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Ministry of Women, Child Affairs and Social Empowerment

**Circular of the Ministry of Women, Child Affairs and Social Empowerment - 01/2024**

**Through: All District Secretaries**

**All Divisional Secretaries**

**Stimulating Loan Scheme for Economic Empowerment of Women in the MSME (Micro, Small and Medium-sized Enterprises) Sector**

**1. Introduction**

In Sri Lanka, women's participation in economic activities lags behind other regional and Asian countries for various reasons. According to the 2022 Sri Lanka Labor Force Survey, only 35 percent of the economically active population is women, compared to 65 percent for men. This highlights a significant disparity in economic participation rates between men and women. When it compares these numbers to countries like Indonesia (53%), Malaysia (52%), Vietnam (68%), and Singapore (62%), it's apparent that Sri Lanka has some catching up to do.

Taking into account the matters on limited financial literacy and lack of collateral which were identified as the main two systemic barriers that women entrepreneurs face, approval of the Cabinet of Ministers bearing No. 072/601/1205/24 dated 01.07.2024 has been received for the Cabinet Memorandum titled "Stimulating Loan Scheme for Economic Empowerment of Women in the MSME Sector". Accordingly, arrangements will be made to introduce a special Stimulating Loan Scheme for women entrepreneurs and implement it through the Women's Bureau of Sri Lanka of the Ministry of Women, Child Affairs and Social Empowerment.

Under this loan scheme, financial assistance will be provided through the Bank of Ceylon, the People's Bank and the Regional Development Bank for entrepreneurship of the members of Women Action Societies registered with the Women's Bureau of Sri Lanka and it will be maintained as a revolving loan scheme that benefits the women entrepreneurs in future.

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This loan is given as initial capital for the projects of women entrepreneurs, and if there is a need for further loans, they will be referred to the 'Saubhagya Production Village Program' of the Divisional Secretariat Division to join the loan schemes and other programs already implemented by the "Saubhagya Development Bureau" under the Ministry.

As the first phase of the loan program, an amount of Rs.5 (five) million will be allocated for each divisional secretariat division.

## **2. Objectives**

- 2.1.** To contribute to the overall economic growth and development of the family as well as the country by providing benefits to women through the economic empowerment of women and the promotion of gender equality.
- 2.2.** Establishing a proper revolving loan system together with commercial banks and thereby preventing women from being oppressed by taking loans under oppressive conditions from informal microfinance institutions.
- 2.3.** Creating employment opportunities for women in the business field and encouraging the use of underutilized divisional and rural resources in the production process.

## **3. Issue of Loans and Management**

The Department of Development Finance of the Ministry of Finance, Economic Stabilization and National Policies will be the executing agency and the MoWCA & SE will be the implementing agency of the loan scheme, while the Bank of Ceylon, People's Bank, and the Regional Development Bank will act as Financial Institutions.

The Women's Bureau of Sri Lanka is the coordinating body and is coordinated by the Women Development Officer / Women Development Field Assistant under the supervision of the Divisional Secretary of the Divisional Secretariat Division concerned.

## **4. Beneficiaries and required qualifications and identification of beneficiaries.**

### **4.1. Beneficiaries**

- 4.1.1.** Women between the ages of 18-55 years, who are members of the 'Women Action Societies registered under the Women's Bureau of Sri Lanka or agree to be members, and who have started small- scale projects/businesses or are expected to start projects/businesses. (Preference should be given to the applicants who are already members.)

### **4.2. Required qualifications**

- 4.2.1.** Having the ability and reliability to make proper investments for the project/business and pay back the loan.
- 4.2.2.** Being a successful woman who has benefited from financial aid or loan programs implemented by the Women's Bureau of Sri Lanka during the last three years

- 4.2.3. Ability to participate in training programs on financial literacy and other training programs
- 4.2.4. Maintain an account in the bank nominated for the loan programme.
- 4.2.5. Agree to abide by the instructions and conditions issued by the banks regarding the loan program.
- 4.2.6. Not having faced any problematic situations as a creditor or guarantor in connection with bank loans.

## **5. Identification of beneficiaries**

- 5.1. The beneficiary loan application should be submitted to the Women Development Officer / Women Development Field Assistant at the Divisional Secretariat with the recommendation of the Women Action Society.
- 5.2. The beneficiaries should be selected by the Divisional Secretary on the recommendation of Women Development Officer / Women Development Field Assistant of the relevant division.
- 5.3. The list of beneficiaries recommended by the Divisional Secretary should be forwarded to the respective banks for issuing loans.
- 5.4. The relevant bank should issue loans to the eligible beneficiaries as per the criteria.
- 5.5. The relevant banks should send the list of eligible beneficiaries for loans to the Divisional Secretary concerned with a copy to the Women's Bureau of Sri Lanka.

## **6. Amount of loan, applicable interest rates, guarantors and recovery period**

Loans will be issued in several stages. The first phase of which is now in effect and instructions regarding the other phases will be given later. Accordingly, under the first phase,

- 6.1. A loan amount of Rs.150, 000.00 is obtainable.
- 6.2. The annual interest rate is 6% and it will be recovered under the diminishing balance method.
- 6.3. The maximum loan repayment period is 6 months.
- 6.4. A member of the Women Action Society should be presented as a guarantor.

## **7. Documents to be submitted**

- 7.1. Beneficiary loan application form. (As per Annexure 1)
- 7.2. Project report. (As per Annexure 2)
- 7.3. Copy of National Identity Card / Passport / Driving Licence.
- 7.4. Other letters and documents requested by the bank

## **8. Maintaining data and information**

- 8.1. Beneficiary records should be maintained by the Women Action Societies and Women Development Officer of the Divisional Secretariat. It is emphasized that the list of beneficiaries recommended to the banks and the list of beneficiaries approved by the

- bank should be kept separately. (If the loan applicant is mentioned as disqualified by the bank due to any reason, it should be clearly recorded)
- 8.2. List of beneficiaries for which loans are issued should be forwarded monthly to Women's Bureau of Sri Lanka by the Women Development Officer / Women Development Field Assistant of the Division.
  - 8.3. All information should be maintained in writing and in electronic media.
  - 8.4. Quarterly progress should be maintained for at least three years after the loan is granted or until the end of the loan repayment period.

## **9. Monitoring and follow-up at divisional level**

- 9.1. Monitoring and follow-up on the implementation of loan scheme at the divisional level should be done by a committee comprised of the following members.
  1. Divisional Secretary or a supervisory level officer nominated by the Divisional Secretary
  2. Women Development Officer / Women Development Field Assistant
  3. Two representatives from the office bearers of Women Federation
- 9.2. The Divisional Secretary should send the relevant monitoring and follow-up reports to the Women's Bureau of Sri Lanka on a quarterly basis.

Adhering to the above instructions and guidelines, the support provided by you for the success of this loan program aimed at the economic empowerment of women, is highly appreciated.

**Yamuna Perera**

Secretary

Ministry of Women, Child Affairs and Social Empowerment

Copies:

1. Secretary to the President, Presidential Secretariat.
2. Secretary to the Prime Minister, Prime Minister's Office.
3. Secretary, Ministry of Finance, Economic Stabilization and National Policies.
4. Secretary, Ministry of Public Administration, Home Affairs, Provincial Councils and Local Government.
5. Auditor General, National Audit Office
6. All District Secretaries