

million in 1959. On the other hand, Central Bank's holdings of Government securities and Treasury bills rose by Rs. 224.3 million as against a rise of Rs. 191.0 million in the previous year. Government rupee cash which had fallen by Rs. 64.0 million in 1959, fell by Rs. 8.0 million in 1960. The net expansionary effect of Government's financial operations in 1960 was Rs. 260.2 million as compared with Rs. 347.0 million in 1959. In 1960 commercial bank credit to the private sector also exerted a noteworthy expansionary influence as compared with the previous year. Thus bank credit which rose by only Rs. 9.7 million in 1959, increased by Rs. 31.5 million in 1960.

The budget deficit and the rise in commercial bank credit to the private sector did not exert their full expansionary effect on the money supply principally because of the contractive influence of the adverse balance of payments as reflected in the decline in the external banking assets. They fell by Rs. 170.2 million as against the fall of Rs. 195.0 million in 1959. Further, fixed and savings deposits and other liabilities increased by Rs. 72.5 million. Nevertheless the money supply increased since the contractive factors only partly counteracted the expansionary factors. The slow growth of the money supply in 1960 as compared with the year before is partly due to the fall in the size of the Government's contribution to the money supply. It is also partly due to the increase of fixed deposits which reflects, as will be shown later, the increase in the rates of interest paid by commercial banks on these deposits in early 1960.

(e) Banking and Credit

(1) *Central Bank*

Reflecting the further deterioration in the balance of payments situation, the international reserve of the Central Bank fell by Rs. 196.5 million or 50.8 per cent in 1960 as compared with the fall of Rs. 152.0 million or 28.2 per cent in 1959. Central Bank's domestic assets on the other hand increased appreciably particularly on account of its credit operations with the Government to finance the budget deficit. The Central Bank's advances to Government rose to Rs. 191.3* million, an increase of Rs. 21.9 million as compared to an increase of Rs. 61.8 million in 1959, while its holdings of Treasury bills and Government securities rose by Rs. 224.3 million as compared to a rise of Rs. 191.0 million in 1959. Commercial banks were also obliged on account of their low reserve position to seek accommodation from the Central Bank particularly in the first nine months of the year. Hence Central Bank's advances to commercial banks increased by Rs. 21.0 million during the year. Since other assets and accounts fell by Rs. 46.3 million, total assets increased by Rs. 24.6 million.

The increase in the currency issue of the Central Bank was less marked in 1960 than in the previous year. The total issue rose by Rs. 23.3 million or 3.7 per cent as compared with a rise of Rs. 43.0 million or 7.4 per cent in 1959. Commercial banks' deposits with the Central Bank increased by Rs. 44.9 million as against an increase of Rs. 3.9 million during 1959. This increase occurred in the last few months of the year reflecting an improvement of their liquidity position during this period. Deposits of international organisations and other liabilities fell by Rs. 15.1 million

*Includes the special loan of Rs. 37.0 million in October, 1959, for the purpose of a payment to I.M.F.

and Rs. 32·6 million respectively. On account of the rise in total currency and demand liabilities and the fall in the international reserve, the ratio of the international reserve to currency and demand liabilities fell further, from 48·2 per cent at the end of 1959 to 22·2 per cent at the end of 1960, the lowest level so far.

(2) *Credit Policy*

The main problem facing the Central Bank in 1960 was the rapid fall in the country's external assets. The Central Bank adopted a series of monetary measures in order to restrain commercial bank credit with a view to arrest the continuing fall in external assets. They were largely of a selective nature aimed at restricting bank credit and increasing the cost of credit given for the purchase and import of certain luxury and semi-luxury goods. Provision was also made for credits for essential trade and production purposes to be available on reasonable terms.

With effect from August 13, 1960, the commercial banks were required—

- (a) to insist on 50 per cent cash margins against letters of credit for the importation of certain goods. The banks were also requested not to grant advances for the purpose of providing these margins. In order to make this requirement more effective importers were also required to import these goods only on letters of credit ;
- (b) not to increase the amount of their advances as at August 12, 1960, for the purpose of importing certain goods ;
- (c) not to finance hire-purchase operations in respect of certain goods except on the security of hire-purchase agreements resulting from the hire of such goods; such advances should not exceed either $\frac{1}{3}$ of the amount due by hirers to owners or $\frac{1}{4}$ of the value of goods hired, under such agreements, whichever is less; and
- (d) not to increase the amount of their advances for the purpose of purchase of certain goods.

The goods* covered by (a) and (b) were :—

Air-conditioning equipment ; alcoholic beverages, excluding beer, ale, stout, porter and other fermented cereal beverages ; floor coverings and tapestries ; fountain pens and parts excluding nibs ; furniture and fixtures ; motor cars and station waggons ; paper and paper-board ; perfumery ; cosmetics, soaps, and cleansing and polishing preparations ; photographic and cinematographic apparatus and appliances ; photographic and cinematographic supplies ; exposed cinematographic films 35mm. ; watches ; horses.

The goods covered by (c) and (d) were :—

Imported air-conditioning equipment, furniture and fixtures, motor cars and station waggons, photographic and cinematographic apparatus and appliances, photographic and cinematographic supplies, exposed cinematographic films 35 mm.

* ' Paper and paper-board ' were subsequently omitted.

With effect from August 13, 1960, the Central Bank increased its rate of interest on advances to commercial banks secured by the pledge of government securities from 2½ per cent to 4 per cent. However, in order that this increase may not adversely affect the cost of commercial bank credit for essential trade and production purposes, the Central Bank's lending rate to commercial banks against the pledge of usance promissory notes relating to certain transactions was fixed at 2½ per cent. These transactions† were in respect of—

- (a) the importation, purchase, storage or transportation within Ceylon of food, textiles, cotton yarn, pharmaceutical products, fertilizers, and agricultural implements;
- (b) financing the production, manufacture or processing in Ceylon of agricultural, animal, mineral or industrial products; and
- (c) financing the purchase, storage or transportation within Ceylon of domestically produced goods and products.

At the same time the maximum rate of interest chargeable by banks for the following advances was fixed at the rates obtaining on August 12 and in no case to exceed 6 per cent :—

- (a) advances granted for financing the purchase or storage of goods and products (excluding imports) or the transportation within Ceylon of such goods and products;
- (b) advances granted for financing the production, manufacture or processing in Ceylon of agricultural, animal, mineral or industrial products;
- (c) advances granted for financing the importation, purchase, sale, transportation and storage of the following categories of imports† :—Food, textiles, cotton yarn, pharmaceutical products, fertilizers and agricultural implements.

The above selective controls were strengthened by a further measure. With effect from August 26, 1960, the commercial banks were required to increase their statutory reserves with the Central Bank against demand deposits from 10 per cent to 12 per cent. The reserve requirements against time and savings deposits remained unchanged at 5 per cent.

(3) *Commercial Banks*

The Bank of Ceylon opened a new branch in Colombo, increasing its number of offices in the city to seven. The number outside Colombo remained at twenty

† 'Agricultural implements' amended subsequently to read 'agricultural and industrial implements and machinery and spare parts thereof.'

five. The total number of bank offices in Ceylon at the end of the year was 45, of which 19 were in Colombo.

The following table shows the distribution of bank offices and deposits between local and foreign banks at the end of the year.

TABLE II—34
Distribution of Bank Offices and Deposits

Total			Ceylonese Banks			British Banks			Indian and other Banks		
No. of offices	Deposits		No. of offices	Deposits		No. of offices	Deposits		No. of offices	Deposits	
	Amount in Rs. Mn.	%		Amount in Rs. Mn.	%		Amount in Rs. Mn.	%		Amount in Rs. Mn.	%
45	1,057	100	28	472	45	12	506	48	5	79	7

Source : Central Bank of Ceylon.

The structure of commercial banks' assets and liabilities is shown in detail in Table 4 of Appendix II, and their distribution is summarised in the following table :—

TABLE II—35
Distribution of Assets and Liabilities of Commercial Banks
(average of monthly figures)

Rupees Million

	1952	1953	1954	1955	1956	1957	1958	1959	1960
Cash on hand and deposits at Central Bank (inclusive of statutory reserve requirements)	177	128	106	149	148	139	119	116	132
Foreign balances	97	44	55	112	116	72	50	52	58
Treasury bills	39	55	60	51	39	34	16	24	28
Bills discounted	64	65	73	94	93	100	116	119	115
Total liquid assets	377	292	294	406	396	345	301	311	333
Total investments⁽¹⁾	235	235	221	245	291	308	296	285	284
Total loans and overdrafts	176	182	208	244	273	340	363	395	430
Demand deposits ⁽²⁾	653	573	562	675	731	721	661	655	657
Time and savings deposits	95	102	126	190	206	240	263	300	340
Total deposits	754	677	689	869	941	965	926	955	998
Ratio of :—	%	%	%	%	%	%	%	%	%
Cash to demand deposits ..	27.1	22.3	18.9	22.1	20.2	19.3	18.0	17.7	20.1
Cash to total deposits	23.5	18.9	15.4	17.1	15.7	14.4	12.9	12.1	13.2
Foreign balances to total deposits	12.9	6.5	8.0	12.9	12.3	7.5	5.4	5.4	5.8
Treasury bills to total deposits	5.2	8.1	8.7	5.9	4.1	3.5	1.7	2.5	2.8
Commercial bills discounted to total deposits	8.5	9.6	10.6	10.8	9.9	10.4	12.5	12.5	11.5
Liquid assets to demand deposits	57.7	50.9	52.3	60.1	54.2	47.9	45.5	47.5	50.7
Liquid assets to total deposits	50.0	43.1	42.7	46.7	42.1	35.8	32.5	32.6	33.4
Investments to total deposits	31.2	34.7	32.1	28.2	30.9	31.9	32.0	29.8	28.5
Loans and overdrafts to total deposits	23.3	26.9	30.2	28.1	29.0	35.2	39.2	41.4	43.1

Source : Central Bank of Ceylon.

(1) Government and government guaranteed securities and Central Bank issues.

(2) Excludes domestic inter-bank deposits.

Total deposit liabilities of commercial banks increased from Rs. 993.1 million at the end of 1959 to Rs. 1,057.1 million at the end of 1960, an increase of Rs. 64.0 million as against an increase of Rs. 46.3 million in the previous year. Average deposits rose from Rs. 954.7 in 1959 to Rs. 997.6 in 1960. This increase was principally on account of the rise in time deposits. Whereas average demand deposits increased by Rs. 2.8 million, and savings deposits by Rs. 11.4 million, time deposits rose by Rs. 28.7 million. The rise in time deposits in 1960 reflects on the one hand an increase in money incomes and on the other hand an increase in interest rates on time deposits paid by commercial banks. In March-April all the major commercial banks increased their rates on deposits for three to eleven months from 2 to 2½ per cent.

The following table shows the ownership of deposits (excluding Government and inter-bank) at the end of September, 1959, March and September, 1960, based on the half-yearly survey conducted by the Central Bank :—

TABLE II—36
Ownership of Deposits

Amount in Rs. Million

Owner	Demand		Time		Savings		Total	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Financial Institutions :								
Sept. 1959 ..	42.3	7.6	43.5	26.3	3.1	2.7	88.9	10.6
March 1960 ..	50.7	8.5	47.1	27.4	6.4	5.2	104.2	11.7
Sept. 1960 ..	48.7	8.3	51.3	24.2	5.3	4.2	105.2	11.4
Plantations :								
Sept. 1959 ..	135.6	24.2	35.5	21.4	1.0	0.9	172.1	20.5
March 1960 ..	153.8	25.9	37.5	21.8	1.3	1.1	192.7	21.7
Sept. 1960 ..	129.3	22.0	52.4	24.7	1.4	1.1	183.1	19.8
Trading :								
Sept. 1959 ..	60.5	10.8	9.1	5.5	0.3	0.3	69.8	8.3
March 1960 ..	63.3	10.7	9.9	5.8	0.8	0.7	74.0	8.3
Sept. 1960 ..	73.3	12.5	12.2	5.7	0.5	0.4	86.1	9.3
Other Business :								
Sept. 1959 ..	65.1	11.6	26.4	15.9	1.0	0.9	92.5	11.0
March 1960 ..	54.2	9.1	29.7	17.3	1.7	1.4	85.6	9.6
Sept. 1960 ..	50.7	8.6	38.7	18.2	1.2	1.0	90.6	9.8
Local Authorities :								
Sept. 1959 ..	12.2	2.2	10.1	6.1	0.1	...	22.5	2.7
March 1960 ..	17.9	3.0	6.8	4.0	0.2	0.2	24.9	2.8
Sept. 1960 ..	16.9	2.9	6.1	2.9	0.2	0.2	23.2	2.5
Non-business Institutions :								
Sept. 1959 ..	25.5	4.6	5.5	3.3	2.5	2.2	33.5	4.0
March 1960 ..	28.7	4.8	9.6	5.6	2.8	2.3	41.1	4.6
Sept. 1960 ..	26.8	4.6	8.0	3.8	2.7	2.2	37.6	4.1
Individuals :								
Sept. 1959 ..	218.9	39.0	35.4	21.4	107.3	93.1	361.6	43.0
March 1960 ..	224.9	37.9	31.2	18.1	108.9	89.2	365.0	41.1
Sept. 1960 ..	241.7	41.1	43.7	20.6	113.8	91.0	399.1	43.1
Total :								
Sept. 1959 ..	560.1	100.0	165.6	100.0	115.3	100.0	841.0	100.0
March 1960 ..	593.6	100.0	171.9	100.0	122.1	100.0	887.6	100.0
Sept. 1960 ..	587.4	100.0	212.4	100.0	125.0	100.0	924.9	100.0

Source : Central Bank of Ceylon.

During the year ended September 30, 1960, total deposits increased by Rs. 83·9 million principally on account of a rise in deposits of individuals by Rs. 37·5 million, trading Rs. 16·3 million, financial institutions Rs. 16·3 million, plantations Rs. 11·0 million.

The relative importance of the growth of time deposits referred to earlier is seen also in the above table showing data for the year ended September 30, 1959. It will be seen that except for local authorities this rise in time deposits is shared by each of the categories of holders. It should also be noted that the increase in time deposits occurred mainly after March, 1960, when all the major banks increased their rates paid on deposits.

In 1960, until the introduction of credit control measures by the Central Bank in August, commercial banks expanded credit to the private sector by reducing their holdings of liquid assets. In the first eight months of the year, loans and overdrafts increased while liquid assets including Treasury bills fell despite the rising yields on the latter. Investments in long-term government securities remained roughly unchanged during this period. After August, however, there was a fall in loans and overdrafts and a corresponding rise in liquid assets particularly cash and holdings of Treasury bills. Investments in government securities also increased slightly after August.

Cash on hand and with the Central Bank fell from Rs. 135·8 million at the end of 1959 to Rs. 109·1 million at the end of July but increased to Rs. 176·1 million at the end of the year while holdings of Treasury bills fell from Rs. 45·9 million at the end of 1959 to Rs. 6·5 million at the end of August, 1960, but rose to Rs. 47·9 million at the end of the year. It should be mentioned that the rise in cash with the Central Bank was partly due to a rise in required reserves following the increase in reserve ratio from the end of August. Average holdings of cash and Treasury bills increased from Rs. 115·8 million and Rs. 24·2 million in 1959 to Rs. 131·8 million and Rs. 28·5 million respectively in 1960. The net increase in foreign balances in 1960 was Rs. 5·4 million while average holdings increased from Rs. 51·7 million in 1959 to Rs. 57·7 million in 1960. Bills purchased and discounted however, fell from a monthly average of Rs. 119·4 million in 1959 to Rs. 114·7 million in 1960. Total liquid assets rose from an average of Rs. 311·0 million in 1959 to Rs. 332·6 million in 1960 while the ratio of liquid assets to demand deposits increased from an average of 47·5 per cent to 50·7 per cent in the same period.

Excess reserves which were low in the first eight months of 1960 also increased sharply in the four month period beginning September, reflecting partly the effect of the monetary measures adopted by the Central Bank in August which induced banks to cut down on certain types of credits. Thus the excess reserves which stood at Rs. 1·4 million at the end of July rose to Rs. 6·3 million at the end of August and Rs. 22·0 million at the end of September and to Rs. 39·5 million at the end of the year. The average level of excess reserves was Rs. 12·9 million in 1960 as compared with Rs. 4·7 million in 1959.

Owing to their low reserve position many banks borrowed from the Central Bank in the first eight months of 1960. In the remaining period however, during which their excess reserves increased, only one or two banks borrowed from the

Central Bank. Yet the average amount of indebtedness during the latter period was higher than the average during the previous eight months. After August, 1960, banks borrowed chiefly against the security of usance promissory notes at the concessionary rate of $2\frac{1}{2}$ per cent. Total loans outstanding increased from a monthly average of Rs. 5.8 million in 1959 to Rs. 13.0 million in 1960.

Inter-bank borrowing (among commercial banks) remained at a high level in 1960, although the monthly average of loans outstanding was lower than in the previous year—Rs. 23.8 million in 1960 against Rs. 29.2 million in 1959. It should be noted that the amount of inter-bank indebtedness was less after August than during the previous months of 1960. Reflecting the high level of inter-bank borrowing under tight money conditions, the inter-bank call loan rate increased by $\frac{1}{4}$ per cent to $1\frac{3}{4}$ per cent in April. It rose again in August by $\frac{3}{4}$ per cent to $2\frac{1}{2}$ per cent as a part of the general rise in banks' advance rates following the increase in Central Bank's rate on the pledge of Government securities but fell in October to 2 per cent because of the subsequent improvement in the banks' reserve position.

Commercial banks' loans and overdrafts rose from a monthly average of Rs. 395.4 million in 1959 to Rs. 429.7 million in 1960. As mentioned earlier the increase in advances occurred in the first nine months of the year. The total advances increased by Rs. 48.2 million, from Rs. 508.7 million at the end of December, 1959 to Rs. 556.9 million at the end of August. In September they rose slightly to Rs. 557.7 million but fell thereafter to Rs. 543.9 million, at the end of the year, reflecting the impact of the credit control measures of the Central Bank in August. The average ratio of loans and overdrafts to total deposits rose from 41.4 per cent in 1959 to 43.1 per cent in 1960.

As a result of the monetary measures there was also a significant change in the composition of advances. After August several banks converted overdrafts into loans to enable themselves to borrow if necessary from the Central Bank in terms of Section 82(1) of the Monetary Law Act, at the concessionary rate of $2\frac{1}{2}$ per cent against usance promissory notes. There was no significant change in investments in government securities. This is because the increase in the demand for credit by the private sector in the first eight months of the year was met by reducing banks' liquid assets and not holdings of government securities. They fell from Rs. 283.5 million at the beginning of the year to Rs. 282.0 million at the end of September but rose to Rs. 287.5 million at the end of the year. The monthly average of these holdings fell from Rs. 284.6 million in 1959 to Rs. 284.2 million in 1960. The ratio of investments to total deposits also fell from 29.8 per cent to 28.5 per cent.

Bank advances given to the private sector during the year ended 30, September, 1960, based on the half-yearly survey are classified by purpose in the table below :—

TABLE II—37

Advances classified by Purpose and according to Maturity**Rupees Million*

Purpose	Short-term (below 6 mths.)		Medium-term (6 mths. to 30 mths.)		Long-term (over 30 mths.)		Total		
		(1) as % of (7)		(3) as % of (7)		(5) as % of (7)		(7) as % of total (8)	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
A. Commercial	Sept. 1959 ..	166.9	44.0	151.3	39.9	61.4	16.2	379.6	71.9
	March 1960 ..	172.2	44.1	157.1	40.3	60.9	15.6	390.1	70.8
	Sept. 1960 ..	194.4	50.5	154.4	40.1	36.2	9.4	385.1	68.7
B. Financial	Sept. 1959 ..	23.7	31.2	24.2	31.8	28.0	36.8	76.0	14.4
	March 1960 ..	20.1	24.9	34.9	43.2	25.7	31.8	80.7	14.6
	Sept. 1960 ..	24.1	23.7	51.8	51.0	25.6	25.2	101.6	18.1
C. Agricultural	Sept. 1959 ..	3.1	30.1	5.0	48.5	2.2	21.4	10.3	2.0
	March 1960 ..	3.2	26.0	6.9	56.1	2.2	17.9	12.3	2.2
	Sept. 1960 ..	2.6	25.0	4.8	46.2	3.0	28.8	10.4	1.9
D. Industrial	Sept. 1959 ..	4.6	18.9	15.6	64.2	4.0	16.5	24.3	4.6
	March 1960 ..	2.9	11.3	15.4	59.9	7.3	28.4	25.7	4.7
	Sept. 1960 ..	2.2	10.9	8.3	41.3	9.5	47.3	20.1	3.6
E. Consumption	Sept. 1959 ..	9.5	30.6	16.3	52.6	5.2	16.8	31.0	5.9
	March 1960 ..	9.9	29.2	15.1	44.5	8.9	26.3	33.9	6.2
	Sept. 1960 ..	10.5	29.9	14.8	42.2	9.8	27.9	35.1	6.3
F. Other Loans	Sept. 1959 ..	1.2	17.9	4.4	65.7	1.1	16.4	6.7	1.3
	March 1960 ..	0.9	11.0	5.9	72.0	1.4	17.1	8.2	1.5
	Sept. 1960 ..	1.3	15.1	5.2	60.5	2.1	24.4	8.6	1.5
Total	Sept. 1959 ..	209.0	39.6	216.8	41.0	102.0	19.3	527.9	100.0
	March 1960 ..	209.2	38.0	235.3	42.7	106.4	19.3	550.9	100.0
	Sept. 1960 ..	235.2	41.9	239.3	42.7	86.3	15.4	560.9	100.0

Source : Central Bank of Ceylon.

* Advances include loans, overdrafts and bills discounted.

During the year ended September, 30 1960, total bank advances increased by Rs. 33.0 million. This increase was mainly for commercial and financial purposes. Advances for commerce which rose by a total of Rs. 5.5 million was, as in the previous year, principally for import trading; while advances for export trading fell by Rs. 4.6 million, those for import trading rose by Rs. 9.4 million. Advances for financial purposes increased by Rs. 25.6 million and consisted chiefly of loans to hire-purchase companies. Advances for consumption and agriculture also rose by Rs. 4.1 million and Rs. 0.1 million respectively but those for industrial purposes mainly engineering and building trades, fell by Rs. 4.2 million.

In this period the advances given for commerce as a ratio of total advances fell from 71.9 per cent to 68.7 per cent despite the increase in advances in this category, while the ratio of financial advances to total advances rose from 14.4

per cent to 18.1 per cent reflecting a relatively larger increase in advances for financial purposes. The ratio of consumption loans also increased from 5.9 per cent to 6.3 per cent.

The following table classifies advances by type of security based on the half-yearly survey :—

TABLE II—38

Advances by type of Security

Type of security	Sept. 30 1959		March 31 1960		Sept. 30 1960	
	Amount Rs. Mn.	% of total	Amount Rs. Mn.	% of total	Amount Rs. Mn.	% of total
Documentary bills	137.0	26.0	141.6	25.7	130.8	23.3
Government securities	10.7	2.0	11.8	2.1	11.8	2.1
Shares of joint stock companies ..	33.0	6.3	31.0	5.6	31.2	5.6
Time and savings deposits and other cash deposits including cash value of life policies	13.0	2.5	14.5	2.6	16.0	2.9
Stock in trade	178.2	33.8	180.0	32.7	185.6	33.1
Immovable property	61.3	11.6	60.6	11.0	54.1	9.6
Others	63.5	12.0	74.4	13.5	88.4	15.8
Unsecured	31.0	5.9	36.9	6.7	43.0	7.7
Total	527.8	100.0	550.9	100.0	560.9	100.0

Source : Central Bank of Ceylon.

The above table shows that advances against "other" types of security increased by Rs. 24.9 million, advances against stock in trade by Rs. 7.4 million and unsecured advances by Rs. 12.0 million. The increase against "other" types of security relates mainly to advances secured by hire-purchase paper. Advances secured by immovable property fell by Rs. 7.2 million.

In addition to the increase in fixed deposit rates and the inter-bank call loan rate discussed earlier, banks increased their rates on advances following the increase in the Central Bank rate on the pledge of Government securities. In August the minimum and maximum rates on commercial bills increased by 1 per cent and 1½ per cent respectively. On secured advances, the increase in the minimum rates varied from ½ per cent to 1½ per cent, while the increase in the maximum rates varied from ½ per cent to 2½ per cent. The minimum and maximum rates on usance promissory notes relating to specified transactions were fixed at 4½ per cent and 6 per cent respectively. Minimum and maximum rates on unsecured advances however, remained unchanged.

The Treasury bill rate continued to rise steadily from 2.02 per cent at the end of December, 1959 to 2.60 per cent at the end of October, 1960, but remained unchanged thereafter. The rise in this rate reflects mainly the increase in Treasury bill borrowing by the Government during the year.

Advances classified by rate of interest are shown in the table below.

TABLE II—39

*Advances by Rate of Interest**

Rate of interest (%)	Sept. 30 1959		March 31 1960		Sept. 30 1960	
	Amount Rs. Mn.	% of total	Amount Rs. Mn.	% of total	Amount Rs. Mn.	% of total
Below 2½	1.3	0.3	3.2	0.7	3.1	0.6
2½	0.1
3	10.1	2.2	10.8	2.3	10.9	2.2
3½	13.2	2.9	10.9	2.3	11.4	2.3
4	8.1	1.8	9.1	1.9	7.9	1.6
4½	187.4	41.1	194.5	40.7	148.6	30.0
5	96.6	21.2	70.8	14.8	47.3	9.6
5½	33.6	7.4	52.7	11.0	24.1	4.9
6	90.3	19.8	103.9	21.7	133.1	26.9
6½	7.7	1.7	14.3	3.0	37.2	7.5
7	3.3	0.7	3.6	0.8	60.2	12.2
7½	2.3	0.5	2.5	0.5	6.8	1.4
8 and above	2.3	0.5	2.1	0.4	4.2	0.8
Total	456.1	100.0	478.4	100.0	494.8	100.0

Source : Central Bank of Ceylon.

* Excluding export bills purchased at current rates of exchange.

The revision of interest rates on advances by commercial banks following the change in the Bank rate in August is reflected in the above table. During the year ended 30th September, 1960, advances at 4½%, 5% and 5½% fell by Rs. 38.8 million, 49.3 million and Rs. 9.5 million respectively, while those at 6%, 6½% and 7% increased by Rs. 42.8 million, Rs. 29.5 million and Rs. 56.9 million respectively. Of the advances outstanding at 30th September, 1960, 51.2 per cent were below 6% and 48.8 per cent at 6% and above. The corresponding figures for 1959 were 76.9 per cent below 6% and 23.2 per cent at 6% and above.

Bank clearings increased from a monthly average of Rs. 713.8 million to a monthly average of Rs. 742.9 million in 1960.

(3) Other Financial Institutions

Total savings deposits in commercial banks, Ceylon Savings Bank, Post Office Savings Bank and Savings Certificates outstanding increased by Rs. 71.0 million in 1960 as compared with the rise of Rs. 66.5 million in 1959. Nearly 98 per cent of the increase occurred in the commercial banks and the Post Office Savings Bank. The increase in the commercial banks was Rs. 52.8 million in 1960 as compared with an increase of Rs. 34.8 million in 1959, while the rise in the Post Office Savings Bank was Rs. 16.7 million as compared with a rise of Rs. 16.6 million in 1959.

TABLE II—40

*Savings Deposits and Savings Certificates**Rupees Million*

	At the end of 1959	At the end of 1960	Change
Post office savings bank	320.9	337.6*	+16.7
Ceylon savings bank	73.2	73.7*	+ 0.5
Commercial banks (time and savings deposits) ..	319.4	372.2	+52.8
Savings certificates outstanding	31.2	32.2*	+ 1.0
Total ..	744.7	815.7*	+71.0

Source : Central Bank of Ceylon.

*Provisional.

Collections of the Employees Provident Fund increased appreciably during 1960 its second year of operation. They amounted to Rs. 55.8 million as compared with Rs. 11.9 million during 1959. The rise in 1960 reflects an increase in the coverage of employments under the Employees Provident Fund Act.

Operations of the long-term credit institutions expanded in 1959/60. Total loans granted by the State Mortgage Bank which fell by Rs. 0.8 million during the year 1958/59, increased by Rs. 3.2 million in 1959/60. Loans outstanding at the end of 1959/60 were Rs. 56.2 million as compared with Rs. 48.4 million at the end of 1958/59. There were no issues of debentures by the Bank during 1959/60. Its rate of interest on loans which was increased from 4½ per cent to 5 per cent in late 1959 remained unchanged during 1960.

Loans granted by the Agricultural and Industrial Credit Corporation rose from Rs. 4.5 million in 1958-59 to Rs. 5.1 million in 1959-60, while loans for industrial purposes fell by Rs. 0.5 million to Rs. 0.6 million, loans for agricultural purposes rose by Rs. 1.1 million to Rs. 4.5 million. Loans outstanding at the end of 1959-60 amounted to Rs. 31.8 million as compared with Rs. 30.9 million at the end of 1958-59.

Financial assistance (loans granted and equity investments) by the Development Finance Corporation to new agricultural and industrial ventures increased by Rs. 6.1 million in 1960 as compared with the rise of Rs. 4.2 million in 1959. The total amount of finance outstanding at the end of 1960, was Rs. 20.0 million and related to 38 projects. The corresponding figures for 1959 were Rs. 13.9 million and 31 projects.

Latest data available on the credit operations of the Ceylon Savings Bank relate to 1959. Total loans granted in that year amounted to Rs. 1.4 million as compared with Rs. 1.5 million in the previous year.

In 1960 the Government enacted legislation to set up an Insurance Corporation for the purpose of underwriting insurance business of any description. The Corporation, however, will have the monopoly of underwriting new life insurance business in Ceylon after an appointed date.

The Government also presented a bill in Parliament to establish a Peoples' Bank for the purpose of developing the co-operative movement, rural credit and agricultural credit by granting financial assistance to persons and institutions.