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இலங்கை மத்திய வங்கி
CENTRAL BANK OF SRI LANKA

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Press Release

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Central Bank reduces Statutory Reserve Requirement (SRR) by 2 percentage points

Since December 2012, in response to the reasonably stable inflation prevailing in the country for a prolonged period of time, the Monetary Board has been gradually easing its monetary policy stance, with two reductions in the policy rates and the removal of the credit ceiling. In keeping with such policy, an adjustment of general lending rates has taken place, albeit rather slowly. At the same time, the Monetary Board has noted with some concern that the spread between deposit and lending rates in Sri Lanka is still considerably higher than those of regional economies. While such situation may signify a comparatively lower efficiency of financial intermediation in Sri Lanka, a further contributory factor was considered to be the comparatively higher SRR of Sri Lanka in relation to other emerging economies.

Accordingly, at its meeting on 25th June 2013, the Monetary Board was of the view that a reduction of the SRR would enable the banking sector to reduce lending rates further, while also reducing the interest rate spread. Hence, the Monetary Board decided to reduce the SRR on all rupee deposit liabilities of commercial banks by 2 percentage points to 6 per cent with effect from 1st July 2013, thereby bringing the SRR in line with several other emerging peer economies.

Along with the downward adjustments to policy interest rates of the Central Bank since December 2012, the current reduction in the SRR and further improvements in banking sector efficiency are expected to reduce market lending rates considerably, enabling the growth of credit to the private sector to pick up in line with the macroeconomic projections for the year.