

Enhancing People's Capabilities and Entitlements in Asia: The Experience of an Export Production Village Project in Sri Lanka¹

Prof. Piyadasa Ratnayake
Faculty of Economics
Saga University
Japan

I. Introduction

As witnessed in development literature, fast economic growth has contributed to greater reduction of absolute poverty in Asia, especially in East Asia, where the poverty rate declined from 77 percent in 1981 to 14 percent in 2008. However the number of people living on less than \$2 a day in Asia remained without any significant change; the number of people measured at this line declined only from 2,124 million in 1981 to 1,784 million in 2008 or about 16 percent (World Bank (2012:71)). This reveals that the rapid economic growth in Asia has failed to trickle down its growth benefits to make substantial progress in reducing poverty. It is a well-known fact that poverty is understood as deprivation in the capability to live a good life, and 'development' is understood as capability expansion (Sen, extracted from Wells, 2014). To achieve this precious objective, it is necessary to provide equal opportunities for people to participate in development activities, while distributing the benefits of national development equitably among them.

In Sri Lanka, in the beginning of 1980s, an Export Production Village (EPV) project was introduced as an alternative development strategy in the hope that some of the weaknesses in traditional development policies would be rectified. This strategy aimed at the enhancement of people's capabilities and entitlements, while not disregarding conventional marketing strategies or the so-called free play of market forces. The main aim of the present study is to investigate how far this EPV project is able to improve people's Capabilities and Entitlements through transferring growth benefits of the modern sector to rural economy while providing productive opportunities to participate in the national development process. The methodology used to achieve this objective was based on both quantitative and qualitative analysis. The data used for this purpose was collected from two types of sources viz. Primary source (field survey) and secondary source (literary survey).

¹ I have already published some parts of this paper in my previous publications.

II. Enhancement of People`s Capabilities and Entitlements²: The Concept of EPV

The Concept and Objectives: The EPV has been conceptualised as “a trading house of producers at grass-roots level to introduce rural export-oriented products (agricultural and agro-based cottage industry products) into the highly competitive international market”. The first such producers’ trading house was established in 1981 at a cluster of villages (*Paranagama, Handapangala and Epaladeniya*) in the *Dambadeniya* Electorate, in the *Kurunegala* District and was called the “**Dambadeniya Export Product Development Company Limited**”. It was incorporated under the “Company Act” and registered with the Registrar of Companies as *Janatha Samagama* (People’s Company) in 1981. The function of this *Samagama* was to meet export demand for selected products that could be supplied by the shareholders of the company; its operational method was to supply the products to export firms in the country. This project thus attempts to enlist directly the active participation of the rural sector in Sri Lanka’s export efforts and thereby improve the overall socioeconomic conditions of the villagers. Thus, the company aims at accomplishing an inter-related set of objectives; it was also expected to evolve a replaceable model for rural development in other villages of Sri Lanka.

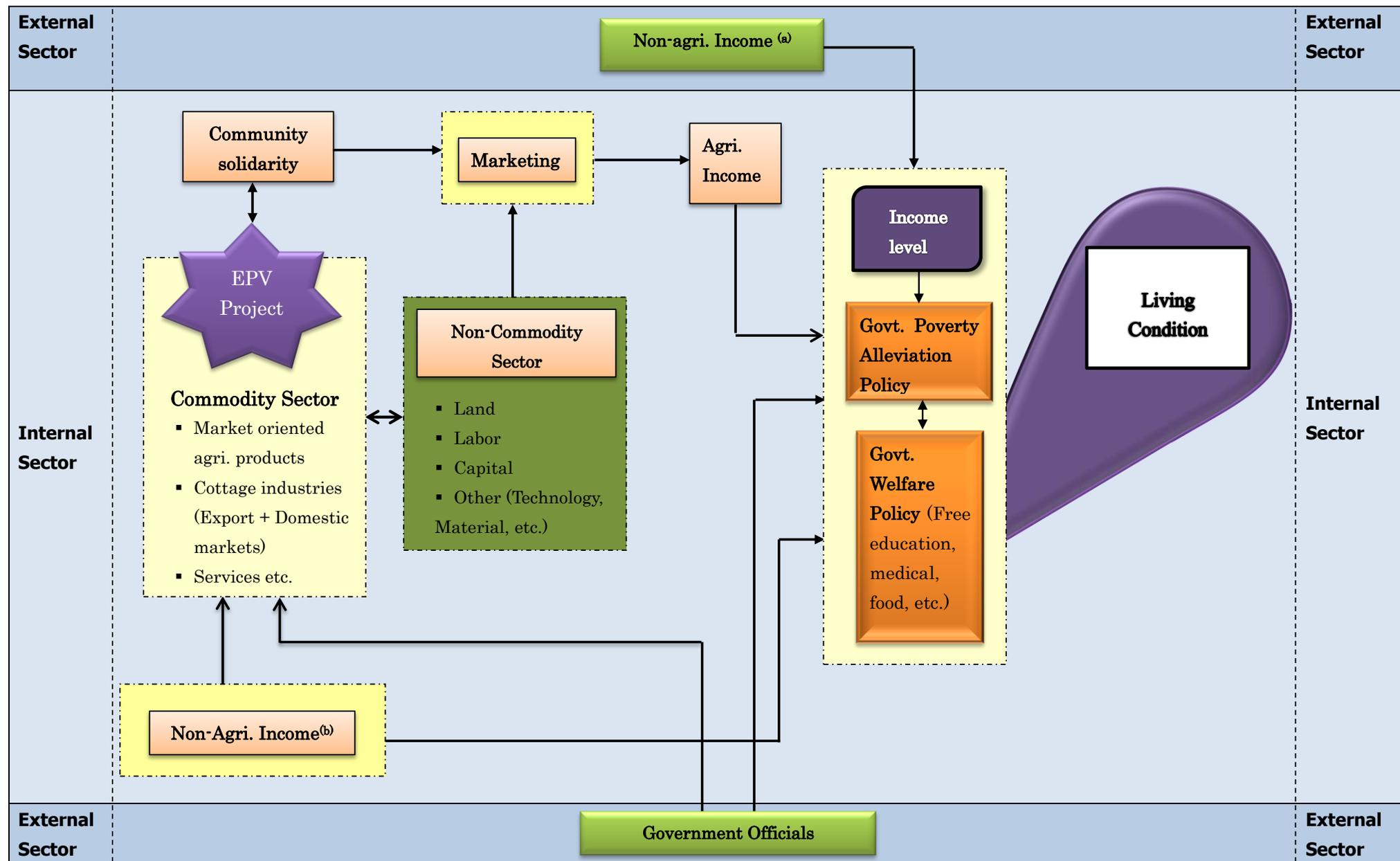
The project was aimed to achieve the following multiple objectives in particular: (a) to survive traditional socioeconomic base at village level by providing additional economic sources through producing some specific products to their own company utilizing their own resources; (b) to improve people’s capabilities and entitlements as much as possible; (c) to generate employment opportunities by using village resources, particularly material resources and traditional technologies; (d) to provide additional income which eventually helps to improve their living conditions; (e) to create a strong marketing organisation based on people’s aspirations to face competitive open market; and (f) to ensure that their own development depends on their own efforts and not on the government intervention or foreign aid.

² Entitlement refers to the set of alternative commodity bundles that a person can command in a society using the totality of rights and opportunities that he or she has. In a market economy, if a person can earn \$ 200 by selling his labour power and other saleable objects he has or can produce then his entitlements refer to set of all commodity bundles costing no more than \$200. He can buy any such bundle, but no more than that, and the limit it sets by his ownership (endowment) and his exchange possibilities (exchange entitlement), the two together determining his overall entitlement. On the basis of this entitlement, a person can acquire some capabilities, i.e. the ability to do this or that (e.g. be well nourished), and fail to acquire some other capabilities. The process of economic development can be seen as a process of expanding the capabilities of people (Sen, 1983:754-755).

Theoretical Framework: The theoretical frame of the project focuses closely on enhancement of People`s capabilities and entitlements as goals of poverty alleviation; however, we have defined this concept not in its classical sense, but to mean a process which harnesses the active participation of the poor in national economic growth and transferring the fruit of growth more fairly towards the poor without affecting their conventional socioeconomic conditions. These goals were to be achieved through the application of the EPV concept as the main policy instrument. The general considerations and arguments of the project has been summarised in Figure 1.

According to Figure 1, the living condition of the rural community depends on nine dimensions which remained under two major categories: (A) External Sector and (B) Internal Sector. The external sector can be defined as a government sector or outside of the village boundary. This sector is directly involved in improvement of living conditions of the villagers. For example, it provides much assistance to improve agriculture and other socioeconomic activities by employing a number of government officials. The internal sector is defined as the existing resource base of the village economy which has an influence directly and indirectly on improvement of people`s living conditions. These two sectors comprise of the following dimensions: (a) resource endowment; (b) production and consumption; (c) community solidarity and people`s participation in village organisations; (d) Marketing; (e) Agricultural Income; (f) Non-Agricultural income derives from the internal sector; (g) Non-agricultural income derives from external sector (h) Income level; and (i) living conditions of the rural people. The last dimension is assumed as a final dependent variable on the other four variables. The EPV is considered a highly influential policy instrument which contributes to the improvement of all variables, particularly living conditions of the rural people. This variable represents the most influential factors which were extracted from both the internal and external sectors, specifically power bases of the two sectors.

Figure 1: Theoretical Frame of the Proposed Export Production Village Project



Note: (a) Non-agricultural income derived from external sector, (b) Non-agricultural income derived from internal sector, Agri. = Agricultural; Govt. = Government

III. The Modus Operandi of an EPV Company

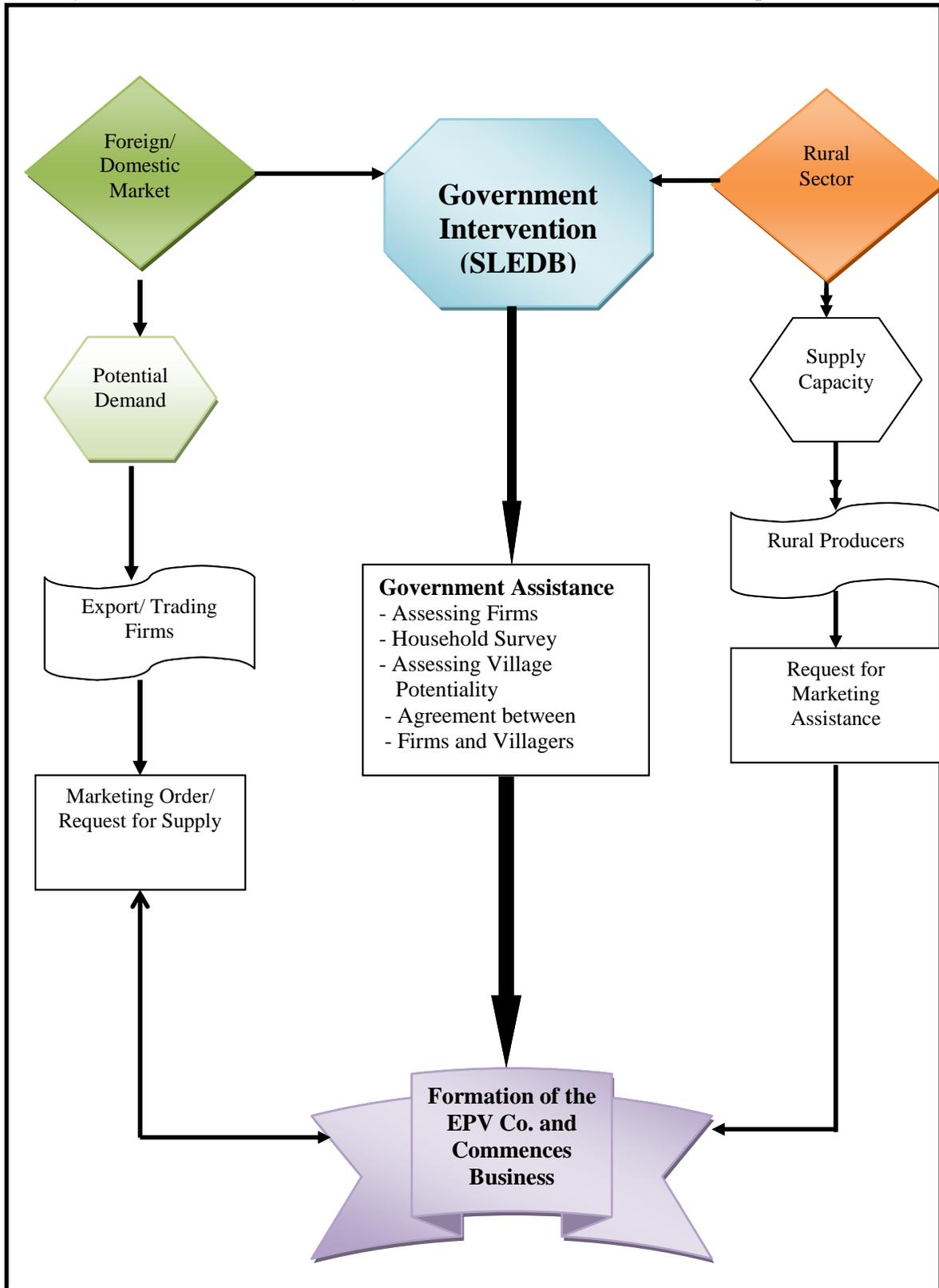
The process of an activity involved in the formation of an EPV Company is shown in Figure 2. This reveals a combination of the village economy with modern economy (external sector) to facilitate transfer of growth benefits from this sector to rural sector. In this context, Sri Lanka Export Development Board (SLEDB)³ takes the role of a mediator to make business contact between rural producer and exporter while supplying initial cost to create a people's company at the village. Both the villagers and exporters have direct relations with SLEDB because it provides various services such as marketing information, arrangement of trade fairs, conducting feasibility studies on export-oriented goods, preparing project proposals, technical advice, financial support etc. to encourage country's export efforts.

When the SLEDB received an inquiry from villagers to find a marketing source (international market only) for their products, officials of the SLEDB visit this village and conduct a feasibility study to explore whether there is any possibility to create a people's company to supply goods for international market. After this survey, the SLEDB takes the role of a middle man to establish a company of the rural producers, providing all necessary information, training, official work, regular management advice, initial cost, equity participation etc. The most noteworthy feature of this *Janatha Samagama* is that it attempts to grasp internal and external power bases, particularly newly emerged business leaders, traditional business leaders in the area, traditional village leaders like a retired school teachers, government agent and government officials at the village level who dealt with various development activities in the area.

The most significant characteristic of the institutional organisation and management structure of this People's Co. is that it was an embodiment of influential factors or responsible people in government sector, private sector and village itself, aiming to provide a stable position and transfer of management skill from organised sector to village community. For example, Board of Directors of this company comprises of highly established enterprises in the neighbouring villages, high ranking government officials, village leaders and producers. The Secretary (Project Manager) of the company who is responsible for directing, guiding or managing the company is a retired school teacher in the same village. These internal and external combinations of the management structure of this project have resulted in efficient management and utilisation of

³ The SLEDB is a state organisation established in 1979 under the Sri Lanka Export Development Act., No. 40 of 1979 to assist the government in the formulation and implementation of policies for the development of exports. It aims at a systematic identification of the basic constraints affecting the growth of exports as well as of functional areas such as export financing. This institution functions under the Ministry of Trade and Shipping (SLEDB Documents, undated).

Figure 2: The Process of Activity Involved in the Formation of an EPV People's Co.



village resources (human and material) for profitable production activities. Moreover, recruiting of twelve administrative officials from village community as permanent staff from among producers' households also became effective factor in successful implementation of decisions made by the officials in the management section. These officers have a real understanding of the people's problems because they themselves belong to these families. This is one of the most important strategies adopted to encourage producers' confidence in project activities. Producers are thus able to present their problems to this staff without hesitation, ensuring successful communication. This helps in winning the producers' trust on the company and their active participation in various activities of the company.

This company produces mainly reedware packs used in packing black tea for export. In addition, it was originally intended to produce betel leaves, ginger, pineapple and coir products on an experimental basis for export market but this attempt failed due to inadequate demand, the marginal nature of profits from this activity and difficulties of transport. Recently, the company attempted to diversify reedware products by producing a number of handicraft items. However, the most remuneratively marketed product still remains, the reedware tea packs.

IV. Experience of the Dambadeniya EPV Company

The analysis of the experience of this project is investigated with a view to determining how commercially remunerative the company is, and how effectively it promotes self-reliance through improving people's capabilities and entitlements during the last three decades (1981-2012). In particular, the examination looks into four major aspects of the project's operation and performance to determine how far it attained the above noted core objectives of the company: (a) augmentation of capital endowment; (b) generation of exchange entitlements; (c) creation of employment opportunities; and (d) other contributions.

① Augmentation of Capital Endowment

A noteworthy feature of this company is that it was established in 1981 with an initial share capital of Rs. 31,910 (\$1,553) of which 47 per cent (Rs. 15,000 or \$730) was contributed by SLEDB, while the balance 53 per cent was provided by 533 share holders who purchased shares. The company has not only increased its share capital by six times but also its small initial capital used to become a highly profitable economic enterprise during the period 1981-2014 (see Table 1). It is interesting to note, how the company increased its assets within a period of three decades: fixed assets and net current assets increased by unexpected level in 2014. The most significant

achievement of this company is that except the SLEDB's purchasing of shares, all other money capital needs were met by the villagers, particularly the producers themselves.

Table 1: Dambadeniya EPV People's Company Ltd., Balance Sheet (*Unit: Rs.*)

Items	As at March, 1983*	As at 31 March, 2014
Share Capital:		
● <i>Authorized</i>	1,000,000	1,000,000
● <i>Issued & Paid Up</i>	31,910	184,355
Profit & Loss Account		
● Funds	107,934	2,790,894
● Long Term Liabilities	0.0	91,373,738
● <i>SLEDB</i>	0.0	638,142
Total (Rs.)	139,844	94,987,129
Represented By:		
● <i>Fixed Assets</i>	450	19,000,414
● <i>Current Assets</i>	140,694	6,516,918
● Less: Current Liabilities	1,300	4,816,251
● Net Current Assets	139,394	1,700,667
Total (Rs.)	139,844	20,701,081

Note: * The year 1982 has been taken as the base year because the data for 1981 covers only a three-month period. Financial year of the company begins from April 1 to March 31 of the next year. Source: EPV People's Co. Ltd., *Annual Audit Report* of the Dambadeniya EPV People's Co. Ltd., Various Years

Source: The Company's *Annual Audit Report*, Various Issues

The major point is that this company was formed on a small amount of capital, belonging to a large number of shareholders. When this company was formed in 1981 in this area, the most essential initial necessities, i.e. tables, chairs and office space had been borrowed from the Assistant Government Agent's Office in Alawwa⁴. On the other hand, it did not have any transport or communication facilities to contact and transport its goods to export firms located in Colombo. The company used public transport facilities like train and bus services to overcome this difficulty while appointing a temporary field assistant who liaises between the EPV company and export firms or SLEDB. However, at present, this trading house has acquired almost all necessary facilities and official equipment like its own land, building, motor vehicles, machinery, computer, telephone, facsimile etc. worth Rs. 36.85 million. The details of the fixed assets have

⁴ Alawwa is one of the government administrative divisions in the Dambadeniya electorate. This office roles as a principal centre of various development activities implemented by the central government in the area. All government officials who work in the area were attached to this office.

been presented in Table 2. Data in the Table reveals how far this grass-roots trading company developed into a standard trading firm within a short period.

Table 2: Fixed Assets of Dambadeniya EPV People's Co. Ltd. (As at 31st March 2014)

Items	Value (Rs.)
Land	2,885,000
Furniture	551,447
Office Equipment	495,995
Building	2,653,251
Plant and Machinery	2,653,251
Safe	35,010
Motor Vehicles	6,861,528
Computer	638,369
Other	22,718,982
Total	36,847,967

Source: Same as Table 1

This is the first experience of the registration of such a company with the Registrar of Companies in Sri Lanka⁵. Although the concept of the company and its international marketing activities are new to the rural people involved, those living in the villages acted through these unfamiliar channels to achieve the normal level of the company by using their own limited capital endowment and on the basis of a trust in self-reliance.

② Generation of Exchange Entitlement

The generation of exchange entitlement of most of the villagers in the project area overwhelmingly depends on the ability and opportunity to offer their labour power for wages rather than selling their own agricultural and nonagricultural products and knowledge. The EPV *Samagama* paid special attention on this matter and provided an opportunity to sell or use their labour power and traditional knowledge to produce market-oriented products, utilising non-commoditised material resources available in the village itself. In this respect, the EPV concept emphasized the conventional skills of villagers coming down from their ancestors rather than the

⁵ This company was registered as a legal company under the General Companies Act in 1981; however, an amendment was made under the Companies Act, No. 17 of 1982 (part VII) for the specific registration of EPV People's Companies. The amendment requires the following for the establishment of an EPV company: liability is limited; nominal value of a share is Rs. 10.00; authorised share capital is Rs. 1,000,000.00; no person (individually or together with his wife or minor child/children) could hold more than 10 per cent of the share capital; no company shall hold any share in any other People's Company; minimum of three directors and maximum of 10 directors by the shareholders; and a minimum of 50 shareholders needed to form an EPV People's Company.

level of their formal education. For example, many women in this area had traditionally been in the practice of producing a number of daily household utility items like mats, bags, boxes etc. using materials obtained from their own or neighbouring homestead or communal lands. Such production activities had not been market-oriented. What the EPV project has done is to show how these skills could be used for producing marketable products through the mobilisation of producers. As noted previously, the company has attempted to produce reedware tea packs (used for tea packing by exporters), utilising villagers' traditional knowledge and non-commoditised material inputs.

These success performances of production activities of the company can be recognised as a result of its organisation strategy based on three major conventional behaviours of villagers in Sri Lanka. The first is the aspect of “**individualism**” which allows the producers to engage in production activities at home on an individual basis, whenever they have time. The second is the “**mobilisation**” aspect, whereby it was intended to mobilise people, particularly women labour force, to create production centres in various places in the electorate. The third is the “**co-operative**” aspect which was implemented through the company under the control and management of the people themselves.

The first strategy contributed to the survival of traditional spirit of village life from modern concept of factory based production activities. The housewives in a village setting have manifold duties as wife, mother and worker. When they engage in production activities at home, they can fulfill all these duties by shifting from one role to the other as required while saving time, labour and transport costs. Furthermore, the villages which implemented EPV concept do not provide infrastructure facilities like day-school and other baby care centres to enable mothers to work full-time. When a rural woman works outside home, she may face a number of other social problems as well, which may be harmful to her family life and social stability of the rural society⁶ in long-run.

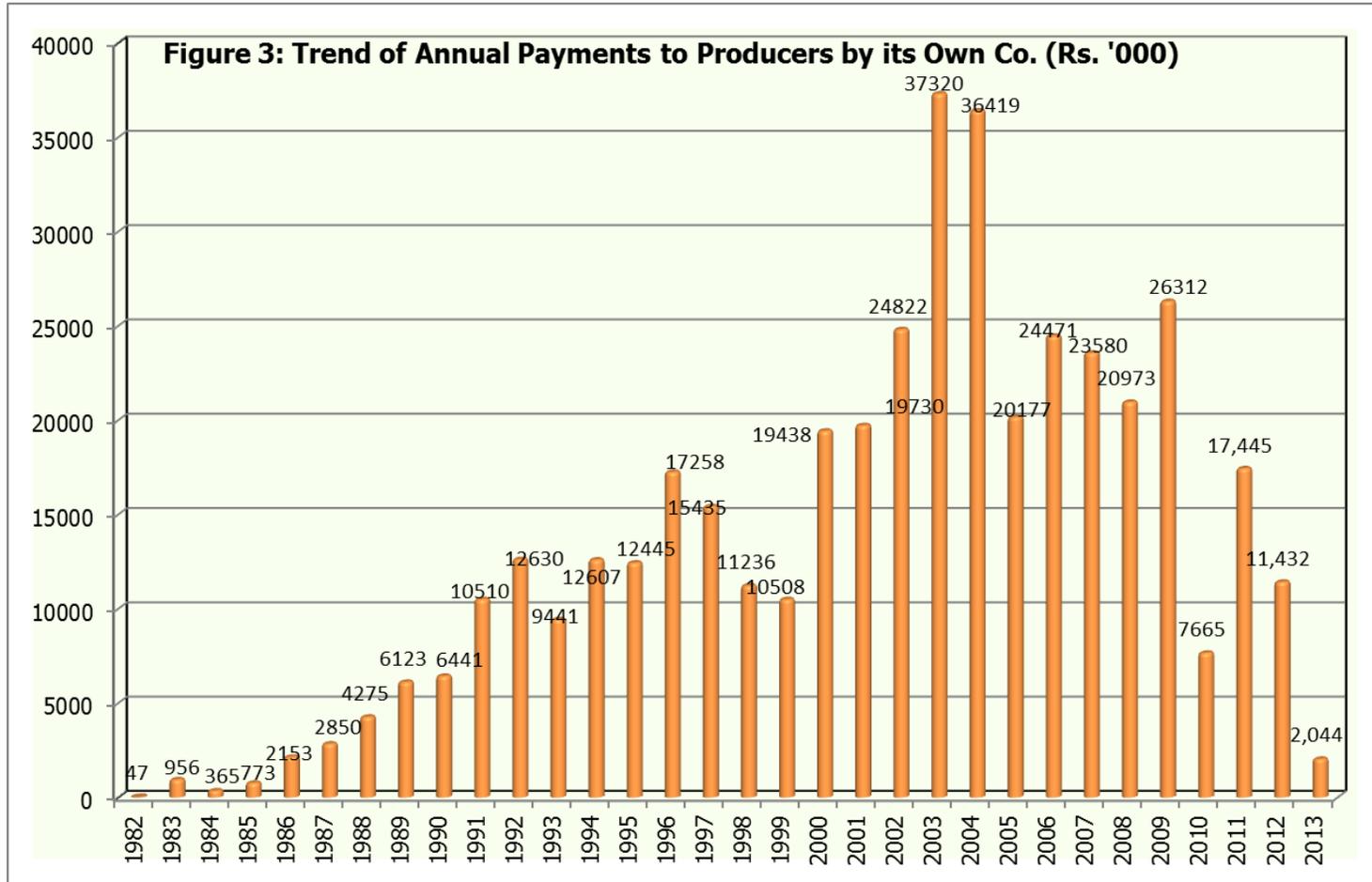
Under the second strategy, the company mobilised a large number of scattered producers within the electorate into production centres based on existing traditional and non-traditional village organisations. The *Samagama* appointed centre leaders from among the producers and trained

⁶ As noted earlier, rapid increase of female migrant workers in Middle East and in Free Trade Zones in major cities of Sri Lanka have created many social problems, particularly disorganisation of family life, increase of suicides, alcoholism, drug addiction, prostitution and indebtedness in rural Sri Lanka. This reveals high social cost towards rural community than economic benefits gained from this migrant female workers who work in major cities of the country or Middle East.

them at the training centres of the Company's R & D division. The other producers gathered into these centres were given training and instructions on production activities by these centre leaders.

Under the third strategy, the *Samagama* established a production centre in the company office that can be directly controlled by the company officials. Producers who live around the office gather in this centre and engage in production activities in terms of marketing orders received. Payment is made for their work by the office according to the quantum of production carried out. These three strategies reveal the company's endeavour to develop an organised production system whereby marketing orders can be supplied efficiently according to various quality requirements and regularly in time to meet deadlines. Moreover, these principles imply the repudiation of the conventional factory management or workers bound to a factory form of life. This means, EPV concept believes that the utilisation of non-commodity production relations productively will contribute to improvement of living condition of the people through enhancing their exchange entitlement.

The rapid surge of in payments to producers, and net profit of the *Samagama* are given in Table 3 and Figure 3 to demonstrate evidence of the company's achievements during the last three decades. The Company's net assets and its payments to producers have increased by 663 and 2 times respectively during the period 1982/83-2013/14. During this period, annual and monthly payments of this trading house to producers amounted for about Rs. 13,802,704 and Rs. 1,150,225 respectively. These successful marketing performances can be identified as a result of increased sale of reed ware tea packs primarily, and of other products secondarily. The rapid surge in the production of tea packs reflects the ability of the EPV to win villagers' confidence and produce regularly to the increasing demand of the product in the international market. According to available information, these products have already captured the market in Japan, Germany, Australia, Belgium, New Zealand, Canada, Denmark, USA and many other countries in the world.



Source: Same as Table 1

Table 3: Payments to Producers and Net Profit of the EPV Co. (including all commodities)

Unit: Rs.

Financial Year	Net Assets of the Company (Rs.)	Payments to Producers (Rs.)	Index 1982/83=100	Net Profit of the Company	No. Of Producers
1981/82	34,861	47,246	--	5,301	526
1982/83	139,844	955,654	100	102,632	581
1983/84	138,208	364,938	38	4,751	654
1984/85	204,889	773,383	150	64,146	886
1985/86	657,543	2,153,083	329	445,004	1,206
1986/87	1,029,629	2,850,145	361	356,233	1,206
1987/88	1,901,405	4,274,902	411	883,591	1,835
1988/89	3,458,837	6,123,000	454	1,530,000	2,100
1989/90	--	6,441,000	459	-473,000	2,400
1990/91	--	10,510,000	522	-328,000	2,550
1991/92	--	12,630,000	543	-304,644	2,550
1992/93	--	9,441,000	517	332,000	2,600
1993/94	--	12,607,000	551	508,630	2,800
1994/95	--	12,445,000	550	-228,708	2,800
1995/96	--	17,258,000	588	-310,847	2,800
1996/97	--	15,435,000	578	-54,103	2,800
1998/99	14,617,000	11,236,183	551	-271974	2,800
1999/00	17,584,000	10,508,046	544	658541	2,800
2000/01	22,597,000	19,437,752	629	-48845	2,800
2001/02	28,766,000	19,730,092	631	-44749	2,800
2002/03	41,891,775	24,821,881	656	-240986	2,800
2003/04	55,622,639	37,320,393	707	-807902	2,800
2004/05	54,459,848	36,419,007	704	-807,901	2,800
2005/06	57,664,271	20,177,419	660	-3,446,879	2,800
2006/07	72,774,222	24,470,876	681	1,670,011	2,800
2007/08	83,036,109	23,579,556	677	-655,373	2,800
2008/09	91,512,911	20,973,448	666	-1,396,234	2,800
2009/10	98,441,707	26,312,257	692	-4,752,738	2,800
2010/11	101,842,017	7,665,114	621	-6,959,291	1,200
2011/12	94,704,464	17,445,824	651	-2,536,198	1,400
2012/13	88,850,950	11,432,204	617	-3,587,385	1,200
2013/2014	92,705,585	2,044,433	535	2,790,804	600
Total	----	427,883,836	----	-17,904,113	-----

Source: Same as Table 1

However, net profit of the Company began to decline since 1989/90 due to lack of marketing orders from the sponsored export firm and political influences on the management body and shareholders of the Company. Until this year, there is only this firm which produced reedware

packs in large volumes to export market but a similar production process was shifted to another EPV *Samagama* established in *Tissamaharama* in the recent past. At present, nearly 1,000 persons are engaged in reedware tea packing in this new project⁷. This newly emerged competition has resulted in the decline of marketing orders from export firms in order to meet producers supply capacity in *Dambadeniya EPV Samagama*. But it has to be noted that although the company's net profit declined since 1989/90, it began to recover slowly in 2013/2014.

In spite of this temporary decline of the profit level of the Company, there is no argument to emphasize that this project was highly impressive in the improvement of the exchange entitlement of the rural people. This was one of the most important objectives of this concept because all other aims of the project revolve around this. According to a household survey in 1986, the average monthly income per EPV shareholding household was about Rs. 1,255. Although this income was eight per cent lower than the average monthly income of a household in this village, it was 17 per cent higher than that of the neighbouring village which is not having an EPV or a similar project. As indicated previously, EPV households in this village are not having sufficient landed property, particularly paddy fields and upland fields compared to non-EPV households in the same village. This means, most of the EPV shareholdings were considered as landless or near landless people who have only labour to improve their entitlements and capabilities. Therefore, there is an urgent need to expand the production activities of the EPV *Samagama* to reach the average income level of the non-EPV households and to minimise income disparity between both groups (EPV & Non-EPV) irrespective of their ownership of landed property.

③ Creation of Employment Opportunities

Relief from unemployment and underemployment in the rural sector in Sri Lanka was a major aim of most rural development policies implemented in the last five decades because transfer of surplus labour from this sector to modern sector or absorption of the surplus labour force by rural sector itself did not occur in proportion to increased demands of the rural labour force. This is the main reason for deterioration of rural economy and its people's living conditions. Hence, the creation of off-farm economic activities could be identified as the only solution to alleviate the poverty of small land holders, landless households and of wage labourers in the rural society.

⁷ Recently, the European Fair Trading Association (EFTA) has sent Mrs. Heleen Verschuren --- a Dutch consultant to train selected producers of this project in putting out a new range of packaging items for air freighting to European marketing channels as samples for test marketing. She not only changed the design but made the product cost effective and put out many samples. She also prepared specially designed packs for niche markets like gift packs for Christmas and New Year (Daily News, 05.02.1998).

The generation of productive employment opportunities in the village itself to reduce incidence of rural poverty is a major objective of the ongoing EPV project. The EPV concept is highly conducive to the establishment of agricultural and non-agricultural occupation in the village without harming its conventional socioeconomic activities. It is a well known fact that socioeconomic disparities among the village people can be reduced through increasing employment opportunities and money income level which directs to the improvement of people's entitlement and capabilities. During the period 1981-2011, the number of permanent and self-employments generated by this project in the Dambadeniya Electorate amounted to 2815. The description of these occupations is given in Table 4.

In spite of this direct employment opportunities created by the EPV *Samagama* within a short period, there is a similar number of indirect employment opportunities that emerged in the area as a result of the increased demand of producers on various services. For example, a number of small shop keepers and private transport services have emerged around the EPV office and production centres to supply various consumer demands of the producers. It is reasonable to emphasize that the increased money income of the producers has resulted in raising their exchange entitlement. This was created various types of indirect employment opportunities in the Dambadeniya electorate.

Table 4: Generation of Employment Opportunities, 1981-2014

Type of Employment	Number of Positions
<i>Permanent Employment:</i>	
Assistant Production Manager	01
Administrative Officials	06
<i>Self-employment:</i>	
Producers in Production Centers	600
Producers in Women's Rural Development Societies	01
Producers in Volunteers Organizations	21
Producers in Screw Pine Centers	05
Total Employment	634

Source: *Annual Reports* of the Dambadeniya EPV People's Co. Ltd., Sri Lanka

④ Other Contributions

There are many other direct and indirect contributions of this project to the augmentation of the socioeconomic pattern of the rural society, particularly shareholding households of the study village. Some of these contributions can be summarised as follows; decline of income inequality, increase of consumption level of food and other essential commodities, increase of savings rate, improvement of children's education level, housing conditions and some sociocultural patterns. However, all these cannot be analysed numerically due to unavailability of data. Hence, we discussed only some selected contributions according to availability of information.

Income Inequality: Decline of income disparity in the project area was recognised as a far-reaching effect of the EPV People's Company. This took place as a result of significant increase of EPV income share to the total income of households. For example, nearly half of the household income is derived from EPV income sources, contributing a highest share to total income compared with any other sources. Moreover, mean income of EPV source also has a higher rate in value terms compared with all other income sources. This pattern of income composition (share and value), particularly low contribution rate of agricultural income, reflects the necessity of concentrating on off-farm employment to alleviate rural poverty of marginal people rather than on improvement of agricultural productivity.

According to a household survey, Gini-Coefficient of income distribution in this area is accounted to 0.28. The lowest value of Gini-coefficient reveals the greater improvement in income distribution among the EPV share holding households at the cluster of villages. This means, the income gap between the highest income receivers and the lowest income receivers is not much wide. This moderate equality of income distribution is one of the expected achievements of the implementation of the EPV concept.

Improvement of Consumption Level: Improvement of consumption level of food and clothing through improvement of exchange entitlements of the people is another objective of this project. However, it is difficult to determine how far consumption level was improved after launching of the EPV project because there was no pre-project survey on consumption level. Therefore, the analysis in this section is mainly qualitative and is a comparison with the neighbouring non-EPV village rather than a quantitative analysis. Although the inequalities of socioeconomic conditions between the two types of villages (EPV and non-EPV) may have caused the accuracy of information, it was negligible because the conditions of these two villages are comparable in most cases except for a few variables.

The average expenditure on food per week between the two groups of households shows a significant difference, the respective figures being about Rs. 293 for EPV and Rs. 266 for non-EPV households. This implies a nine per cent higher level of consumption expenditure on food among the EPV households and this could be attributed to the improvement of their exchange entitlements. However, nearly 70 per cent of households in the non-EPV village hold paddy field but, it is less than nine per cent among the EPV households. This is an evidence of the fact that an increase of exchange entitlements is more favourable for increasing level of consumption rather than improvement of paddy productivity.

Furthermore, there is a higher rate of expenditure on consumption (except rice, dry fish, tea and sugar) among the EPV producers in proportion to the non-EPV village. The slightly higher rate of rice consumption in the non-EPV village may be a result of ownership of paddy land by the majority of households in this village. The poor exchange entitlement capacity of the people in the non-EPV village could be identified as the main reason for the low rate of expenditure on most consumer goods. For example, the per capita expenditure on food per week among the EPV households is about Rs. 64 while it is about Rs. 54 in the non-EPV village. However, the per capita expenditure on food in the non-EPV village mainly depends on the number of subsidiary crops which do not involve money payments because they are produced in their own homesteads and paddy fields. On the other hand, EPV producers mainly depend on the exchange entitlement derived from the EPV production activities because they do not have sufficient landed property.

The average expenditure on clothing per year in the two types of villages (EPV and non-EPV) also show a significant difference, the respective sums being Rs. 1,895 for the EPV households and Rs. 1,803 for the non-EPV households. Even though people in the rural sector in Sri Lanka generally buy their clothes periodically, the EPV shareholding households have purchased clothes throughout the year because they have improved exchange entitlements. As a result, the per capita expenditure on clothes amounted to Rs. 391 for the EPV producer while it is about Rs. 369 in the non-EPV village.

Improvement of Sociocultural Pattern: In spite of the above achievements, the EPV *Samagama* emphasized that it is necessary to involve in improving quality of life of its shareholders by means of the newly-secured exchange entitlement and employment. It is common knowledge that many villagers considered only of today's consumption but not of tomorrow's and because of this consumption habit, people are accustomed to look to various extraneous sources when they face any particular money problem. The company has given people a perception of the importance of self-dependence through savings and its reliability in the face of future uncertainty.

For example, the project instructed 65 producers to open savings accounts at the Regional Rural Development Bank situated near the *Samagama's* office. At the same time, the *Samagama* arranged to open 80 Investment Savings Accounts for producers in the same bank, which indirectly encourage producers to save money every month. These savings in banks have accomplished high interest rate (between 8-10 per cent per year) as profit and have given them the ability to settle their future money problems independently. Another benefit of this saving is that they serve as collateral for obtaining credit facilities at low rates of interest for their agricultural and non-agricultural pursuits. By these efforts, the poor people of the rural community were also able to have access to the benefits of the banking system which had been earlier limited to the upper strata of the village society. Moreover, it also ensured the possibility of rural development through internal capital which was created by villagers themselves.

Apart from the utilisation of market and non-market production factors for the improvement of quality of life, the project has paid special attention to the development of community solidarity. Community cohesion in the rural sector had diminished due to the implementation of various socioeconomic policies from colonial period to date. The endeavors of the public sector in the reconstruction of community solidarity have not achieved much success. The EPV project sought to unify the people on the basis of their sociocultural values. For example in 1986, *Samagama* organised a welfare society for the producers and administrative officials of the project as an alternative method for unifying the people according to their common needs. This society intends to provide financial as well as other community assistance to members at weddings, funerals and at times of distress. The fund of the society was built up from members' fees; members have a right to receive Rs. 10,000 for a funeral or wedding, while distress aid could be received according to its gravity. This society helps to prevent any negative impact on the people's solidarity arising from the marketing activities of the *Samagama*.⁸

In 1986, the *Samagama* initiated a fund with the assistance of exporters, private merchants and wealthy people in the area and government officials for the development of sociocultural activities among the villagers. According to audit reports of the company, this fund has grown to a sum of Rs. 43.7 million in 2003/04. The fund will be used for organisation and construction of common amenities, housing development and social development within the village boundary.

⁸ It is a well known fact that the social values, particularly reciprocal labour in the rural community has declined along with expansion of money economy based on modern marketing doctrines. This was experienced by most societies in Asia which introduced market economy for some decades ago. After expansion of market economy at some level in these countries, people's community solidarity vanished because they began to consider everything on money terms rather than on social values.

These activities aim at achieving community solidarity, improvement of social infrastructure and people's active participation in various activities of the *Samagama*.

V. Concluding Remarks

The experience of rural development practices during the last five decades have revealed their failure to provide a secure answer for prolonged severe socioeconomic problems confronted by rural people in Sri Lanka. However, augmentation of national food supply, specifically self-sufficiency rate of rice surged dramatically as a result of rural development policy through modernisation of agriculture. The poor contribution of these policies to resolve rural poverty, unemployment and inequality can be recognised as a result of their insufficient attempt to improve people's capabilities and entitlements. As emphasized by Sen (1983:755), the process of expanding the capabilities of the people as a main strategy of rural development has not taken place from those policies implemented in rural sector of Sri Lanka.

The other negative impact of rural development strategies is that they eventuated to increase economic dependency of the people in Sri Lanka. This is the major cause for poverty in rural sector in this country. Most villagers depend on government or foreign job opportunities in the Middle East or in other countries for economic gains. Although there have been increases in the levels of money income, the dependency it generates has not contributed to eradicate rural poverty. In addition, the government's poverty alleviation programmes has also caused an indirect increase in economic dependency in the rural economy. If this relief assistance was distributed with utilisation of people's labour, it would have been directed towards rural poor to find an economic independence in the village itself.

Moreover, the dependency of rural development policies on foreign capital and technologies has also resulted in the increase of economic dependency of the country as a whole on foreign donor countries. These policies have not considered the utilisation of internal and external power bases and resource endowment of which most is available on free of charge to process of expanding capabilities and entitlements of the rural poor. It is a common knowledge that most of the production inputs such as land, labour, capital, technology and material resources are accessible sufficiently in the village economy that required producing any product towards domestic or international market. The necessary factor is how they are organised in productive manner with acquiring people's confidence and their active participation.

Although the EPV concept is confined to a limited area in Sri Lanka on an experiment basis, it has authenticated the ability to expand people's entitlements and capabilities, depending on

village owned resource endowment and not on foreign donors. The household survey in Dambadeniya EPV project demonstrated that the mobilisation of rural poor in a fruitful manner was conceived as a part of a major process towards resolving serious socioeconomic problems substantially. Furthermore, the survey proved that even if the people did not own paddy land and other landed property, they could still improve their economic self-reliance through mobilisation and utilisation of non-commodity social relations in a worthwhile manner.

Another major finding of the survey is that the degree of people's participation in this project is amounted to the highest level compared to any other organisation in the cluster of villages. The greater attention of the EPV concept on people's objectives and their aspirations could be the main reason for this popular participation. People are drawn to the EPV project because it has helped them in their struggle against poor.

Although we have emphasized the value of EPV concept as an alternative strategy for rural development in Sri Lanka, insufficient market orders from the modern sector and political influence have recently hampered further progress of the project towards self-reliance. It has, however proved that the possibility exists for improving the rural economy by combining internal and external resources under producers' leadership without utilising foreign capital and government subsidy.

Finally, it is necessary to emphasize some limitations in the arguments and analyses employed which should be given due consideration. Firstly, the socioeconomic survey was limited to one EPV project but there are nearly 40 such projects operating with various products in different districts of the country. These villages may have faced different socioeconomic problems and possessed different extent of resource endowment. Secondly, the present study is limited to an in-depth analysis of the supplier side or producers' side. However, it is important to study on the demand side for EPV products by export firms of the country. Such analyses will provide further information for making an assessment as to whether or not the EPV concept can be recognised as an alternative policy for process of expanding the capabilities of people that directs to economic self-reliance in rural Sri Lanka.

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