

# Responsible Finance



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Born out of the cooperative movement which strives for overall sustainable development of communities, the SANASA Development Bank (SDBL) is a financial institution with a unique vision. The bank's strategic approach to financing stems from the principle that challenges are best met collectively and that such an approach adds value to individual effort. Samandanie Kiriwandeniya, Chairperson of SANASA Development Bank speaks about the bank's initiative to spread financial literacy amongst Sri Lankan communities while bestowing special attention on youth and women as well as empowering youth to engage in development initiatives that will lead them to become successful individuals and ultimately to all-inclusive sustainable development.

By Chamindra Warusawitharane | Photography Damith Wickramasinghe

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### **As a Bank as well as a movement SANASA has a considerable history. Can you talk about the journey so far?**

The SANASA Movement, which consists of 8400 registered thrift and credit cooperative societies, has been grappling with poverty and community development issues for almost 35 years. The SANASA Development Bank was built in 1997 by this movement with the capital of cooperative societies in order to enhance the role we played in poverty alleviation and to engage in a more effective manner with the decision makers and policy makers to bargain for better spaces for those who are excluded from the formal financial services.

Perhaps it would be good to locate SANASA Development Bank within the overall banking industry. In Sri Lanka there are two dominant banking types; private banks and state banks. State banks were formed by the capital of the state while a few individuals or a few corporate entities own the private banks. SANASA Development Bank does not belong to either category. It is not a state bank since state has no ownership, but it does not fit into the category of private banks either, given its wide ownership structure. We have about 65, 000 shareholders, and the bank was formed with the capital collected by a cooperative movement that consisted of a nearly one million member base, a membership that believes in the cooperative philosophy. In this sense SANASA is a unique bank. I would introduce SANASA as a

true bank of the people.

It is a bank whose identity is a product of the evolution of the SANASA Movement and its bottom-up development approach. The cooperative model was introduced by the British in 1906 for a specific purpose, but persisted with very limited functions. The movement was revitalised under the leadership of my father, in the late 1970s. This was at a time when the country's economy was opening up under a policy regime that privileged markets. We were opening up to the market economy in monetary terms even as a large number of Sri Lankan communities lived in villages and lacked the monetary capacities to bargain, and to position themselves strongly and operate effectively in the new market environment. We needed a bank.

When the Bank came into being there were just five branches. Today we have 87 branches and a staff of 900 employees. We have a total asset base of approximately Rs 17 billion in value, but we have not veered from our mission.

**The SANASA Development Bank is a unique bank. You cater to needs of individuals across different segments of the economy. Can you elaborate on this?**

The bank's as well as the SANASA movement's mission is poverty alleviation. In this regard we need to engage with different types of economies and different types of people as well as structures. Our model, while enhancing the individual life chances, locates strategies within the larger issue of appropriateness to the collective or the community. We promote people based sustainable development products with environmentally friendly approaches. In line with our overall approach we tend to recruit people from the areas that we serve in. For example, when we go to the Northern and Eastern provinces, we recruit people with a deep understanding of the relevant communities and who can relate to the people they serve. In addition to looking at the technical and academic qualifications or 'conventional professional qualifications', we take into account the capacity of a person to actually commit to the society and derive job satisfaction in doing so.

**The SANASA Movement Was Developed To Cater To That Need Where People Could Accumulate Their Capital As A Bargaining Tool.**

The SANASA movement was developed to ensure that communities and individuals accumulate capital as a bargaining tool. Naturally, individuals with very limited

amounts of money found it difficult to bargain with those who had the backing of corporate capital at that time. Commercial operations in the urban sector had come together, mobilised and consolidated their capital to negotiate in an organised and coordinated manner. We operated in this way for 20 years before the bank was formed to help people engage effectively and secure meaningful benefits in development processes and bring back the money that was getting concentrated in the city.

During this process we realised that the SANASA brand was acquiring currency in the general public imagination. The people that we attract to the bank are the people who are from bottom of the pyramid and we have succeed in developing a very strong micro finance arm in the bank. In addition, we of course offer leasing products, pawning products and housing loans and other products and services, which most of our customers cannot obtain from our competitors for a multitude of reasons. Thus, although we operate like any other development bank, our edge lies in the fact that we have the know-how and mechanism to reach out to poor people and delivering results.

**Your policies are home made. Can you explain how they align with national development?**

We operate on a cooperative platform with fidelity to seven internationally recognised cooperative principles. We are committed to meaningful wealth distribution and a harmonious society. We continuously evaluate all our policies including credit policies, fund collection policies, outreach policies and human resources policy. We believe that even if an overall policy regime privileges private sector driven processes, there has to be synergy between the private sector and the public sector. Similarly, to the extent that 'people' are absent or are 'absented' in these processes, mechanisms have to be developed to bring them back into the equation. At the operational level we complement state programmes and our initiatives are informed to a considerable extent by broader national development goals and programmes as long as our mission and vision are not compromised. Our overall operational model is one where we privilege spaces where a greater degree of synergy is possible between people, private and public spheres.

**Can you describe the nature of your financial products and services and how they reflect your overall vision?**

We approach our customers as individuals. We see relationship banking in terms of

not only looking into financial products but also taking into consideration non-financial aspects, which are part and parcel of the products and services we offer. For example, we work with women and youth who face challenges in dealing with the financial sector due to limited exposure and experience in negotiating and commerce.

We have developed two very strong credit plus components. Basically, our credit products go hand in hand with relevant training programmes, especially when it comes to improving financial literacy. For example there is a high risk of first time borrowers failing in their ventures, so we provide guidance to mitigate this risk. The bank therefore plays a role that goes beyond technical service provision to encompass financial education provision.

### **Can you talk about SDBL's role in the country's current economic journey?**

The current economic environment is a golden opportunity if people are able to recognise potentials and embrace them. We have one county and if you look at the demographic composition of the country it can be said that we also have a demographic bonus; that is, the biggest productive workforce in our history. As a small economy we are subject to all kinds of controls and constraints imposed by the wider global world economy but still, as banks, we definitely have a role to play. If you look at other countries there are banks that actually lead the process, whereas in Sri Lanka political parties and the political processes tend to drive economic processes with economists and bankers play accordingly.

Bankers and financial actors could be more proactive in moulding economic growth. Therefore getting involved in policy making rather than implementing policies is important. That is the overall role that the banker should be playing. We are a small bank but nevertheless one which is backed by the largest social movement in the country. We have a ten year strategic plan in place. We are committed to making a visible impact on five thousand villages. In addition to that we have more community based divisional level planning processes that we are implementing.

### **We Are A Unique Bank. We Have Been Formed By The People And The Uniqueness Comes From That Aspect.**

We are currently implementing 43 projects that we have designed and developed with the collaboration of approximately 6,000 village level representatives, i.e. leaders at every regional level and district level. We developed this in 2007 and it

will continue until 2017. Whenever possible we partner with state economic programmes for example initiatives such as Divi Neguma and Gama Neguma. We have our own processes which can give these programmes a great fillip at the village level. We believe that this is where our strengths can complement these national development programmes. We are also strongly committed to youth as well as women, for whom we have specific and comprehensive programmes.

**Javaya Social Star is one such initiative by SDBL that reaches out to the youth in Sri Lanka. Can you talk about that?**

Javaya is a banking product we introduced to increase financial literacy amongst the youth. This programme not only prepares youth to enter the SME sector, but empowers them to play a leading role in the Sri Lankan economy in the coming decade. Javaya Social Star is an extension of this product. Youth between the ages of 18 years to 35 years, covering all 25 districts of Sri Lanka qualify for the Javaya social stars reality show. Each team should consist of at least ten young persons, and each team should be responsible for at least one development programme from each Grama Niladhari division. The competing teams are required to identify a development issue in their respective districts and initiate a successful, effective, practical and creative development programme to address the said issue. Either that or they could breathe life into an arrested development programme by recreating it in a practical and a creative manner. The teams should complete the programmes during the time period of August 1, 2012 to January 31, 2013. The bank holds one day workshops to provide necessary guidance to the teams. A panel of expert judges will select the winning district, provincial and national teams while an SMS voting procedure will select the most popular team.

**Any concluding thoughts?**

We are a unique bank. We have been formed by the people and this is our uniqueness and our strength. From its inception the bank has demonstrated a steady growth in all areas. The uniqueness of SANASA Development Bank and the fact that the bank is recognised as an innovator and an effective stimulator of development internationally stems from this fact. Javaya, the youth product mentioned earlier, is also something that is unique to the sector. It was introduced at a time when no bank was ready to touch youth. SDBL has targets that go beyond financial impact. We are a development oriented financial institution and we are reaching out to and working with the informal youth sector. We already have 29,000 new youth accounts. We have a solid savings base into which we are actively

infusing financial plus activities. We are promoting financial literacy in all regions by partnering with City Bank, IFC and various other organisations. In addition to that we have launched the Social Star reality show which is basically a reinvigorating process that sparks and strengthens leadership in individual communities.

