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# Evaluating the Impact of Food Stamps and Microfinance

## Evidence from Sri Lanka

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## The Samurdhi Poverty Alleviation Program

- The Food Stamp Program (otherwise known as the consumption grant program)

- The Microfinance Program (which operates through Samurdhi Bank Societies and disburses loans to Samurdhi members)
  - Village Infrastructure Development Program (which consists of rehabilitation and development of small scale village infrastructure via the use of labour provided by Samurdhi members)
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## The Samurdhi Program

- Established in 1995 after PA came into power
  - Households with monthly income level below Rs. 1500 are eligible
  - 1.5 million households received food stamps in 1995; 2.3 million households in 2001
  - Expenditures on Samurdhi average 1 percent of GDP
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# The Samurdhi Microfinance Program

- Samurdhi food stamp recipients are eligible to form credit groups and access microfinance services
  - 2/3 of food stamp recipients access microfinance services
  - Two types of services: group savings & intra-group loans; Samurdhi Bank loans (larger loans)
  - One Samurdhi Bank for 10-15 villages
  - 10% of total borrowing by the poor was from Samurdhi
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## Potential Research Questions

- Samurdhi set-up allows us to ask the following question:
- As anti-poverty strategies how does providing handouts in the form of food stamps compare to microfinance services?
- To address question one option is to assess how

participation in these two programs impacts household expenditure, particularly for the poorest.

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## The relevant literature

- Theory predicts welfare programs generate disincentives to work
  - Whether a roll-back of welfare programs actually generate income gains for the poor is debatable
  - Microfinance programs are applauded for having the opposite effect on work incentives
  - Nevertheless debates about the impact of microfinance are on-going
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## Methodology

- . 1999/2000 household level survey of 5530 households (excluding the North-Eastern Province)
  - . Propensity score matching to create treatment and control groups
  - . Examine the differences in per capita household expenditure
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## Some Empirical Results

- . Food stamps significantly increases per capita hh food consumption by 5.7%
- . Poorest hhs experience a gain of 5.5% in total hh per capita expenditure – mainly driven by purchase of non-food items using the coupons
- . Hhs in second expenditure quintile show a decline in per capita non-food consumption of 8% (a larger

reduction than the gain in per capita food consumption of 6%)

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## Some empirical results

- . Microfinance borrowers experience a 6% gain in food consumption and a 5% gain in total hh per capita expenditure
  - . For poorest hhs, there is a 11% gain in hh per capita food consumption and a 5% gain in total per capita monthly hh expenditure that can attributed to microfinance
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Total sample

n=5530

Households who do not join the Samurdhi program

n=3315

**B**

Households who only receive food stamps

n=967

**C**

Households who receive food stamps & microfinance n=1248

**D**

Households who join Samurdhi food stamp program

n=2215

**A**





