

**STRUCTURE AND POTENTIAL OF NON-FORMAL CREDIT SOURCES IN THE GALENEWA REGION-A CASE STUDY**

The settlers in the Galnewa Region have now undergone more than half a decade of family farm experience under new agrarian conditions. Initially, the settlers were provided with irrigated farm holdings of three acres, accompanied by an institutional supporting package to facilitate uninterrupted farming activities during the early stages of their resettlement. However, in practice this formal package could not effectively absorb the anomalies resulting from the transition of traditional subsistence forms of living, to a complicated commercialized agrarian structure. Credit is one area where, the inadequacy of the formal package created a serious vacuum demanding alternative arrangements.

In this context, the objective of this study is to examine the structure and operations of the non-formal credit sources in the Galnewa Region in order to ascertain their potential to cope with the present situation. A sample survey was administered towards the end of 1983, in a set of selected settlement blocks of the Galnewa Region. Information collected was supplemented with discussions and field observations.

The findings, among others, indicated that the Non-formal credit base was as weak as the formal institutional base. One of the major weaknesses was the limited size of the non-formal market where the credit supply could not meet the credit demand during the peak seasons. This has created a disequilibrium that increased the price of credit substantially. The interest rate and the other conditions of credit have been particularly unfavorable with regard to the commercial forms of non-formal credit.

**References**

1. Central Bank of Ceylon, 'Report of the Consumer Finance and Socio-economic Survey 1978/79, Sri Lanka', Department of Statistics, Central bank.
2. Ekanayake, S. A. B. (1982) 'Agricultural Production in the Galnewa Region: Land Settlement Experience in Sri Lanka', Edited by Kapila P. Wimaladharma, Colombo
3. Roy, Prannoy. 'Transition in Agriculture, Empirical Indicators and Results (Evidence from Punjab, India)', *Journal of Peasant Studies*. 8 (2) 1981.