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Promoting Financial Inclusion

Evidence from IFC's operations in Sri Lanka

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IFC Disclaimer

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Editorial support by Deviah Machimanda Appaiah
The authors gratefully acknowledge guidance and support from: Victor Navaranjan Antonypillai, Rathnija Arandara, Ehsanul Azim, Lisa Dadlani, Pratigya Kalra, Ruchira Kumar, Luz Levya, Roland Michelitsch, Yuvraj Pathak, Adam Sack and Minakshi Seth.

IFC Promotes Financial Inclusion with Three Sri Lankan Banks

Evidence from IFC's operations in Sri Lanka

Overview of the study

IFC, a member of the World Bank Group, promotes private sector growth, by creating opportunities and helping people improve their lives and escape poverty. In Sri Lanka, IFC's work focuses on encouraging sustainable economic growth and ensuring that benefits reach the poor.

As part of its activities in the country, IFC is working with banks and other financial institutions to expand their network across the country and provide increased financial services for micro, small and medium enterprises, leading to economic growth and job creation.

In Sri Lanka, IFC has had a long relationship with three major banks: Commercial Bank of Ceylon (CBC), National Development Bank (NDB), and Nations Trust Bank. IFC has financed and provided advisory services for the expansion of their small and medium enterprise operations.

This first of its kind rapid assessment study is based on primary and secondary data. It concludes that collaboration enabled the banks to establish focused strategies, strengthen internal systems, and catalyze financial development in frontier regions. This led to the financial sector performing better. The enterprises surveyed grew operations, created new jobs, whilst also benefitting their suppliers.

All three banks reduced gross non-performing loans significantly between 2009 and 2011; the average percentage reduction was between 1.3 to 3.7 percent. Their outstanding loan portfolios grew by 50 percent, the small and medium enterprise loan portfolio by more than 50 percent, and number of branches by 28 percent. Apart from initiating several employee skill development programs, the three banks also created 883 new jobs internally, including 280 jobs for women.

The survey revealed that, in spite of high interest rates and collateral, the enterprises surveyed grew their turnover by 100 percent on average, and created 361 new jobs. Of the new jobs created 122 were for women, averaging 30 new jobs per business.

This paper concludes by stating that while the study shows significant results, it would be difficult to extrapolate them across Sri Lanka's entire small and medium business sector unless further studies are carried out with larger samples.

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CHAPTER 1

Promoting Financial Inclusion: Background

Methodology

IFC's results measurement stakeholder framework[1] (figure 1) was used to assess the results over 2009-11 on banks and their small and medium enterprise clients. The study first assessed the results for the three banks, their employees, and the market. Second, it assessed the data collected from small and medium enterprises that borrowed money from these banks, their employees, and the Sri Lankan small and medium business sector in general. Finally this study looked at whether the positive result of all this had benefited the clients' suppliers.

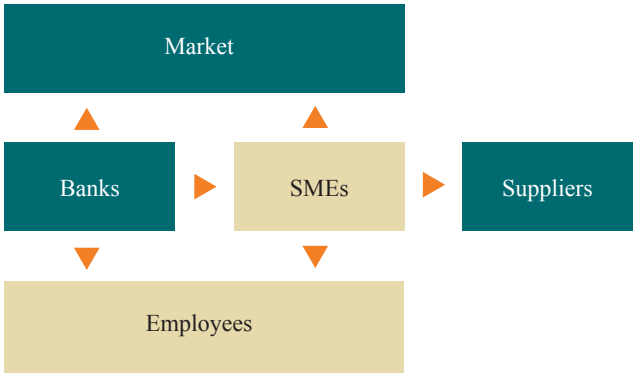

Figure 1: IFC's Result Measurement Stakeholder Framework used in this Study

The study used existing publicly available data (for instance, Doing Business Reforms, Central Bank of Sri Lanka, and enterprise surveys), primary data collected by IFC (such as monitoring and evaluation data from IFC's systems), and primary data collected during field-based interviews with these banks and their small and medium business clients who obtained loans in 2009.

The dataset comprised of financial and economic performance data for the banks and the small and medium enterprises. The start and end dates for the study were set at 2009 and 2011 respectively. This timeframe was long enough to analyze the effects of loans on enterprises, yet short enough to reduce the long-term influence of external factors.

[1] First, key stakeholders are identified and second, the magnitude and degree of the effect is estimated for each of them. For more information, see Esty et. al (2003)

Interviews with bank staff were used to understand changes in their operations following their collaboration with IFC. In addition, field-based interviews conducted with a selected sample[2] of small and medium enterprises were used to gain better insight into the developmental effects of improved access to finance. Twelve small and medium enterprises were chosen for these interviews; the conditions being:

i. They received loans from at least one of the three banks in 2009
ii. They were of different sizes
iii. They operated in different regions and industries.

These criteria ensured that the results were representative of a broad range of small and medium enterprises, without any bias towards any particular region or industry.

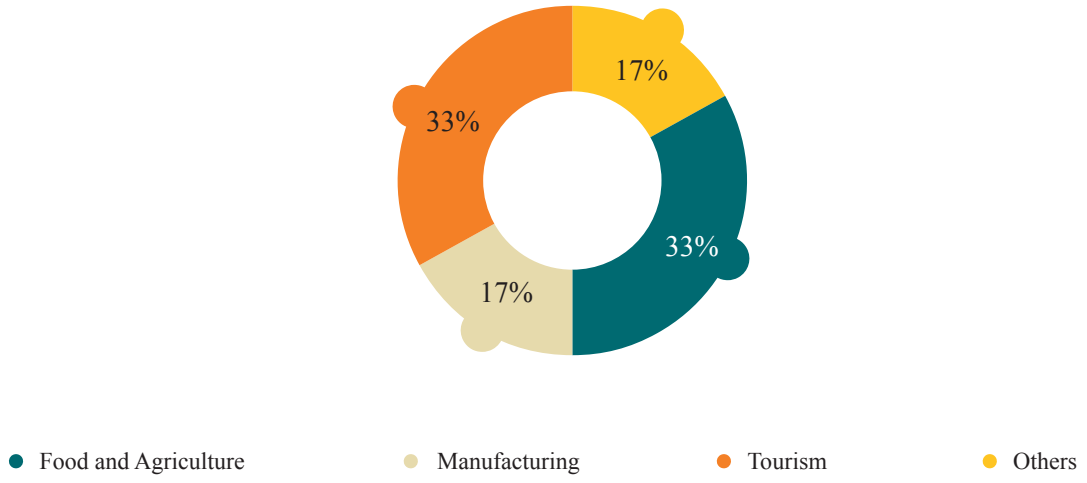

Figure 2: Small and Medium Enterprise Sample Selection
Source : Author's calculations based on field-based interviews

Figure 2 shows that the chosen enterprises operated in tourism, food and agriculture, manufacturing, and other sectors. Five enterprises were located in Galle, two in Colombo, two in Negombo, one in Hikkaduwa, one in Bentota and one had pan-Sri Lanka presence. The enterprises were of different sizes (micro, small, and medium) and had taken loans of different amounts.

[2] In addition, IFC has conducted a detailed study with Commercial Bank of Ceylon on employment generation as a result of CBC's loans to smaller businesses with a sample of 100 SMEs - IFC (2013) "IFC Job Study: Assessing Private Sector Contributions to Job Creation".

Motivation Behind the Study

IFC provides support to private sector enterprises in emerging markets with the goal of stimulating growth and creating development. While IFC annually assesses its project/portfolio development results, this is the first rapid assessment of development results, financial and economic, of three long term clients in Sri Lanka.

The clients participating in the study were chosen for three reasons. First, IFC has had a multifaceted relationship with them since 2003. Second, in post-conflict Sri Lanka, financial inclusion is a pre-requisite for growth of the country and its commercial sector. Third, growth of the small and medium enterprise sector in Sri Lanka has been identified as vital to provide more employment, bridge regional growth disparities, and ensure that post-conflict growth is inclusive and widespread. In short, this study allows IFC to test this methodology and assess the development effects of its financial intermediary clients, on themselves and on their small business clients, all of whom play a role in Sri Lanka's economic development.

IFC Promotes Financial Inclusion with Three Sri Lankan Banks

Financial inclusion is vital to achieve inclusive growth across the country, and is a prerequisite for sustainable economic development. In Sri Lanka, IFC works to encourage economic growth and ensure that this growth benefits those living in underserved regions.

Since 2003, IFC has consistently collaborated with three Sri Lankan banks - Commercial Bank of Ceylon (CBC), National Development Bank (NDB), and Nations Trust Bank. In 2011, these three banks cumulatively held a market share of 15 percent of all loans in Sri Lanka. CBC, the largest private sector bank held 10 percent while, NDB and Nations Trust Bank held three and two percent respectively[3].

IFC and these banks believe that financing small and medium enterprises is a key priority for financial inclusion in Sri Lanka. As a result, over the last few years, these banks have focused on expanding their small and medium enterprise loan portfolios resulting in a significant part of loan portfolios - 28 percent for CBC, 23 percent for NDB and 21 percent for Nations Trust Bank - being directed towards small and medium enterprises as defined by IFC[4].

Over the years, IFC has had a multifaceted partnership with these three banks, ranging from financing to advisory projects. IFC has invested in all three banks and currently holds 7.57 percent of voting shares in CBC. Additionally, IFC's advisory team has partnered with these banks to strengthen operations, helping them to serve small and medium enterprises better. This has included developing strategies to target the small business sector and expanding operations in unbanked areas. IFC has also assisted the banks in improving the service quality of such financings by institutionalizing credit, establishing risk management systems, and providing training for staff.

[3] Authors calculation based on annual Reports of CBC, NDB, Nations Trust Bank (2012) and Central Bank of Sri Lanka (2011)

[4] Source: Client MIS. IFC's Small and Medium Enterprise Definition– Enterprises that have received loans between $10,000 and $1,000,000 from the financial institution. Percentage of SME loans: SME loans based on the criteria above out of the total commercial loans.

> "IFC's role is to provide the financial products and technical knowledge that fits the needs of our clients and the countries we work in. We hope that by working with CBC, Nations Trust Bank, and NDB we can increase access to financial services for small scale entrepreneurs and help in the formalization and growth of these firms."
>
> Thomas Davenport, Director, IFC South Asia

Access to Finance in Frontier Regions (North and East) and the Small and Medium Enterprise Sector

Till recently, the bulk of banking services has been limited to the Western Province of Sri Lanka. Over the last three years Sri Lankan banks have opened additional branches, mainly in underserved and post conflict regions which has helped expand access to finance across the country. This was supported by government policies of subsidized commercial lending to micro, small and medium enterprises and reduction in interest rates.

A nearly three decade-long civil conflict, mainly in the north and east of Sri Lanka, has left these regions with lack of basic financial facilities, including limited banking opportunities and infrastructure. Additionally, lack of business prospects made it difficult for banks to set up operations in these regions. With the end of the conflict in 2009, business has been improving steadily across these regions. In the first half of 2011, Sri Lanka's banks opened 86 outlets across the country, including branches and extension offices. Of this, 32 were in the sparsely banked areas of the north and east[5], providing access to financial services to individuals and small and medium enterprises. More than half of the loan expansions over 2010 and 2011 have been directed towards corporate clients (including small and medium enterprises).[6]

Photo © Kesara Ratnavibushana / IFC

Small and medium enterprises play a strategic role in post-conflict Sri Lanka. As of 2011, it accounted for over 70 percent of employment and contributed nearly 26 percent to Sri Lanka's GDP[7]. They also play a critical role in promoting balanced regional development through the use of indigenous machinery, equipment, and raw material[8]. However, credit constraints hinder small business development and indirectly restrict poverty alleviation and economic growth.[9]

The Central Bank of Sri Lanka reports that loans and advances to small and medium enterprises increased by 12 percent during the first half of 2011 compared to the eight percent growth recorded during the same period in 2010[10]. As a result, credit to most sectors had increased, with a 17 percent growth in credit to manufacturing, 15 percent to agriculture, and nine percent to construction.

[5] Financial Sector Stability Review, Central Bank of Sri Lanka (2011)
[6] Fitch (2012)
[7] Wickremansinghe, S. (2011)
[8] Gamage, A. S. (2003)
[9] Gamage, A. S. (2003)
[10] Financial Sector Stability Review, Central Bank of Sri Lanka (2011)

CHAPTER 2

Findings of the Study

This section presents the main findings of this study. Section I presents the results of effects on the banks. Section II outlines effects on the sample small and medium enterprises that received access to financial services from the three banks.

I. Banks

Focused Strategies and Financing for Small and Medium Enterprise Operations Helped Banks Perform Better

IFC's advisory team has collaborated with these banks to formulate strategies for the establishment and expansion of their small business operations. This structured approach helped the banks establish systematic operations and grow profitability. Additionally, the government encouraged the banks to set up operations in frontier regions by imposing a requirement of having to open at least four branches each in the post-conflict regions. IFC's collaboration helped the banks expand operations as per government regulations, expand their reach in frontier regions, and gain first-mover advantage[11] over competitors.

> "IFC's value addition to our partner financial institutions lies in enabling them to be market transformers. We do this by providing long-term financing dedicated to their small business portfolio, coupled with strategy formulation, establishing risk management tools and sharing best practices with financial institutions whenever possible."
>
> Adam Sack, Country Manager, IFC Sri Lanka

Additionally, IFC provided multiple rounds of financing for the expansion of the small and medium enterprise loan portfolios of the three banks. IFC's longer tenor loans and innovative credit lines enabled the banks to have a competitive edge over other banks. For example, in 2011 IFC signed an innovative remittance[12] based financing agreement with CBC, which enabled the bank to reach 20,000 additional small and medium enterprises.

> "IFC's innovative $65 million financing helped strengthen our small business operations, and expand our reach to entrepreneurs in the post-conflict region who need access to finance."
>
> Ravi Dias, CEO, Commercial Bank of Ceylon

[11] First-mover advantage is the advantage gained by the initial (first-moving) significant occupant of a market segment. This advantage may stem from the fact that the first entrant can gain control of market share and customer base that followers may not be able to match.

[12] CBC Annual Report, 2011.

Banks Play a Key Role in Catalyzing Financial Development of the Post-Conflict Regions in Sri Lanka

CBC, Nations Trust Bank, and NDB were amongst the first banks to expand operations and provide access to finance to the people living in post-conflict regions. This was a result of the structured expansion plans of these banks coupled with a shared vision with IFC to foster financial inclusion in Sri Lanka's frontier regions.

> "IFC supports financial inclusion in frontier regions as the base of the pyramid (our target beneficiaries) are there. We do this in spite of risks involved in operating in frontier regions."
>
> Anil Sinha, Head, Advisory Services, IFC South Asia

Together, these banks almost tripled the number of branches in frontier regions from 13 in 2009 to 38 in 2011, which represented an increase from five to 14 percent over two years. In 2011, CBC operated 21 branches in frontier regions, becoming the first bank with such a significant presence in this area. Also, as shown in figure 3, in 2011 Nations Trust Bank and NDB were among the top banks with deep frontier region penetration, with approximately 17 percent of branches located there.

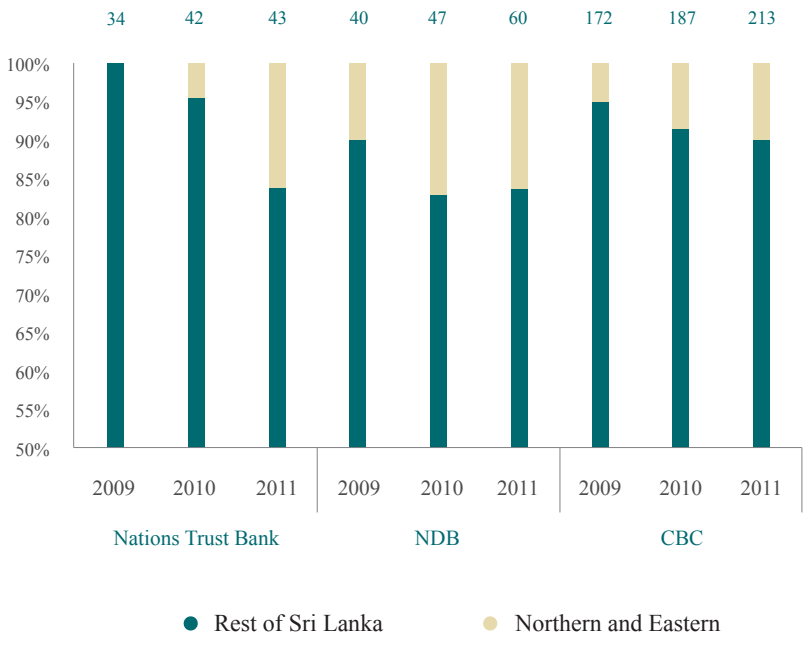

Figure 3: Share of Branches in Northern and Eastern Sri Lanka

Source: Annual reports of CBC, NDB, and Nations Trust Bank

Strengthening Internal Systems Resulted in Improved Credit Quality

IFC has assisted these banks in strengthening their internal systems to better manage credit and risks. To institutionalize these systems, IFC conducted training programs for their operational staff. Additionally, with IFC's support, the banks conducted awareness programs for their clients. As a result, the three banks witnessed improvement in credit quality and reduction in credit risks. It may be inferred therefore, that strengthening of systems enabled the banks to prudently manage their credit risks and ensure long term solvency.

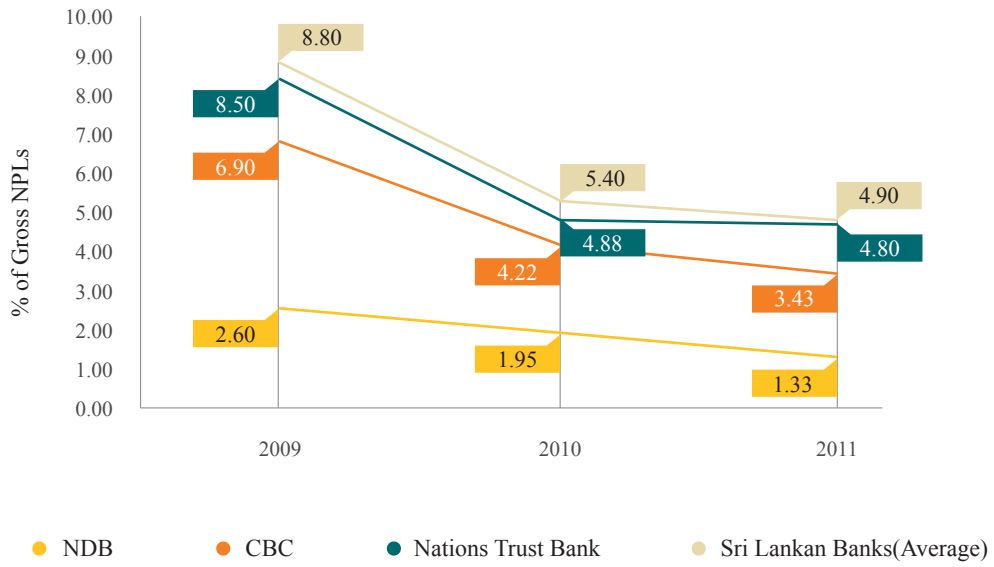

Figure 4: Percentage of Gross NPLs

Source: Annual reports of Nations Trust Bank, NDB and CBC and Fitch (2012)

A decline in non-performing loans (NPLs) is a good measure of improvement in credit quality. Figure 4 shows, that from 2009 to 2011, Nations Trust Bank reduced its gross NPLs significantly from 8.5 to 4.8 percent; CBC from 6.9 to 3.4 percent; and NDB from 2.6 to 1.3 percent. Interestingly, the decline in NPLs of the three banks was greater than the market average, which was from 8.8 to 4.9 percent. A significant share of loan portfolios was small and medium enterprise loans; as a result the decline in total NPLs mirrors the decline in NPLs in the small and medium enterprise sector. Additionally, in 2011, Sri Lanka witnessed tighter loan classification rules, resulting in an increase in NPLs. Even then, the three banks reduced gross NPLs by at least 1.6 percentage points during this period.

Lower gross NPLs in comparison with the market average suggest that the three banks have a competitive edge over the industry. This competitive edge is partially due to stronger internal systems.

> "IFC's support helped us streamline our strategy and strengthen our internal systems to position Nations Trust Bank as a niche Small and Medium Enterprise bank. We are also developing the first ever SME academy. "
>
> Saliya Rajakaruna, CEO, Nations Trust Bank

Banks Recorded Accelerated Lending to Small and Medium Enterprises

The banks were able to rapidly expand their business due to the availability of credit lines, focussed strategies, stronger internal systems, and, most importantly, the foresight to see the unrealized potential of Sri Lanka's small and medium enterprises.

Sri Lanka's financial sector experienced a rapid credit expansion between 2009 and 2011, driven by growth in domestic commercial lending. The three banks rapidly grew their business operations and accelerated lending, both in terms of the number and amount of outstanding loans. In post-conflict Sri Lanka, smaller enterprises were touted as the drivers of economic growth. These three banks were among the first few banks to expand their small and medium enterprise lending portfolio significantly.

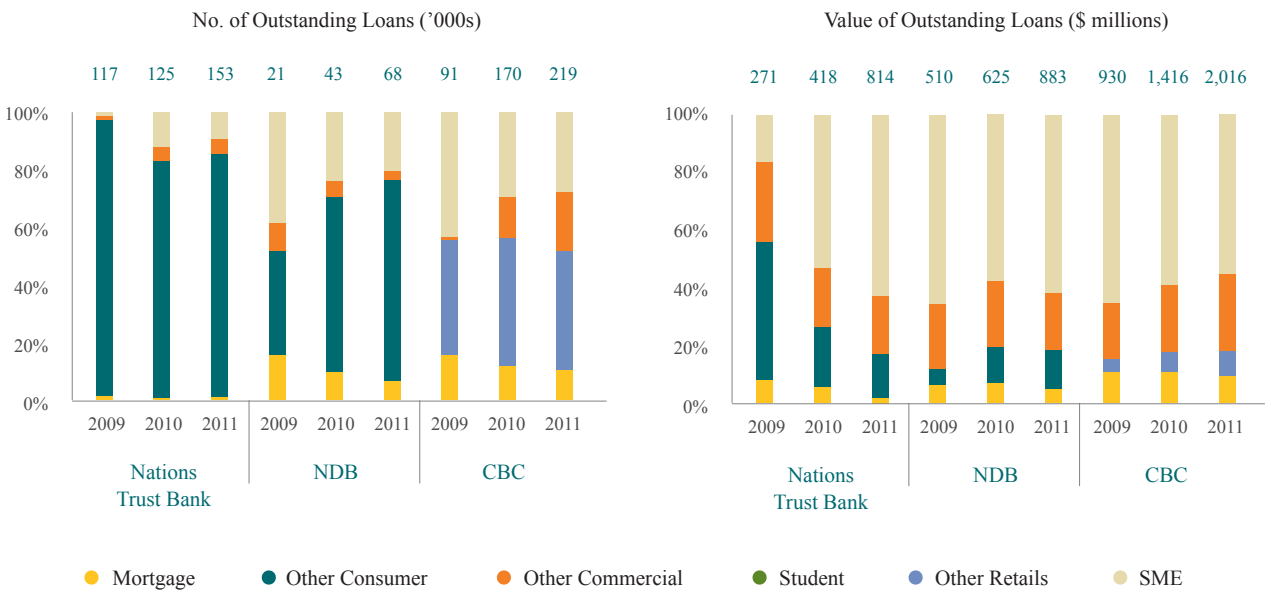

Figure 5: Outstanding Loan Portfolio of the Banks[13]

Source: CBC, Nations Trust Bank and NDB Internal Database

Figure 5 breaks down the outstanding loan portfolios of these banks according to the sectors to which loans were made. The banks cumulatively increased outstanding loans from $1,710 million in 2009 to $3,441 million in 2011. Loans to small and medium enterprises in particular, have risen from $1,359 million to $2,773 million from 2009 to 2011. In 2011, loans to small and medium enterprises represented a significant share (approximately 60 percent) of the dollar portfolio volume of the three banks. The total number of outstanding loans had risen from 228,549 in 2009 to 442,558 in 2011, with the total number of outstanding small and medium enterprise loans doubling over the two years for which the survey was conducted. Since the conflict ended, the number of small and medium enterprises grew three-fold in Sri Lanka. Thus, the simultaneous increase in both amount and number of loans to small and medium enterprises suggests this has had a positive relationship with the growth in the number of such enterprises.

[13] Mortgage – refers to housing; Other Retail – customer loans, credit cards, auto loans etc.; Commercial- includes all corporate excluding SME

Banks Invested in Skill Formation of Existing Employees and Job Creation within the Banks

These banks have strengthened their institutional capacity by investing in staff training, and ensuring better working conditions, including competitive remuneration for employees. For example, CBC in 2011 provided a 10 percent increase in pension for its employees, and all three banks maintained fair remuneration for men and women. These steps have resulted in lower than average attrition rates of 2.5 percent per annum[14] per bank, and qualitative and quantitative growth in human capital. In addition to retention of skilled labor, the banks created significant numbers of new jobs internally to cater to their expanded operations and branch networks.

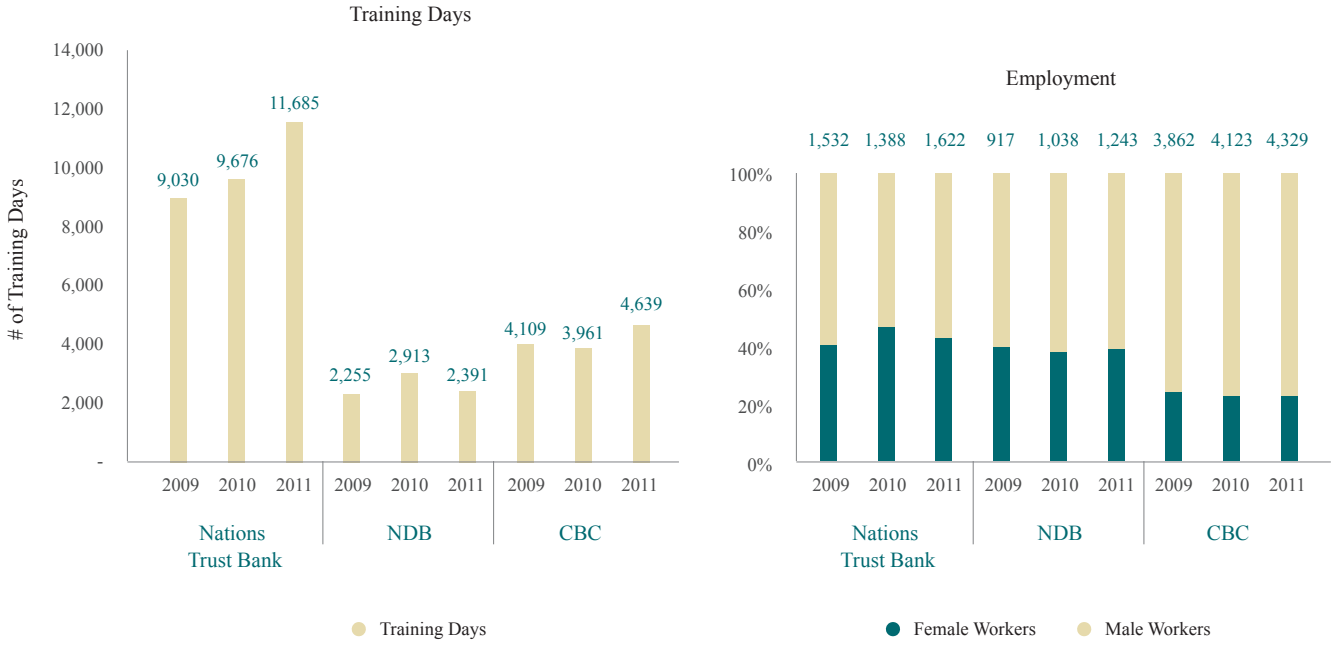

Figure 6: Trends in Training and Employment

Source: CBC, NDB, and Nations Trust Bank's internal database

Figure 6 shows that while Nations Trust Bank has the highest female to male ratio and the highest number of training days, CBC has employed the highest number of people. In 2011, the three banks organized an additional 22 percent or 3,321 additional training days over the 2009 baseline. Further, they created 883 new direct jobs within the three banks, including 280 female jobs in that period.

[14] Annual report of CBC, Nations Trust Bank and NDB.

Banks Led the Financial Sector in Business and Operation Expansion

Overall, between 2009 and 2011, the financial sector witnessed a reduction in non-performing loans (NPLs) from 5.8 to 4.9 percent, a 31 percent growth in lending, and branch expansion particularly into the frontier regions of the country. During this time, the three banks exhibited stellar performances when compared to other banks; with a larger reduction in NPLs, 50 percent growth in outstanding loan portfolios, 28 percent growth in number of branches, and first mover advantage in frontier regions. This simultaneous growth by the sector as a whole and the three banks suggests that the banks may have led the sector by not just contributing to the sector's performance but also by incentivizing other Sri Lankan banks to follow suit; resulting in the overall expansion of business and operations of the country's financial sector.

Photo © IFC

Photo © IFC

"With IFC's assistance NDB focused on becoming a one stop retail bank with aligned consumer and SME services. We used our comparative advantage in SME banking to grow our consumer loans portfolio and finally emerged as one of the leading retail banks in the country; known for providing credit plus service to SMEs."

Russell de Mel, CEO, National Development Bank

II. Small and Medium Enterprises or Banks' Clients

The results of this section are based on a selected sample of 12 small and medium enterprises and hence are only indicative of the direction or nature of results. The small sample size restricts the extrapolation of the results across all enterprises served by these banks. However, these results for the small sample validate the methodology and a replication with a larger sample would yield portfolio/sector-wide assessment.

Access to Finance Supports Sample Small and Medium Enterprises to Record High Growth in Turnover

From 2009 to 2011, the 12 enterprises surveyed almost doubled their turnover from $0.375 million to $0.756 million. The enterprises increased their access to finance by receiving the small and medium enterprise credit line from these banks. This helped them to expand operations and double their total turnover. The results cannot entirely be attributed to increased access to finance as the overall investment climate improved in the post-war period. During the same period, Sri Lanka also witnessed poor macroeconomic conditions due to the global slowdown. While this hurt the turnover of smaller businesses, the improved investment climate had positive effects on the expansion of business operations. A more rigorous estimation of growth in turnover resulting from increased access to finance will require a larger sample and sophisticated estimation techniques such as difference-in-difference estimation[15].

The manufacturing enterprises in the sample survey witnessed the highest increase in turnover. Enterprises in this sector are more associated with lump-sum capital investment than enterprises in tourism or agriculture. The manufacturing enterprises who received financing were able to fund the initial cost of machinery and capital intensive goods, expand operations, and increase turnover. Furthermore, medium sized enterprises realized a higher percentage of growth in turnover compared with small enterprises.

> "Getting a three year leasing facility for $0.96 million in 2009 changed my business model. I was able to buy a vehicle to efficiently transport raw material to the factories, and the goods from my factory to my clients. This reduced my cost of transportation and also allowed me to capture more clients and increase turnover by 85 percent."
>
> A medium sized enterprise in Galle, Sri Lanka

[15] A sophisticated estimation technique that measures the effect of a treatment (in this case increased access to financial services).

Increased Access to Finance Results in More Jobs Created by Small and Medium Enterprises

From 2009 to 2011, the 12 enterprises in the sample created 361 new jobs, of which 88 percent were direct (within the business) and 12 percent indirect (in their supply chains). Of the 361 new jobs created, 122 were for women. Although, the small sample does not allow us to estimate a statistically significant job creation multiple, the results suggest that access to finance allows small and medium enterprises to expand operations, which in turn is associated with job creation. The 2003 Annual Survey of Industries[16] reported similar results; small and medium enterprises created 50 percent of new jobs in the Sri Lankan business sector.

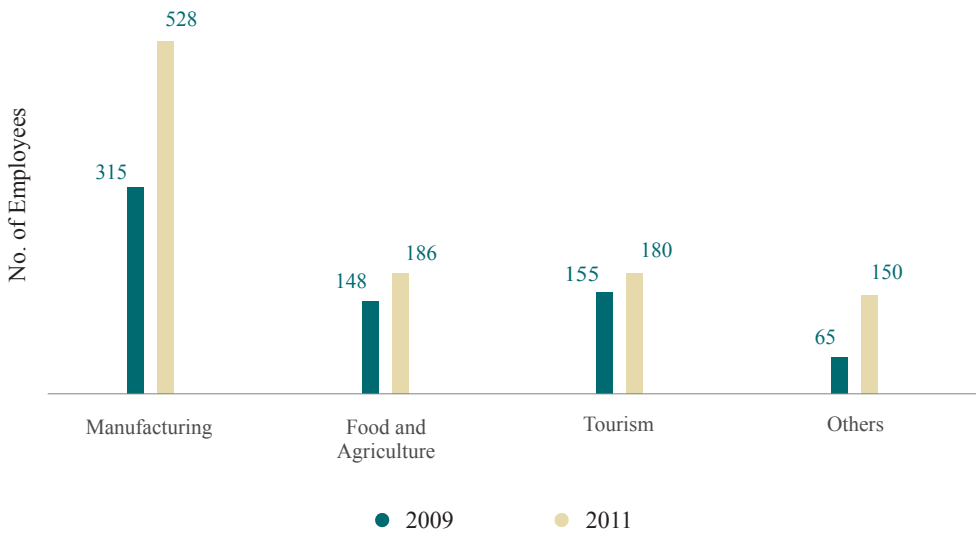

Figure 7: Job Creation in Sample Small and Medium Enterprises

Source: Author's calculation based on field-based interviews

Figure 7 shows that a majority of new jobs were created in the manufacturing sector, thanks to additional financing that helped enterprises to expand operations and hire more people. Additionally, over 90 percent of these were direct jobs. This is similar to the finding of IFC's Jobs Study (2013)[17], which observes that increased productivity and growth result in job creation. This job creation is expected to have a trickle-down effect to help reduce poverty.

Normally, tourism enterprises (hotels and travel agencies amongst others) in the sample prefer to hire temporary workers during peak seasons and keep the number of permanent workers to a minimum to save on labor costs. We found that with increased access to finance, these enterprises hired more permanent workers to expand operations and diversify businesses. For instance, to open more hotels, or to open bakeries within existing hotels, enterprises hired more permanent employees.

Direct employment grew by 16 percent from 2009 to 2011 for the tourism enterprises surveyed. Other studies, including IFC Jobs Study (2013) found that, in general, construction, manufacturing, and agro-processing industries were associated with large indirect employment effects. However, in this study, we found that indirect employment results were limited as suppliers were small, with mostly one or two employees only and a significant number of new jobs were not created over the two years.

[16] Wickremasinghe, S. (2011).

[17] IFC (2013) IFC Jobs Study: *Assessing Private Sector Contributions to Job Creation.*

Benefits of Access to Finance Shared with Suppliers

As reported by the sample enterprises surveyed, in a majority of cases, increased access to finance benefitted suppliers. As the sample enterprises grew in size, they expanded operations which resulted in increased demand for supplier goods. Further, with additional access to finance and increased turnover, they were able to pay their suppliers with minimal or no delays. This resulted in incremental sales for suppliers and enabled them to grow, expand operations and increase their sales. However, since the suppliers were small enterprises who employed approximately one to five employees, the expansion in operations did not result in significant growth in employment.

> "With access to finance, I was able to rapidly expand my business and open a new restaurant and a hotel. The additional raw materials, vegetables, poultry were supplied by my old suppliers who sold more, earned more and grew more."
>
> A medium sized enterprise in Bentota, Sri Lanka

Small and Medium Enterprises Still Face Obstacles - High Interest Rates and Collateral Requirements

Field-based interviews helped determine that some of the traditional obstacles to small and medium enterprises continue to exist, namely high interest rates and strict collateral requirements. The smaller the business, the higher the interest rate charged. Between 2009 and 2011, interest rates for enterprises in the sample were anywhere between eight to 18 percent. Smaller enterprises are more likely to be charged higher interest rates. Additionally, sample enterprises had to provide 100 percent collateral for 70 percent of the loan which limited their ability to raise finances. However, these challenges are consequences of the operations of the financial sector. Macroeconomic uncertainty and ambiguity regarding the credit worthiness of small enterprises result in higher interest rates. Additionally, current limitations on securing movable assets has resulted in property (or immovable) collateral still being the norm. Generally, high risks associated with cash-flow based lending and concerns about the credit worthiness of borrowers lead to higher levels of collateral.

CHAPTER 3

Lessons Learned, Conclusions

Lessons Learned

Significant results coupled with the nature of results validate the robustness of the methodology for this kind of assessment of banks and their smaller business clients. However, the small sample of enterprises used makes the results indicative only.

A replication of the study with a larger sample of small and medium enterprises will enable extrapolation of results across the small and medium enterprise sector served by the banks. A larger sample will also allow robust econometric assessment to estimate the attribution rates of smaller enterprises' development, and job creation effects to the banks. The findings can then be generalized and used as a strategic tool by the banks.

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Photo © Dominic Sansoni / World Bank

This study highlights a number of lessons:

- Shared vision between IFC and partner banks results in a targeted approach to achieve development results. For example, the shared vision led CBC, NDB, and Nations Trust Bank to expand small and medium enterprise operations and provide access to financial services in the frontier areas of Sri Lanka.

- IFC and the three banks are indirectly supporting Sri Lanka's economic growth by enabling financial inclusion in the under-banked areas and providing increased access to finance for small and medium enterprises, which are considered the drivers of economic growth in Sri Lanka.

- IFC and partner banks are supporting the agenda of development by strengthening the banks' capacity to enable smaller enterprises to expand operations and create jobs (in banks and enterprises) and indirect jobs in their supply chain. However, opportunities exist to strengthen IFC's and the banks' systems to capture these results.

- Focused strategies, controlled expansions and good risk management systems enable banks to be at the forefront of the financial sector.

Conclusions

IFC's collaboration with CBC, Nations Trust Bank, and NDB, has helped in growth in overall business, improved credit quality, increased jobs and other benefits. The banks' support to small and medium enterprises, has resulted in growth in operations, increased turnover, and job creation. Although, the study assesses a number of qualitative effects on smaller enterprises, a more detailed analysis with a larger sample size, will help arrive at credible estimates of the magnitude of these impacts.

The banks share IFC's vision of increasing access to finance, especially to those small and medium enterprises operating in frontier regions. This was the driving force behind the banks' business expansion in Sri Lanka's frontier regions and growth in their commercial lending portfolio, particularly to smaller enterprises. This has resulted in the development of Sri Lanka's small and medium enterprises, which has further led to job creation.

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Nations Trust Bank : Saliya Rajakaruna (retired in September 2012), CEO; Dimuth Sigera, Senior Manager, SME Banking; Damith Pallewatte, Chief Manager, Integrated Risk Management and Projects

Small and medium enterprises : All 12 enterprises across the sample.

IFC Staff : Tom Davenport, Regional Director, CSA; Anil Sinha, Head of Advisory services, CSA; Adam Sack, Country Manager, Sri Lanka; Jennifer Isern, Regional Business Line Manager, A2F, CSA; Ayaan Adam, Manager, FM, CSA; Nilesh Srivastava, Head FM Operations, CSA; Inderbir Singh Dhingra, FM, CSA; Cheena Trika, FM, CSA; Ehsanul Azim, FM, CSA; Rathnija Arandara, A2F, CSA and Victor Navaranjan Antonypillai, A2F, CSA.

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International Finance Corporation
Sri Lanka
15th Floor, DHPL Building
42 Nawam Mawatha
Colombo 02
Sri Lanka

Tel: +94 11 5400 100
Fax: +94 11 4795 017

www.ifc.org

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