Policy research to Identify Appropriate Financial Support System(s) for Farmer Producer Organizations/Farmer Companies of the smallholder sector

Final Report

Submitted to

Agriculture Sector Modernization Project [ASMP]
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EXECUTIVE SUMMARY

This report presents the findings of a policy research study commissioned by the Agriculture Sector Modernization Project (ASMP) under the Ministry of Agriculture and Plantation Industries to assess and recommend appropriate financial support systems for Farmer Producer Organizations (FPOs) and Farmer Companies (FCs) operating in Sri Lanka's smallholder agriculture sector.

The Agriculture Sector Modernization Project (ASMP) in Sri Lanka, initiated in 2017, seeks to enhance agricultural productivity, improve market access, and support value addition for smallholder farmers. Despite these efforts, access to financial support remains a significant challenge for smallholder farmers and their organizations due to financial institutions' reluctance to lend to the agricultural sector, citing risks, lack of collateral, and unpredictable returns. Smallholder farmers often struggle with financial constraints, which prevent them from adopting modern agricultural technologies, improving infrastructure, and expanding market reach. Without access to adequate financing, many farmer organizations remain stagnant, unable to compete effectively or sustain long-term growth.

This policy study aimed to assess the existing financial support mechanisms and recommend viable financial models suited for Sri Lankan smallholder farmers and Farmer Producer Organizations (FPOs). The research employed a mixed-methods approach, combining desk research, field surveys, key informant interviews, and comprehensive data analysis. The findings reveal that Public Unlisted Companies (PUCs), despite offering structured governance, face significant financial literacy challenges among their members, leading to reliance on informal financial markets. Many farmers and PUCs perceive formal banking institutions as bureaucratic and difficult to access, resulting in hesitancy to engage with structured financial systems. Furthermore, while banks and microfinance institutions offer a variety of financial products for agriculture, these products are often inaccessible due to stringent eligibility requirements, high collateral demands, and a general lack of awareness among farmers. However, some government-backed schemes, such as Sarusara Loans and ADB-supported credit programs, provide lower interest rates and more flexible terms, making them more attractive for agricultural stakeholders.

The study underscores the urgent need for financial literacy programs tailored to smallholder farmers and PUC members to enhance their understanding of credit management, loan application processes, and long-term financial planning. Risk mitigation strategies, including crop insurance and flexible repayment structures, are essential to protecting farmers from economic shocks and enabling them to sustain their operations. Additionally, financial institutions should develop more customized financial products suited to the unique needs of smallholder farmers, including low-interest loans, revolving credit facilities, and cooperative-based lending models.

Strengthening partnerships between FPOs, financial institutions, and policymakers is critical in bridging the financing gap. Collaborative efforts between government agencies, private banks, and donor organizations could create a more supportive financial environment for farmers, ensuring that credit facilities are not only available but also easily accessible. Key recommendations include launching targeted financial education initiatives, introducing risk-sharing mechanisms to incentivize lending to the agricultural sector, expanding government-subsidized credit programs, and implementing policy reforms to simplify loan application procedures and remove bureaucratic barriers. Additionally, leveraging digital financial services, such as mobile banking and blockchain-based credit tracking, could enhance financial inclusion for remote farming communities.

Ultimately, achieving financial sustainability for FPOs and smallholder farmers requires a holistic approach that integrates financial literacy, institutional support, and innovative financing solutions. By fostering an ecosystem where smallholder farmers can access capital, mitigate financial risks, and adopt modern agricultural practices, Sri Lanka's agricultural sector can achieve long-term resilience, competitiveness, and inclusive economic growth.

INTRODUCTION

Background of the ASMP

The Agriculture Sector Modernization Project (ASMP) has been implemented in Sri Lanka since 2017 with the Project Development Objectives (PDO) supporting increasing agriculture productivity, improving market access, and enhancing value addition of smallholder farmers and agribusinesses in the project areas. The project is implemented under three components mentioned below.

The Component 1: Agriculture Value Chain Development, seeks to promote commercial and export-oriented agriculture.

Component 2: Supporting smallholder farmers to produce competitive and marketable commodities, improve their ability to respond to market requirements, and move towards increased commercialization.

Component-3 Human resource management, and capacity building, logistic requirements, monitoring and evaluation, communication, and coordination of the overall Project

Implementation of component 2 undertaken by the Ministry of Agriculture, started in the year 2017 with the funding of WB, USD 64.23 Mn to implement the project in 7 districts (Jaffna, Mullative, Anuradhapura, Polonnaruwa, Batticaloa, Monaragala and Matale) of five provinces namely Northern, North Central, Eastern, Uva and Central. In the year 2021, component 2 was further supported with co-financing from the European Union, USD 23.3 Mn, to implement the same project concept in 5 additional districts (Kilinochchi, Vavuniya, Ampara, Badulla, and Kandy) in the same provinces selected before. Component 2 has four subcomponents respectively:

a. Farmer training and capacity building
b. Agriculture Technology Demonstration Parks (ATDPs)
c. Production and Market Infrastructure and
d. Analytical and Policy Advisory Support

The project is managed and implemented under the Ministry of Agriculture and Plantation Industries, the Project Management Unit (PMU) of the ASMP located in Colombo, together with the Provincial Project Management Units (PPMUs) with the support and guidance of the Provincial Ministries of Agriculture and other relevant stakeholders in project implementing provinces.

The Project is technically steered and monitored by the National Project Steering Committee, headed by the Secretary to the Ministry of Agriculture and Plantation Industries. Respective Provincial Steering Committees are headed by the Chief Secretary of each Province.

The underlying consultancy service is requested under the sub-component d, where related policy studies as well as required analytical studies are to be carried out. In addition, conducting certain related assessments /evaluations, organizing Techno Forums, Policy Forums, and formulation of Policy / Strategy briefs /guidelines will be carried out.

Background of the proposed policy study

Financing is a critical barrier for smallholder farmers in Sri Lanka to access new technology and other inputs that they need to increase crop yields and income. Smallholder farmers themselves are largely outside the formal economic sector as they frequently do not have the means—e.g., collateral—to secure loans or other financial support.

In order to overcome these limitations with smallholder farmers and to empower them, ASMP has trained project beneficiary farmers to establish and operate Farmer Producer Organizations/ Farmer Companies that can have better access to capital through formal sources.

Lack of access to finance is one of the main constraints still faced by the Farmer Producer Organizations (FPOs) /Farmer Companies (FCs) when providing economic services for their members, as there is a reluctance by financial institutions to extend lending to the agriculture sector and farmer-based organizations (FBOs). An in-depth analysis is proposed to identify appropriate financial support system(s) that local financial institutes can offer to Smallholder farmers, Farmer Producer Organizations/Farmer Companies.

The Scope

Policy research in Financial support systems should focus on identifying appropriate financing model(s) to ensure the primary investment needs of smallholder farmers, primary and medium-term financing of economic services by FPOs/FCs for beneficiary shareholder farmers to improve the income and profitability of smallholder farmers and to support integrated business models of FPOs/FCs to ensure profitability and sustainability of FPOs/FCs by financing value chains of identified crop sectors such as fruits, vegetable, and other crop sectors.

Objectives of the policy study

The objective of this assignment is to analyze the different types of financial support systems implemented by the financial institutions in Sri Lanka and other countries in the region to support smallholder farmers, farmer producer organizations/farmer companies, and to identify the most appropriate model(s) under the Sri Lankan context.

Such financial support systems should be targeted to meet the investment needs of smallholder farmers, Farmer Producer organizations/Farmer Companies for improvement of the agriculture production system and the crop value chain development, specifically for the crop value chains in fruits, vegetables, pulses, and spices, which are perishables and climate-sensitive.

Tasks of the assignment

Task 01: A detailed analysis of different financial support systems implemented by different financial institutions in Sri Lanka and the regional countries targeting Smallholder farmers, Farmer Groups/ Farmer Producer Organizations / Farmer Companies of smallholder farmers.

Task 02: Detailed analysis of specific requirements/conditions included in such financing systems, and advantages and disadvantages of such financing systems.

Task 03: Recommend appropriate financial support system(s) for smallholder farmers, farmer groups/ Farmer Producer Organizations / Farmer Companies, which could be implemented by the local financial Institutions.

Task 04: Detailed analysis of Policy/Legal and Institutional requirements to facilitate such financing systems and identify any knowledge gaps, and policy /regulatory changes required to implement such financing systems in the Sri Lankan context.

Task 05: Recommend appropriate policy instruments that the Government could use to implement proposed changes.

METHODOLOGY

Approach

The proposed research employed a mixed-methods approach, combining qualitative and quantitative techniques to gather comprehensive data and insights. The technical approach methodology included the following steps:

A. Desk research: Reviewing available project documents, policy documents, and all types of documents available at financial institutions, both locally and regionally, and the Central Bank of Sri Lanka.
B. Field research: This was done with the aim of collecting primary data to evaluate the financial products introduced by the ASMP and other available financial products tailored to smallholder farmers and farmer organizations/ farmer producer groups/ farmer companies offered by different financial institutions

The desk research

Based on the scope of this consultancy assignment, key research questions that we focused on during the desk research are outlined as follows

- What are the existing financial support systems for smallholder farmers and FPOs in Sri Lanka and other countries in the region?
- What are the strengths and weaknesses of each financial support system?
- How do financial support systems in other countries compare with those in Sri Lanka?
- Which financial models are the most suitable and scalable for smallholder farmers and FPOs in Sri Lanka?
- How does the existing policy setup support these financial models, and what improvements are needed?

Data sources

The following data sources were reviewed, depending on the availability and accessibility

Academic Journals and Research Papers: Review of academic literature related to financial support systems for smallholder farmers and FPOs.

Government Reports and Policy Documents: Examination of reports from Sri Lankan and regional governments on agricultural finance, credit programs, and financial inclusion strategies. Relevant reports available at the Ministry of Finance and the Central Bank of Sri Lanka were considered. All documents on rural financing available at ASMP PMU were also reviewed for accessibility to the research team.

Financial Institutions' Reports: Review of product descriptions, annual reports, and case studies from banks, microfinance institutions, and cooperatives offering financial services to smallholder farmers.

International Development Agency Reports: Analysis of reports from organizations such as the World Bank, Asian Development Bank, IFAD, and FAO, which document financial inclusion efforts and rural development programs.

Case Studies and Best Practices: Review of case studies from countries like India, Bangladesh, and Vietnam, focusing on successful financial models for supporting smallholder farmers and FPOs.

News and Media: Collect data from credible news outlets reporting on the challenges, innovations, and success stories in agricultural financing.

Analytical framework

We evaluated existing financial support models tailored to smallholder farmers/ community-based organizations/ FPGs/ farmer companies and policy support based on the following key criteria outlined in Table 01.

Table 01. Key criteria used in the analytical framework of the desk research

Key criteria	Aspects investigate
Accessibility	Physical proximity, eligibility criteria, and financial literacy support.
Affordability	Interest rates, fees, subsidies, and government support.
Product Suitability	Range of financial products tailored to agriculture.
Risk Mitigation	Availability of insurance and alternative collateral options.
Impact	Income improvement, inclusion of smallholder farmers, capacity building, gender, and youth inclusion.
Sustainability	The long-term viability of financial institutions and farmer benefits.
Scalability	Potential for replication and scalability within Sri Lanka.

Field research

We carried out the field research to further understand and identify a suitable financing modality tailormade for smallholder farmers/ FPGs/ Farmer companies, leading to appropriate policy recommendations meeting Tasks 2 – 5 of the consultancy assignment. We have collected primary data from various stakeholders using different data collection instruments given in Table 02

Table 02. Data collection instruments used in the field research

Stakeholder	Data collection instrument	Sampling
ASMP	KIIs/ FGDs	All relevant officials, Purposive sampling
Membership of FPGs/ farmers working with ASMP	Questionnaire survey	150 – 200 farmers, Stratified random sampling,
Officials of FPGs/ Farmer companies	FGD/ KIIs, case studies	10 – 15 FGDs/ KIIs, Snowball sampling, at least two case studies
Commercial banks	KIIs	All banks worked with ASMP
Central bank	KIIs	Relevant officials on banking and rural credit facilities

Ministry of Finance	KIIs	Relevant officials on banking and rural credit facilities
Microfinance institutes and corporate	KIIs	All such institutes
Crop insurance-related institutions	KIIs	At least two such institutions, Snowball sampling

Key aspects covered in data collection

Data collection was carried out based on the evaluation criteria given in the following table. All questions used in all types of data collection instruments directed to different stakeholders were based on the following evaluation criteria outlined in Table 03.

Table 03. Evaluation criteria and indicators used with different data collection tools

Evaluation Criteria	Indicators
1. Accessibility	
1.1 Physical Accessibility	- Proximity of financial institutions to smallholder farmers and FPOs. - Availability of mobile banking or agent networks.
1.2 Eligibility Criteria	- Simplicity of eligibility requirements (e.g., collateral, credit history). - Inclusion of marginalized farmers (e.g., women, youth, landless).
1.3 Financial Literacy Support	- Availability of financial literacy programs to help farmers understand and access financial services.
2. Affordability	
2.1 Interest Rates and Fees	- Interest rates on loans relative to national averages. - Additional fees (e.g., transaction fees, insurance premiums).
2.2 Subsidies and Government Support	- Availability of government subsidies or interest rate relief. - Extent of government-supported credit programs.
3. Appropriateness of Financial Products	
3.1 Product Suitability for Agricultural Needs	- Availability of specialized agricultural credit (e.g., seasonal loans, input financing). - Crop or livestock-specific financial products.
3.2 Product Range	- Variety of financial products available (loans, insurance, savings, investment). - Flexibility in loan terms (duration, repayment schedules).
4. Risk Mitigation and Security	
4.1 Collateral Requirements	- Type and amount of collateral required. - Alternative forms of collateral (e.g., group guarantees, land titles).
4.2 Risk-Sharing Mechanisms	- Existence of risk-sharing mechanisms (e.g., loan guarantees, insurance).

	- Partnerships with government or international agencies for risk-sharing.
4.3 Insurance Coverage	- Availability of agricultural insurance (crop, livestock, weather-indexed). - Affordability and comprehensiveness of insurance products.
5. Impact on Smallholder Farmers and FPOs	
5.1 Income Improvement	- Impact of financial support on farm income. - Increase in productivity or yields due to access to finance.
5.2 Inclusion of FPOs and Smallholder Farmers	- Number of smallholder farmers and FPOs reached by the financial support system. - Coverage of vulnerable groups (e.g., women, youth).
5.3 Capacity Building	- Impact of financial support systems on the financial and operational capacity of FPOs and smallholder farmers. - Availability of business training.
6. Sustainability	
6.1 Financial Viability of Institutions	- Profitability and sustainability of financial institutions offering products to smallholder farmers and FPOs.
6.2 Long-Term Farmer Benefits	- Long-term impact of financial products on farmer resilience and ability to repay loans.
7. Scalability and Replicability	
7.1 Ease of Replication	- Potential for replicating the financial support model in other regions. - Scalability of the financial products to reach a wider population of farmers.
7.2 Government and Donor Support	- Level of support from government or donor agencies to scale financial support programs.

Field testing and Enumerator training:

All data collection instruments were field tested by the consultants using a small sample of stallholders subjected to all interventions of the ASMO. All enumerators were adequately trained in data collection, and field questionnaires were daily inspected for their errors and reliability by the field supervisors and the consultants. Actions were taken to correct if there were mistakes an unreliable information found.

Triangulation:

The information collected through all instruments of data collection was further checked for its reliability through triangulation. Questions for verification of different information were included in all instruments of data collection

Data analysis

Both qualitative and quantitative analyses were carried out to achieve the objectives of the study, and the details are given in the data analysis matrix illustrated in Table 04.

Table 04. Data analysis matrix

Type of data	Method of data analysis	Analytical tools
Numeric data	Descriptive and inferential statistical data analysis leading to financial and policy inferences	Graphical and numerical summary measures, Exploratory data analysis, Parametric, non-parametric data analysis methods (tests of mean/ median comparisons, correlation, regression, chi-square, etc.)
Textual data (written or recorded data)	Textual analysis	Text Mining, Content Analysis, Thematic Coding, Narratives, and Political & Economic Analysis
Visual data	Textual analysis	Content Analysis, Narratives and Political & Economic Analysis.

Some snapshots taken during data collection process

Meeting director board, and workers in Rajanganaya Banan A-Park LTD

Meeting shareholders (producer farmers) of Rajanganaya Banan A-Park LTD

Meeting Sigiri Guava LTD, executive committee members, board of directors, and PUC staff

Meeting shareholders (producer farmers) of Sigiri Guava LTD

Meeting executive committee members, board of directors, and PUC staff of Cylon Rangiri Agro Products LTD.

Meeting shareholders (producer farmers) of Cylon Rangiri Agro Products LTD

Meeting executive committee members, board of directors, PUC staff, and shareholders (Producers farmers) of Lak Golden Mango LTD.

RESULTS OF THE STUDY

Structure of the PUC and its Legal status of PUCs for receiving credit facilities

The PUCs established under ASMP as limited liability companies under the Companies Act No. 7 of 2007. This legal framework defines their structure, operations, and eligibility to access formal financial markets for loans, credit facilities, and other financial assistance.

Legal Framework

PUCs are incorporated as Public Limited Companies under the Companies Act No. 7 of 2007, which governs the registration, operation, and regulatory compliance of all companies in Sri Lanka. Under this act, a Public Unlisted Company is a company:

- That can offer shares to the public but does not trade on the Colombo Stock Exchange (CSE).
- With limited liability, meaning shareholders' liability is limited to the value of their shares.
- Required to file annual returns and financial statements with the Registrar of Companies.

Eligibility for Financial Assistance

Being legally recognized under the Companies Act allows PUCs to access formal financial markets, including commercial banks, development banks, microfinance institutions, and government credit programs. Their legal status provides the following avenues:

Access to Commercial Loans: PUCs can apply for working capital, investment loans, and business expansion credit from commercial banks. Requires financial records, business plans, and collateral for loan approval.

Eligibility for Government Credit Schemes: Access to agriculture-focused credit programs facilitated by the Central Bank of Sri Lanka and government-backed projects.

Public-Private Partnerships (PPPs): PUCs can collaborate with private-sector actors and international donors to secure financing for value chain improvements.

Issuing Corporate Bonds and Shares: PUCs may issue shares to specific investors (not through public listing) to raise capital.

During the study we evaluated the status of the organizational structure of PUCs which is depicted in Figure 01. As depicted in Figure 01, the PUC is governed by a five-member board of directors (Chairman, Secretary, and 3 board members), which is elected from the executive committee. The executive committee is elected at the AGM, which usually meets annually. All shareholders (mostly all of them beneficiary farmers) will attend the AGM. The size of the executive committee depends on the total number of shareholders. The sample mean shareholders of a PUC was reported as 254 with a sample standard deviation of 99. Size of the Executive committee depend on the size of membership which the mean size was reported as 23 with a standard deviation of 3. Mostly the size of BOD confined into 5-member panel. At least there were two officers were employed in a PUC which is significantly different from the PUC modality introduced by the ASMP. Number of workers occupied in PUCs varied depending on the business based on value addition. Further distribution of the membership of PUCs is depicted in Figure 02 a. Figure 02 b depicts the empirical distribution of the size of executive committee, board of directors, employes of PUD and the workers attached to PUC.

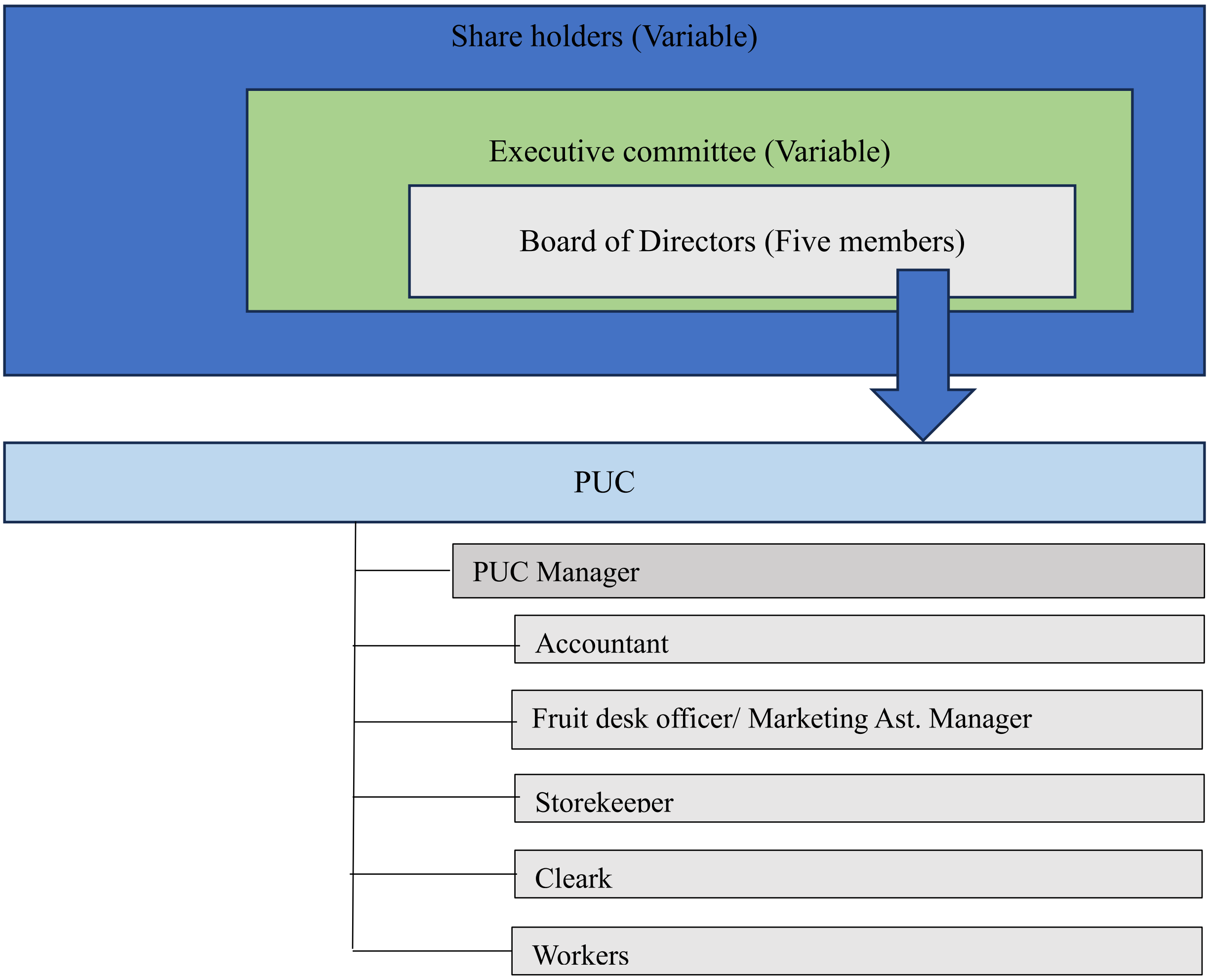


Figure 01. The typical organizational structure proposed by the ASMP

As depicted in Figure 01, the PUC is governed by a five-member board of directors (Chairman, Secretary, and 3 board members), which is elected from the executive committee. The executive committee is elected at the AGM, which usually meets annually. All shareholders (mostly all of them beneficiary farmers) will attend the AGM. The size of the executive committee depends on the total number of shareholders. The sample mean shareholders of a PUC was reported as 254 with a sample standard deviation of 99.

Table 05. Summary measures of a number of shareholders, size of the exco. Size of BOD, number of officers in a PUC, and number of workers

Variable	N*	Mean	SE Mean	StDev	CoefVar	Minimum	Median	Maximum
No of Shareholders	1	275	26.9	111.0	40.3	85	259	570
Size of Exco.	1	23	3.0	12.5	53.4	6	20	50
Size of BOD	1	5	0.2	1.0	19.4	3	5	7
No of officers in PUC	1	2	0.6	2.6	107.2	1	2	12
No of Workers	8	7	3.8	12.2	164.3	1	1.5	40

The Age distribution and education profiles of the board of directors who lead the PUCs are depicted in Figure 03. Age distribution of PUC management is more or less symmetric that signifies the youth inclusion in PUC management is substantial. Estimated Male and female percentages of PUC management is respectively 70% and 30%. We noticed that some of the persons involved in PUC management has graduate level education while most of them have at least above GCE(O/L) qualification.

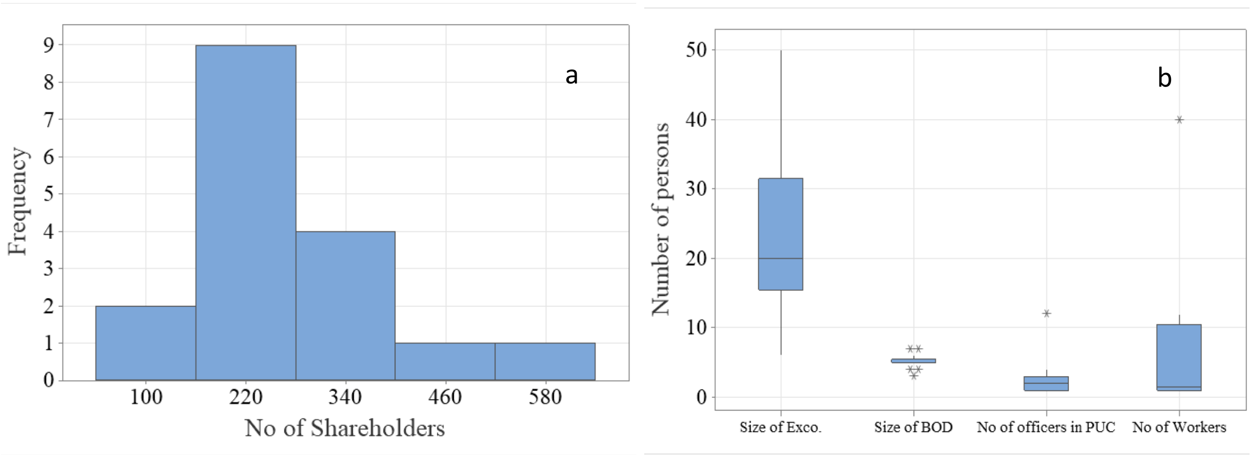


Figure 02. a – The histograms of the number of PUC shareholders, b – Boxplots of the size of the executive committee, the size of the BOD, the number of officers occupied in PUC, and the number of workers of PUC

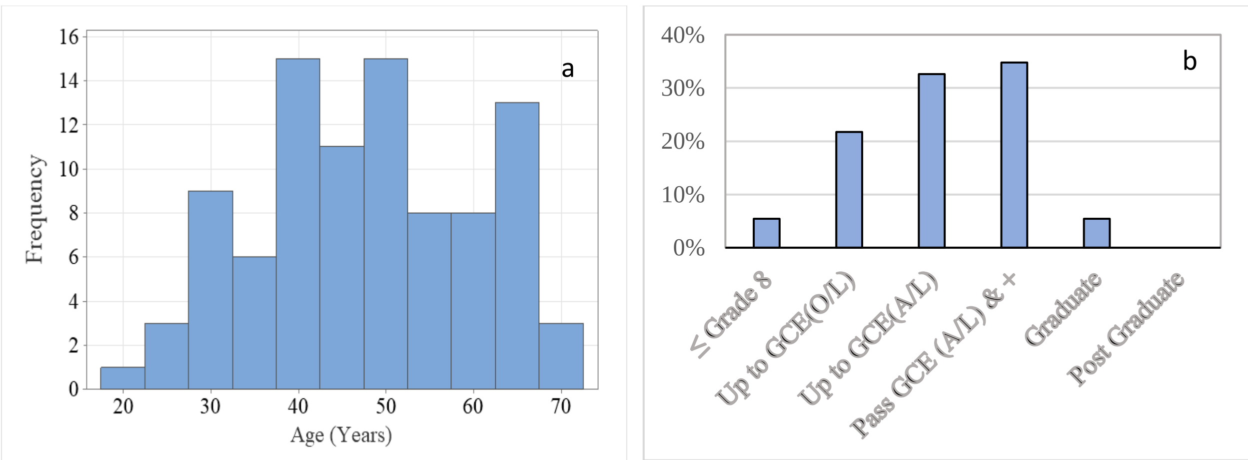


Figure 03. Age distribution and education profile of the PUC management

The age distribution and the education status of PUC membership is depicted in Figure 04. Based on the age distribution it can be seen that youth inclusion in PUC membership is substantially low which is apparent in the country's agriculture sector. The education status of the PUC membership is substantially low. Of the PUC membership, 60% is Male and 40% is Female.

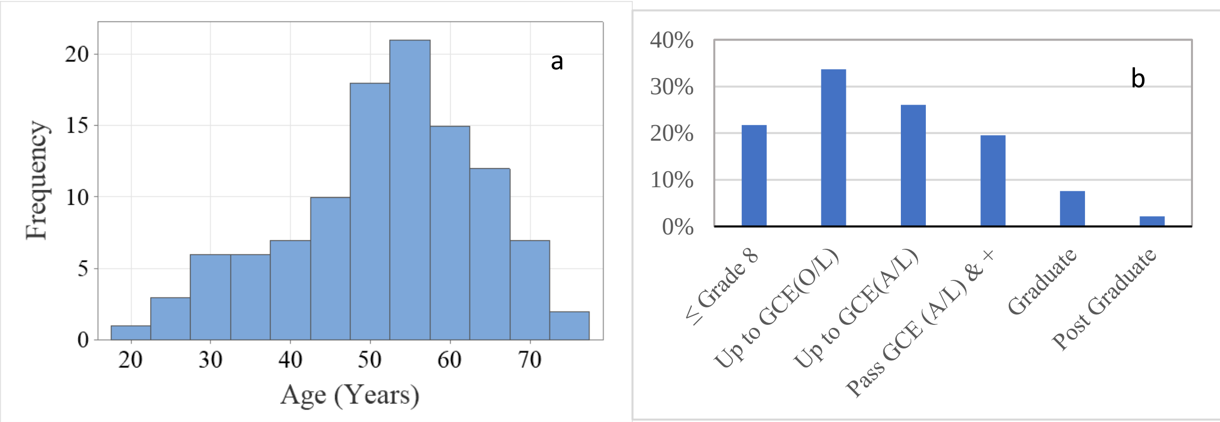


Figure 4. Age distribution and the education status of PUC membership

Assists and the financial status of the company

Table 06. Summary statistics of Fixed assets, Variable assets, FD balance, and current Bank balance of a PUC

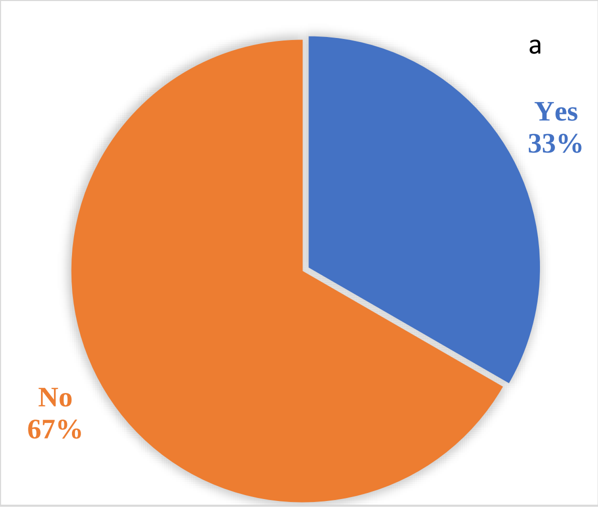
Variable	Fixed assets	Current assets	FD amount	Bank balance
Mean	21,515,761.00	5,463,575.00	2,036,107.00	2,659,098.00
SE Mean	5,091,080.00	5,034,713.00	674,644.00	376,303.00
StDev	12,470,548.00	11,257,961.00	1,652,533.00	1,407,997.00
CV%	57.96	206.05	81.16	52.95
Minimum	8,600,460.00	201,744.00	1,000,000.00	10,000.00
Median	19,753,223.00	594,163.00	1,243,537.00	2,682,773.00
Maximum	37,381,150.00	25,600,000.00	5,250,000.00	6,112,583.00
N*	12	13	12	4

N* - Missing data out of the total number of data points

The average value of fixed assets owned by Farmer Producer Organizations (FPOs) and Farmer Companies (FCs) operating in Sri Lanka's smallholder agriculture sector, under the Agriculture Sector Modernization Project (ASMP), is estimated at Rs. 21,515,761.00. Their average current assets stand at Rs. 5,463,575.00. However, determining their total liabilities proved challenging, as these FCs do not engage in significant credit transactions. Discussions with FCs revealed that they typically purchase agricultural products from their member farmers on credit and settle payments promptly once they receive funds from buyers. Additionally, the average fixed deposit (FD) amount of FCs is Rs. 2,036,107.00, while their average bank balance is Rs. 2,659,098.00. The presence of idle funds limits their potential earnings from alternative investments.

Furthermore, as noted elsewhere, the financial literacy of office bearers was found to be inadequate. To address this, it is recommended that training programs be organized to enhance their financial literacy and encourage adherence to Generally Accepted Accounting Principles (GAAP) in maintaining financial records.

Status of maintaining different types of bank accounts is depicted in Figure 05



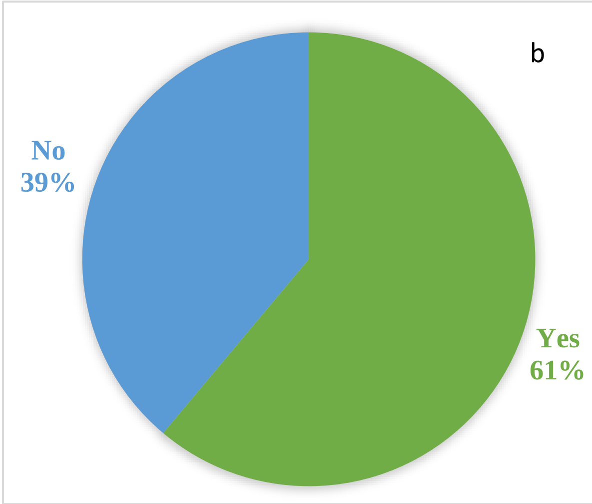


Figure 05. a – Status of using fixed deposits by PUCs; b – Status of using current accounts by PUCs

Nature of the business and current status

As we have investigated, the supply chain of PUCs is depicted in Figure 05. The production takes place using novel technology introduced by the ASMP, and consequently, the productivity and product quality has substantially increased matching market requirements compared to existing crop production models practiced by other farmers.

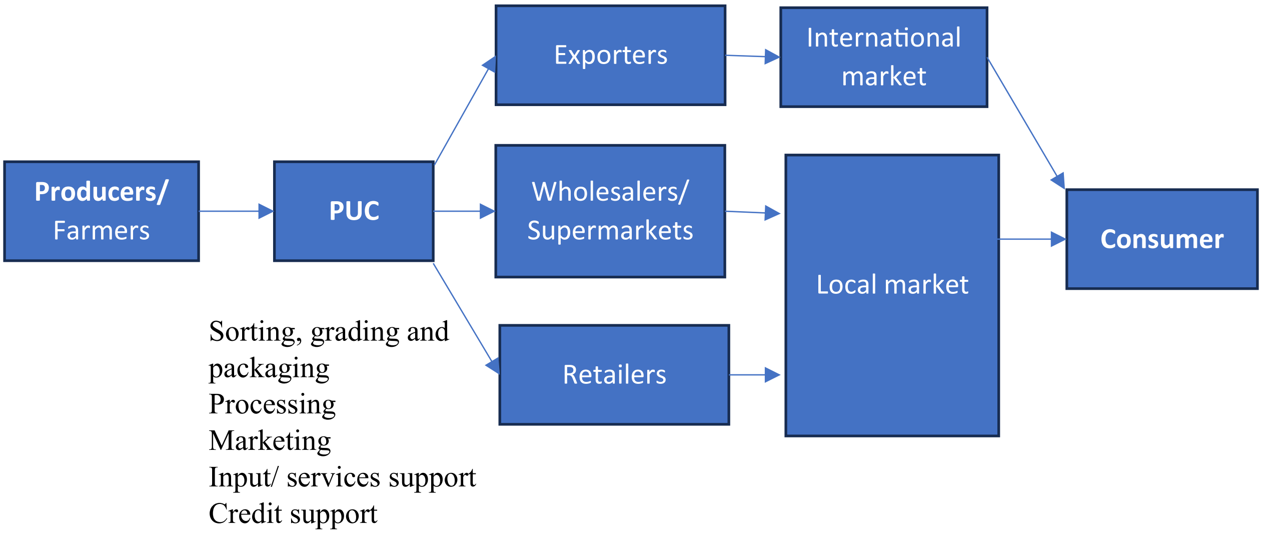


Figure 06. Supply chain of PUC introduced by AMP

Core business activities of PUCs can be summarized as follows

Agricultural Production & Supply Chain Management: Organizing and managing the production, harvesting, and supply of agricultural commodities (fruits, vegetables, and spices, etc.). They ensure quality control and adherence to market standards for domestic and export markets.

Value Addition & Agro-Processing: Processing raw agricultural products into value-added goods (dried spices, packaged vegetables and fruits, and fruit-based products, etc.). Establishing post-harvest handling facilities (storage, sorting, grading, packaging in processing centers). However, we observed less engagement in product diversification and further value addition with innovations.

Input Supply & Distribution: Bulk purchasing and distribution of agricultural inputs (seeds, fertilizers, pesticides, bags, packaging materials, etc.) to members at competitive prices. They further facilitate access to modern technologies and climate-smart agricultural practices.

Market Linkages & Export Facilitation: They create and maintain direct market linkages with wholesalers, retailers, exporters, and institutional buyers, and exporters. They further facilitate export-oriented business activities and certification (GAP certifications).

Financial Services & Access to Credit: A few PUCs enable member farmers to access working capital, investment loans, and microfinance through partnerships with banks. They mostly rely on the informal financial markets. Some of the PUCs have taken initiatives to manage revolving funds to support the financial needs of member farmers.

Farmer Capacity Development: Some of the PUCs are seeking opportunities for providing training programs on agronomic practices, post-harvest management, and financial literacy, apart from the training provided by the ASMP

Future prospects and business plans of PUCs

Aspect	Repones
1. Expand operations adopting improved technology, improving product quality and productivity	70%
2. Increase production and keep a continuous supply – expand shareholder base	80%
3. Expand local market access (Agreements, more markets, etc.)	60%
4. Expand exporters' base (more exports on a competitive basis)	30%
5. Expand infrastructure storage, processing, packaging technology, machinery, and buildings	40%
6. Direct exports	10%
7. Product diversification and further value addition	25%
8. Crop/primary product diversification	40%
9. Seek financial assistance	90%
10. Invest more using available credit facilities	10%

The future plans of PUCs focus on expansion, technological improvement, and financial growth. Key priorities include seeking financial assistance (90%) to support various initiatives and expanding production while ensuring a continuous supply (80%). There is also a strong emphasis on adopting improved technology to enhance product quality and productivity (70%).

Expanding local market access (60%) and diversifying crops and primary products (40%) are also part of the strategy. However, expanding the exporters' base (30%) and product diversification with value addition (25%) have lower priority. Infrastructure development, including storage and processing, is planned but at a moderate level (40%). Direct exports (10%) and investing more through available credit facilities (10%) are currently the least prioritized aspects, indicating a focus on securing external funding rather than relying solely on existing credit options.

Financial literacy

PUC

Criteria	Assessment
1. Financial Knowledge	4.3
2. Financial planning and budgeting	3.1
3. Record keeping and reporting	3.6
4. Access to finance and borrowing	2.3

5. Investment and finance decision-making	2.3
6. Risk management and insurance	3.4
7. Digital financial literacy	3.2

1 – Highly unsatisfactory, 2 – Unsatisfactory, 3 – Moderate, 4 – Satisfactory, 5 – Highly satisfactory

Financial literacy is crucial for economic stability, influencing decision-making, investment strategies, and long-term financial security. Strengths lie in financial knowledge and record-keeping, supporting informed financial management. However, according to the data gathered, challenges exist in financial planning, access to finance, and investment decision-making, limiting growth opportunities for PUCs. Budgeting practices need improvement, and borrowing constraints hinder financial expansion. While risk management and digital financial literacy show moderate development, better adoption of financial technologies and structured risk assessment can enhance financial resilience.

Addressing these gaps through improved education, access to credit, and strategic financial planning will strengthen financial stability and growth of PUCs. By building on existing strengths and adopting better financial practices, individuals and businesses can achieve long-term financial success.

Shareholders/ Membership

Criteria	Assessment
1. Basic Financial Knowledge	3.3
2. Budgeting and Expense Management	3.1
3. Savings and Investment Practices	2.6
4. Borrowing and Credit Behavior	2.1
5. Risk Management and Insurance	1.4
6. Digital Financial Literacy	2.2
7. Financial Decision-Making and Long-Term Planning	3.2

1 – Highly unsatisfactory, 2 – Unsatisfactory, 3 – Moderate, 4 – Satisfactory, 5 – Highly satisfactory

The financial literacy of shareholders and members of Farmer Producer Organizations (FPOs) is at a moderate level, with strengths in basic financial knowledge and financial decision-making, though significant gaps remain. While there is a foundational understanding of financial concepts, budgeting, and expense management, practical application is limited, and savings and investment practices are weak.

Borrowing and credit behavior indicate low financial confidence, suggesting a reliance on informal lending or limited access to formal financial institutions. Risk management and insurance awareness are particularly low, highlighting a vulnerability to financial shocks. Digital financial literacy remains underdeveloped, limiting access to modern financial services. To strengthen financial resilience, FPO members need better education in investment strategies, risk mitigation, and digital finance. Enhancing access to credit, promoting structured savings habits, and improving financial planning will help ensure long-term financial stability and sustainable growth for these organizations.

PUCs sustainability

SWOT analysis

Strengths	Weaknesses
- Strong institutional/ business structure – Established as a Public unlisted limited company with strong legal coverage - Access to funding: Fixed and variable assets base supported by ASMP - Collective bargaining power	- Limited marginal expertise: lack of financial literacy, Entrepreneurship, management, and marketing skills - Financial dependence: expect outside financial support from donor agencies for operational costs

Established supply chain and developments PUC market strategies and market access Community engagement and strong membership Modern technology use and high productivity with expected quality Value addition High human and physical resource base Training and capacity building supported by ASMP	Regulatory compliance burdens Less resilience to market competition Less business experience and operational inefficiencies Bureaucratic delays Community disagreements, less coordination between membership, dominance of opinion leaders, and member dissatisfaction Limited knowledge about novel technologies and low adoption rates Dependence on informal financial markets
Opportunities	**Threats**
Support from established government mechanism; training, legal supports and subsidies Opportunities for value chain development Public-Private partnerships Doner support Modern technology for production improvements and digital transformation for business development and management Crowdfunding Export market demand Establish a local banking system and business loan opportunities	Climate change risks on crop production High market competition Market volatility High risk and limited access to export markets Policy uncertainty Middlemen interference and market monopoly Procedural complexity in business and financial management and access to finance

PUCs in Farmer Producer Organizations (FPOs) have strong institutional and business structures, backed by legal coverage as a Public Unlisted Limited Company, ensuring credibility and stability. They benefit from access to funding through ASMP-supported fixed and variable assets, along with collective bargaining power that strengthens market influence. Their established supply chain, strategic market access, and community engagement create a solid foundation for sustainability. The adoption of modern technology, value addition, and high productivity standards enhances competitiveness, while a skilled workforce and continuous capacity-building initiatives improve long-term resilience.

However, key weaknesses challenge operational efficiency. Limited expertise in financial literacy, entrepreneurship, and marketing leads to inefficiencies, while financial dependence on donor agencies threatens sustainability. Regulatory compliance burdens, bureaucratic delays, and weak market competitiveness further hinder growth. Additionally, community disagreements, poor coordination among members, dominance of opinion leaders, and dissatisfaction impact governance. The low adoption of novel technologies and reliance on informal financial markets limit business expansion and modernization.

Despite these challenges, opportunities exist through government support, public-private partnerships, and donor funding. Expanding the value chain, adopting digital financial tools, and leveraging crowdfunding can enhance business operations. Access to the export market and the establishment of local banking systems can improve financial independence. Investing in modern technology for production improvements will help enhance efficiency and quality, ensuring a stronger market position.

Nevertheless, threats such as climate change risks, market volatility, and intense competition pose sustainability concerns. Limited export access, policy uncertainty, and middleman interference further complicate business expansion. Additionally, procedural complexities in financial management and funding access slow down growth. To ensure long-term success, PUCs must focus on building expertise, strengthening financial independence, improving governance, and embracing digital transformation, ensuring a resilient and competitive future.

Assessment of financial products and Suitability for PUCs

During the study, all financial products offered by various financial institutions of the country were identified together with their features, which are given in the Annexture I. There were 30 products dedicated to agro-industries/ Agribusinesses offered by eleven financial institutions considered in the study. The distribution of such products by financial institutions is given below:

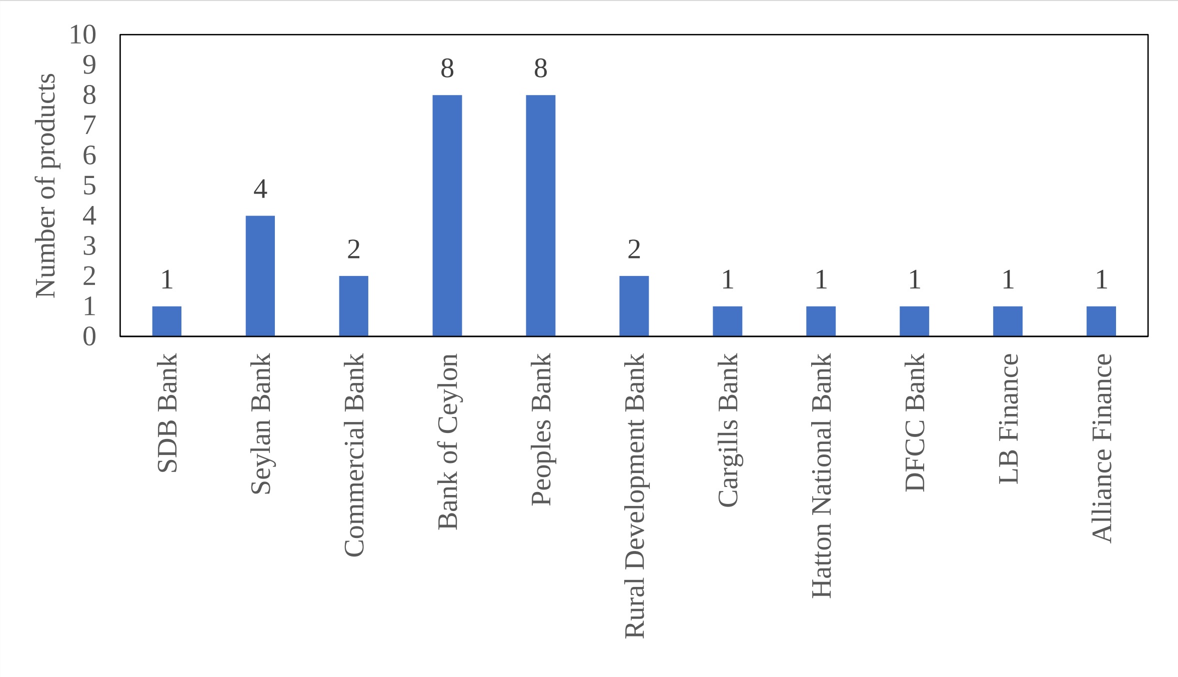


Figure 02. Distribution of financial products for agro-industries/ Agribusiness among various financial institutions

1. Accessibility of Farmers and Farmers' Public Unlisted Companies (PUCs)

1.1 Physical Accessibility

The proximity of financial institutions to smallholder farmers and Farmer Producer Organizations (FPOs)/Farmer Companies (FCs) plays a crucial role in enabling access to financial services. The collected data from the bank, PUCs, and farmers highlights that:

- **Widespread Branch Networks**: Many Banks, both public, such as BOC, NSB, and People's Banks, and private, such as Seylan, Sampath NDB, and DFCC, have branches and agent networks across the country, ensuring physical accessibility to farmers and FPOs. This comprehensive network allows farmers to access services conveniently.
- **Mobile Banking and Agent Outreach**: Banks like Seylan Bank, NDB, DFCC, and Bank of Ceylon integrate mobile banking and agent networks, making banking services available even in remote areas.

- **PUC Engagement**: Meetings with PUC staff revealed that banks periodically reach out to farmers. NDB and DFCC, in particular, actively engage with them, providing updates and financial guidance.

1.2 Eligibility Criteria

The eligibility requirements for accessing financial services vary among institutions but generally aim to include smallholder farmers and marginalized groups. Key findings include:

- **Simplified Eligibility for Farmers**: Many banks, such as SDB and Seylan Bank, design products targeting cooperatives, FPOs, and smallholder farmers, often requiring minimal or flexible collateral. For instance:

  1. **SDB's Samupa Saviya Loan**

     The Samupa Saviya Loan by SDB Bank offers financial support of up to Rs. 20 million to cooperatives, such as SANASA societies and registered farmer organizations. It features flexible collateral requirements, evaluated on a case-by-case basis, making it accessible for organizations with varying financial capacities. Borrowers can repay either monthly or through a bullet payment within a 1-year repayment period, with an optional 6-month grace period. The loan aligns with the society's capacity, offering a robust financial tool to support group-led agricultural investments, development initiatives, and other collective projects.

  2. **Seylan's Sarusara Loan**

     The Sarusara Loan by Seylan Bank is designed for micro and small-scale farmers engaged in seasonal crop cultivation. Offered in collaboration with the Central Bank of Sri Lanka, it provides a concessionary interest rate of 4%, ensuring affordability. Eligible farmers must have land ownership or leasehold rights and fall within the 18–55 age range (with provisions for older farmers involving family members as co-borrowers). The loan covers up to 75% of the project cost, with a 270-day repayment period, helping farmers meet working capital needs for seasonal planting cycles efficiently.

- **Focus on Marginalized Farmers**: Some products specifically include women, youth, and marginalized farmers. For example:

  3. **ADB Loan Scheme by Seylan Bank**

     The ADB Loan Scheme, funded by the Asian Development Bank, focuses on empowering women-led enterprises and other financially viable projects. To qualify, at least 51% of the enterprise ownership must be controlled by women or meet conditions such as women holding key leadership roles (e.g., CEO or COO) and comprising 30% of board members. The scheme provides loans for agriculture, tourism, and manufacturing projects, financing up to 75% of the project cost with a 3-year repayment period. This initiative not only fosters women's participation in economic activities but also promotes gender equality in entrepreneurship.

  4. **Siriliya Saviya Loan Scheme by Bank of Ceylon**

     The Siriliya Saviya Loan Scheme, offered by the Bank of Ceylon, supports women entrepreneurs, including smallholder farmers, with affordable credit for income-generating activities. Loans of up to Rs. 2 million are available for women aged 18 to 55, with minimal equity contributions required (30% of the project cost). The scheme includes a repayment period of up to 8 years, with a 2-year grace period, providing flexibility for business establishment. This initiative plays a critical role in enhancing the financial independence of women, particularly in rural areas, and in supporting sustainable agricultural and entrepreneurial ventures.

5. **Thurunu Shakthi Loan Scheme by People's Bank**

   The Thurunu Shakthi Loan Scheme empowers Sri Lankan youth entrepreneurs (aged 18–45) by providing affordable credit for micro and small enterprises. Loans range up to Rs. 1,000,000 for existing businesses and Rs. 250,000 for startups, with competitive interest rates (15% fixed or AWPLR + 2.5%). Flexible repayment terms include up to 5 years with minimal security requirements. The scheme promotes innovation, job creation, and economic growth by enabling access to finance. However, awareness gaps, skill shortages, and risk aversion remain challenges. Strengthening outreach and capacity-building efforts can enhance the scheme's impact.

1.3 Financial Literacy Support

Despite Sri Lanka's high overall literacy rate, financial literacy remains critically low at 52%, significantly hindering farmers' ability to effectively access, utilize, and manage financial services. This gap not only affects individual farmers but also the operational efficiency and sustainability of Public Unlisted Companies (PUCs) that represent them. Observations include:

- **Low Financial Literacy Among PUC Officers**: Many directors and officers of PUCs lack essential financial knowledge, which impacts their ability to make informed decisions regarding loans, investments, and the management of funds. This deficiency increases the risk of mismanaging resources, potentially jeopardizing donor-supported initiatives and the long-term sustainability of PUC operations. Without sound financial management skills, PUCs may struggle to deliver consistent benefits to their member farmers.

- **Limited Programs for Financial Literacy**: Banks and financial institutions in Sri Lanka have made only minimal efforts to address this issue through structured financial literacy programs. In contrast, similar countries with comparable agricultural economies often integrate financial education into loan disbursement and outreach efforts, significantly empowering farmers. A lack of awareness about credit products, repayment schedules, and insurance mechanisms often results in underutilization of available schemes or mismanagement of funds among farmers. Enhancing financial literacy programs could provide farmers with the knowledge to make informed choices, better manage debts, and improve overall financial resilience.

By prioritizing financial education, banks, PUCs, and policymakers can strengthen the agricultural sector's financial stability and help farmers and PUCs maximize the benefits of available credit and support programs.

2. Affordability

2.1 Interest Rates and Fees

The interest rates and fees associated with loans for farmers vary significantly across financial institutions in Sri Lanka. These rates are influenced by factors such as government support, donor funding, loan type, and risk mitigation measures.

Summary of Interest Rates:

- **Lowest Rates:**

1. **Sarusara Loan (Seylan Bank)**

   The Sarusara Loan by Seylan Bank offers an exceptionally low interest rate of 4%, facilitated through collaboration with the Central Bank of Sri Lanka. It is specifically designed to support micro and small-scale farmers involved in seasonal crop cultivation. Farmers can access up to 75% of their project cost, helping them secure the working capital needed for planting, fertilization, and harvesting. The repayment period of 270 days aligns with the agricultural cycle, ensuring farmers can repay after their harvest. With minimal collateral requirements, this loan scheme improves financial accessibility, especially for those with limited resources or land.

2. **Krushibala Loan Scheme (DFCC Bank)**

   The Krushibala Loan Scheme, provided by DFCC Bank, supports small and medium enterprises (SMEs) and corporates in agriculture. The scheme emphasizes high-tech and sustainable agricultural practices, enabling borrowers to invest in modern irrigation systems, organic farming, and environmentally friendly technologies. Loans are offered at a competitive fixed interest rate of 7%, making it affordable for businesses to scale operations. Repayment terms range from 5 to 7 years, depending on the loan type, offering flexibility to borrowers. The scheme also covers areas such as livestock development, agro-processing, and greenhouse agriculture, promoting innovation and efficiency in Sri Lanka's agricultural sector.

3. **People's Spark Loan (People's Bank)**

   The People's Spark Loan by People's Bank offers affordable financing for small-scale agricultural and entrepreneurial activities, with a fixed interest rate of 7% for loans up to Rs. 500,000. It targets farmers, small business owners, and youth entrepreneurs, providing financial support to improve productivity and income generation. The loan features a repayment period of up to 7 years, ensuring flexibility for borrowers to repay in line with their cash flow patterns. Designed for inclusivity, it is accessible to individuals with basic qualifications and ensures rural and urban entrepreneurs can access much-needed credit for sustainable growth.

- **Moderate Rates:**

4. **ADB Loan Scheme (Seylan Bank)**

   The ADB Loan Scheme, funded by the Asian Development Bank and implemented by Seylan Bank, offers an 8% interest rate for economically viable projects. This scheme prioritizes women-led enterprises, requiring at least 51% ownership by women or substantial female participation in leadership roles. The loan supports various sectors, including agriculture, tourism, and manufacturing, enabling enterprises to access financing for permanent working capital needs or expansion. Eligible projects must have an annual turnover below Rs. 1 billion and fewer than 200 employees. With a repayment period of up to 3 years, this scheme enhances gender equality and economic empowerment.

5. **NCRCS Loan (Rural Development Bank)**

   The New Comprehensive Rural Credit Scheme (NCRCS) by RDB provides an 8% interest rate, targeting paddy cultivation, seasonal crops, and small-scale tourism ventures. This loan is tailored to smallholder farmers, ensuring access to affordable credit for activities that align with Sri Lanka's rural development priorities. Borrowers benefit from flexible repayment terms that match crop cycles or project cash flows. NCRCS loans are designed to reduce the financial risks of agricultural investments while encouraging the adoption of modern farming practices. The scheme also supports small-scale tourism ventures, particularly homestays, as part of efforts to diversify rural economies.

- **Higher Rates:**

6. **Agriculture Loans (Rural Development Bank)**

   RDB's Agriculture Loans operate at a market rate of 15% for loan terms exceeding one year, making them suitable for larger or longer-term agricultural investments. These loans provide credit for purchasing inputs, developing irrigation systems, and financing agro-processing facilities. Despite the higher interest rate compared to subsidized schemes, the loans cater to farmers with significant credit needs who may not qualify for government-backed programs. Borrowers must demonstrate strong repayment capacity and provide collateral, such as movable or immovable assets. While accessible to commercial farmers, the relatively high rate may limit uptake among smallholder farmers.

7. **Cargills Bank Agriculture Loans**

   Cargills Bank's Agriculture Loans, offered at 14% as of October 2023, provide financing for a broad range of agriculture and microenterprise-related activities. These loans are tailored to support farmers engaged in crop cultivation, livestock farming, and agro-processing. Eligible applicants include individuals or businesses with at least one year of experience in agriculture. Loans are available for up to 7 years, with grace periods depending on project requirements. Collateral requirements vary based on loan size and purpose, while a minimum borrower contribution of 20% ensures stakeholder commitment. This scheme helps bridge financial gaps in agriculture, though affordability remains a challenge.

Key Observations on Rates:

1. **Range and Averages**

   Interest rates for agricultural loans in Sri Lanka range from 4% (Sarusara Loan) for subsidized schemes to 15% (RDB Agriculture Loan) for non-subsidized programs. Most subsidized loans, such as those under SAPP and Krushibala schemes, fall between 7% and 10%, providing affordable financing for smallholder farmers. In contrast, non-subsidized loans for larger agribusinesses align with market rates, ranging between 13.5% and 15%, reflecting the increased financial risks and higher loan amounts required for large-scale investments. This tiered structure ensures affordability for smaller borrowers while offering competitive rates for commercial ventures.

2. **Variability by Sector and Purpose**

   Loan interest rates in Sri Lanka vary based on the sector and purpose of the financing. Subsidized schemes, such as Sarusara, SAPP, and Siriliya Saviya, focus on supporting micro and small-scale farmers with low interest rates, promoting inclusivity and rural development. On the other hand, capital-intensive projects, including agro-processing, irrigation, and machinery purchases, typically attract higher interest rates due to their larger loan quantum and associated risks. This sectoral variability ensures tailored credit solutions, enabling equitable access to financing while meeting the diverse needs of the agricultural community.

Additional Fees:

1. **Transaction and Processing Fees**

   Most banks impose standard processing fees for loan documentation and appraisal, though the annexure does not provide specific details. These fees typically cover administrative costs, credit evaluations, and other formalities associated with loan disbursement. While such charges are generally moderate, they can add to the financial burden for small-scale borrowers, particularly when accessing smaller loans. Transparent disclosure of these fees by banks can help farmers better plan their finances.

2. **Insurance Costs**

   Large-scale loans, such as Pledge Facilities for Harvesting Commodities (Bank of Ceylon), require borrowers to insure stocks against risks like fire, theft, natural disasters, and riots. Insurance is critical to mitigate risks associated with high-value loans, protecting both the borrower and lender. However, premium costs for such policies can significantly increase borrowing expenses. For farmers, affordable insurance schemes bundled with loans could ease this financial strain.

3. **Collateral-Related Costs**

   Collateral-backed loans, such as Agri-Business Loans (Commercial Bank), often involve valuation fees, legal clearance costs, and documentation charges. These expenses ensure the validity and security of pledged assets, such as land or equipment. While necessary, these costs can deter small-scale farmers who lack the resources to meet such requirements. Simplified and subsidized collateral evaluation processes could make these loans more accessible to marginalized borrowers.

2.2 Subsidies and Government Support

Subsidies and Financial Assistance Programs:

The Sri Lankan government and international donors play a pivotal role in making agricultural loans affordable through interest subsidies and targeted credit schemes.

1. **Government-Backed Subsidies:**

   a) Government's Role in Facilitating Affordable Credit

   Sri Lanka's government does not operate fixed, low-interest credit programs nationwide for farmers. Instead, it facilitates affordable financing by collaborating with external funding sources, such as international donor agencies and development organizations. These partnerships help channel funds into targeted credit schemes designed to support agriculture, smallholder farmers, and rural enterprises. By acting as an intermediary, the government ensures these funds reach underserved segments, indirectly improving financial access without implementing broad national programs.

   b) Subsidized Credit Programs

   Affordable credit schemes, such as the Sarusara Loan with a 4% interest rate, are made possible through partnerships between the Central Bank of Sri Lanka and donor agencies. These programs provide concessional rates to micro and small-scale farmers, helping them finance seasonal crop cultivation and other essential agricultural activities. Subsidized credit reduces borrowing costs and encourages sustainable agricultural practices, promoting rural economic development. However, the sustainability of such programs depends on continued external funding and effective distribution mechanisms.

2. **Donor Agency Support:**

a) Asian Development Bank (ADB)

The Asian Development Bank (ADB) funds initiatives like the ADB Loan Scheme offered by Seylan Bank at an 8% interest rate, targeting women-led enterprises and economically viable agribusinesses. This scheme prioritizes businesses in agriculture, tourism, and manufacturing, providing financial support for working capital and expansion. ADB's efforts aim to enhance women's participation in entrepreneurship while fostering economic growth and sustainability in key sectors, particularly for small and medium-scale enterprises.

b) International Fund for Agricultural Development (IFAD)

The International Fund for Agricultural Development (IFAD) supports marginalized farmers, focusing on those engaged in value chain partnerships under the Small Holder Agribusiness Partnership Programme (SAPP). IFAD provides funding and technical assistance to improve smallholders' market access, productivity, and income. By strengthening agribusiness partnerships, IFAD empowers farmers to integrate into competitive supply chains, contributing to poverty alleviation and rural development in Sri Lanka.

c) World Bank

The World Bank funds rural financial services and capacity-building initiatives, indirectly promoting access to low-interest credit for smallholder farmers. Its programs, such as the Agriculture Sector Modernization Project, enhance financial inclusion, agricultural productivity, and sustainability. By investing in institutional development and modern farming practices, the World Bank supports long-term rural economic growth and creates opportunities for small-scale farmers to access affordable financing.

d) Other Agencies

International organizations like the United Nations Development Program (UNDP) contribute to Sri Lanka's rural and agricultural development by promoting inclusive financing models. UNDP-backed projects focus on empowering underserved communities through microfinance, technical support, and income diversification initiatives. These programs help enhance financial resilience, reduce vulnerabilities, and improve livelihoods for rural populations in Sri Lanka.

Extent of Government-Supported Credit Programs:

01. **State-Driven Mandates**

Institutions like the State Mortgage and Investment Bank (SMIB) are mandated to allocate a portion of their annual loan portfolios to agriculture, ensuring financial resources for rural development. Additionally, specialized programs like the Siriliya Saviya Loan Scheme by the Bank of Ceylon focus on women entrepreneurs, offering concessionary rates to promote income-generating activities. These state-driven mandates aim to enhance financial access for underserved segments, especially smallholder farmers and women, fostering economic inclusivity and empowerment.

02. **Sector-Specific Programs**

Government-backed credit schemes cater to specific agricultural sectors, such as the New Comprehensive Rural Credit Scheme (NCRCS), which supports paddy and seasonal crop cultivation at an 8% interest rate. Similarly, the Tea Smallholder Credit Line (Bank of Ceylon) provides affordable financing for tea cultivation, replanting, and infilling, ensuring sectoral sustainability. These programs are critical for improving productivity in high-priority crops, promoting rural livelihoods, and supporting Sri Lanka's agricultural economy.

03. **Challenges**

Despite their benefits, government-backed initiatives face limitations. Programs are often restricted to specific crops or regions, leaving many farmers without adequate support. Additionally, delays in implementing donor-funded projects and inconsistencies in subsidy programs undermine the long-term affordability and accessibility of agricultural credit. These challenges create disparities, particularly for farmers outside targeted sectors, highlighting the need for broader and more inclusive financial initiatives to address systemic gaps.:

Challenges to Affordability:

01. **Limited Coverage of Subsidized Loans**

Subsidized loan schemes in Sri Lanka, such as Sarusara and NCRCS, provide affordable financing for prioritized sectors and regions. However, many farmers, particularly those outside these targeted areas or engaged in non-priority crops, lack access to such support. This limited coverage creates disparities in financial inclusion, leaving marginalized farmers reliant on higher-interest loans or informal credit. Expanding the geographic and sectoral reach of subsidized programs is essential to ensure equitable access and address the unmet credit needs of smallholder farmers across the country.

02. **High Fees and Insurance Costs**

While subsidized interest rates improve affordability, additional costs—such as processing fees, collateral valuation, and mandatory insurance premiums—can significantly burden smallholder farmers. These expenses are particularly challenging for farmers with limited resources, reducing the overall attractiveness and accessibility of formal credit. For example, loans like Bank of Ceylon's Pledge Facilities require stock insurance against risks like theft and natural disasters, which increases borrowing costs. Streamlining fees and offering subsidized insurance options could enhance affordability and encourage greater participation in formal financial systems.

Opportunities for Improvement:

01. **Expanding Subsidized Credit**

Collaboration between the Sri Lankan government and international agencies like ADB and IFAD can enhance subsidized credit programs to cover a broader range of agricultural activities, including livestock farming, fisheries, and agro-processing. Expanding subsidies to these sectors can promote economic diversification and resilience among smallholder farmers. Additionally, targeted support for underfunded regions and marginalized groups can reduce financial disparities and increase participation in formal credit schemes, fostering long-term rural development.

02. **Enhanced Awareness and Training**

Strengthening financial literacy programs is crucial to help farmers understand the terms, conditions, and benefits of loans and subsidies. Many farmers lack knowledge about loan repayment schedules, interest rates, and additional costs, which can lead to mismanagement or underutilization of credit. Banks and PUCs should collaborate to conduct awareness campaigns and training sessions, ensuring that farmers are equipped to make informed financial decisions, maximize available resources, and achieve sustainable growth.

03. **Improved Loan Structures**

    Banks should introduce flexible repayment plans aligned with farmers' seasonal income cycles, reducing repayment pressures during non-harvest periods. Options such as grace periods, seasonal installments, and tailored repayment schedules can make loans more accessible and manageable for smallholder farmers. Customizing loan structures based on the nature of agricultural activities, such as crop or livestock cycles, would address the unique financial challenges faced by rural farmers, ensuring better loan utilization and repayment performance.

3 Appropriateness of Financial Products for PUCs

3.1 Product Suitability for Agricultural Needs

Availability of Specialized Agricultural Credit

Specialized agricultural credit plays a crucial role in supporting PUCs, which organize small and medium farmers. The annexure reveals that Sri Lankan financial institutions offer a wide range of agricultural loans tailored to specific needs, including seasonal crops, livestock, and input financing:

01. **Seasonal Loans**

    Seasonal loans address the short-term financial needs of farmers cultivating crops tied to specific agricultural cycles. The Sarusara Loan by Seylan Bank offers a 4% interest rate and a repayment period of 270 days, making it affordable and practical for micro and small-scale farmers. Similarly, RDB's NCRCS Loan Scheme supports paddy and seasonal crop cultivation with an 8% interest rate and repayment terms aligned with harvesting schedules. These schemes provide critical working capital, enabling farmers to manage input costs and sustain productivity during planting and harvesting seasons.

02. **Input Financing**

    Input financing schemes support farmers in procuring essential resources like seeds, fertilizers, and irrigation systems. The Kapruka Loan by Seylan Bank focuses on boosting domestic coconut production and funding inputs such as seedlings and fertilizers. DFCC Bank's Krushibala Loan caters to high-tech and sustainable agriculture, covering costs for advanced practices like drip irrigation and organic fertilizer production. These programs promote modernized and sustainable farming methods, enhancing productivity and reducing environmental impacts.

03. **Livestock-Specific Loans**

    Livestock financing is essential for farmers engaged in dairy, poultry, and agro-processing activities. Agri-business loans from Commercial Bank support livestock development, including funding for infrastructure, feed, and veterinary care. These loans also facilitate the development of agro-processing businesses, enabling farmers to add value to their products and increase profitability. By addressing livestock-specific needs, such schemes ensure steady income streams for farmers.

Importance of Specialized Credit Schemes

01. **Support for Vulnerable Groups**

    Small and medium farmers in Sri Lanka face challenges such as limited access to affordable credit and financial instability. PUCs play a vital role in formalizing these vulnerable groups, providing tailored financial solutions, and acting as intermediaries for credit access. PUCs ensure timely repayment and sustainability by managing financial processes and offering technical support. This structured approach strengthens the financial resilience of smallholder farmers.

02. **Crop and Livestock-Specific Products**

    Targeted loan schemes cater to high-value crops and livestock, boosting sectoral development. The Tea Smallholders Loan Scheme by the Bank of Ceylon supports tea cultivation, replanting, and nursery development. Similarly, People's Bank's Coconut Development Loan Scheme provides affordable credit for coconut farmers. These specialized products help farmers optimize productivity, address sector-specific challenges, and contribute to Sri Lanka's agricultural economy.

3.2 Product Range

Variety of Financial Products

The annexure highlights a diverse range of financial products available to farmers and PUCs, including loans, savings, investments, and insurance:

01. **Loan Products**

    Sri Lanka offers a wide range of agricultural loan products to meet farmers' diverse needs, including financing for working capital, machinery, and seasonal inputs. Commercial Agri Loans (Commercial Bank) provide long-term funding of up to 7 years for agriculture professionals, enabling investment in large-scale projects. Meanwhile, SAPP Loans (People's Bank) focuses on youth entrepreneurs and agribusinesses, offering loans of up to Rs. 18 million at a 6.5% interest rate. These loans encourage innovation and entrepreneurship, supporting both individual farmers and organized producer groups in expanding and modernizing their operations.

02. **Savings and Investment Schemes**

    Although specific savings schemes are not detailed, cooperative-based models like SANASA societies play a critical role in promoting financial inclusion among rural communities. These societies encourage farmers to save and reinvest earnings, fostering a culture of financial security and growth. Cooperative savings schemes often provide members with access to credit and other financial services, creating a self-reliant system that empowers farmers. By pooling resources, such models enable rural communities to finance agricultural inputs, emergency needs, or future investments, thereby reducing dependency on external sources.

03. **Insurance for Farmers**

    Agricultural insurance is essential to protect farmers from risks such as crop failures, natural disasters, and unforeseen events. Providers like the Agricultural Insurance Board (AIB) offer crop-specific policies covering drought and flood risks. Sanasa General Insurance Company (SGIC) delivers tailored insurance solutions for smallholder farmers and cooperatives, while the National Insurance Trust Fund (NITF) covers catastrophic events like landslides and storms. These insurance schemes ensure financial resilience for farmers, safeguarding livelihoods and enhancing their ability to recover from losses.

Flexibility in Loan Terms

Loan terms are designed to align with farmers' seasonal income cycles, providing flexibility in repayment schedules. Key features include:

01. **Repayment Duration**:
    a) Short-Term Loans

    Short-term loans are designed to meet immediate financing needs, particularly for seasonal farming activities. The Sarusara Loan (Seylan Bank) offers a 270-day repayment period, perfectly aligning with seasonal crop cycles, enabling farmers to repay after harvest. Similarly, the Pledge Facilities for Purchasing Commodities (Bank of Ceylon) provides 6–9 months of financing for purchasing and storing harvested commodities. These short-term credit options ensure farmers have the working capital necessary for inputs and storage while offering repayment flexibility within a short timeframe.

    b) Long-Term Loans

    Long-term loans support large-scale and sustainable agricultural investments. The Green Power Loans (People’s Bank) offer up to 10 years for projects in sustainable agriculture, such as renewable energy-based irrigation or organic farming. The SMILE III RF Loan Scheme (Bank of Ceylon) provides a maximum repayment period of 10 years, including a 2-year grace period, targeting micro and small-scale entrepreneurs. These loans allow borrowers to finance significant projects with sufficient time to generate returns, encouraging innovation and long-term growth in the agricultural sector.

02. **Grace Periods**:

    Many loan products, like SAPP Loans from People's Bank, offer grace periods ranging from 12 to 18 months. This enables farmers to begin repaying their loans only after their initial harvests or production cycles. The grace period provides financial relief during the early stages of farming, ensuring that repayment begins when the borrower has generated income from the land.

03. **Repayment Schedules**:

    Structured repayment plans, such as monthly, bi-annual, or seasonal installments, are designed to align with the borrower’s cash flow. Agri-business loans from Commercial Bank are a prime example, where repayments are synced with the income generated during specific agricultural seasons, ensuring manageable loan servicing for farmers.

Gaps Identified:

01. **Limited Access for Marginalized Groups**

Certain loan schemes, like Siriliya Saviya, prioritize marginalized groups, particularly women and youth, to encourage their participation in agriculture. However, access to these schemes is inconsistent across different regions. This disparity often leaves some groups, especially in remote areas, without adequate support, limiting the overall impact of these initiatives.

02. **Inadequate Coverage of Insurance**

Awareness and adoption of agricultural insurance remain low among farmers, leaving them vulnerable to climate-related risks. Despite the availability of insurance options, many farmers do not fully understand the benefits or access them, exposing their livelihoods to the unpredictable nature of weather patterns and environmental changes.

Recommendations:

01. **Expansion of Crop-Specific Products**

Financial institutions should develop more tailored products for niche crops, such as spices, floriculture, and livestock. These sectors often face unique challenges, and specialized financial products would address their specific needs, ensuring better support for farmers and increasing their productivity in these specialized markets.

02. **Enhanced Insurance Outreach**

Collaborative efforts between institutions like AIB, SGIC, and NITF can improve agricultural insurance coverage and awareness. By working together, these organizations can promote risk mitigation options more effectively, encouraging farmers to adopt insurance policies and better prepare for climate-related risks and market uncertainties.

03. **Increased Flexibility in Loans**

Financial products can be more flexible by customizing loan repayment schedules and grace periods. Adjusting these terms to align with farmers' cash flows, especially during non-harvest periods, will reduce financial pressure. This flexibility can support farmers in maintaining their operations and ensuring timely repayment without distress during lean seasons.

4. Risk mitigation and security

The resilience and financial stability of farmers in Sri Lanka depend heavily on effective risk mitigation and security mechanisms. These mechanisms encompass collateral requirements, risk-sharing strategies, and comprehensive insurance schemes designed to address the vulnerabilities of agricultural stakeholders, including PUCs and smallholder farmers.

4.1 Collateral Requirements

Collateral Practices in Sri Lanka

Collateral remains a critical criterion for accessing formal credit. Banks and financial institutions demand various forms of collateral based on the type and scale of the loan:

01. **Collateral-Free Loans**

Collateral-free loans ensure accessible financing for farmers and cooperatives with limited assets. The Samupa Saviya Loan (SDB Bank) offers loans of up to Rs. 20 million without collateral, specifically targeting cooperatives and registered societies, empowering them to undertake large-scale projects. Similarly, the Sarusara Loan (Seylan Bank) minimizes collateral requirements, offering case-specific guarantees for micro and small-scale farmers. These schemes enhance financial inclusion, allowing borrowers without substantial assets to access credit and improve productivity.

02. **Collateralized Loans**

Collateralized loans cater to borrowers with significant investment needs by requiring assets as security. The Agri-Business Loans (Commercial Bank) mandate a 25% equity contribution and collateral like land titles or movable assets, ensuring the borrower's commitment. The Pledge Facilities for Commodities (Bank of Ceylon) requires the pledging of harvested stocks and guarantees from directors or stakeholders. These loans support larger, capital-intensive projects while mitigating lender risks, though they may limit access for smallholder farmers with fewer resources.

Challenges Farmers Face in Meeting Collateral Requirements

01. **Lack of Tangible Assets**

A significant barrier for smallholder farmers in Sri Lanka is the lack of tangible assets, such as land ownership or valuable movable property, which are commonly required as collateral by financial institutions. Many farmers operate on leased or communal lands, excluding them from accessing larger, collateral-backed loans. This limitation restricts their ability to invest in modern farming equipment, irrigation systems, or high-value crops, hindering their long-term productivity and income growth. Expanding access to alternative collateral solutions, such as group guarantees, could address this gap and make loans more accessible to small-scale farmers.

02. **High Valuation Costs**

The valuation of assets, including land and machinery, is a mandatory requirement for collateralized loans. However, valuation costs are often prohibitively high for low-income farmers, especially in rural areas. The expenses associated with legal clearances and third-party valuations can deter farmers from applying for loans, even when they have adequate collateral. These costs disproportionately affect smallholder farmers, limiting their access to affordable credit. Streamlining the valuation process or subsidizing these costs could make financial services more inclusive for vulnerable farming communities.

03. **Complex Documentation**

Farmers frequently face challenges in providing formal proof of ownership, income statements, or business records, which are essential for loan applications. Limited record-keeping practices in rural areas, coupled with a lack of financial literacy, exacerbate this issue. Without proper documentation, many farmers struggle to meet the stringent requirements of formal lending institutions. Simplifying documentation processes and offering guidance through cooperatives or PUCs could help farmers navigate these challenges and secure necessary financing.

Role of PUCs in Addressing Collateral Challenges

01. **Collective Guarantee Mechanisms**

Public Unlisted Companies (PUCs) play a pivotal role in enabling farmers to access credit through group guarantee mechanisms. By aggregating members under a unified structure, PUCs offer collective guarantees to banks, significantly reducing the reliance on individual collateral. This approach spreads risk across the group, making it easier for smallholder farmers with limited assets to secure loans. Additionally, it fosters trust between financial institutions and farming communities, facilitating broader financial inclusion and strengthening the agricultural sector's creditworthiness.

02. **Centralized Repayment Systems**

PUCs act as effective intermediaries in loan repayment by implementing centralized repayment systems. Farmers sell their produce to the PUCs, which deduct loan installments directly from their payments before disbursing the remaining earnings. This structured process ensures timely repayment to banks, minimizing credit risk and improving financial discipline among farmers. Banks view this mechanism as a reliable and secure repayment model, making them more willing to extend credit to farmers organized under PUCs.

03. **Market Stability for Farmers**

PUCs provide farmers with market stability by ensuring steady demand and fair prices for their products. This stability enhances farmers' repayment capacity, as predictable income streams allow them to meet loan obligations more consistently. Additionally, PUCs' market integration boosts farmers' confidence in borrowing and investing in agricultural improvements. This symbiotic relationship between PUCs, farmers, and financial institutions fosters trust and strengthens the agricultural financing ecosystem.

Alternative Forms of Collateral

01. **Group Guarantees**

Group guarantees, commonly used by cooperatives or PUCs, distribute loan repayment risks among members, reducing the financial burden on individuals. This system is particularly effective for smallholder farmers with limited assets, as it lowers entry barriers to formal credit. However, defaults by one or more members can place financial pressure on the collective, potentially affecting group dynamics and overall creditworthiness. Despite these challenges, the group guarantees foster trust between farmers and financial institutions, offering an inclusive alternative to traditional collateral requirements.

02. **Land Titles**

Farmers who own land can use land titles as collateral, enabling them to access larger loans for agricultural investments. This collateral provides financial institutions with a secure asset to mitigate loan risks. However, tenant farmers and landless workers are excluded from such schemes, limiting their access to formal credit. This disparity creates inequities in agricultural financing, as those without land must rely on higher-interest informal loans. Expanding financial products that cater to tenant farmers or provide alternative collateral solutions could bridge this gap and promote equity in credit access.

03. **Contractual Farming Agreements**

Contractual farming agreements, facilitated by PUCs, provide an innovative risk mitigation strategy for farmers and banks. Under these agreements, buyers commit to purchasing produce at predetermined prices, ensuring stable income for farmers. This income assurance gives banks greater confidence in the farmer's repayment capacity, reducing the need for collateral. These agreements also incentivize farmers to invest in improved practices and inputs, boosting productivity. When integrated with PUCs' support, contractual farming strengthens the overall financial ecosystem by balancing risks and promoting sustainable agricultural development.

Impact of Low Financial Literacy on Collateral Practices

01. **Lack of Understanding**

Farmers with low financial literacy often struggle to understand the intricacies of collateral requirements and formal lending processes, which hampers their ability to negotiate favorable loan terms. This lack of understanding leads to missed opportunities for accessing affordable credit options, leaving farmers vulnerable to financial challenges. Training programs and targeted awareness initiatives are essential to bridge this gap, ensuring farmers have the knowledge to make informed decisions and navigate the complexities of formal financial systems effectively.

02. **Overreliance on High-Interest Loans**

Many farmers, unaware of affordable credit options, turn to informal lenders offering high-interest loans to meet immediate financial needs. The perceived complexity of formal loans, coupled with documentation challenges, pushes them toward these exploitative sources. Overreliance on such credit leads to unsustainable debt cycles, further marginalizing smallholder farmers. By simplifying loan application processes and increasing access to financial literacy programs, banks and institutions can reduce farmers' dependence on high-interest informal loans and promote financial inclusion.

4.2 Risk-Sharing Mechanisms

Existing Risk-Sharing Mechanisms in Sri Lanka

01. **Loan Guarantees**

Government and donor-supported loan guarantees reduce default risks for banks, making it easier for smallholder farmers to access credit. These guarantees encourage banks to extend loans to underserved groups by mitigating potential losses. For instance, the SMILE III RF Loan Scheme by the Bank of Ceylon provides guaranteed loans for micro and small enterprises, promoting financial inclusion. Such initiatives help farmers invest in agricultural improvements without the need for substantial collateral, fostering productivity and economic growth in rural communities.

02. **Bundled Loan-Insurance Products**

Integrating loan schemes with crop or livestock insurance reduces financial risks for both farmers and lenders. By bundling loans with insurance, borrowers are protected from unforeseen losses, while lenders ensure better loan repayment. Under the Sarusara Loan Scheme, farmers are encouraged to adopt insurance to safeguard against climate-related risks or crop failures. These combined products promote resilience by enabling farmers to recover from disasters without defaulting on their loans, creating a more sustainable agricultural financing ecosystem.

Partnerships with Government and International Agencies

01. **Agriculture Sector Modernization Project (World Bank)**

The Agriculture Sector Modernization Project, funded by the World Bank, emphasizes risk-sharing and climate resilience. By introducing high-yield crops and modern farming techniques, the project reduces risks associated with traditional agriculture. It also provides funding to improve credit access for smallholder farmers, ensuring they can invest in advanced practices. Through these efforts, the project fosters a more sustainable agricultural sector while enhancing productivity and incomes for farmers, particularly those vulnerable to climate risks.

02. **International Partnerships**

Collaborations with organizations like IFAD, ILO, and ADB bring innovative risk-sharing solutions to Sri Lanka's agriculture sector. Programs such as weather-indexed insurance and disaster relief funds help farmers mitigate climate and market risks effectively. These partnerships also facilitate funding and technical support to improve financial inclusion and resilience among smallholder farmers. By leveraging international expertise, Sri Lanka can adopt advanced agricultural practices and risk-management strategies, ensuring long-term stability and growth in the sector.

Potential Expansion of Risk-Sharing

01. **Co-Financing Programs**

Co-financing programs involve collaboration between the government and private institutions to establish large-scale risk-sharing funds that expand credit access for smallholder farmers. These programs distribute financial risks among stakeholders, encouraging banks to lend more confidently to vulnerable groups. By pooling resources, co-financing initiatives can support broader outreach, fund innovative financial products, and provide stability to agricultural sectors facing climatic or market uncertainties. This approach fosters sustainable growth and financial inclusion for smallholder farmers while ensuring the resilience of the agricultural economy.

02. **Donor-Backed Subsidies**

Subsidies from international donors, such as IFAD and ADB, can significantly reduce the cost of insurance premiums for smallholder farmers. By easing financial burdens, donor-backed subsidies enable farmers to adopt crop and livestock insurance, ensuring protection against natural disasters and other risks. These subsidies also enhance the affordability of credit programs bundled with insurance, fostering greater participation and resilience in the agricultural sector. Expanding such donor collaborations can bridge funding gaps, promote sustainable farming practices, and improve long-term agricultural productivity.

4.3 Insurance Coverage

Availability of Agricultural Insurance in Sri Lanka

Agricultural insurance in Sri Lanka provides a safety net against natural disasters, pests, and other risks:

01. **Crop Insurance**

The Agricultural and Agrarian Insurance Board (AAIB) offers Compulsory Crop Insurance, covering key crops like paddy and maize against droughts, floods, and wild elephants, fully subsidized for farmers under the fertilizer subsidy scheme. The New Crop Insurance provides tiered coverage up to Rs. 100,000 per acre at a 6.4% premium, addressing broader risks. These schemes protect farmers from significant financial losses caused by natural calamities, ensuring resilience and stability in the agricultural sector.

02. **Livestock Insurance**

AAIB Livestock Insurance covers animals against diseases, theft, and accidents at affordable premiums, offering vital financial protection for smallholder farmers. Ceylinco Crop and Livestock Insurance provides comprehensive coverage, including livestock, farming equipment, and infrastructure, ensuring both production continuity and asset security. These schemes enable farmers to mitigate losses, improve productivity, and safeguard livelihoods, contributing to the sustainability of livestock-based agriculture.

03. **Weather-Indexed Insurance**

SANASA Weather-Indexed Insurance, introduced in collaboration with the ILO, offers payouts based on weather parameters, such as rainfall deficits, eliminating the need for damage assessments. This innovative product ensures quick compensation and financial stability for farmers facing climate risks. By addressing weather-related challenges, this scheme promotes the adoption of resilient farming practices and supports the financial health of smallholder farmers.

04. **Social Welfare Insurance**

The Farmers' Pension and Social Security Scheme provides retirement and accident benefits to farmers, ensuring long-term financial security. It includes coverage for injuries, disability, and death, offering vital protection for agricultural workers. By enhancing financial stability and reducing vulnerabilities, the scheme ensures a dignified livelihood for farmers, fostering rural economic development and social well-being.

5. Impact on PUCs

Smallholder farmers and FPOs in Sri Lanka are key stakeholders in the agricultural sector. The availability of targeted credit schemes and the intermediary role of Public Unlisted Companies (PUCs) have significantly impacted their financial inclusion and productivity. This report outlines the observed impacts based on the data provided, along with field insights from PUCs, banks, and farmers.

5.1 Income Improvement

Increased Farm Income

Financial support through credit schemes has directly improved the income levels of smallholder farmers:

01. **Confidence in Loan Accessibility**

Farmers expressed greater confidence in taking loans due to their improved earning potential from modernized agricultural practices. Banks are more willing to extend credit to farmers and Farmer Producer Organizations (FPOs) due to the financial stability and assurances provided by Public Unlisted Companies (PUCs), which have strong capital bases (one share valued at Rs. 10,000). PUCs further enhance trust by deducting loan installments directly from farmers' earnings, ensuring timely repayments. This structured mechanism reduces repayment stress for farmers while strengthening the relationship between banks and the agricultural sector.

02. **Improved Earnings through Modernization**

The Agriculture Sector Modernization Project (World Bank) enabled farmers to diversify their crops and focus on high-value varieties, significantly boosting income potential. Increased earnings motivated farmers to reinvest in better agricultural inputs, advanced equipment, and technologies, creating a positive growth cycle. These improvements not only enhanced productivity but also allowed farmers to adopt sustainable practices, ensuring long-term financial stability and contributing to the overall development of the agricultural sector.

Impact on Productivity or Yields

Credit schemes combined with technical guidance from PUC enabled farmers to increase their productivity:

01. **Adoption of Modern Practices**

Loans provided farmers with the means to invest in high-quality seeds, fertilizers, and machinery, resulting in higher yields and better profitability. Access to irrigation systems and improved crop management practices, funded through credit, helped mitigate weather-related risks, ensuring consistent production. These advancements allowed farmers to shift from traditional methods to modernized approaches, equipping them to address challenges more effectively and achieve greater output.

02. **Role of PUCs in Technical Assistance**

PUCs play a crucial role in offering technical guidance and training to farmers, promoting improved practices like crop thinning to optimize yields and effective pest control methods. For example, farmers who adopted PUC-recommended practices, such as thinning banana plants to strengthen bunches, reported significant productivity improvements. These efforts by PUCs not only enhance crop output but also educate farmers on sustainable and efficient agricultural techniques, fostering long-term success.

CONCLUSIONS AND RECOMMENDATIONS

Key conclusions

- PUCs have satisfied all legal requirements to receive since it has been established under the Companies Act No. 7 of 2007. This type of company is not listed on the Colombo Stock Exchange (CSE) but can offer shares to the public through other means. Consequently, PUC's legal status is sound enough to be eligible to receive loans from banks. Banks are ready to offer loans for PUCS.
- Most of the available agricultural loans offered by the banking system are eligible for PUCS. Itas assets base is capable to satisfy all collateral requirements by all types of available loan products. Thus, they have a significant potential to be accepted by banks and receive loans.
- Financial literacy of PUC officials is low, and they have a negative perception of taking loans from the formal financial market. The PUC membership is more willing to take loans from informal financial markets.
- The plans of PUCs focus on expansion, technological advancement, and financial growth. A key priority is seeking financial assistance to support various initiatives, including expanding production and ensuring a continuous supply. Emphasis is also placed on adopting improved technology to enhance product quality and productivity.
- While expanding local market access and diversifying crops are part of the strategy, expanding the exporters' base and adding value through product diversification have lower priority. Infrastructure development, such as storage and processing, is planned at a moderate level, while direct exports and credit-based investments are the least prioritized, indicating a preference for external funding sources.
- Financial literacy is critical for the economic stability of PUCs, influencing decision-making, investment strategies, and long-term financial security. While strengths exist in financial knowledge and record-keeping, challenges remain in financial planning, access to credit, and investment decision-making.
- Weak budgeting practices and borrowing constraints hinder financial expansion. Risk management and digital financial literacy show moderate progress, but better adoption of financial technologies and structured risk assessment is needed. Addressing these gaps through financial education, improved credit access, and strategic planning will enhance the financial resilience and growth of PUCs.

- The financial literacy of shareholders and members of Farmer Producer Organizations (FPOs) is moderate, with strengths in basic financial knowledge and decision-making, but significant gaps in practical application.
- Budgeting and expense management are understood, but savings and investment practices remain weak. Borrowing and credit behavior indicate low financial confidence, with a reliance on informal lending.
- Risk management and insurance awareness are particularly low, increasing vulnerability to financial shocks.
- Digital financial literacy is underdeveloped, limiting access to modern financial services. Strengthening financial resilience through investment education, better credit access, and structured savings habits will help ensure long-term financial stability for these organizations.
- PUCs in FPOs have strong institutional structures, legal backing, and access to funding, strengthening their sustainability. Their supply chain, strategic market access, and community engagement provide a solid foundation, while modern technology adoption and capacity-building initiatives enhance productivity.
- However, weaknesses such as limited expertise, financial dependence on donor agencies, regulatory burdens, and poor coordination hinder growth.
- Opportunities exist through government support, public-private partnerships, and digital financial tools, while threats like climate change, market volatility, and policy uncertainty present challenges. To ensure long-term success, PUCs must strengthen financial independence, improve governance, and embrace digital transformation for a competitive and resilient future.

Key recommendation

- ✓ Take necessary action to support PUCs in the short run to assist them in being more sustainable. Since the role of ASMP is over, they need further assistance to fill some gaps in financial management and business development to ensure their sustainability.
- ✓ We recommend taking initiative to create a strong link between banks and PUCs. Existing financial products are adequate to satisfy the needs of PUCs. However, actions should be taken to educate PUCs and their members about the existing opportunities in the formal financial market.
- ✓ Recommend encouraging providing sector and PUC partnerships for necessary development investment.
- ✓ Enhance financial independence by reducing reliance on donor agencies by developing self-sustaining financial models.
- ✓ Encourage investment through local banking systems, business loans, and crowdfunding, and improve access to affordable credit facilities for business expansion.
- ✓ Strengthen financial literacy and management by conducting regular financial literacy training for PUC members and FPO shareholders. Also, good to promote structured budgeting, savings, and investment practices to enhance financial planning.
- ✓ Improve record-keeping and digital financial literacy to streamline financial management.
- ✓ Expand market access and product diversification by strengthening local and export market strategies through government partnerships and trade agreements.
- ✓ Encourage crop and product diversification to increase revenue streams and resilience, and support value addition initiatives to enhance competitiveness and profitability.
- ✓ Improve technology adoption and infrastructure through investment in modern processing, storage, and packaging facilities to improve supply chain efficiency.
- ✓ Promote the adoption of advanced agricultural and business technologies for better productivity, and enhance digital business management tools for more efficient operations.
- ✓ Address operational weaknesses and governance issues by providing entrepreneurship, management, and marketing training to improve business efficiency.
- ✓ Strengthen internal coordination and member engagement to reduce conflicts and governance issues, and simplify regulatory and bureaucratic processes to enhance operational efficiency.

- ✓ Mitigate external risks and strengthen resilience through developing risk management strategies to protect against climate change and market volatility.
- ✓ Improve insurance coverage and financial risk assessment for better economic stability, and advocate for policy stability and government support to reduce market uncertainties.

Annextures

Annexture I: Various financial products offered by financial institutions in Sri Lanka

SDB BANK

Product Name	**Samupa Saviya**
Features and Benefits	1. Repayment period of 01 year at prevailing interest rates, with a maximum 6-month grace period 2. Repayment can be made monthly or as a bullet repayment 3. The loan amount depends on the capacity of the society and can go up to Rs. 20 million with no collateral
Eligibility	4. SANASA Societies, Multi-Purpose Cooperative Societies, other cooperatives, and registered societies may apply for this loan 5. Suitable collateral will be required to mitigate risk on a case-by-case basis 6. The loan funds should match the total volume of the Corporate Top Saver Portfolio
Required Documentation	7. A duly filled loan application 8. Society Mandate 9. Society Registration Certificate 10. Copy of the Memorandum and Articles of the Society 11. Certified copy of the resolution of the Board of Directors 12. Society Declaration Form 13. Signature Card
Interest Rate	14. Existing Market Rate

SEYLAN BANK

1. Tea Smallholders Loan Scheme (*for new planting and replanting of tea*)
2. Kapruka Loan (*to encourage domestic coconut production*)
3. Sarusara Loan (*for micro and small-scale farmers, who engage in the cultivation of seasonal crops*)
4. ADB Loan Scheme (*to boost agriculture, Tourism, Manufacturing, Technology, and export-oriented businesses*)

Product Name	**Sarusara Loan**
Features and Benefits	15. The Sarusara Loan scheme is offered with the collaboration of the Central Bank of Sri Lanka to uplift the socio-economic conditions of micro and small-scale farmers, who cultivate seasonal crops, by providing working capital requirements at a lower cost. The Repayment Period is 270 days 16. Suitable security acceptable to the bank.
Eligibility	– Farmers who have the freehold and leasehold ownership of the land. – Age between 18 to 55 years. To obtain a loan from a borrower who is 55 years or above, a family member such as a daughter or son should be made a party to the loan.
Required Documentation	– Usual loan documents
Maximum Loan Quantum	– Bank will finance up to 75% of the total cost of the project
Interest Rate	– Concessionary interest rate decided by Central Bank of Sri Lanka (04%)

SEYLAN BANK

Product Name	**ADB Loan Scheme**
Features and Benefits	– ADB (Asian Development Bank) funded loan scheme for economically and financially viable projects to boost agriculture, Tourism, Manufacturing, Technology, and export-oriented businesses. The Repayment Period is 03 years **Conditions for the Women-led Enterprises** 17. At least 51% of the enterprise ownership must be controlled by women 18. At least 20% of the enterprise ownership is controlled by a woman with a woman being either the Chief Executive Officer or the Chief Operations Officer and at least 30% of the board members are women; where a Board exists.
Eligibility (Eligible project and expenditure)	19. **Agriculture -** Permanent working capital requirements 20. **Tourism -** One business entity can obtain only one loan under the scheme 21. An annual turnover of less than LKR 1.0 billion, with employee strength less than 200 22. Enterprises must be registered at the Department of the Register of Companies or the local government authority has accepted its business registration application
Required Documentation	23. Copy of BR 24. Loan application 25. Environment Protection License (EPL) * Additional time will be taken for processing any loan with any deviations from the eligibility criteria.
Maximum Loan Quantum	26. Bank will finance up to 75% of the total cost of the project
Interest Rate	27. 08%

COMMERCIAL BANK

Product Name	**Commercial Agri Loans for Professionals**
Features and Benefits	28. Commercial Agri Loans for Professionals is a credit scheme from Commercial Bank to empower professionals to invest in the field of agriculture to revolutionize the agriculture industry in Sri Lanka. This credit scheme enables working professionals to build a diverse source of income. 29. Repayment: The maximum repayment period is 07 years. Repayment - by installments calculated based on equated or reducing balance method
Eligibility	– Aged between 23 - 55 years and either a professional or employed as an executive officer who has served for a period not less than 03 years in a reputed private sector organization or in a government institute, you can apply for a loan. – Qualified professionals over 55 years of age and have an assured monthly income (take-home salary + other regular income) can apply jointly with the spouse or immediate family member who should be below 55 years of age.
Required Documentation	– Duly completed loan application – Copy of Sri Lankan National Identity Card/Passport/ Driver’s License – Evidence for income details for the past 6 to 12 months (Latest Information) along with the bank account statements (If applicable) – Documents/evidence to show the cost of the project – Any other documents deemed necessary.
Loan Amount	– The loan amount should be decided considering the requirement and repayment capacity of the borrower subject to 25% of the minimum equity of total investment.
Interest Rate	– Available types of interest rates of the product - Fixed or Floating Interest Rates

COMMERCIAL BANK

Product Name	**Agri-Business Loans**
Features and Benefits	30. Agri-Business Loans is one of the credit schemes from Commercial Bank to strengthen the Sri Lankan agriculture industry. 31. Repayment: Maximum repayment period 7 years inclusive of a maximum grace period of 01 year. Capital is to be repaid monthly, bi-annually, seasonal, or any other structured repayment frequency considering the income pattern of the Project. Interest is to be paid monthly (during the grace period as well). Repayment - by installments calculated based on equated or reducing balance method
Eligibility	– Individuals, Sole proprietorship, Partnership, Limited liability companies. – Purchase of agriculture estates or bare lands for agriculture projects. – Purchase of vehicles, machinery, and equipment required for agribusinesses. – Development of commercial agriculture activities in the following sectors. (Tea / Rubber/ Coconut / Floriculture / Forestry / Irrigation systems / Rotational Crop Cultivation / Intercropping / Livestock Development (dairy, poultry, piggery or any other)/ Control Environmental Agriculture / Export Agriculture Crops/ Organic Farming/ Organic Fertilizer Production). – Agro Processing Businesses. – Animal product processing units. – Any other commercially viable agriculture project.
Required Documentation	– Duly completed loan application form – Copy of Sri Lankan National Identity Card/Passport/Driver's License – Evidence for income details for the past 6 to 12 months (Latest Information) along with the bank account statements (If applicable) – Last 03 years Management or audited accounts (If Applicable)

	–	Evidence for project cost – Any other documents deemed necessary
Loan Amount	–	The loan amount should be decided considering the requirement and repayment capacity of the borrower subject to 25% of the minimum equity of the total investment
Interest Rate	–	Available types of interest rates of the product - Fixed or Floating Interest Rates

BANK OF CEYLON

1. Kapruka Credit Scheme (*Coconut Development Loan Scheme*)
2. Tea Smallholder Credit Line (*to increase tea leaf production by way of new planting, replanting, infilling, and nursery development*)
3. Tea Smallholder Loan Scheme (*Empowering Small Scale Tea Estate Holders*)
4. For the Development of Priority Sectors in Agriculture (*Financial Assistance for the Development of Agriculture Priority Sectors*)
5. NCRCS (*New Comprehensive Rural Credit Scheme*)
6. Pledge Facilities for Purchasing Harvesting Commodities (*to purchase and stock harvesting commodities*)
7. Divi Udana (*Development Loans Scheme*)
8. SME Energizer (*Special Loan Scheme for Micro, Small and Medium Enterprises*)
9. Small & Micro Industries' Leader and Entrepreneur Promotion Project Revolving Fund - (SMILE III RF)
10. Siriliya Saviya (*Credit scheme to finance income-generating projects for women*)

Product Name	**Commercial Agri Loans for Professionals**	
Features and Benefits	32.	Commercial Agri Loans for Professionals covers the agriculture sector. The repayment Period is 7 years (Depending on the corps and purpose of the loan)
Eligibility	–	The person/institutions who/which request the loan should be directly or indirectly involved in Agriculture.

Required Documentation	– Usual Loan Documents
Maximum Loan Quantum	– Maximum Loan amount is Rs. 50.00 Mn (Depends on the corps and purpose of the loan)
Interest Rate	– Current market interest rate

BANK OF CEYLON

Product Name	**Pledge Facilities for Purchasing of Harvesting Commodities**
Features and Benefits	33. To purchase and stock harvesting commodities. Repayment Period is for Paddy – 06 Months, and other Crops – 09 Months. It pledges over stocks. 34. Joint and several personal guarantees of Directors or Guarantee of any other two persons acceptable by the bank. Assignment over Insurance Policy obtained for a minimum of 133% of facility amount. The insurance should cover fire, burglary, riot, civil commotion, cyclone, terrorism, malicious damages, strikes, explosions, and flood over stocks.
Eligibility	– Should be a customer of the Bank – Should not be a willful defaulter
Required Documentation	– Usual Loan Documents
Maximum Loan Quantum	– Maximum Loan Amount is Rs.1,000 Mn

Interest Rate	–	Current market interest rate

BANK OF CEYLON

Product Name	**SME Energizer**	
Features and Benefits	35.	Special Loan Scheme for Micro, Small and Medium Enterprises. The repayment period is 5 years inclusive of an optional grace period of six months, depending on the nature of the business.
Eligibility	–	The applicant should have a valid Business Registration
	–	Both existing and new customers can obtain the credit facility
	–	Borrower should not be a willful defaulter of any financial institution.
	–	Annual turnover of the eligible businesses should be below Rs 1.0 bn.
	–	In the case of a manufacturing sector the total number of employees should be below 300, in the case of
	–	Service sector the total number of employees should be below 200.
	–	The applicant should be able to submit a business plan/project proposal with a positive cash flow
	–	The applicant should have the required knowledge and skills to operate the respective project in a viable manner
Required Documentation	–	Usual Loan Documents
Maximum Loan Quantum	–	Category I - MSME businesses - Rs.25.0 Mn or 75% of the project cost, whichever is less, and Category II - Start-up projects - Rs.2.0 Mn or 75% of the project cost, whichever is less
Interest Rate	–	Current market interest rate

BANK OF CEYLON

Product Name	**Small & Micro Industries' Leader and Entrepreneur Promotion Project Revolving Fund - (SMILE III RF)**
Features and Benefits	36. Category I - General Loan Scheme: Any purchase of machinery that: Generates income, increases production capacity, increases the level of operations, improves quality, and improves price competitiveness 37. Category II - Technical Transfer Assistance Scheme: To upgrade, accounting, managerial, and technical skills of project staff, and end products by purchasing quality control equipment, inclusive of laboratory equipment 38. Repayment Period: for General Loan Scheme: maximum of 10 years including 2 years additional grace period, and for Technical Transfer Assistance Scheme: maximum of 7 years including 2 years additional grace period.
Eligibility	– Micro & small-scale entrepreneurs engaged in manufacturing, food processing, textile and garments, agro-industries, fisheries, animal husbandry, horticulture & etc. – Overall project cost should not exceed Rs. 75.0 Mn. – Minimum 25 % equity contribution
Required Documentation	– Usual Loan Documents
Loan Amount	– General Loan Scheme: up to Rs. 25 million, and Technical Transfer Assistance Scheme: up to Rs. 2.5 million
Interest Rate	– Current market interest rate

BANK OF CEYLON

Product Name	**Siriliya Saviya**

Features and Benefits	39. Credit scheme to finance income-generating projects for women. The minimum equity contribution will be 30% of the project cost, including land & building 40. The Repayment Period is a maximum of 08 years, with a grace period of 02 years
Eligibility	– Women entrepreneurs between the ages of 18 - 55 years – Should be dynamic personalities with entrepreneurial skills – Should have a BOC account, preferably "Kantha Ran Ginum" – Should not appear as a defaulter in CRIB/DRU
Required Documentation	– Usual Loan Documents
Loan Amount	– Up to a maximum of Rs. 2.0 Mn. (Minimum Rs. 25,000/-)
Interest Rate	– Current market interest rate

PEOPLES BANK

1. Kapruka Ayojana Loans (*Coconut Development Loan Scheme*)
2. SAPP (*Small Holder Agribusiness Partnership Programme*)
3. Paddy Pledge loan scheme (*for assisting Paddy Millers and Paddy Collectors in purchasing paddy*)
4. Thurunu Shakthi (*for entrepreneurs recommended by the National Youth Services Council*)
5. Diri Shakthi (*for entrepreneurs recommended by the Small Enterprise Development Division*)
6. Business Power Loans (*to a wider segment of SMEs, agriculture, construction, exports, innovations, and technology-based businesses*)
7. Green Power
8. People's Spark

Product Name	**SAPP (Small Holder Agribusiness Partnership Programme)**
Features and Benefits	41. Small Holder Agribusiness Partnership Programme is a special loan scheme introduced and has been issued in accordance with the operating instruction of CBSL for implementing the development of the domestic agricultural sector. Maximum 5 Years including a grace period of 12 to 18 months. Buyback agreement, personal guarantee, property, inter se guarantee, or other
Eligibility	– Any agribusiness activity – Entrepreneur activities – Community-based Financial Intermediation with village-based farmer network – Farmers, farmer groups, FOs/POs engaged in 4P arrangements of SAPP. – Individuals engaged in income generation activities in agriculture, fisheries & livestock. – Youth entrepreneurs connected to any agriculture value chain and fall within the age group of 18-40 years. – Promoters officially partnered with 4P arrangements of SAPP and the tea & rubber sector allied with SAPP endorsed by NSC. – Community-based Financial Intermediaries (FI) endorsed by the NSC for bulk loans
Required Documentation	– Usual Loan Documents
Maximum Loan Quantum	– 4P/RF FI Bulk category - 3% to CBSL – 4P/ RF Youth Rs.2.0Mn – RF Income generation individual Rs.300,000/- – 4P/ RF Promoter Rs.18.0Mn – 4P/RF promote bulk, RF FI bulk, RF tea and rubber loan amount decided according to project

Interest Rate	– 4P/RF 6.5% – 4P/RF(FI) Bulk 3.75%

PEOPLES BANK

Product Name	**People's Thurunu Shakthi**
Features and Benefits	42. People's Thurunu Shakthi loan scheme for entrepreneurs recommended by the National Youth Services Council. The repayment period is Investment Capital - 60 Months (Inclusive grace period - Maximum 03 Months), and Working Capital - 24 Months (No grace period) 43. Securities: Up to Rs.500,000/- Two personal guarantees or securities acceptable to the bank, and Above Rs. 500,000/- Government servant guarantee with another personal guarantee or securities acceptable to the bank
Eligibility	– Age Limit: 18-45 Years – Applicants engaged in commercially viable and profitable MSE for at least a period of 12 months – Graduate from a recognized University/ Diploma holder in a reputed institution/NVQ certificate holder
Required Documentation	– Usual Loan Documents
Maximum Loan Quantum	– Excising Business - Rs. 1,000,000/- – Starting Business - Rs. 250,000/-
Interest Rate	– Up to 0.5 million - 15%

	–	Above 0.5 million to 1 million - Weekly AWPLR+ 2.5% (Monthly Review)

PEOPLES BANK

Product Name	**People's Diri Shakthi**
Features and Benefits	44. People's Diri Shakthi loan scheme for entrepreneurs recommended by the Small Enterprise Development Division. The repayment period is for Investment Capital - 60 Months (Inclusive grace period - Maximum 03 Months), and for Working Capital - 24 Months (No grace period) 45. Securities: Up to Rs.500,000/- Two personal guarantees or securities acceptable to the bank, and above Rs. 500,000/- Government servant guarantee with another personal guarantee or securities acceptable to the bank
Eligibility	– Age limit is 20-65 years – Self employments entrepreneurs introduced by SED and our branch network – Applicants engaged in commercially viable and profitable MSE for at least a period of 12 months
Required Documentation	– Usual Loan Documents
Maximum Loan Quantum	– Existing Business - Rs. 1,000,000/- – Starting Business - Rs. 250,000/-
Interest Rate	– Up to 0.5 million - 15%

– Above 0.5 million to 1 million - Weekly AWPLR+ 2.5% (Monthly Review)

PEOPLES BANK

Product Name	**Business Power**
Features and Benefits	46. 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. **47.** The Repayment Period: The maximum repayment period should be ten (10) years including a maximum grace period (if required) of two (2) years for investment loans. The maximum repayment period should be three (3) years for working capital loans. Interest should be serviced during the grace period. Repayment could be arranged based on the cash flow patterns of the respective businesses. (Ex; Monthly, once in two months, once in three months.)
Eligibility	– Agriculture (farming, livestock, fisheries, agro-produce collectors and intermediaries, small rice millers) – Manufacturing industries focused on direct and indirect exports and import substitution. – Food and Beverages – Innovation and technology-based businesses. – Essential services (Health, Education, Logistics, Telecom) – Construction – No trading purposes are considered under this loan scheme.
Required Documentation	– Usual Loan Documents
Maximum Loan Quantum	– The maximum loan amount for investment purposes is Rs. 250.0 Mn per borrower. – The maximum loan amount for the permanent working capital requirement is Rs. 50.0 Mn per borrower. – However, the maximum exposure under this loan scheme should be Rs. 250.0 Mn. per borrower.

Interest Rate	– 1 to 3 years 13.5% per annum (Fixed) – 4th year onwards (AWPLR + 2.00% Monthly Review)

PEOPLES BANK

Product Name	**Green Power**
Features and Benefits	**48.** The Repayment Period: The maximum repayment period should be ten (10) years for investment loans including a maximum grace period of two (2) years. The maximum repayment period should be three (3) years for working capital loans (No grace period is applicable). Interest should be serviced during the grace period. However, the repayment period of loans granted for purchasing machinery/equipment should be restricted for a maximum period up to the useful lifetime of the relevant machinery/equipment.
Eligibility	– Agriculture, Forestry & Logging. (precision agriculture, soil conservation, green animal husbandry afforestation, etc.) – Manufacturing. (organic basic chemicals, liquid bio-fuel generation, wind/solar power generation) – Electric Power Generation, Transmission & Distribution. – Gas, Steam, and Air Conditioning Supply. – Water Supply, Sewerage, and Waste Management. – Construction (New Green Building, Zero-energy building requirement, infrastructure enabling low carbon road/ water transport, etc.) – Tourism and Recreation. – Transportation and storage

Required Documentation	– Usual Loan Documents
Maximum Loan Quantum	– 75% of the total proposed project cost up to a maximum of Rs. 500Mn. – Equity contribution should be invested upfront.
Interest Rate	– First 5 years - AWPLR - 1.0% p.a. (Monthly Review) – From 6th year onwards - AWPLR + 1.0% p.a. (Monthly Review) – However, the applicant should obtain certifications, approvals or clearances from the relevant authorities verifying that the particular project is a 'Green Project'.

PEOPLES BANK

Product Name	**People's Spark**
Features and Benefits	49. The Repayment Period: Investment Loan - 7 years and working capital Loan - 3 years **50.** Security: any security acceptable to the bank
Eligibility	– A citizen of Sri Lanka. – A person who has passed G.C.E. Ordinary Level/Advanced Level examination – Age between 20-45 years – Not a defaulter of People's Bank or any financial institution – Sectors: 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
Required Documentation	– Usual Loan Documents
Loan Amount	– The maximum loan amount is Rs. 2.5 Mn.
Interest Rate	– Facilities up to Rs. 500,000 - 7.0% (Fixed), and Facilities up to Rs. 1,000,000 - 10.0% (Fixed) – Facilities exceeding Rs. 1,000,000 - AWPLR +2% p.a (Monthly Review)

RURAL DEVELOPMENT BANK (RDB)

Product Name	**NCRCS: Interest Subsidy Loan Scheme**
Features and Benefits	51. The purpose of the New Comprehensive Rural Credit Scheme (NCRCS) is to promote paddy cultivation & seasonal crops and tourism-related small-scale homestay owners. 52. Loan Securities:Personal guarantors 53. Repayment Period: 270 days.
Eligibility	– Be a citizen of Sri Lanka – Should not be a willful defaulter – Should have an effective repayment capacity

Required Documentation	–	Usual loan documents
Loan Amount	–	Depend on the extent of land and the crop.
Interest Rate	–	08%

RURAL DEVELOPMENT BANK (RDB)

Product Name	**Agriculture Loan**
Features and Benefits	54. Purpose is to develop agriculture. Loan Securities include Personal guarantors / Movable assets / Immovable assets 55. The Repayment Period is a maximum of 05 Years
Eligibility	– Be a citizen of Sri Lanka – Should not be a willful defaulter – Should have an effective repayment capacity
Required Documentation	– Usual loan documents
Loan Amount	– Depend on the project.
Interest Rate	– Up to 1 Year – 15% – 1 to 3 Years – 15% – Above 3 Years – 15%

Cargills BANK (RDB)

Product Name	**Agriculture/Micro Enterprise-related Loan**
Features and Benefits	56. All Agriculture/Microenterprise related activities. Loan Repayment: Maximum tenor up to 7 years. The Grace Period will be decided according to the project
Eligibility	– An individual or Joint borrower requesting the loan must have a direct or indirect involvement in agriculture / Micro enterprise activities for a period of minimum one year. – The business entities (partnerships, corporations, and proprietorships) must be registered and have been in existence for at least three years as of the credit facility application date. – Age should be in-between 18 to 65 (at the maturity of the Loan), If a borrower is 60 years of age or older, a family member, such as a daughter or son, must be included in the loan. – Requirements for appropriate collateral will vary depending on the circumstances of each instance.
Required Documentation	– A duly completed loan application form. – A copy of your Sri Lankan National Identity Card / Passport / Driver's License. – Evidence for Income details for the past 3 to 6 months (latest information) along with the bank account statements* – Copy of the business registrations, financials, and other business-related documents* (*if applicable)
Loan Amount	– The loan amount is to be decided based on the purpose and level of income generation. – The client should make a minimum contribution of 20% of the total Loan project. – Minimum Loan value is Rs 25,000/- and the maximum will be Rs 100 Million (subject to Loan purpose, collateral, and repayment capacity)

Interest Rate	–	14% per annum from 31st October 2023 (may vary depending on the loan amount and prevailing situation)

HATTON NATIONAL BANK

Product Name	**Agro Finance**
Features and Benefits	1. Development Credit Scheme: This scheme offers financial assistance for perennial crop cultivation, farm machinery, fisheries, animal husbandry, and other income-generating agro-based development activities. 2. New Comprehensive Rural Credit Scheme (NCRCS): This scheme provides financial for the cultivation of short-term crops such as paddy, chilies, onions, and upcountry vegetables and for nurseries. 3. Short-Term Crop Purchase Loans: To purchase agricultural produce (paddy and other grains). 4. Saubagya Loan Scheme: To purchase machinery and equipment for manufacturing, services, and agro-based industries.
Eligibility	– An agricultural venture that has a clear contribution to the economy – Clear CRIB, and ability to provide acceptable security
Required Documentation	– Usual loan documents
Loan Amount	1. Development Credit Scheme: The loan amount and repayment period can be arranged to suit the cash flow of the project, with an attractive fixed or floating interest rate. 2. NCRCS: This scheme provides financial assistance of up to Rs.540,000 for the cultivation of short-term crops and up to Rs.500,000 at the rate of 7% per annum for nurseries. 3. Short-Term Crop Purchase Loans: The loan amount can be arranged to suit the cash flow of the project. 4. Saubagya Loan Scheme: Financing up to Rs. 25 million at an interest rate of 9% per annum.

Interest Rate	– May vary depending on the loan amount and prevailing situation

DFCC BANK

Product Name	**Krushibala Loan scheme**
Features and Benefits	– The purpose is to exclusively assist SMEs and Corporates engaged in the local Agricultural and related sectors, with payment periods of 5 to 7 years based on the type of loan
Eligibility	People involved in – Cultivation (Tea/ Rubber/ Coconut / Floriculture/Rotational Crop Cultivation/Inter Cropping), – Livestock, Dairy, Agriculture Processing (Rice Milling, Grain Legume Processing, Fruit and Vegetable Processing, Dehydration etc.), – Warehousing and Enhancing Storage Facilities, Development of Commercial Agriculture and Hi-Tech Agriculture (Control Environmental Agriculture / Export Agriculture Crops, Organic Farming/ Nursery/Seed Production, Drip Irrigation, Tissue Culture etc.) and – Introducing / Capacity Enhancement of Organic Fertilizer Manufacturing.
Required Documentation	– Usual loan documents
Loan Amount	– Up to LKR 100 Mn
Interest Rate	– 7% per annum

LB FINANCE

Product Name	**Gold Loan facilities**
Features and Benefits	– For those who are engaged in the cultivation of paddy, vegetables, fruits as well as tea, rubber, and coconut, will find LB Gold Loan service to be flexible and convenient. – For purchasing your technical gear/machinery, seeds, fertilizers, and pesticides, or acquiring transportation for instance. – Repayment options that range from 3, 6, 9, or 12 months.
Eligibility	– Any Sri Lankan above 18 years of age is eligible
Required Documentation	– Usual loan documents
Loan Amount	– Depend on the requirement and the repayment capacity
Interest Rate	– May vary depending on the loan amount and prevailing situation

ALLIANCE FINANCE

Product Name	**AFC Agriculture Loan**
Features and Benefits	57. The purpose is to support Climate Smart Agriculture and Agri Value Chain activity. AFC's agriculture-related funding includes funding for irrigation infrastructure development, technology, technical equipment, and machinery as well as working capital requirements where feasible. 58. Equal Installment Schedule Basis Payments. 59. Step Up Installment Schedule Basis Payments.

	60. Step Down Installment Schedule Basis Payments. 61. Balloon Installment Schedule Basis Payments.
Eligibility	– An agricultural venture that has a clear contribution to the economy – Clear CRIB – Less vulnerability to adverse weather conditions – Ability to provide acceptable security
Required Documentation	– Usual loan documents
Loan Amount	– The loan amount is to be decided based on the purpose and level of income generation.
Interest Rate	– May vary depending on the loan amount and prevailing situation