

Transaction Cost of the Self-Employment Credit Process of *Samurdhi* Bank in the Perspective of *Samurdhi* Beneficiaries

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Sri Lanka has propelled the *Samurdhi* program as a national strategy with the primary objective of alleviating poverty by guaranteeing to support the poor in the income generation process. The foremost component of *Samurdhi* is *Samurdhi* Bank, which primarily extends loans for beneficiaries. Compared to the other banks, *Samurdhi* Bank has a considerably more complex loan borrowing process. The absence of a systematic academic work which evaluates the loan borrowing process of *Samurdhi* Bank from the transaction cost perspective creates a gap in the literature. This study attempted to bridge this gap by assessing the transaction cost of the loan borrowing process of self-employment credit issued by *Samurdhi* Banks. This study used convergent parallel mixed method employing both qualitative and quantitative data. Qualitative data was collected from eight *Samurdhi* beneficiaries, while quantitative data was collected from 86 beneficiaries selected from Imbulpe DS Division in Ratnapura District. Data was analyzed using descriptive statistics and narrative analysis. The results revealed that *Samurdhi* beneficiaries have spent a significantly higher amount of time and money to search for information about loans and trustworthy members to create a cluster, thus generating a higher searching cost. Further, higher cost is spent on conducting group meetings to negotiate with *Samurdhi* members and other officers. Time and money are spent to monitor the activities relating to credit and to resolve transaction disputes. Thus, the transaction cost of the loan borrowing process which is fairly high, adversely impacts the motivation of *Samurdhi* beneficiaries to demand credits. The *Samurdhi* self-employment loan scheme has several inefficiencies concerning the transaction cost perspective. Therefore, policymakers must take proper actions to minimize the transaction cost of the loan borrowing process by formulating a relaxed framework which can easily be accessed by any beneficiary.

Keywords: *Samurdhi banks, Samurdhi beneficiaries, Self-employment credit, Transaction cost*