entrepreneur (equity), if applicable

This helps demonstrate financial commitment and eligibility for formal financing.

4.26 Financial Assumptions

Clearly state the basis of all financial estimates, including:

- Input/output prices
- Yield assumptions
- Production cycle duration
- Exchange rates (if importing inputs)
- Labor rates

Assumptions must be transparent and based on credible local sources (e.g., market surveys, extension officers, or known PFIs).

4.27 Summary Tables and Cash Flow Projections

Include summary tables for:

- **Cost and revenue breakdown per cycle**
- **12-month or seasonal cash flow projection**, showing inflows and outflows
- **Loan amortization schedule**, if applicable

This helps SARP project teams and PFIs assess liquidity, repayment capacity, and financing gaps.

Conclusion

Capacity Building and Training on Rural Finance

Capacity building and training play a crucial role in strengthening rural finance systems by enhancing the skills, knowledge, and efficiency of financial institutions, rural entrepreneurs, and local communities. These initiatives ensure that financial services are effectively delivered and that rural populations can fully benefit from them. Below are the key reasons why capacity building and training are essential in rural finance:

A. Strengthening Financial Institutions

- Enhances the ability of rural banks, microfinance institutions, and cooperatives to manage risks, offer tailored financial products, and improve customer service.
- Equips staff with knowledge of financial regulations, credit assessment, and modern banking technologies to ensure smooth operations.
- Improves governance, transparency, and financial management within rural financial institutions.

B Improving Financial Literacy Among Rural Populations

- Many rural communities lack awareness of financial products and services. Training helps individuals understand savings, loans, insurance, and investment options.
- Educates farmers and rural entrepreneurs on managing credit responsibly, reducing over-indebtedness, and financial mismanagement.
- Promotes a savings culture, helping households build financial security and resilience against economic shocks.

C. Enhancing Agricultural Finance Knowledge

- Farmers and agribusiness owners need training on accessing credit, managing farm finances, and utilizing loans effectively.
- Capacity-building programs teach best practices in financial planning, budgeting, and loan repayment, ensuring sustainable agricultural investments.
- Helps farmers understand and use innovative financial products such as warehouse receipt financing, contract farming, and agricultural insurance.

D. Supporting Digital and Mobile Banking Adoption

- Digital finance is transforming rural economies, but many rural customers and financial institutions lack the necessary skills to use digital banking services.
- Training programs help rural populations adopt mobile money, online banking, and digital payment systems, increasing financial accessibility.
- Helps financial institutions leverage fintech solutions for more efficient and cost-effective service delivery.

E. Building Entrepreneurial and Business Management Skills

- Rural small business owners and cooperatives benefit from training in business planning, financial management, and marketing.
- Capacity building fosters innovation, helping rural entrepreneurs identify new opportunities, diversify income sources, and scale their businesses.
- Encourages sustainable and profitable rural enterprises, leading to job creation and economic growth.

F. Enhancing Risk Management and Resilience

- Rural finance institutions and farmers need training on risk management strategies, including credit risk assessment and disaster preparedness.
- Promotes the use of financial tools such as crop insurance, livestock insurance, and climate-smart investment practices.
- Strengthens rural communities' resilience to economic shocks, natural disasters, and market fluctuations.

G. Improving Governance and Policy Implementation

- Government agencies, NGOs, and rural finance institutions require training in designing and implementing effective rural finance policies.
- Capacity-building programs ensure that rural finance policies align with local needs, promoting inclusive economic growth.
- Strengthens coordination among stakeholders, leading to more efficient financial service delivery and rural development programs.

H. Encouraging Gender Inclusivity in Rural Finance

- Women in rural areas often face barriers to accessing financial services. Training programs empower women with financial literacy, business skills, and knowledge of microfinance opportunities.
- Enhancing women's participation in rural finance leads to greater economic empowerment and community development.

I. Facilitating Sustainable Development and Green Financing

- Training in sustainable finance helps rural communities invest in eco-friendly projects such as renewable energy, organic farming, and climate-resilient agriculture.
- Encourages financial institutions to develop green financing products that support environmental sustainability in rural areas.

J. Enhancing Customer Trust and Engagement

- Educated and well-trained rural financial service providers can build stronger relationships with clients by offering reliable, transparent, and accessible services.
- Increased trust in financial institutions encourages more people to use formal banking systems, reducing reliance on informal credit sources.

Chapter 5.

Financial Literacy



Chapter 5. FINANCIAL LITERACY

5.1 Introduction

Financial literacy is a cornerstone of inclusive and sustainable rural development. Within the framework of the Smallholder Agri-Business Resilient Project (SARP), financial literacy is not an ancillary activity but a strategic enabler that ensures beneficiaries can effectively engage with and benefit from rural finance services, matching grants, and Agri-enterprise support.

This chapter outlines the rationale, objectives, and implementation strategy for promoting financial literacy among SARP beneficiaries, with a focus on Sri Lanka's rural and agricultural context.

5.2 Context and Rationale

5.2.1 Status of Financial Literacy in Sri Lanka

Sri Lanka has made progress in expanding financial access through formal banking and fintech initiatives. However, financial literacy remains unevenly distributed. The **Central Bank of Sri Lanka (CBSL)**, in its 2021 National Financial Literacy Survey, reported that only **35% of adults** exhibited adequate financial knowledge and behavior. The situation is more critical in rural areas, where many individuals operate informal businesses, manage volatile incomes, and have limited experience with formal financial instruments.

Key issues affecting financial literacy include:

- Low awareness of budgeting, saving, and responsible borrowing.
- Limited use of financial planning tools.
- Over-reliance on informal lenders.
- Gender and generational disparities in financial decision-making.

These gaps directly impact the ability of rural communities to leverage project resources, access credit, and sustain agri-business operations.

5.3 Relevance to SARP Objectives

SARP aims to enhance the income, resilience, and market participation of smallholder farmers and rural entrepreneurs. Financial literacy supports these objectives in several ways:

5.3.1 Enhancing Use of Matching Grants and Credit

Financial education enables beneficiaries to:

- Understand grant conditions and financing terms.
- Plan investments aligned with business goals.
- Avoid financial mismanagement and project failure.

5.3.2 Strengthening Agri-Business Viability

Through improved financial capabilities, beneficiaries can:

- Develop and manage basic business plans and cash flows.
- Monitor costs, margins, and profitability.
- Make informed decisions under conditions of uncertainty.

5.3.3 Promoting Financial Inclusion

Financial literacy strengthens engagement with:

- Rural financial institutions, cooperatives, and microfinance entities.
- Digital and mobile banking platforms.
- Risk management instruments (e.g., crop insurance, savings schemes).

5.3.4 Building Household Financial Resilience

Beneficiaries with financial knowledge are better positioned to:

- Differentiate business and household budgets.
- Manage seasonal income variations.
- Build savings for emergencies and invest in productive assets.

5.3.5 Empowering Women and Youth

Targeted literacy programs help address:

- The gender gap in access to financial services and control of income.

- Limited financial confidence among rural youth and school leavers.
- The need for inclusive Agri-enterprise leadership.

5.4 SARP Financial Literacy Strategy

To operationalize this priority, SARP will implement a structured financial literacy program with the following components:

5.4.1 Integration with Capacity Building

Financial education will be embedded in:

- Matching grant orientation sessions.
- Business development training for MSMEs.
- Producer group and cooperative strengthening programs.

5.4.2 Curriculum and Materials Development

SARP will:

- Develop localized training materials in Sinhala and Tamil.
- Use participatory, practical tools
- Adapt content for low-literacy populations and include digital modules where feasible.

5.4.3 Targeted Delivery Mechanisms

The program will use:

- Group-based training (e.g., 4P beneficiaries, Youths, Resilience).
- Mobile-based outreach.
- Financial literacy days and community awareness events.

Special attention will be given to ensure the participation of women, youth, and vulnerable groups.

5.4.4 Partnerships

SARP will collaborate with:

- CBSL's Regional Offices are situated in Anuradhapura, Matale, and Kilinochchi.
- Financial institutions and mobile service providers.
- Facilitators trained in financial education.

5.5 Monitoring and Evaluation

SARP will integrate financial literacy indicators into its M&E system. These may include:

- Number and proportion of beneficiaries trained.
- Change in knowledge, attitudes, and practices (KAP) related to savings, budgeting, and borrowing.
- Uptake of savings, credit, and insurance products post-training.
- Improved financial performance of supported businesses.

5.6 Policy Implications and Sustainability

- Financial literacy will be a mandatory component of all grant and loan support packages under SARP.
- Financial Literacy Booklet will be developed in coordination with CBSL and made use to distribute among the participants as further reading materials.
- Necessity of educating CDF members

5.7 Key Financial Literacy Topics for SARP Beneficiaries

a) **Basic Financial Concepts**

- **Understanding Money:** Currency, denominations, and value.
- **Income vs. Expenses:** Differentiating revenue and costs.
- **Needs vs. Wants:** Prioritizing essential spending.
- **Personal vs. Business Finances:** Keeping farm/business money separate from household expenses.

b) **Budgeting and Planning**

- **Household Budgeting:** Planning for monthly and seasonal expenses.
- **Business Budgeting:** Planning cash inflows/outflows for farm or enterprise activities.
- **Recordkeeping Basics:** Simple record books for sales, expenses, savings, and credit.

c) **Saving and Financial Goal Setting**

- **Why Save?** Emergencies, input purchase, school fees, and investment.
- **Types of Savings:** Informal (savings groups) vs. formal (Banks, SANASA, MFIs).
- **Setting SMART Financial Goals:** Short-, medium-, and long-term planning.

d) **Borrowing Wisely**

- **Types of Credit:** Grants, loans, leasing, and supplier credit.
- **Loan Basics:** Principal, interest, repayment terms, grace period.
- **Responsible Borrowing:** Borrowing for productive use, calculating repayment capacity.
- **Avoiding Over-Indebtedness:** Warning signs and alternatives.

e) **Understanding Financial Institutions and Services**

- **Types of Financial Institutions:** Commercial banks, rural banks, cooperatives, MFIs.
- **Financial Products and Services:**
 - Savings accounts
 - Agricultural loans
 - Mobile money and digital wallets
 - Microinsurance
- **How to Open and Use an Account:** KYC, deposits, withdrawals, passbooks.

f) **Managing Risks and Insurance**

- **Agricultural Risks:** Crop failure, market prices, and climate.
- **Role of Insurance:** Crop insurance, livestock insurance, health insurance.
- **Understanding Insurance Terms:** Premium, coverage, claim process.
- **Understanding of Credit Information Bureau**
- **National Credit Guarantee Schemes**

g) **Digital Financial Literacy**

- **Using Mobile Banking & Payment Platforms:** Deposits, transfers, checking balances.
- **Digital Safety:** Avoiding scams, protecting PINs, and mobile security.
- **e-Wallets and QR Code Payments:** Especially in rural markets.

- **USSD information system.**

f) Business and Investment Basics

- **Understanding Profit and Loss:** Selling price, cost price, margins.
- **Basic Business Planning:** Inputs, production, marketing, revenue forecast.
- **Decision-Making Tools:** Simple cost-benefit analysis.

g) Group Financial Management (for Cooperatives & Producer Groups)

- **Group Saving and Lending Schemes** (e.g., revolving funds).
- **Transparency and Accountability:** Roles of treasurer and secretary.
- **Internal Controls and Recordkeeping:** Ledgers, receipts, and meeting minutes.

h) Rights and Consumer Protection

- **Know Your Rights:** Fair treatment, grievance mechanisms, redressal.
- **Understanding Contracts:** Loan agreements, lease agreements, service contracts.
- **Fraud Prevention:** Identifying and avoiding scams or predatory lending.

5.8 Why Financial Literacy is Important to SARP Beneficiaries

Financial literacy is critically important for **SARP (Smallholder Agri-Business Resilient Project)** beneficiaries because it empowers them to make informed decisions, improve their livelihoods, and ensure the sustainability of project investments.

1. Effective Use of Project Funds (Grants & Loans)

SARP often provides beneficiaries with matching grants, credit lines, or input subsidies. Financial literacy ensures they:

- Understand terms and conditions.
- Use funds for productive, intended purposes.
- Avoid misuse or misallocation of resources.

2. Business Planning and Profitability

- Beneficiaries can plan, budget, and forecast for their agri-businesses.
- Helps assess profitability, manage risks, and grow their enterprises.
- Supports long-term sustainability of rural microenterprises.

3. Improved Access to Rural Finance

- Financially literate farmers are better positioned to access loans from rural financial institutions.
- They understand repayment schedules, interest rates, and collateral.
- Builds trust with lenders and improves creditworthiness.

4. Risk Management

- Encourages savings and insurance use to cope with climate shocks, crop failure, or price volatility.
- Helps in diversification and prudent financial decisions.

5. Strengthening Household Financial Health

- Helps households distinguish between business and family expenses.
- Promotes saving habits, debt management, and long-term investment in health, education, and assets.

6. Empowerment and Inclusion (Especially Women & Youth)

- Financial literacy promotes the active participation of marginalized groups in economic activities.
- Enhances decision-making power, especially for women and youth in rural communities.

7. Ensures Project Success and Impact

- Financially literate beneficiaries are more likely to sustain the outcomes of SARP.
- Reduces dependency and enhances ownership of development results.

5.9 Policy Implications for SARP

To ensure the effective uptake of rural finance interventions, SARP will:

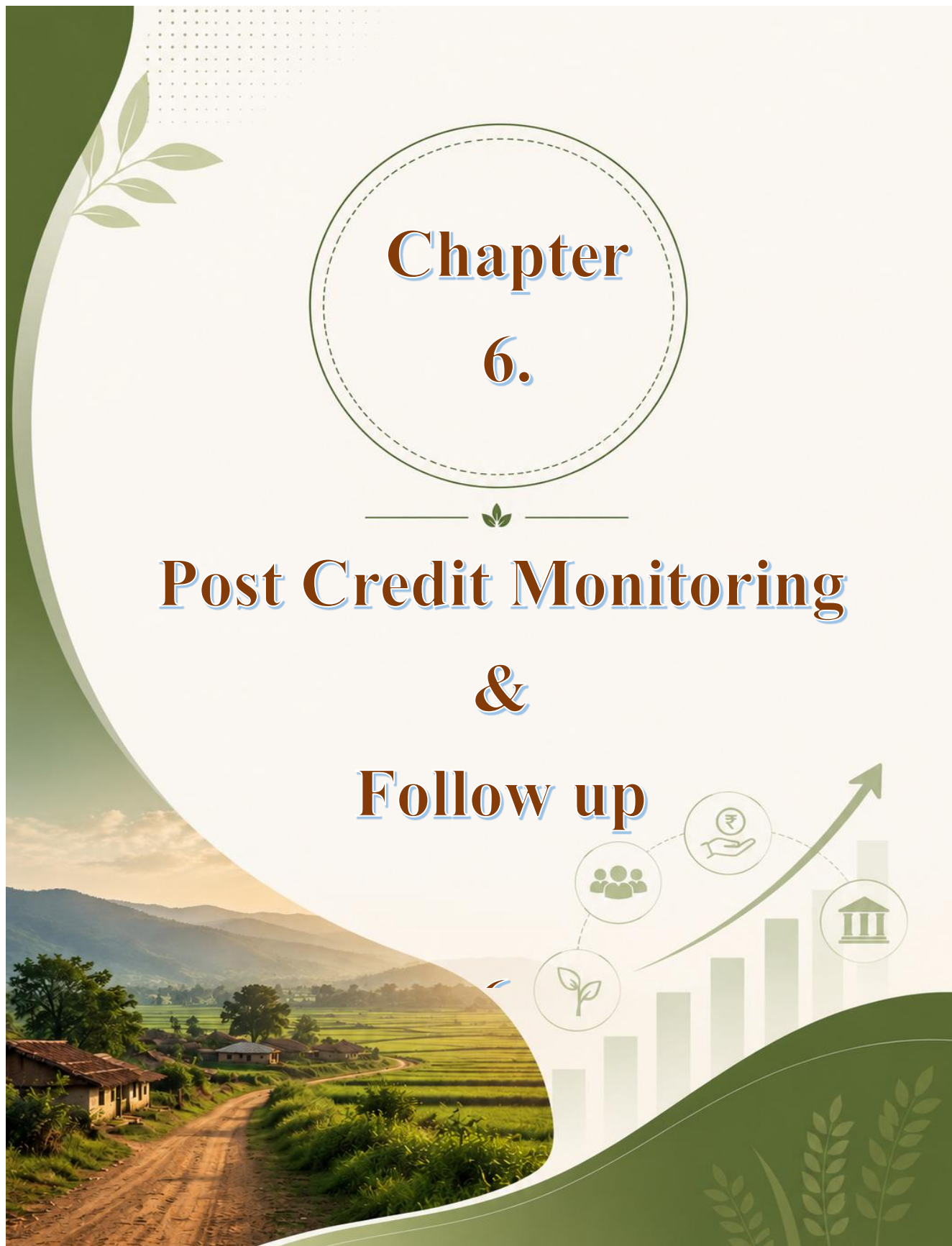
- **Integrate financial literacy training** as a core component of capacity-building activities.
- **Develop localized, user-friendly financial education materials**, with special attention to gender, literacy levels, and cultural norms.
- **Partner with financial institutions, MFIs, and CBSL** to harmonize financial literacy efforts and ensure sustainability beyond the project period.
- **Include financial literacy indicators** in the project's M&E framework to track behavior change and outcomes.

5.10 Suggested Priority Levels by Target Group

Topic Area	Smallholder Farmers	Rural Youth	Women Entrepreneurs	Producer Groups
Budgeting and Planning	☑ High	☑ High	☑ High	☑ High
Saving and Goal Setting	☑ High	☑ High	☑ High	☑ Medium
Borrowing and Loans	☑ High	☑ Medium	☑ High	☑ High
Digital Finance	☑ Medium	☑ High	☑ Medium	☑ Medium
Business and Profitability	☑ Medium	☑ Medium	☑ High	☑ High
Group Finance Management	☑ Low	☑ Medium	☑ Medium	☑ High

Chapter 6.

Post Credit Monitoring & Follow up



Chapter 6. POST-CREDIT MONITORING AND FOLLOW-UP MECHANISM FOR SARP BENEFICIARIES

6.1 Introduction

This policy outlines the post-credit monitoring and follow-up mechanism for loans issued to beneficiaries under the Smallholder Agricultural Rural Project (SARP). It aims to ensure that credit is utilized for its intended purposes, supports productive outcomes, and is repaid in a timely and sustainable manner. This mechanism is aligned with SARP's rural finance strategy to promote financial inclusion, enhance rural livelihoods, and reduce credit default risks.

6.2 Objectives

The key objectives of this mechanism are to:

- Ensure appropriate use of credit by SARP beneficiaries.
- Support beneficiaries through technical assistance and follow-up.
- Monitor progress and address challenges proactively.
- Promote high repayment rates and the financial sustainability of rural credit schemes.

6.3 Scope and Applicability

This mechanism applies to:

- All credit extended to SARP beneficiaries, including individuals, cooperatives, and community-based organizations.
- All implementing financial institutions and SARP field partners engaged in disbursement and recovery.

6.4 Monitoring Structure and Roles

6.4.1 SARP Project Monitoring Unit

Overall oversight of post-credit monitoring.

Aggregation and analysis of monitoring data.

Reporting to donors, government bodies, and stakeholders.

6.4.2 Implementing Financial Institutions (IFIs)

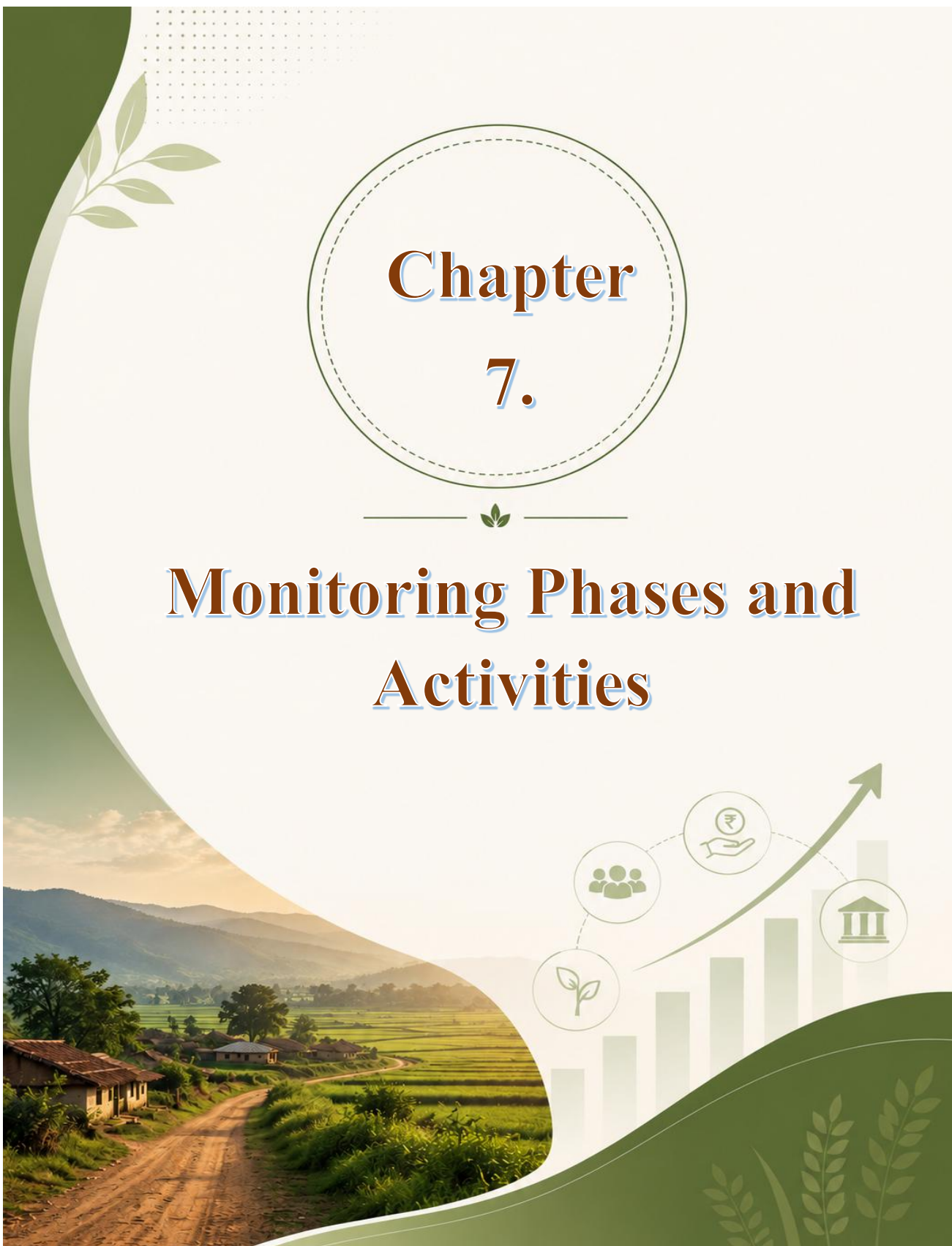
- Maintain loan records and repayment schedules
- Generate monthly repayment and default reports.
- Collaborate with SARP field teams for follow-up.

6.4.3 Field Officers / Community Extension Workers

- Conduct regular beneficiary visits.
- Verify loan utilization and business progress.
- Provide on-site support and advice.

Chapter 7.

Monitoring Phases and Activities



Chapter 7. MONITORING PHASES AND ACTIVITIES

7.1 Pre-Disbursement

Complete and file Beneficiary Loan Utilization Plans

Establish repayment terms and beneficiary responsibilities through signed agreements.

7.2 Immediate Post-Disbursement (0–3 Months)

Field verification of asset acquisition and project start-up.

Record initial implementation observations in the beneficiary file.

7.3 Routine Monitoring (3–12 Months)

Monthly phone or in-person check-ins.

Quarterly field visits with documentation of outcomes (yields, sales, livestock growth, etc.).

Use of beneficiary progress forms and photographic records, where feasible.

7.4 Financial Tracking

Continuous tracking of repayments.

Generation of delinquency reports at 30, 60, and 90 days past due.

Chapter 8.

Follow-up Procedures



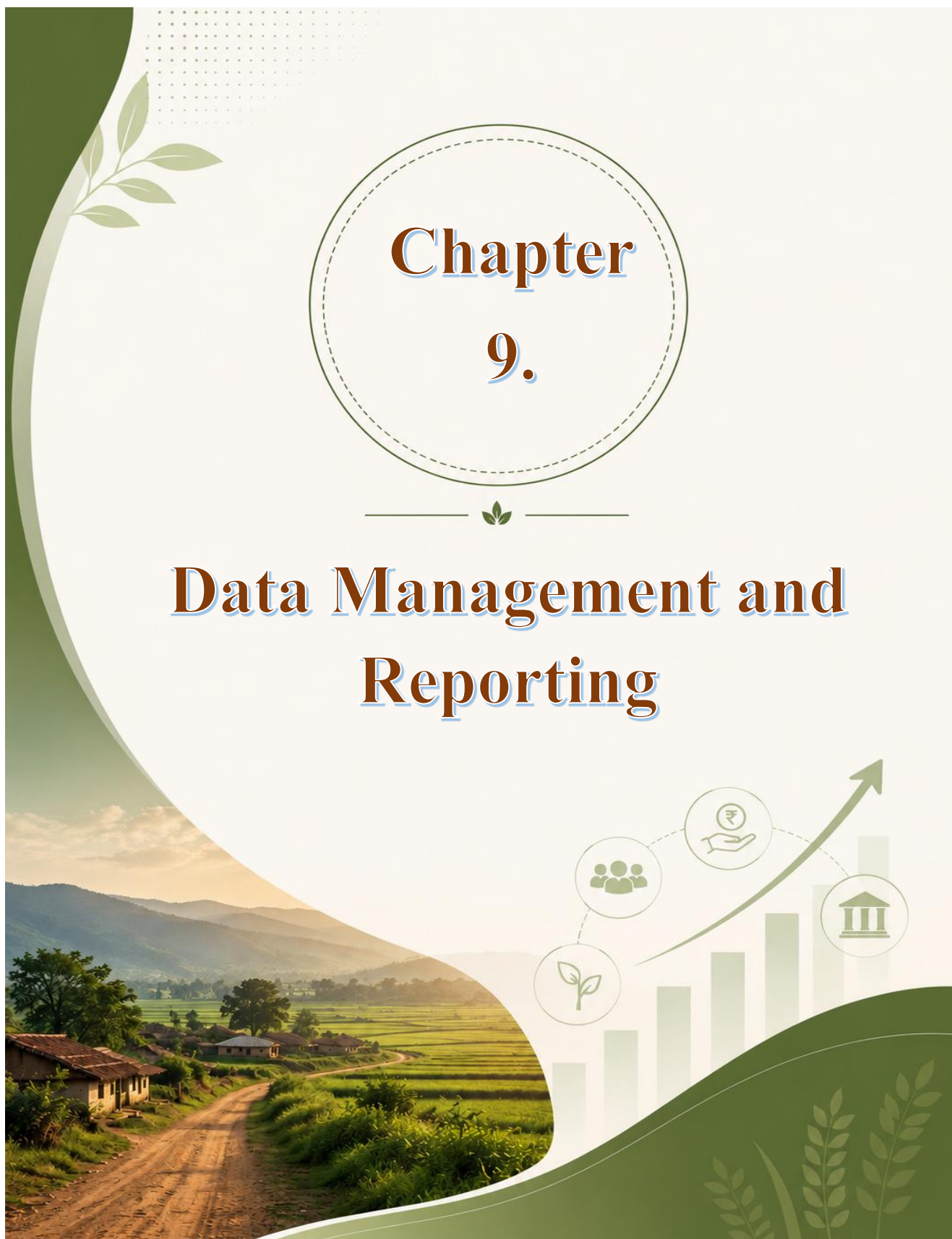
Chapter 8. FOLLOW-UP PROCEDURES

8.1 Tiered Risk-Based Follow-Up

Status	Indicators	Action
Green(Low Risk)	On-time repayment, appropriate utilization	Continue support, standard monitoring
Yellow (Medium Risk)	Delayed repayment, minor misuse	Field visit, advisory support, rescheduling
Red (High Risk)	Non-performing, major misuse, default	Immediate field intervention, community mediation, and possible recovery

Chapter 9.

Data Management and Reporting



Chapter 9. DATA MANAGEMENT AND REPORTING

Field officers submit monthly monitoring reports using standardized templates.

Quarterly summaries compiled by the SARP Monitoring & Evaluation (M&E) Unit.

Annual synthesis reports to inform strategic reviews and policy adjustments.

9.1 Use of Technology

Promote digital tools for real-time data collection and beneficiary tracking.

Leverage SMS platforms for reminders, alerts, and education.

Explore mobile money platforms for repayment facilitation.

9.2 Capacity Building and Support

Train field staff in monitoring techniques, advisory skills, and conflict resolution.

Provide beneficiaries with financial literacy and business development training.

Establish feedback mechanisms for grievances or loan-related queries.

9.3 Review and Revision

This monitoring mechanism shall be reviewed every two years or as deemed necessary, based on field evidence and stakeholder feedback, to ensure alignment with the evolving needs of beneficiaries and implementation realities.

9.4 SARP's Role in Credit Monitoring and Recovery Support

While lending institutions retain full responsibility for credit approval, disbursement, and recovery, SARP **actively supports post-disbursement follow-up and recovery activities** to enhance loan performance. This includes:

1. Joint Monitoring Visits:

- Participating in post-disbursement visits with bank loan officers.
- Using structured monitoring tools to assess loan utilization and enterprise progress.

2. Field-Level Engagement:

- Deploying community-based facilitators and extension workers to monitor borrower progress.
- Collecting repayment and performance data to share with banks in monthly reports.

3. Recovery Support Mechanisms:

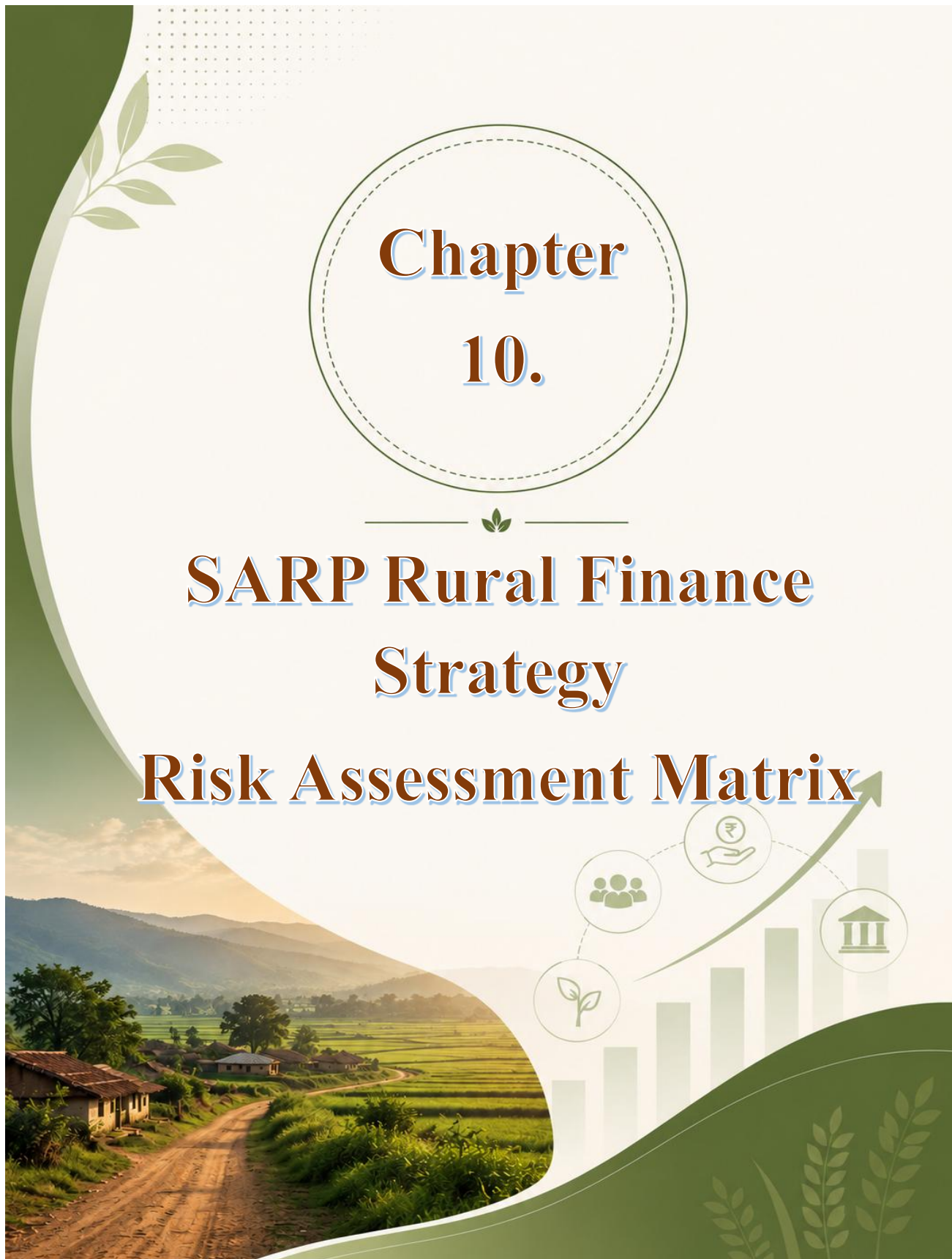
- Organizing beneficiary forums to discuss repayment challenges and promote peer accountability.
- Providing advisory support to banks for case-by-case loan restructuring.
- In cases of systemic risk or external shocks (e.g., drought, market collapse), coordinating policy-level interventions or guaranteeing facility mobilization.

9.5 Monitoring and Evaluation (M&E)

- **Access metrics:** number of clients accessing formal financial services.
- **Usage metrics:** Repayment rates, loan amounts disbursed, savings volume.
- **Outcome metrics:** Increased investments in agribusiness, improved incomes, improved resilience indicators.
- Use **disaggregated data (gender, youth)** to track inclusivity.
- Loan Tracking Sheet.

Chapter 10.

SARP Rural Finance Strategy Risk Assessment Matrix



Chapter 10. SARP RURAL FINANCE STRATEGY – RISK ASSESSMENT MATRIX

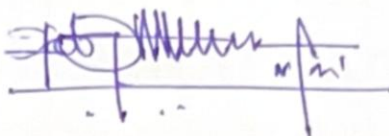
Risk Category	Specific Risk	Likelihood	Impact	Risk Rating	Mitigation Measures
Financial Risks	Limited access to affordable credit for smallholders and agri-businesses	Medium	High	High	Establish partnerships with multiple PFIs; deploy matching grants; negotiate concessional terms; use credit guarantees.
	High default / low repayment rates due to weak financial literacy	High	High	High	Strengthen pre-loan financial literacy training; enforce joint monitoring visits; restructure loans case-by-case.
	Misuse of loan funds/diversion of credit	Medium	Medium	Medium	Conduct pre-sanction and post-supervision visits; improve monitoring and reporting mechanisms.
Institutional Risks	Weak capacity of PFIs to serve rural/Agri clients	Medium	High	High	Provide technical assistance to PFIs; develop tailored rural credit products; incentivize rural outreach.?
	Poor coordination among implementing partners (line ministries, NGOs, PFIs)	Medium	Medium	Medium	Establish joint working groups; monthly review meetings; clear MOUs defining roles.

Operational Risks	Delays in the disbursement of loans and grants	Medium	High	High	Streamline approval processes; decentralize decision-making; digitalize loan tracking.
	Limited uptake of financial products by beneficiaries	Medium	Medium	Medium	Conduct awareness campaigns; match products with needs; promote success stories of early adopters.
External Risks	Climate shocks (drought, floods) are reducing repayment capacity	High	High	Very High	Promote crop/livestock insurance; encourage climate-resilient practices; build contingency funds.
	Market shocks (price volatility, demand collapse)	Medium	High	High	Support value chain linkages (4P, contract farming); diversify markets; facilitate storage and processing.
	Policy/regulatory changes affecting rural finance	Low	Medium	Medium	Maintain dialogue with regulators; align with CBSL and Ministry of Finance policies; advocate through IFAD/Government.
Social Risks	Gender and youth exclusion from financial access	Medium	Medium	Medium	Apply gender-sensitive credit scoring; design youth-focused loan/grant packages; ensure inclusivity in outreach.
	Risk of choice capture or favoritism in beneficiary selection	Medium	High	High	Transparent beneficiary selection; use community validation; audit mechanisms.

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Project Director




Investing in rural people
Investir dans les populations rurales
Invertir en la población rural
الاستثمار في السكان الريفيين

April 07, 2026

IFAD LKA-2000002583-0770-NP-OTHER/32747

RE: IFAD No Objection to Rural Finance Strategy

Dear Sir/Madam,

I write with reference to your request dated February 02, 2026, requesting IFAD's no objection for As requested by the CD in last meeting held with SARP, the draft Rural Finance Strategy is being submitted for IFAD clearance..

We are pleased to communicate IFAD's No Objection to the submission of documents.

Yours sincerely,

Sherina Tabassum
Country Director, Asia and the Pacific Division (APR)

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