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இலங்கை மத்திய வங்கி  
CENTRAL BANK OF SRI LANKA

## Communications Department

30, Janadhipathi Mawatha, Colombo 01, Sri Lanka.

Tel : 2477424, 2477423, 2477311

Fax: 2346257, 2477739

E-mail: [dcommunications@cbsl.lk](mailto:dcommunications@cbsl.lk), [communications@cbsl.lk](mailto:communications@cbsl.lk)

Web: [www.cbsl.gov.lk](http://www.cbsl.gov.lk)

# Press Release

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## Central Bank Introduces a Credit Guarantee Scheme on Pawning Advances

The Monetary Board has approved the implementation of a Credit Guarantee Scheme on behalf of the Government for pawning advances granted by licensed banks, in order to support lending against gold articles. The Monetary Board has also approved an allocation of Rs. 500 million from the Central Bank as the seed fund to support the Credit Guarantee scheme.

This scheme is expected to address the significant reduction in pawning advances that had arisen as a result of the decline in gold prices in the international market since early 2013. Further, as these advances have been predominantly used to fund Agriculture and the SME sectors of the economy, the authorities were of the view that pawning advances need to continue so as to provide the required funds to support such economic activities. In the meantime, the attention of the Central Bank was also drawn to the present loan to value (LTV) ratio of around 65% and high rates of interest charged on pawning advances, which had further dampened the pawning credit activities.

The new Guarantee Scheme contemplates the licensed banks contributing a premium of 1% p.a. which would enable them to increase the LTV ratio up to a maximum of 80%, whilst the interest rate would be capped at 16% p.a. on the advances.

As a result of this Scheme, the borrowers and the lending banks will be able to increase the credit flows to the productive sectors of the economy through pawning advances.

This Scheme will be operated by the Regional Development Department of the Central Bank of Sri Lanka, on behalf of the Government.