

## **CHAPTER VII**

### **CONCLUSION**

In this chapter, I conclude the finding of this study and attempt to answer the questions that were raised in the introduction. In the previous chapters I tried to describe poverty and livelihoods that particularly affect the poor in a resettlement slum community in Kaduwella in Colombo district. I also attempted to analyze how these people participate in development and the poverty alleviation program and examine their empowerment. I described the historical background of the research site and development policy, and also investigated effectiveness of development policy on poverty reduction. The first section was the main findings of the research. The second section aimed to discuss some theoretical perspectives of the findings. In the last section, I attempted to suggest some implications for policy on poverty alleviation.

#### **7.1 Research Findings**

Urban form is a direct outcome of the way in which different societies are organized. However, poverty is more accurately the state of relative poverty, and was seen to be a consequence of a historical process of the world capitalist system. Urban areas could be understood only as a result of the conflict between classes which were a direct outcome of the operation of the capitalist mode of production, and urban form, urban issues, and urban government. Urban ideology could be understood only in terms of dynamics of the capitalist system.

The first finding observes the specific conception of poor and their poverty situation in a resettlement slum. Obviously, from the beginning of the 1970s, slum removal programs were at the center of government urban development policy in Colombo city. The reasons for the removal are often motivated not by interest in the conditions of the poor rather than in clearing land for prestige or for speculative

profitable strategies. The poor in this unplanned resettlement have to face various problems such as isolation, poverty and eviction and cope with their everyday life.

There was an obvious difference between rural and slum inhabitants in the village in terms of the means of coping with these problems. For example, people in slums have a different social status than rural people, and livelihood strategy, also differs between traditional and new inhabitants. When they were resettled outside the city, they were marginalized socially and economically. This relocation or displacement influences both physical and social space around people's lives in Vallangiriya village. Too often the new location has been unsuitable owing to its distance from work places. People struggle with complexity of livelihood in their everyday life because of higher costs of transportation and disruption of informal social networks which previously had helped to sustain the low-income economy.

However, the poor resettled in Vallangiriya village are suffering their everyday life within their livelihood strategy. When they are resettled without upgrading the project, poverty is a part of their life. Suburban areas also become more urbanized, modernized, industrialized, and populated, increasing housing density beyond manageable levels.

This research examined the historical setting in the village. Urban renewal programs have never been very effective in the sense of helping the displaced population. Providing better infrastructure facilities or land for the urban poor should not be the only solution for improving their livelihoods. It is true that several poverty alleviation programs had been implemented during the last 30 years in Vallangiriya village in Kaduwella, but local people in the village are still dissatisfied with their new situation.

Discovery of the policies on poverty alleviation in which the government development policies have constructed the concept of poverty in Sri Lanka is the second finding. On the island, the last few decades of social welfare and participatory development have been less effective in eliminating the causes of poverty, because, most the policies were aimed at welfare, and were not production based. Welfare policies have also affected other development policies. Indicators of poverty measures in general show that the human development level is similar to a

developed country, but poverty in specific communities of essential economic and social conditions, is resulting in starvation, destitution, low quality of life, and manifold social problems, especially for the urban slum or relocation of urban slum people. Development is unbalanced among with the different regions; therefore, Colombo is the core area of development in the country, and even today industrialization is also limited around Colombo. It has failed to absorb unemployed populations in both rural and urban areas.

The third finding of the study is about the influence of the microfinance system in the area. By the government view, the main goal of the microfinance poverty alleviation program is reducing vulnerability to risks faced by households. But in the different social and economic structure, its effectiveness is different. In the Vallangiriya village, the microfinance activities operate under the national poverty alleviation program, and the infrastructure development in the area with socio-economic support from the government seems to have quite positive effects in a sense. It has gradually supported the poor, not only with money, but it has been implemented with the participation and social mobilization of the low income people in the village in order to support the socio-economic livelihood of the local people on the basis of the community's numerous development approaches. In evaluating the extent to how microfinance has made an impact on households such as the multifaceted nature of poverty including its main dimensions: economic aspects, vulnerability, and empowerment. In my understanding, the economic aspect, in general, has enabled the households to improve their income, assets, expenditure, etc.

However, the magnitude of impact varies across different income groups. For the poorest households, microcredit is used for their consumption, not production matters. The credit has supported income and employment generating activities among clients. Microfinance has largely helped the households in middle income poor and high income poor and some households have improved their housing conditions. Regarding the impact of microfinance on reducing vulnerability to risks faced by households, microfinance has been used as a major mechanism by different income groups. Households that faced indebtedness or employment related

risks have, for instance used credit from microfinance institutions or many other available mechanisms. Loans from informal sources have played a relatively high role in times of sickness, death of a family member or personal uncertainties.

However, this study finds that participation in microfinance programs can help households to integrate with the larger community and increase their social recognition. It also finds that women play an active role in microfinance: they borrow as well as save. The loans they have borrowed have mainly been used in self employment and other productive activities. The findings reveal that the provision of microcredit can enhance a woman's status within a household as she is a source of an important resource to the household. The social intermediation process of most microfinance institutions in conjunction with microcredit is likely to have a higher significant effect than credit alone. However, it is important to recognize the extent to which gender relations can be transformed, and women are empowered, depends also on various cultural and social factors.

The poorest could not come up with development, because many businesses that have started under the microfinance program are either micro enterprises or small-scale self-employment activities that use little or no technology and skills. Market opportunity is the main problem for their product. But a very important positive impact of the microfinance program is how it plays a crucial role in saving habits among its members, particularly those from the poorest categories. A significant proportion of households have had no savings in any institution before joining the Samurdhi Program. Moreover, the relative importance of savings in relation to household income was found to be the highest among the poorest households. People do not always save their money in the Samurdhi bank, but it has the highest share of credit between intra-group members as well.

## **7.2 Theoretical Discussion of the Findings**

This study provides an example of the poverty alleviation program as a discursive practice of the development. After providing the major findings of the study, this section will attempt to discuss some perspectives of the finding with other studies and theories in development strategy on poverty alleviation.

Development was to have been a post-colonial project, a choice for accepting a model of progress in which the entire world remade itself on the model of the colonizing modern West. Policy planners assumed that this western style of progress was possible for all. This economic based development policy was a dominating Western ideology of development in underdeveloped countries such as Sri Lanka. This conception of development underpins much of the work of international organizations such as the World Bank, and International Monetary Fund. However, this way development, regardless of how the definition is measured, was also problematic, because, in most of the countries in the world, where economic development growth is high, poverty is also significant. This means that poverty clearly does not only mean a lack of income.

The discourse of poverty alleviation programs discussed above does in various ways, include concepts such as construction of development, a focus on the perception of poverty and poverty alleviation programs, empowerment of the poor and participation in microfinance programs. The findings share with Chambers (1983) that in describing the nature of poverty, the poor people have to struggle against many interlocking disadvantages. Those disadvantages are poverty itself, physical weakness, isolation, vulnerability and powerlessness. Most of these factors are inter-related with the problem of low income due to low investment and low production. This explanation has also been a phenomenon of the poor in the Vallangiriya village, lack of money, and infrastructure facilities are not their only problems in life. They have to face problems such as their slum culture coping with poverty and economic problems in their life.

The poverty line is defined by outsiders, and neglects people's own definitions of poverty, which incorporate a lack of access to assets and services, ill health, insecurity, and political and social marginalization. Poverty line analysis is considered to provide only partial explanations of the causes of persistent poverty and deprivation. In particular, although poverty line analysis reveals the characteristics of people and households associated with poverty (including low educational levels, lack of skills, poor health, insecure tenure), it does not reveal underlying causes, especially processes of political and social exclusion, and many

not examine the relationship between labor market position, health and environmental conditions. The use of poverty lines may imply that the poor are passively waiting to become beneficiaries of trickle-down effects from economic growth or external interventions, while in practice they are active agents, adopting positive strategies for coping with impoverishment and securing improved well-being. Poverty is dynamic and not static, and urban residence is associated with particular experiences of poverty.

The location in which poor suburban households live is influenced by their poverty as Vallangiriya village people. They work in the city, in order to have relatively easy access to a variety of livelihood opportunities, but their travel costs are high. Furthermore, the majority of the poor live and work in the informal sector. Many formal sector workers enjoy a measure of protection through legislation and collective bargaining. Nevertheless, most of the poor employed in formal sector includes low-level occupations such as cleaners, garment factory workers, municipal council and water supply board labor, state sector official aides.

However, many scholars have observed that informal sectors are playing a very important role in the urban economy, especially for low income people who obtain their main income from the informal sector. Gilbert (1992) characterized the informal sector in urban areas as a denial occupation from the government's viewpoint. He concluded that the informal activities are ease of entry, reliance on indigenous resources, small scales of operation, labor intensive and adapted technology, skills acquired outside the formal school system and unregulated and competitive markets. The informal sector is significant as a gender issue because more women work in this sector than men. The informal sector provides the answer to the urban employment problem, which is reinforced by the notion that it receives little support from government. In local context, there is also a large informal economy where economic activity lacks recognition and protection under formal legal or regulatory frameworks.

Lack of access to credit has been considered as a major obstacle for them to raise their income and production levels. Many debates in microfinance surround poverty alleviation outreach, the poor's (especially women's) empowerment, and the

use of subsidies to ensure the poor are the primary beneficiaries. It can be argued that microfinance is not new in our society, for example, traditional savings and loans schemes among people and the accumulation of savings through dowry, jewelers, or even credit through the village moneylender. Microfinance in all its forms serves to smooth consumption 'lumps' and reduce economic vulnerability, particularly of people who are living on the margins of society. It can also lead to greater economic security of the household as well as capitalizing on, and gaining economic leverage from, the skills that individual households may have or can obtain.

However, in Bangladesh where there has been a large input of external funds for microfinance over the last two decades, a number of studies show that the impact of microfinance on the incidence of poverty is at best ambiguous. For example, Khandker (1998) found that there had been an increase in household incomes which was a direct result of microfinance programs. Other conflicting evidence, however, as to the income effects of microfinance has resulted in uncertainty as to whether microfinance has any effect on poverty measured in monetary terms. However, both the positive and the negative sets of findings are valid in the microfinance sector.

On the one hand, some have found that it is not empowering for women clients, arguing that such programs increase women's burdens. Because, women have their workloads increase and there is increased pressure on them from within the families and from microfinance institution staff. The negative evaluations tend to underestimate the level of cooperation within households, while the positive evaluations tend not to privilege individual behaviors or choices as empowerment.

In Sri Lanka, the large-scale poverty alleviation project includes major microfinance programs with a community development approach. Participation in microfinance programs can help households to better integrate with the larger community and increase their social reorganization. The questions of whether the poor often have limited access to markets or the existing markets are highly inadequate. The poor have limited opportunities for developing necessary skills required for economic activities, and technology is often too expensive or inaccessible to the poor. It is clear that linking poverty alleviation strategy in a

micro-level and macro-level development framework is important for poverty alleviation.

### 7.3 Policy Implications

This study examines the poor in a relocated slum community and their involvement in a poverty alleviation program. Since the relocation in the new place, negative effects were that the poor lost their source of income or livelihood strategy, and also their social network, and it can conversely even heap more or new burdens on them, because the poor in the slum earn various incomes from the informal sector around the community or nearby the city. Many disadvantaged families living in the village are either casual, unskilled workers or are engaged in low income, self-employment activities. Their incomes are often not adequate to meet their diverse needs, especially those needs, which result from the new living situation.

In suburban areas there is less market place and opportunity for their production, like street vendors. So, they have to transport their production to the city, and high transport costs result in less profit for their production. Many new settlers at the village complain about inadequate space in their houses, because their second and third family generation is also living on the same land due to no alternative land. Even though many of these settlements are heterogeneous in terms of ethnicity, employment structure, social networks and occupations, the settlers often have a sense of belonging to a community and live in constant interaction with each other. On the other hand, when a large number of communities are brought together, as it has happened at this village, many of those resettled find it difficult to adapt to the new social situation. Resettlement schemes of a much smaller scale would be more socially manageable and provide a sound basis for closer social interaction and formation of community organizations. However, recently, providing better infrastructure for the poor should not be the only solution for improving their livelihoods. Provision of new facilities such as electricity, telephone, water supply were changes in the expenditure pattern and consequently, many families were already experiencing serious economic difficulties.



A poverty alleviation program should provide significant economic activities and community service to support the poor in the village. The programs should have to pay more attention to the social development aspects such as prevention of alcohol and drug addiction, because, in some specific communities such as slums, their poverty is not always from economic aspects, but they also cope with cultural aspects of poverty.

Nevertheless, in the village, the government owns the land. Introduction land ownership and credit schemes aimed at housing, machinery and equipment and for the poor will result in building up the assets based on the poor. The working experience with the poor, the problem of market cannot be solved without certain interventions and clear guidance from government.