Press Release

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Borrowers can now benefit from the new Credit Guarantee Scheme for Pawning Advances

The new credit guarantee scheme for pawning advances was introduced by Central Bank of Sri Lanka on 17 June 2014. Licensed Commercial Banks and Licensed Specialised Banks engaged in pawning activities can now provide enhanced level of credit to their customers by joining this newly introduced credit guarantee scheme. This credit guarantee scheme will support farmers, small business owners and small and medium entrepreneurs who use pawning advances for their economic and business activities. New scheme permits the borrowers to receive additional 15% of the current level of Loan to Value Ratio provided by the Banks. A cap on the rate of interest applicable to pawning advances has also been imposed to provide further relief to the borrowers.

Credit obtained through pawning has significantly declined due to drop in the gold prices in the international market in the recent past. Hence, through this scheme, it is expected to support the banks to increase their Loan to Value Ratio. Under this scheme, borrowers are eligible to obtain pawning advances up to Rs. 500,000 at an

interest rate of 15% per annum which includes all fees and charges. The enhanced level of credit ensured by this scheme, will help borrowers of pawning advances to meet their financial requirements comfortably particularly in the agricultural and business activities.

Several banks have already signed the agreements with the Central Bank of Sri Lanka. The scheme is implemented and monitored by the Regional Development Department of the Central Bank of Sri Lanka and it is expected that the present level of credit under pawning would increase significantly due to the scheme.