

# Tertiary and Vocational Education Commission

## *Research Cell*

Effectiveness of  
Self Employment Promotion Initiative (SEPI)  
loan scheme

Research By:

Ministry of  
Youth Affairs and Skills Development



A Research Team comprising of

Mr. A. R. Deshapriya - Additional Secretary (Vocational Training)

Ms. Sujanthi Mayadunne - Director (Planning)

Ms. Gileka Abeysekara - Assistant Director (Planning)

Mr. E. M. C. de Seram - Statistician

Ms. H. M. G. P. E. Karunaratne – Skills Development Assistant

Ms. N. J. A. C. L.T. Perera

## **ACKNOWLEDGEMENT**

This research was carried out by a research team comprising of officials of the Ministry of Youth Affairs and Skills Development. Field data collection activities were done by Skills Development Assistants under the supervision of Assistant Directors (Small Enterprises Development Division) attached to District Secretariat.

The research team extends their heartfelt thank to the secretary, Ministry of Youth Affairs and Skills Development for the guidance provided and monitoring the progress throughout.

The team also thankful to TVEC management who were involved in implementing the programme, for their assistance provided throughout the research.

The team is grateful to the staff of the Vocational Training Division of the Ministry for their support in providing supportive documents on SEPI loan scheme.

Also, the team is thankful to all who contributed to the success of the research, including the staff of the Planning Division of the Ministry, who contributed to produce the report in appropriate format.

## **ABSTRACT**

SEPI loan scheme which was implemented during the period of 2003 to 2006 under the skills development project has provided loan facility to 819 trainees who have passed out from the VT institutions, in order to start up self employment. The research was conducted on 127 loan holders from 16 districts based on a questionnaire survey.

Age of the respondents varied from 23-53 years while majority of them are in the age category of 21-40 years. Eighty two percent of them have got through GCE (A/L) or GCE (O/L). Highest percentage (58%) of the respondents have made aware of SEPI loan scheme through the awareness programmes. Ninety eight percent of the respondents have obtained the loan for purchase machinery and equipment, purchase raw materials and to organize the business. Eighty one respondents which is the highest number have obtained Rs.50 000 – 100 000 loan amount. Eighty four percent of the respondents have completed the loan repayment while five percent of the respondents are not repaying the loan at present. Fifty eight percent of the loan holders are involved in full time self employment. Eight day Entrepreneurship Development programme has been helpful for them to establish and success their businesses. Majority of the loan holders are looking for another loan to improve their businesses. Follow up action on loan holders is required further to increase effectiveness of the loan scheme.

# Contents

## **Chapter 01- Background of the Study**

1.1	Introduction	01
1.2	Justification	01
1.3	Objectives	01
1.4	Literature Review	02

## **Chapter 02 – Methodology**

2.1	Introduction	03
2.2	Methodology	03
2.3	Sample Selection	03

## **Chapter 03- Findings**

3.0	Introduction	05
3.1	Findings	05
3.2	Drawbacks	14

## **Chapter 04 - Conclusion & recommendations**

4.1	Conclusion	13
4.2	Recommendations	13
4.3	Reference	13

## **List of tables**

Table 1: Distribution of selected sample	04
Table 2: Districts of responded loan holders	05
Table 3: Gender of responded loan holders	06
Table 4: Age of the responded loan holders	06
Table 5: Method of awareness of SEPI loan scheme	06
Table 6: Purpose of applying for a loan	07
Table 7: Received Loan Amount	07
Table 8: Repayment status of the loan	08
Table 9: Relationship between the nature of business and field of training	09
Table 10: Employment Status	09
Table 11: Participation to the 8 day Entrepreneurship Development program	10
Table 12: Helpfulness of 8 days Entrepreneurship Development Program for the success of the business	10
Table 13: Self revenue status of business	10
Table 14: Relationship between Gender and Self Revenue Status	10
Table 15: Relationship between Age and self revenue status	11
Table 16: Relationship between Education level and self revenue status	11
Table 17: Required helping hand to develop the business	12

## **List of Charts**

Chart 1: Loan repayment status- Male	08
Chart 2: Loan repayment status- Female	09
Chart 3: Age groups of profitable Self Employers	11

## **Annexure**

Survey Schedule	14
-----------------	----

## **CHAPTER 01**

### **BACKGROUND OF THE STUDY**

#### **1.1 Introduction**

This chapter presents the purpose and Justification of the research along with the literature review and objectives.

#### **1.2 Justification**

The trainees passed out from vocational training institutions gain knowledge and skills in different subject areas varying from Agriculture to Industrial and Information Communication Technology sectors. Though they are fully competent, it is difficult to find a job since most of the industries are located in urban areas. At the same time some of the trained youth are willing to start self employment. However lack of financing facilities is a major barrier to emerging them as entrepreneurs. Even though credit facilities are available, most of them are focused on established businesses. Therefore initiating a business under these conditions is a very difficult task for a new comer.

Hence Ministry of Youth Affairs (previously, Ministry of Vocational and Technical Training) started the ‘Self Employment Promotion Initiative’ (SEPI) which is a sub loan scheme providing financial assistance to trained youth who are passed out from recognized vocational training institutes, for establishment of their own self employment project. Since this is the second phase of the initial project, it is important to study the effectiveness and drawbacks of the first phase of the project in order to success the second phase.

#### **1.3 Objectives**

1. To find out the effectiveness of the ‘SEPI’ loan scheme
2. To identify the characteristics of established businesses initiated under ‘SEPI’
3. To identify the draw backs of the loan scheme



#### **1.4 Literature review**

The first phase of the SEPI loan scheme was implemented by the Skills Development Project with the financial assistance of the Asian Development Bank, under the purview of the Ministry of Vocational and Technical Training. It has been implemented from 2003 to June 2006 in 17 districts of eight Provinces, provided Rs. 94.4 million credits at 10% interest rate, among 819 entrepreneurs. The credit facilities up to Rs. 250, 000 were provided to trainees who have undergone skills training through qualified Vocational Training Centers, NGO s and private sector institutions. Credit has been provided as short, medium and long term sub loans depending on the business plan, through 10 Participating Financial Institutions (PFI). The loan recovery period varied according to the loan, with the maximum time period of eight years including two years grace period.

The second phase of the project has been started in September 2009 under the trilateral agreement signed between the General Treasury, Central Bank of Sri Lanka and the Ministry of Vocational and Technical Training. Accordingly General Treasury has allocated Rs. 100 million for the project. Sub borrowers can obtain the loan facility subjected to maximum loan limit of Rs. 250,000 with 10% interest rate, from the Participating Financial Institutions i.e. Peoples Bank, Bank of Ceylon and Rural Development Bank (Rajarata Development Bank, Wayamba Development Bank, Sabaragamuwa Development Bank, Ruhuna Development Bank and Uva Development Bank). The loan scheme is only focused on passed out trainees from the DTET, NAITA, VTA and National Youth Services Council.

## **CHAPTER 02**

### **METHODOLOGY**

#### **2.1 Introduction**

This chapter describes the methodology followed in carrying out the research, which includes the population, the sample and the procedure adopted for collection of data.

#### **2.2 Methodology**

Primary data for the study was collected through direct interview based on a questionnaire. Publications of the 'SEPI' project were used as the secondary data source.

#### **2.3 Sample Selection**

The population concerned was 819 borrowers of SEPI loan and sample size was 197 (table 1). The population was stratified according to the district and stratified random sampling method was used to select the sample.

**Table 1: Distribution of selected sample**

<b>District</b>	<b>Population</b>	<b>Sample</b>
Colombo	69	16
Galle	76	19
Matara	17	4
Anuradhapura	44	10
Kandy	79	19
Hambanthota	17	4
Monaragala	29	7
Nuwara Eliya	22	5
Kegalle	18	4
Badulla	53	13
Puttalam	27	6
Polonnaruwa	13	3
Matale	14	4
Kalutara	55	14
Kurunegala	131	31
Rathnapura	39	10
Gampaha	116	28
<b>Total</b>	<b>819</b>	<b>197</b>

## CHAPTER 03

### FINDINGS

#### 3.1 Introduction

This chapter presents the findings of the research.

#### 3.2 Findings

**Table 2: Districts of responded loan holders**

Districts	Frequency	Percentage (%)
Colombo	10	7.9
Gampaha	21	16.5
Kalutara	12	9.4
Kandy	12	9.4
Matale	4	3.1
Nuwara-Eliya	3	2.4
Galle	14	11.0
Matara	2	1.6
Hambantota	4	3.1
Kurunegala	13	10.2
Puttlam	3	2.4
Anuradapura	3	2.4
Badulla	11	8.7
Monaragala	4	3.1
Rathnapura	7	5.5
Kegalle	4	3.1
Total	127	100.0

Hundred and twenty seven loan holders from 16 districts have responded from the selected sample of 197 loan holders.

**Table 3: Gender of responded loan holders**

Gender	Frequency	Percentage (%)
Male	95	74.8
Female	32	25.2
Total	127	100.0

Seventy five percent of the respondents are males.

**Table 4: Age of the responded loan holders**

Age Category (years)	Frequency	Percentage (%)
21-30	43	33.86
31-40	73	57.48
41-50	9	7.09
50+	2	1.57
Total	127	100.0

Age of the responded loan holders were varying from 23 years to 53 years. Highest percentage (57%) of the respondents were in the age category of 31- 40 years. Thirty four percent of respondents belong to the age category of 21-30 years while two percent belongs to greater than 50 years category.

**Table 5: Method of awareness of SEPI loan scheme**

Method of awareness	Frequency	Percentage (%)
Awareness Program	74	58.3
Newspaper or notice	12	9.4
TV/Radio	3	2.4
Friend	19	15.0
Bank Officer	19	15.0
Total	127	100.0

The highest percentage (58%) of respondents have been made aware of SEPI loan through awareness programmes. Fifteen percent of the respondents have been aware through friends while another 15% were aware through bank officer.

**Table 6: Purpose of applying for a loan**

Category	Frequency	Percentage (%)
1 .Purchase machinery	46	36.2
2 Organize a business place	18	14.2
3 Raw materials/ Day –today expenses	17	13.4
4. Above All	44	34.6
5. Other	2	1.6
Total	127	100.0

Thirty six percent of loan holders have used the loan for purchase machinery while 14% and 13% of loan holders have used it for organizing the business place and buy materials or day today expenses respectively. Thirty five percent of the loan holders have used the loan for aforesaid three purposes.

**Table 7: Received Loan Amount**

Received Loan Amount (Rs)	Frequency	Percentage
<50,000	1	0.79%
50,000 – 100,000	81	63.78%
10,001 – 150,000	17	13.39%
150,001 – 200,000	17	13.39%
200,001 – 250,000	11	8.66%

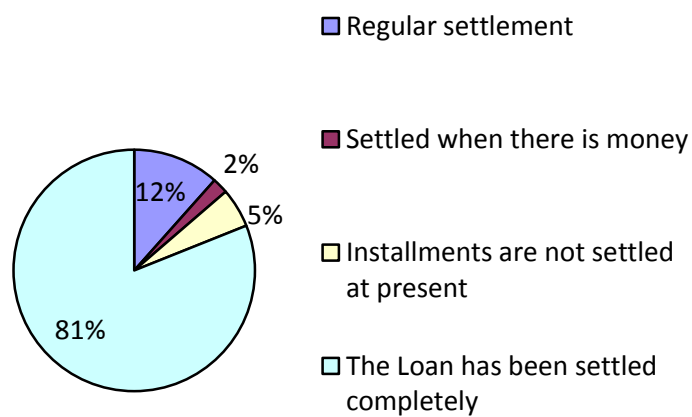
Sixty four percent of the loan holders have received Rs. 50 000- 100 000 loan amount while same percentage (13%) of respondents have received Rs. 100 001- 150 000 and Rs 150 001- 200 000. Nine percent of the loan holders have received Rs 200 001- 250 000 loan amount.

**Table 8: Repayment status of the loan**

Category		Frequency	Percentage (%)
1.	Regular settlement	11	8.7
2.	Settled when there is money	3	2.4
3.	Installments are not settled at present	6	4.7
4.	The Loan has been settled completely	107	84.3
	Total	127	100.0

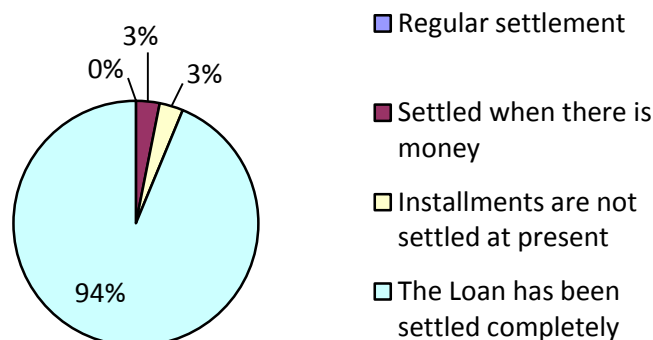
Eighty four percent of the respondents have completed the loan repayment while five percent have not settled the loan. Nine percent are paying the loan installments regular basis while two percent are not repaying the loan at present.

**Repay Status - Male**



**Chart 1: Loan repayment status- Male**

### Repay Status - Female



**Chart 2: Loan repayment status- Female**

Eighty one percent of the male respondents and 94% of the female respondents have repaid their loan.

**Table 9: Relationship between the nature of business and field of training**

Category	Frequency	Percentage (%)
1.Stated on the same field	105	82.7
2.Started on a different field	22	17.3
Total	127	100.0

Eighty three percent of the respondents have started business in the same field they have obtained the training.

**Table 10: Employment Status**

Category	Frequency	Percentage (%)
1. Full Time Self Employment	74	58.3
2. Employed & Earning(full time job)	39	30.7
3. Unemployed	3	2.4
4. Other*	11	8.7
Total	127	100.0

\*Unpaid Family workers,

Fifty eight percent and 31% of the respondents have engaged in full time self employment and full time job for salary respectively. Two percent are unemployed.



**Table 11: Participation to the 8 day Entrepreneurship Development program**

Category	Frequency	Percentage (%)
1.Participated	106	83.4
2 .Not participated	21	16.6
Total	127	100.0

Eighty three percent of the respondents have participated to the eight day Entrepreneurship Development programme conducted by the institution, before starting their business.

**Table 12: Helpfulness of 8 days Entrepreneurship Development Program for the success of the business**

Category	Frequency	Percentage (%)
1.Helpful	105	99
2 .Not Helpful	1	1
Total	106	100.0

Ninety nine percent of the respondents who have participated the eight days Entrepreneurship Development Programme have stated that the Entrepreneurship Development Programme was helpful for success of the business.

**Table 13: Self revenue status of business**

Category	Frequency	Percentage (%)
1 Profitable	91	71.7
2. Not Profitable	6	4.7
3.Not mention	30	23.6
Total	127	100.0

Seventy two percent of the respondents have stated that the self employment is profitable.

**Table 14: Relationship between Gender and Self Revenue Status**

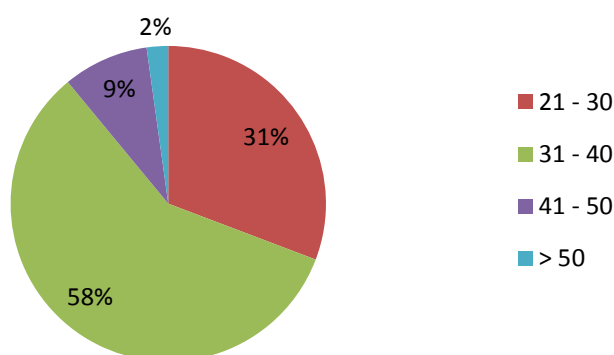
Gender	Self Revenue Status			Total
	Not responded	Profitable	Not Profitable	
Male	21	69	5	95
Female	9	22	1	32
Total	30	91	6	127

Seventy three percent of the males and 69% of the females have stated that the self employment is profitable.

**Table 15: Relationship between Age and self revenue status**

Age	Self Revenue Status			Total
	Profitable	Not Profitable	Not responded	
21 – 30 yrs	28	1	14	43
31 – 40 yrs	53	5	15	73
41 – 50 yrs	8	0	1	9
> 50 yrs	2	0	0	2
Total	91	6	30	127

**Age Vs Profitability**



**Chart 3: Age groups of profitable Self Employers**

Fifty eight percent of the respondents who stated the business is profitable are in the age group of 31-40 years and 31% is in the age group of 21-30 years.

**Table 16: Relationship between Education level and self revenue status**

Education Level	Self Revenue Status						Total
	Not Responded		Profitable		Not Profitable		
	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage	
Pass Grade 8	0	0.00%	1	50.00%	1	50.00%	2
Pass Grade 9	0	0.00%	1	100.00%	0	0.00%	1
Pass Grade 10	2	15.38%	11	84.62%	0	0.00%	13

Education Level	Self Revenue Status						Total
	Not Responded		Profitable		Not Profitable		
	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage	
G.C.E.(O/L) Pass	13	27.66%	32	68.09%	2	4.26%	47
G.C.E.(A/L) Pass	12	20.69%	43	74.14%	3	5.17%	58
Other	3	50.00%	3	50.00%	0	0.00%	6
Total	30	23.62%	91	71.65%	6	4.72%	127

Thirty seven percent of the respondents have got through their GCE O/L and 68.09% of them have stated the business is profitable. Forty six percent of the respondents have passed the GCE A/L and 74.14% of them stated the business is profitable.

**Table 17: Required helping hand to develop the business**

Category	Frequency	Percent
Need another loan	59	64.84
Need consultation	7	7.69
Need further training	10	10.99
Other	15	16.48
Total	91	100

Sixty five percent of the respondents who have stated that the business is profitable require another loan to improve their business while 11% require further training.

#### **Draw backs of the loan scheme**

- Terms and conditions imposed by the banks made it difficult to obtain loans.
  - Properties are needed to loans exceeding Rs. 150,000.
  - A guarantor is required to obtain loans.
- Follow up action to track the progress of the self employments initiated by the loan holders has not been carried out.
- Inadequate awareness on the loan scheme.
- A follow up Programme does not exist to inquire into the utilization of the loan for which it is granted.
- Non availability of an assisting method is a downfall of the business.

## **CHAPTER 04**

### **CONCLUSION & RECOMMENDATIONS**

#### **4.1 Conclusion**

- Awareness programmes were the most effective method to make trainees aware of the loan scheme.
- Eighty four percent of the loan holders have completed the loan repayment and five percent are not settling the loan at present.
- The purpose of loan of 98% of loan holders were to purchase machinery and equipment, purchase raw materials and organize the business place.
- Fifty eight percent of the loan holders are engaged in full time self employment.
- Eight days Entrepreneurship Developemnt programme has helped to start up the business, develop them and make profits out of them.
- Seventy six percent of loan holders require another loan and further training to develop their business.

#### **4.2 Recommendations**

- Follow up action should be taken to monitor the progress of the self employments initialed by the loan holders, in order to success the loan scheme.
- Arrangements should be made to provide further training and guidance to the loan holders when necessary.
- Small Enterprise Development Division of the Ministry can guide the loan holders, when necessary in order to success their business.

#### **4.3 Reference**

1. Operational instructions for Self Employment Promotion Initiative (SEPI) programme, Ministry of Tertiary Education and Training
2. Duties and Responsibilities of the implementation of Self Employment Promotion Initiative (SEPI), Ministry of Vocational and Technical Training
3. <http://purl.umn.edu/15772>

**promotion initiative loan beneficiaries**

Circle only relevant number

when a code is given for answers

- [illegible]

6. Sex (1) Female ☐ (2) Male ☐

## Part 2 – Particulars on Vocational Training

10. Name and the address of the institution in which you have followed the course?  
.....  
.....  
.....
11. Course followed :- .....
12. Year of which the course have followed .....
13. Nature of completion of the course  
(1) Passed                      (2) Unqualified                      (3) Failed
14. If unqualified or failed it has been completed or not completed later  
(1)Completed                      (2)Not completed

### Part 3 – Particulars of Loan

15. How do you got the information about this loan facility
- (1) From an awareness programme
  - (2) From a newspaper advertisement or another notice
  - (3) Television or Radio
  - (4) From a friend
  - (5) From a bank officer

16. The bank from which the loan was obtained  
.....
17. The period of time from the applying for loan receiving the loan.  
 (1) less than 2 weeks                      (2) 02 – 04 weeks                      (3) 01-03 months  
 (4) 03 - 05 months                      (5) greater than 6 months
18. Did you submit a business plan to the Bank to obtain the loan  
 (1) Yes                      (2) No
19. The said plan has been,  
 (1) accepted by the bank  
 (2) accepted with amendments by the bank  
 (3) rejected by the bank
20. (a) Did you received the amount expected by you  
 (1) Yes                      (2) No
- (b) Expected amount .....
- (c) Received amount .....
21. The date on which you have received the first installment? .....
22. The purpose of the loan  
 (1) To purchase machinery  
 (2) To organize the business place  
 (3) Raw materials labour, and day today expenses  
 (4) All above  
 (5) Other ..... (Please specify)
23. Have you obtained the loan to start a business in the field of training you have followed?  
 (1) Yes                      (2) No

24. The persons and institutions that helped you in obtaining this loan.

.....  
 .....  
 .....  
 25. What is your view of the conditions of loan imposed by the bank ?  
 .....  
 .....

#### Part 4 – Present employment or unemployment

26. At present you,  
 (1) are engaged in a self employment → go to question no 28.  
 (2) employed and earning  
 (3) unemployed  
 (4) other ..... (specify)

27. With the loan,
- (1) you are engaged in a self employment while doing your main employment
  - (2) unsuccessful in self employment
  - (3) did not try to engage in a self employment
  - (4) other ..... (specify)
- } go to Question No: 36
28. The Self employment you are engaged in  
.....
29. The production or the service.....
30. The number of employees under your command :
1. No one
  2. family members
  3. 1 - 2
  4. 3 – 5
  5. 6 -10
  - 6 . above 10
31. Do you maintain a monthly account in writing?
1. Yes
  2. No
32. If you maintain an account the gross expenditure of last month?  
.....
- 33.If you are engaged in a self – employment does it make profits?
- (1) Yes
  - (2) No
34. The way in which you expect a helping hand to develop your business
- (1) need another loan
  - (2) need consultation
  - (3) need further training
  - (4) other ..... (please specify)
35. The problems you face in engaged in a self employment
- (1) ditticulties in selling
  - (2) no employees
  - (3) High cost of production
  - (4) The monthly installment is high
  - (5) other ..... (please specify)
36. Did you participated in an eight day entrepreneurship development training programme before obtaining the loan?
1. Yes
  2. No
37. The institution in which you have been trained ?  
.....

38. Does the knowledge you gained from entrepreneurship development programme was helpful for the success of your business?

1. Yes                      2. No

#### Recovery of Loan

39. The number of instalment settled .....

40. Settlement of loan at present is,

- (1) regular  
(2) settled when there is money  
(3) installments are not settled at present  
(4) the loan has been settled completely  
(5) other ..... (please specify)

41. The year and the month of completion of loan settlement .....

42. Specify briefly of your views on this loan scheme

.....  
.....  
.....  
.....

For office use

Particulars	Field survey	Field survey checked by
Name		
Designation		
Telephone No		
Signature		
Date		