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இலங்கை மத்திய வங்கி
CENTRAL BANK OF SRI LANKA

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Press Release

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The Central Bank Implements a Credit Guarantee and Interest Subsidy Scheme for Businesses affected by the COVID-19 Pandemic

The Monetary Board of the Central Bank of Sri Lanka, at its meeting held on 26 June 2020, decided to implement a **Credit Guarantee and Interest Subsidy Scheme** to accelerate lending by banks to businesses adversely affected by the COVID-19 pandemic. This scheme, which will be launched on 01 July 2020, will operate in parallel with the Saubagya COVID-19 Renaissance Facility and the new Facility approved by the Monetary Board under Section 83 of the Monetary Law Act, within the already announced threshold of Rs. 150 billion.

Under this Scheme, the Central Bank will provide a **credit guarantee to banks, ranging from 80 per cent for smaller loans to 50 per cent for relatively large loans**, enabling banks to grant loans to address working capital requirements of the affected businesses. With the Central Bank absorbing a significantly higher percentage of the credit risk, banks can extend their lending to vulnerable businesses focusing on the viability and cashflows of such businesses rather than collateral.

Banks are expected to use their own funds, particularly the additional liquidity of close to Rs. 180 billion provided by the Central Bank through the cumulative reduction in the Statutory Reserve Ratio (SRR) of 300 basis points thus far during the pandemic period, to grant **loans at 4 per cent to businesses**. The Central Bank will provide an **interest subsidy of 5 per cent** to cover the cost of funds of banks.

Operating instructions on this scheme will be issued to banks in immediate due course.