



CENTRAL BANK OF SRI LANKA

03 December 2018

FINANCE LEASING ACT DIRECTIONS

No. 08 of 2018

MAXIMUM RATE OF INTEREST ON MICROFINANCE LOANS

In terms of the powers conferred by section 34 of the Finance Leasing Act, No. 56 of 2000, the Director of the Department of Supervision of Non-Bank Financial Institutions issues Directions on maximum rate of interest on Microfinance loans for Specialized Leasing Companies (SLCs).

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| 1. Applicability and scope | 1.1. The Central Bank of Sri Lanka introduces a maximum rate of interest on Microfinance loans with the objective of protecting the customers being charged with exorbitant interest rates on Microfinance loans granted by SLCs. |
| | 1.2. This Direction will be applicable for all Microfinance loans granted from the date of this Direction. |
| 2. Maximum Rate of Interest | 2.1. SLCs shall not charge a rate exceeding 35 percent per annum (effective annual interest rate), inclusive of all other charges on Microfinance loans. |
| 3. Definition of Microfinance Loans | 3.1. Loans granted for individuals/individuals under Group Lending System for income generating activities, which include loans for establishing and managing Micro Enterprises. |
| 4. Reporting Requirements | 4.1. SLCs shall report the Microfinance loans under code 3.1.4.9.0.0-Microfinance Loans in the Financial Information Network (FInNet) return NBL-MF-03-BS - Balance Sheet. |
| 5. Interpretations | 5.1. “Micro Enterprises” shall mean enterprises in the manufacturing and service sector with an annual turnover of less than Rs. 15 million and employees less than 10 [Source: National Policy Framework for Small Medium Enterprise Development issued by Ministry of Industry and Commerce]. |

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