



**MONETARY BOARD
CENTRAL BANK OF SRI LANKA**

21 April 2021

MONETARY LAW ACT ORDER

No. 01 of 2021

**PRIORITY SECTOR LENDING TARGETS FOR
LICENSED COMMERCIAL BANKS AND LICENSED SPECIALISED BANKS
TO THE MICRO, SMALL AND MEDIUM SCALE ENTERPRISES SECTOR**

Having recognised the need to promote economic sectors with high potential in terms of domestic economic growth and export earnings, leading to the broad-based revival of the economy, CBSL introduces priority sector lending target on credit granted by licensed commercial banks and licensed specialised banks (hereinafter referred to as licensed banks) to individuals and businesses in the Micro, Small and Medium Enterprises (MSME) sector, as follows:

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|-----------------------------------|---|
| 1. Empowerment | 1.1 In terms of Section 101 (1) (b) of the Monetary Law Act No. 58 of 1949 (as amended), the Monetary Board may from time to time fix limits to the rate at which the amount of loans and investments may be increased within specified periods by licensed banks. |
| 2. Priority Sector Lending Target | <p>2.1 Licensed banks shall grant credit to individuals and businesses in MSME sector and ensure a growth rate of not less than 20 per cent per annum on Y-o-Y basis, over the outstanding stock of lending to MSMEs at the end of the previous year.</p> <p>2.2 The lending target in 2.1 above shall be prioritised in the following economic sub-sectors that display higher potential in terms of domestic growth and export earnings within the broader MSME sector, but shall not be restricted to the said sectors:</p> <ul style="list-style-type: none">(i) Food and beverage processing(ii) Production of medical utilities and related products(iii) Development of distance learning facilities(iv) Domestic cottage industry(v) Rubber and rubber products(vi) Ship and boat building(vii) Cosmetics(viii) Batik and handloom |



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| | (ix) | Gem and Jewellery |
| | (x) | Health and wellness |
| | (xi) | Electronics and electrical components |
| | (xii) | Motor vehicle assembly |
| | (xiii) | Pharmaceutical manufacturing |
| | (xiv) | Porcelain, ceramics, and pottery |
| 3. Applicability | 3.1 | Credit facilities shall include term loans, leasing, overdrafts and trade finance facilities including off-balance sheet exposures, denominated in the Sri Lankan Rupee and foreign currencies granted by licensed banks to all businesses and individuals in MSME Sector in Sri Lanka. |
| | 3.2 | Enterprises with an annual turnover not exceeding Rs. 1,000 mn will be considered as MSMEs for the purpose of this Order in line with the definition of SME provided in Banking Act Directions No. 07 of 2020 on Amendments to the Banking Act Directions No. 01 of 2016 on Capital Requirements under Basel III for Licensed Commercial Banks and Licensed Specialised Banks. |
| 4. Exclusions | 4.1 | Advances for pawning granted by licensed banks to individuals and businesses in MSME sector shall be excluded from the priority sector lending target in 2.1 above. |
| 5. Monitoring and Reporting | 5.1 | Licensed banks shall have a continuous monitoring mechanism once credit facilities under this Order are disbursed. |
| | 5.2 | Licensed banks shall report details of lending to MSMEs in the format in Annex I, to the Director of Economic Research and the Director of Bank Supervision within 30 days from the end of each quarter commencing 01 April 2021. |

Prof. W D Lakshman

*Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka*

Lending to the Micro, Small and Medium Scale Enterprises Sector

| Name of the Bank | | | | | | | | |
|--|-----------------------|------------|------------------|-------|---------------------------------------|------------------|-------|----------------------|
| Reporting Period | | | | | | | | |
| Category | As at the end of 2020 | Rs. Mn | | | As at the end of the reporting period | | | YTD Growth % (Total) |
| | | Performing | Non - Performing | Total | Performing | Non - Performing | Total | |
| 1. Agriculture, Forestry & Fishing | | | | | | | | |
| 2. Industry of which: | | | | | | | | |
| 2.1 Manufacturing | | | | | | | | |
| Of which: | | | | | | | | |
| 2.1.1 Food and beverages processing | | | | | | | | |
| 2.1.2 Production of medical utilities and related products | | | | | | | | |
| 2.1.3 Domestic cottage industry | | | | | | | | |
| 2.1.4 Rubber and rubber products | | | | | | | | |
| 2.1.5 Ship and boat building | | | | | | | | |
| 2.1.6 Cosmetics | | | | | | | | |
| 2.1.7 Batik and handloom | | | | | | | | |
| 2.1.8 Gem and jewellery | | | | | | | | |
| 2.1.9 Electronics and electrical components | | | | | | | | |
| 2.1.10 Motor vehicle assembly | | | | | | | | |

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|--|--|--|--|--|--|--|--|--|--|
| 2.1.11 Pharmaceutical manufacturing | | | | | | | | | |
| 2.1.12 Porcelain, ceramics, and pottery | | | | | | | | | |
| 2.1.13 Other (Specify) | | | | | | | | | |
| 2.2 Construction | | | | | | | | | |
| 3. Services of which: | | | | | | | | | |
| 3.1 Tourism | | | | | | | | | |
| 3.2 Transportation and Storage | | | | | | | | | |
| 3.3 Wholesale and Retail Trade | | | | | | | | | |
| 3.4 Information Technology and Communication | | | | | | | | | |
| 3.5 Professional, Scientific & Technical Activities | | | | | | | | | |
| 3.6 Arts, Entertainment & Recreation | | | | | | | | | |
| 3.7 Education Of which: | | | | | | | | | |
| 3.7.1 Development of distance learning facilities | | | | | | | | | |
| 3.8 Health Care, Social Services & Support Services Of which: | | | | | | | | | |
| 3.8.1 Health and wellness | | | | | | | | | |
| 4. Other (Specify) | | | | | | | | | |
| Total Lending to MSME Sector | | | | | | | | | |
| Total Loans and Advances to the Private Sector | | | | | | | | | |

Please Email to;

- Economic Research Department, Money & Banking Division - money&banking@cbsl.lk
- Bank Supervision Department, Database - bsddb@cbsl.lk