



**MONETARY BOARD  
CENTRAL BANK OF SRI LANKA**

26 April 2019

**MICROFINANCE ACT DIRECTIONS**

**No.2 of 2019**

**Maximum Rate of Interest on Microfinance Loans**

Issued under Section 11 of the Microfinance Act, No. 06 of 2016

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|-------------------------------------|---|
| 1. Applicability and scope          | 1.1. The Central Bank of Sri Lanka (CBSL) introduces a maximum rate of interest for microfinance loans with the objective of protecting the customers being charged with exorbitant interest rates on microfinance loans granted by LMFCs.<br>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. LMFCs shall not charge a rate exceeding 35 percent per annum (effective annual interest rate), inclusive of all other charges for 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, but excluding all lending facilities granted against the security of moveable or immovable properties including gold articles, Government Securities and Time deposits in a licensed bank or a licensed finance company. |
| 4. Interpretations                  | 4.1. "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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