

**Keynote Speech made by Dr Indrajit Coomaraswamy,
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Social Enterprise & Social Finance**

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A Social Enterprise is recognized as an important business model that applies new commercial strategies to maximize improvements in financial, social and environmental well-being. In fact, it is a tool for creating positive social impact; promoting social change; and achieving environmental sustainability. Social enterprises contribute in multiple ways to enhance social inclusion while nurturing women and youth with economic empowerment.

Sri Lanka's efforts to increase Social Enterprise & Social Finance date back to the late 20th century. The early efforts took the form of loans that were granted to overcome the major barriers SMEs faced in raising capital through traditional methods. Thereafter, various measures have been taken to promote and support social enterprises by providing educational, technical and business support services in addition to finance:

- ❖ Numerous schemes over the years to promote SMEs. They have had a very mixed track record.
- ❖ Plethora of institutions. Highly fragmented institutional infrastructure with weak coordination
- ❖ Need holistic approach focusing on training, inputs, finance and markets
- ❖ Marketing most intractable problem. MSMEs need to be linked to supply chains to address the marketing challenge.

To achieve balanced and inclusive growth, it is necessary to have all stakeholders connected to markets: goods and service markets as well as factor markets. Interconnected markets enable the economic ecosystem to foster synergy and enhance productivity for all stakeholders. They also provide income generating opportunities to all segments of the society leading to reduction of poverty on sustainable basis.

The task of transforming our economy into a social enterprise economy continues to be challenging. Though there have been advances, several bottlenecks still persist thereby inhibiting the expected outcomes. The contribution of social enterprises to environmental sustainability, therefore, remains below potential. The role of social enterprises in

social inclusion, livelihood development and poverty reduction has room for improvement.

Although, the social enterprise sector in Sri Lanka is gathering momentum, a range of different needs have to be fulfilled to uplift its contribution to the economy. These include business modelling, planning, product design, sales and marketing. In this connection, impact investment has been recognized as key to scale up the social enterprise sector rapidly. Further, its social, environmental and economic impact needs to be assessed and reported according to global standards. In this connection, greater use needs to be made of triple bottom line accounting. In addition, social entrepreneurs need to be recognized and rewarded for their achievements at the national level.

Emphasis upon knowledge sharing and awareness building on the nexus between social enterprise and social impact can make a significant contribution towards promoting a more effective and efficient process to encourage social enterprises across Sri Lanka. Today, you are gathered here to deliberate on current trends, challenges and opportunities in building a social enterprise ecosystem and to help social enterprises and SMEs to scale up and create social impact, under the timely theme of “Think Social -Produce Social - Buy Social”. I believe this conference would be an effective pathway, particularly for emerging and prospective entrepreneurs to explore new markets for social goods and services and also an opportunity to share knowledge on successful social ventures at both local and global levels.

You are all aware that maintaining a stable macroeconomic environment through economic and price stability and financial system stability are the core objectives of the Central Bank. Promoting regional development is one of the agency functions of the Central Bank. Promoting social enterprises is therefore, associated with the broader objectives of the Central Bank.

In that context, the Central Bank, on behalf of the Government, has a mandate for targeted lending to the microfinance, SME and agriculture sectors, as well as youth and women. In implementing this mandate, the Central Bank has been facilitating and implementing refinance schemes, interest subsidy schemes and credit guarantee schemes targeting the MSMEs.

In addition, the Central Bank has embarked upon developing a National Financial Inclusion Strategy (NFIS), to introduce an evidence-based, prioritized, better resourced, and more comprehensive approach to expanding access to financial services. This would be an essential policy tool that will coordinate and implement cross-cutting actions and reforms, to increase financial inclusion in the country. With this national level strategy, it is expected to bring-in under-served segments of the society to the formal financial sector. Further, the Central Bank has been conducting awareness programs on financial literacy and financial management as well as capacity building programs covering entrepreneurship and skills development for the needy segments of the population, with special focus on youth and grass root level entrepreneurs.

Furthermore, the Central Bank is attaching priority to improving payments and settlement systems and encouraging the use of electronic and mobile payment systems, with the objective of increasing financial inclusion through reducing transaction costs with the advance of technology. In addition, through the SME National Policy Framework, the Government has also set out the policy direction, the challenges to be addressed and the intervention strategies to be pursued to achieve regional balance and resource efficiency in developing SMEs.

These initiatives have yielded encouraging outcomes. Yet, I believe, Sri Lanka still has a great deal of untapped potential in developing social enterprises. There is much scope to increase the use of financial services, technology and business support services in order to promote social enterprises. To achieve this, a more dynamic approach, which entails the combined effort of all stakeholders, including state and private entities following a cohesive policy framework, is required to match available resources with the needs of the sector.

Despite the numerous challenges, it is encouraging to observe the emergence of organizations, which are seeking to operate their commercial ventures to achieve the twin objectives of a social mission and profit generation. Their prospects are being enhanced by the trend in consumer choice towards healthier, Eco-friendly and "social goods". "Social buyers" who are keen to buy goods and services from social enterprises are emerging as a new force.

In conclusion, a concerted effort is needed to establish policies and systems to support the growth of the emerging social enterprise sector in Sri Lanka. I hope today's deliberations will deliver outcomes which will

assist social entrepreneurs to lead social change by stimulating economic growth, innovation and the development of social capital. Social enterprises have an important role to play in Sri Lanka meeting the SDGs.

Thank you.