

**THE SURVEY ON RECOVERY OF LOAN IN  
THE SELECTED WOMEN HEADED  
HOUSEHOLDS UNDER THE UNDP  
PROJECT OF MICRO FINANCE IN ERAVUR**

**PATTU D.S DIVISION**



Eastern University, Sri Lanka  
Faculty of Com. & Mgt.

22 SEP 2006

Department of Commerce

**EASWARADAS LOGESWARAN**

**1039**



FCM1039



Project Report  
Library - EUSL

**DEPARTMENT OF COMMERCE  
FACULTY OF COMMERCE AND MANAGEMENT  
EASTERN UNIVERSITY  
SRI LANKA.**

**2006**

## ABSTRACT

The Micro financing project is a leading concept to eradicate the poverty in the worldwide at the moment. This project provides loan facilities to start income generation business or invest that money in a self-employment. Accordingly beneficiaries are encouraged to earn income, savings and repay the loan. Finally, improve their stranded of living.

In this way, one of the micro finance projects implemented by UNDP through the implementing partner of Keinoma, to uplift women headed families' living standard in five villages (Kaluwankeny, Palacholai, Mavadivembo, Pangudaveli and Iyankeny) at Eravur Pattu D.S Division. There are 213 beneficiaries and they obtained micro credit to start self-employment activities. One of the main problems of this project was their difficulty in repaying the loan on time by beneficiaries. Accordingly, this research is adopts some objectives, in order to solve the problem. Those are finding out causes & strategy to eliminate the causes for the ineffective recovery of loan and suggest the strategy to uplift the efficient and effective repayment activities.

On this basis, four key factors influencing in the recovery of loans are identified as follows. Attitudes, Income level, Institutional support and Claims. Questionnaire was prepared and issued to all those beneficiaries who are involved in this project to obtain research information and personal information. Further, Univariate analysis was used to find out the values for mean, standard deviation and percentage by using variables and sub dimension to evaluate the high, moderate and low contribution levels.

Thus, main variable of attitudes express negative attitudes, income level denotes lower income level and claims shows the dissatisfaction level towards the effective recovery of loan. Likewise, institutional support expresses moderate influence towards the effective recovery of loan. Further, several ways have been suggested as recommendations at the end of the research. Such as, mobilizing people, building trust, control the unnecessary usage of loan, decrease costs of production, building self-confidence, motivating to produce quality of products, making clearance on micro saving and upgrading minimum level of saving amount.

Contents	Page No
Title Pages.....	I
Acknowledgement.....	IV
Abstract.....	V
Abstract [Tamil].....	VI
Contents.....	VII
List of Tables.....	XI
List of Figures.....	XII

## **CHAPTER 01 – INTRODUCTION**

1.1. Background of the Study.....	01
1.2. Problem statement of Research.....	03
1.3. Objectives of the Research.....	05
1.4. Limitations.....	05
1.5. Assumptions.....	05

## **CHAPTER - 02 LITERATURE REVIEW**

2.1. Over View of the United Nations Development Programme.....	06
2.1.1. UNDP's Assistance to Sri Lanka.....	06
2.1.2. Poverty Reduction and Community Development Activities of UNDP.....	07
2.1.3. Some Poverty Reduction Programmes of UNDP in Batticaloa District.....	09

<b>2.2. Micro Finance.....</b>	<b>10</b>
<b>2.2.1. Definition of Micro Finance.....</b>	<b>10</b>
<b>2.2.2. Goal of Micro Finance.....</b>	<b>10</b>
<b>2.2.3. Principles of Micro Finance Programmes.....</b>	<b>11</b>
<b>2.2.4. Why Micro Finance Provide Financial Services.....</b>	<b>12</b>
<b>2.2.5. How Micro Finance Affects local economy.....</b>	<b>12</b>
<b>2.3. Other Definitions of Loan.....</b>	<b>12</b>
<b>2.3.1. Parameters of Loan.....</b>	<b>13</b>
<b>2.3.2. Loan Projection Process.....</b>	<b>15</b>
<b>2.3.3. UNDP's Indicators of Loan Eligibility.....</b>	<b>15</b>
<b>2.4. Recovery of Loan.....</b>	<b>16</b>
<b>2.5. Attitudes.....</b>	<b>16</b>
<b>2.5.1. Attitude Change.....</b>	<b>17</b>
<b>2.5.2. Beliefs.....</b>	<b>18</b>
<b>2.5.3. Values.....</b>	<b>18</b>
<b>2.6. Income Level.....</b>	<b>20</b>
<b>2.6.1. Earned Income.....</b>	<b>21</b>
<b>2.6.2. Marketing Facilities.....</b>	<b>22</b>
<b>2.6.2.1. Marketing Mix.....</b>	<b>22</b>
<b>2.6.3. Risk.....</b>	<b>24</b>
<b>2.6.3.1. Environmental Uncertainty.....</b>	<b>25</b>
<b>2.6.3.2. Social Difficulties.....</b>	<b>25</b>
<b>2.7. Institutional Support.....</b>	<b>26</b>
<b>2.7.1. Motivation.....</b>	<b>27</b>
<b>2.7.1.2. Theories of Motivation.....</b>	<b>27</b>
<b>2.7.2. Monitoring.....</b>	<b>32</b>
<b>2.7.3. Policies &amp; Solidarity Mechanisms.....</b>	<b>32</b>
<b>2.7.3.1. Principles of Good Policy.....</b>	<b>33</b>
<b>2.7.4. Mechanisms about Defining Target Group.....</b>	<b>34</b>

<b>2.7.5. Payment Mechanisms.....</b>	<b>36</b>
<b>2.5. Senior Claims.....</b>	<b>36</b>
<b>2.5.1. Savings.....</b>	<b>36</b>
<b>2.5.1.1. The Benefits of Savings.....</b>	<b>37</b>
<b>2.5.2. Unexpected Expenditures.....</b>	<b>38</b>
<b>2.5.3 Expenses on Education.....</b>	<b>38</b>
<b>2.5.4. Social festivities.....</b>	<b>39</b>
<b>2.5.5. Other Family obligations.....</b>	<b>39</b>

## **CHAPTER 03 CONCEPTUALIZATION & OPERATIONALIZATION**

<b>3.1. Introduction.....</b>	<b>40</b>
<b>3.2. Conceptualization.....</b>	<b>40</b>
<b>3.2.1. Attitudes.....</b>	<b>41</b>
<b>3.2.1.1. Beliefs.....</b>	<b>42</b>
<b>3.2.1.2. Values.....</b>	<b>42</b>
<b>3.2.2. Income Level.....</b>	<b>42</b>
<b>3.2.2.1. Earned Income.....</b>	<b>43</b>
<b>3.2.2.2. Marketing Facilities.....</b>	<b>43</b>
<b>3.2.2.3. Risk.....</b>	<b>43</b>
<b>3.2.3. Institutional Support.....</b>	<b>43</b>
<b>2.3.1. Motivation &amp; Monitoring.....</b>	<b>44</b>
<b>3.2.3.2. Policies &amp; Mechanism.....</b>	<b>44</b>
<b>3.2.4. Claims.....</b>	<b>44</b>
<b>3.2.4.1. Savings.....</b>	<b>45</b>
<b>3.2.4.2. Unexpected Expenditures.....</b>	<b>45</b>
<b>3.2.4.3. Expenses on Education.....</b>	<b>45</b>
<b>3.2.4.4. Social Festivities.....</b>	<b>45</b>

3.2.4.5. Other Family Obligations.....	46
3.3. Operationalization.....	46

## CHAPTER - 04 METHODOLOGY

4.1. Introduction.....	50
4.2. Data and Data Collection.....	50
4.3. Questionnaire Design.....	51
4.4. Targeted Population and Sample Size.....	52
4.5. Data Presentation.....	52
4.6. Data Analysis.....	52
4.7. Method of Evaluation.....	53

## CHAPTER 05 DATA PRESENTATION AND DATA ANALYSIS

5.1. Introduction.....	55
5.2. Personal Information.....	55
5.2.1. Living Place.....	55
5.2.2. Age Limit.....	56
5.2.3. Civil Status.....	56
5.2.4. Detail of the Spouse.....	57
5.2.5. Family Size.....	57
5.2.6 Self-Employment.....	58
5.2.7. Purpose for Involving in Self-Employment.....	58
5.2.8. Educational Level.....	59
5.2.9. Level of Income.....	59
5.2.10. 1 <sup>st</sup> Issue of Loan.....	60
5.2.11. Repayments of Loan in 1 <sup>st</sup> Issue.....	61
5.2.12. 2 <sup>nd</sup> Issue of Loan.....	61
5.2.13. Repayments of Loan in 2 <sup>nd</sup> Issue.....	62

<b>5.3. Research Information .....</b>	<b>62</b>
<b>5.3.1. Attitudes.....</b>	<b>62</b>
<b>5.3.2. Income Level.....</b>	<b>65</b>
<b>5.3.3. Institutional Support.....</b>	<b>67</b>
<b>5.3.4. Claims .....</b>	<b>70</b>

**CHAPTER 06      DISCUSSION, CONCLUSION &  
RECOMMENDATION**

<b>6.1.</b>	
<b>Attitudes.....</b>	<b>73</b>
<b>6.2. Income Levels.....</b>	<b>76</b>
<b>6.3. Institutional Support.....</b>	<b>80</b>
<b>6.4. Claims .....</b>	<b>83</b>
 <b>REFERENCES.....</b>	 <b>86</b>
 <b>APPENDIX-I.....</b>	 <b>88</b>