

PART II

ACCOUNTS AND OPERATIONS OF THE CENTRAL BANK

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ACCOUNTS AND OPERATIONS OF THE CENTRAL BANK

ACCOUNTS

The Balance Sheet of the Central Bank as at 31st December, 1981 and the Profit and Loss Account for the year ended 31st December, 1981 are shown in Table 2.1.

Total assets of the Central Bank as at 31st December, 1981 stood at Rs. 27,351,805,694 compared with Rs. 22,831,653,904 as at 31st December, 1980. The increase of Rs. 4,520,151,790 was due to increases both in the "International Reserve" and "Domestic Assets". There was an increase of Rs. 2,262,470,003 in the "International Reserve", from Rs. 4,404,286,904 as at 31st December, 1980 to Rs. 6,666,756,907 as at 31st December, 1981, while "Domestic Assets" increased by Rs. 3,423,286,668 from Rs. 12,199,446,333 as at 31st December, 1980 to Rs. 15,622,733,001 as at 31st December, 1981. The total of "Other Assets and Accounts" decreased by Rs. 1,165,604,881 from Rs. 6,227,920,667 as at 31st December, 1980 to Rs. 5,062,315,786 as at 31st December, 1981.

The increase in the Bank's liabilities during the period under review was largely due to the increase of Rs. 3,628,053,176 in deposits from Rs. 5,342,535,514 to Rs. 8,970,588,690. Currency in circulation increased by Rs. 633,981,121 from Rs. 5,009,516,039 to Rs. 5,643,497,160 and "Other liabilities" by Rs. 418,804,672 from Rs. 11,336,040,572 to Rs. 11,754,845,244.

The income of the Bank for the year 1981 at Rs. 2,193,579,293 showed a decrease of Rs. 408,518,867 when compared with the previous year's income of Rs. 2,602,098,160. The expenditure allocations to reserve accounts and provisions for depreciation amounted to Rs. 2,169,783,959. A sum of Rs. 22,795,334 being the balance lying to the debit of the Monetary Adjustment Account, was liquidated by setting off against the income of the Bank in terms of Section 39(a) of the Monetary Law Act. A sum of Rs. 1 million being the net profit of the Bank was carried to surplus.

FOREIGN EXCHANGE

The Bank continued to establish, on each working day, official exchange rates for telegraphic transfers for six currencies, namely, the U.S. Dollar, Pound Sterling, Deutsche Mark, French Franc, Japanese Yen and the Indian Rupee. The rates of exchange for these currencies, as at end of 1981, are given in Table 2.2. The Bank continued to deal in foreign currency notes with commercial banks.

Accounts of the Central Bank of Balance Sheet as

31st December 1980		LIABILITIES	31st December 1981	
Rs.	Rs.		Rs.	Rs.
15,000,000		Capital Accounts		
65,000,000	80,000,000	Capital ..	15,000,000	
		Surplus ..	66,000,000	81,000,000
		Currency in Circulation		
4,807,602,981		Notes in circulation ..	5,412,425,674	
201,913,058	5,009,516,039	Coins in circulation ..	231,071,486	5,643,497,160
		Deposits		
1,345,800,620		Government ..	1,440,737,041	
13,211,080		Government Agencies ..	15,540,643	
1,263,674,391		and Institutions ..	1,846,342,353	
		Commercial Banks ..		
		International Organisations,		
		Foreign Government and		
2,373,949,480		Foreign Banking ..	5,350,691,097	
		Institutions ..		
		Compulsory Savings		
		Fund excluding		
		Rs. 120,546,500		
		invested in		
85,458		Treasury Bills ..	306,073	
345,814,485	5,342,535,514	Other ..	316,971,483	8,970,588,690
	428,561,779	Borrowings Abroad ..		266,874,600
	525,000,000	Medium & Long Term ..		525,000,000
	110,000,000	Credit Fund ..		110,000,000
	11,336,040,572	Capital Contribution ..		11,754,845,244
		Account ..		
		Other Liabilities ..		
	22,831,653,904			27,351,805,694

Profit and Loss Account

Rs.		Rs.
2,601,098,160	To General Charges (including Salaries, Expenditure on Currency Notes and Coins and Depreciation on Land and Buildings and Office Furniture) and Allocations made in terms of Section 38 of the Monetary Law Act.	2,169,783,959
	Net Profit for the year ended 31st December, 1981	
	To Monetary Adjustment Account in liquidation of balance in terms of Section 39(a) of the Monetary Law Act Rs. 22,795,334	
1,000,000	Carried to surplus in terms of Section 39(b) of the Monetary Law Act. Rs. 1,000,000	23,795,334
2,602,098,160		2,193,579,293

The accounts of the Central Bank of Ceylon for the year ended December 31, 1981 were audited under my direction in pursuance of Section 154(1) of the Constitution of Sri Lanka read in conjunction with Section 13(1) of the Finance Act. No. 38 of 1971 and Section 42(1) of the Monetary Law Act (Cap. 422).

My report to the Minister of Finance required in terms of Section 42(2) of the Monetary Law Act (Cap. 422) will be submitted in due course.

Audit Office
Colombo-7
9th April, 1982.

P. M. W. Wijayasuriya
Auditor-General

TABLE 2.1

Ceylon as of 31st December, 1981
of 31st December, 1981

31st December, 1980		A S S E T S	31st December, 1981	
Rs.	Rs.		Rs.	Rs.
3,937,419,823		International Reserve		
		Cash and Balances		
		Abroad ..	5,591,108,534	
466,867,081		*Foreign Securities and		
		Treasury Bills ..	638,648,498	
—	4,404,286,904	Holdings of Special		
		Drawing Rights ..	436,999,875	6,666,756,907
		Domestic Assets		
1,627,637,810		Loans and Advances		
		to Government ..	1,536,437,811	
210,131,641		to Others — Medium and		
913,769,800		Long Term ..	411,362,446	
		Short Term ..	996,921,098	
9,337,907,082		Government and		
		Government		
		Guaranteed Securities	12,568,011,646	
		Contributions to		
110,000,000	12,199,446,333	Financial and other		
		Institutions ..	110,000,000	15,622,733,001
	6,227,920,667	Other Assets and Accounts		5,062,315,786
		*Includes securities acquired		
		from Government Institu-		
		tions on 1st February 1964		
		at a face value of		
		Rs. 5,441,169/- and on 24th		
		May, 1965 at a face value of		
		Rs. 57,450/- (the estimated		
		Market values of these		
		securities were		
		Rs. 2,867,960/- and		
		Rs. 34,340/- respectively as		
		on these dates)		
	22,831,653,904			27,351,805,694

for the year ended 31st December, 1981

Rs.		Rs.
2,602,098,160	By Interest, etc. ..	2,193,579,293
2,602,098,160		2,193,579,293

W. Rasaputram
Governor

H. Premaratne
Chief Accountant

TABLE 2.2
Exchange Rates

Currency per 100 Units	Middle Rate as at end 1981
U. S. Dollar	2,055.00
Pound Sterling	3,890.10
Deutsche Mark	904.30
French Franc	357.40
Japanese Yen	9.2605
Indian Rupee	220.63

Asian Clearing Union

The total value of transactions routed through the Asian Clearing Union facility by the Central Bank during the year under review amounted to Rs. 4,356.2 million, as compared to the total of the previous year, which amounted to Rs. 3,187.7 million. Since the inception of the Asian Clearing Union in 1975, it was only in the year 1981 that the settlement of balances made every two months were all in favour of Sri Lanka. The net receipts for the year under review amounted to Rs. 740.2 million, whereas in 1980 there were net payments amounting to Rs. 675.1 million.

Subsidy and Ex-gratia Payment to Indian Repatriates

The Bank continued to operate, on behalf of the Government, two schemes to expedite the repatriation of estate workers of Indian origin covered under the Indo-Ceylon Agreement of 1964. These were (1) a subsidy scheme in terms of which a sum equivalent to 65 per cent of the authorised remittance or part thereof was paid to such repatriates ; and (2) an ex-gratia payment of Rs. 500 plus 65 per cent thereof, which was paid as an incentive for these workers to leave the island. The Bank operated these two schemes through the commercial banks.

DOMESTIC BANKING

The Central Bank's rate of interest on short-term advances to commercial banks, (Bank Rate) secured by the pledge of Government and Government Guaranteed Securities and against the pledge of usance promissory notes relating to commercial and production loans, was increased from 12 per cent per annum to 14 per cent per annum on 17th August, 1981. However, the rate of interest on Central Bank's short-term refinance loans to commercial banks, granted for the purpose of assisting banks to finance exports from Sri Lanka, continued to be 12 per cent per annum.

Central Bank's accommodation to commercial banks, at the Bank Rate, was subject to an overall limit for all banks. This limit was allocated to each commercial bank on the basis of selected asset items of each bank after an adjustment was made for a minimum facility of Rs. 1 million to each bank whose allocation, on the basis of its selected asset items, was below Rs. 1 million. Each bank was permitted to borrow

up to the stipulated limit provided that the Bank's advances for non-essential purposes did not exceed the level of such advances as at 30th June, 1976 : otherwise, the stipulated limit was reduced by the amount of such excess. Borrowings by commercial banks, for the refinance of loans granted to customers to finance exports from Sri Lanka, were also subject to limits. The Bank also granted advances to commercial banks in excess of the limits for borrowings at Bank Rate on the basis of a graduated scale of penal rates. The penal rates, effective from 17th August 1981, ranged from 21 per cent per annum to 30 per cent per annum, depending on the level of borrowing of individual banks over and above the stipulated limits.

The rate of interest on Central Bank's advances to commercial banks against the pledge of usance promissory notes of co-operative societies or of individuals relating to the production of paddy, vegetables and other specified crops continued to be 1.5 per cent per annum. The rate of interest on the Bank's advances to commercial banks against the pledge of usance promissory notes in respect of advances granted by commercial banks to co-operative societies, agrarian service centres and to authorised persons to finance the purchase of paddy and for the purchase and storage of certain other specified crops grown locally remained unchanged at 3 per cent per annum.

Government Accounts

As Banker to the Government, the Government Accounts Branch continued to maintain accounts of government departments and certain statutory bodies.

The number of operative accounts in the Government Accounts Branch, as at the end of December 1981, was 148 (Government Departments—134 and Statutory Bodies—14).

The accounting system of the Government Accounts Branch was computerized with effect from 18th March, 1981, and provided a better service to its account holders.

At the request of the Postmaster General, the Government Accounts Branch accepts all foreign cheques and drafts for collection and credit of proceeds hitherto handled by the Crown Agents.

Treasury Bills

The Central Bank of Ceylon commenced open market operations in Treasury Bills on 21st April, 1981. Under this scheme, the Bank sells from its own portfolio and purchases Treasury Bills with varying maturities. The rate of discount varied on each working day in keeping with the market rates of interest and the liquidity position in the money market. During the period 21st April, 1981 to 31st December, 1981, a total sum of Rs. 9,149.3 million worth of Treasury Bills were sold under this scheme ; the re-purchases during the same period amounted to Rs. 4,653.5 million. The total amount sold and remained unmatured as at 31st December, 1981 was Rs. 709.4 million. The rates of discount applicable for open market operations in Treasury Bills during the year varied between 13.5 and 17 per cent per annum. In the interest of fostering an active market in Treasury Bills, the Bank's sales of Treasury

Bills in the secondary market were made exclusively through the money and exchange brokers operating in Colombo. However, any holder of Treasury Bills was free to have them re-discounted by the Bank directly without a broker's intervention.

Compulsory Savings

The Central Bank continued to be the custodian of the moneys collected in terms of the Compulsory Savings Act, No. 6 of 1971 and the Ceiling on Income and Compulsory Savings Law No. 15 of 1972, and administered the Compulsory Savings Fund on behalf of the Government. During the year, the Bank re-paid to contributors Rs. 6,267,857.35 (inclusive of interest) on 1775 refund applications received.

Medium and Long Term Credit Fund

During the year 1981, the Central Bank continued to operate the scheme of refinance under the Medium and Long Term Credit Fund of the Central Bank.

The total of refinance loans disbursed during 1981 amounted to Rs. 264.0 million, as compared to Rs. 143.9 million granted in 1980.

Currency Issue

At the end of 1981, the total currency issue of the Central Bank stood at Rs. 5,643.5 million registering an increase of Rs. 634 million or 12.6 per cent over December, 1980. The note circulation in 1981 increased by Rs. 604.8 million, as compared with Rs. 667.6 million in the previous year. The composition of the total currency issue outstanding underwent some change due to the introduction of the new currency note of Rs. 1,000 denomination and increases in Rs. 100, Rs. 50 and Rs. 20 denominations on the one hand and decreases in Rs. 10, Rs. 5 and Rs. 2 denominations, on the other. Currency notes of Rs. 1,000, Rs. 100 and Rs. 50 denominations accounted for Rs. 612.6 million of the total increase. The total increase in coin circulation in 1981 was Rs. 29.3 million as compared to Rs. 20.7 million in 1980. Of the total increase in coin circulation, Rs. 5, Rs. 2, Re 1 and 50 cents denominations accounted for Rs. 22.1 million.

In addition to the introduction of the currency note of Rs. 1,000 denomination in December, 1981, it is proposed to introduce a note of Rs. 500 denomination. The issue of these notes is aimed at relieving the pressure on the notes of the Rs. 50 and Rs. 100 denominations. During 1981, two commemorative coins of Rs. 5 and Rs. 2 were issued. These two coins were issued to commemorate 50 years of Universal Adult Franchise in Sri Lanka and the Mahaweli Development Scheme, respectively.

Action has been initiated to set up a Currency Museum in the Department of Currency by the first quarter of 1982.

BANKING DEVELOPMENT

Frequent inquiries continued to be made by foreign banks and financial institutions in regard to the opening of bank branches in the country. Three foreign banks established branches in Sri Lanka during the year, namely, Dubai Bank Ltd., on 81.03.17, the Union Bank of the Middle East Ltd. on 81.06.02 and Amsterdam Rotterdam Bank N.V. on 81.12.01. Meanwhile, Sri Lankan banks opened 53 branches

during the year. These were 32 branches by Bank of Ceylon, 19 by the People's Bank and a branch each by the Hatton National Bank Ltd., and the Commercial Bank of Ceylon Ltd. The Hatton National Bank Ltd., also opened a Pay Office. Thus, a total of 24 banks were operating in Sri Lanka as at the end of 1981 and a total of 673 bank branches were in operation as on the same date. The number of bank branches included 101 Agricultural Service Centre branches of the Bank of Ceylon.

The proposals to introducing merchant banking services was generally encouraged by the Bank. It was considered that in the current economic climate, with its heavy emphasis on capital and economic development and the encouragement given to foreign investment and banking institutions to invest in the country, there would be a heightening of business, commercial and financial activity, resulting in the need for large and flexible capital resources and new forms of finance. In such a situation, a growing banking and investor community will frequently require the advice and services of financial experts. To this end the services of a Merchant Bank or a Merchant Banking Institution would be appropriate, as such services or all such services are not within the usual province of commercial banks.

With a view to rationalising the opening of bank branches steps were taken to formulate a Banking Development Plan.

Training

Training of officers both within academic and non-academic (practical training) fields continued throughout the year. A total of 10 officers were sent abroad on post-graduate studies during 1981 while 54 officers were sent abroad on short-term training courses, seminars and conferences during the same period. Increased emphasis was placed in particular, on training in the areas of Rural Credit, Rural Project Identification-Evaluation-Financing and other Rural Development programmes. Training in the areas of foreign exchange operations and related fields also drew the increased attention of the Bank.

The Bank's training programme also involved training at local institutions such as the Universities and other academic and professional institutions. A total of 43 officers were sent on such local training courses. As part of the training programmes the office conducted a number of Seminars targetted for the Central Bank as well as for the commercial banking and financial sector, during the year.

With the establishment of the Central Bank's Rural Banking and Staff Training College in September, 1981 that institution took over training functions in regard to the banking and financial sector generally, while this Office continued its responsibility for training of Central Bank officers.

BANK SUPERVISION

The Department of Bank Supervision concluded the examination of eighteen commercial banks under Section 29(1) of the Monetary Law Act during the year 1981, thereby completing the examination of every commercial bank operating in Sri Lanka, during the 1980-81 examination period. During 1981, the Department also carried out the examinations of two banking institutions other than commercial banks under Section 29(2) of the Monetary Law Act.

The Department was also engaged in the supervision and examination of finance companies registered with the Monetary Board under the provisions of the Control of Finance Companies Act, No. 27 of 1979. The examinations of seven finance companies under Section 15(1) of the Act were commenced during the year and four of these examinations were concluded. Applications for registration under the Act received from finance companies were evaluated and two companies were registered with the Monetary Board during the year. Rules under the Act were made by the Monetary Board in July, 1981 for the control of advertisements by finance companies soliciting deposit of monies from the public.

The Department continued its programme of monitoring the transactions of the Foreign Currency Banking Units established by commercial banks under the Foreign Currency Banking Scheme.

DEVELOPMENT FINANCE

The Department of Rural Credit and Development Finance was re-designated the Department of Development Finance and a new department designated the Department of Rural Credit was created to be in charge of the Rural Credit Division of the former Department of Rural Credit and Development Finance, effective from 1st December 1981.

Medium and Long Term Credit Fund (MLCF)

As a result of the re-designation of the department, the following categories of refinance fell within the purview of the Department of Development Finance :

- (i) Category II includes loans given for the promotion and development of exports from Sri Lanka including production of goods and commodities for export and activities antecedent to such productions ;
- (ii) Category III includes all loans given for approved investments carrying tax holidays and loans given for agriculture and fisheries, outside the schemes approved by the Ministries ; and
- (iii) Category IV includes loans granted for purposes other than those spelt out above, which the Monetary Board may consider at its discretion as coming within the meaning of "productive purpose" as defined in Section 88 of the Monetary Law Act.

Refinance of Category I loans was, amongst other functions, assigned to the Department of Rural Credit.

The refinance facility to offer concessionary financing for the promotion and development of exports (Category II) commenced in October, 1980. Under this facility the Central Bank provides refinance upto 80 per cent of the loan at a refinance rate of 10 per cent per annum provided loans refinanced carry a rate of interest of 13 per cent or less. Unlike in the case of Categories III and IV of the Central Bank refinance scheme, the commercial banks making use of refinance under Category II

were required to charge a flat rate of 13 per cent per annum on the total loan which included 20 per cent of funds coming from the banks own resources. This was unattractive to participating credit institutions and as a result there was some reluctance among commercial banks to make use of the export refinancing facility. Consequently, in the course of 1981 commercial banks filed only 14 applications, although the Sri Lanka Export Development Board granted export industry status to about 40 enterprises. The reluctance on the part of the commercial banks was largely due to the enforced lower return on their own funds committed to finance export oriented projects. In order to induce the commercial banks to participate actively in this scheme, the Central Bank agreed to provide 100 per cent refinance facilities to export projects approved by the Sri Lanka Export Development Board. Following this revision, the amended terms and conditions relating to refinance facilities under the different categories of the MLCF were as follows :

TABLE 2.3
Medium and Long Term Refinance

Category	Extent of refinance (per cent) of total loan	Period of loan (years)	Rate of Interest of Refinance		Margin Permitted to the Credit Institution		Minimum contribution that an enterprise should make towards total cost of the project %
			i Total cost of the project Rs. 5 Mn. & below %	ii Total cost of the project above Rs. 5 Mn. %	i Total cost of the project Rs. 5 Mn. & below %	ii Total cost of the project above Rs. 5 Mn. %	
I ..	100	3-15	8½	8½	4	4	10
II ..	100	3-15	10	11½	2	1½	20
III ..	60	3-15	11	11	5	5	20
IV ..	60	3-15	13	13	5	5	20

During 1981 the scope of the refinance scheme was further enlarged to enable commercial banks and credit institutions to participate more fully in the development of export oriented industries. In October, 1981, at the request of the Ministry of Industries and Scientific Affairs, public sector corporations, which were hitherto ineligible to borrow from the MLF, were made eligible to receive assistance from the MLCF for exclusively export oriented projects, subject to the prevailing upper limit of Rs. 30 million with respect to any particular project.

In addition, the requirement that projects qualifying for assistance from MLCF should issue shares to the public, first enforced in 1980 continued to be applied in 1981. The purpose of this condition was to encourage broadbasing of company ownership and induce an active stock market in the country. This requirement applies to all loans in excess of Rs. 5 million coming under Categories II, III and IV for which refinance assistance is provided.

In 1981 a sum of Rs. 260.9 million was approved by way of refinance from the MLCF in support of loans classified into Categories III and IV as against Rs. 121.7 million in 1980. A purpose-wise classification of refinance is given below :

TABLE 2.4**Medium and Long Term Refinance Approvals Categories III and IV**

(Rs. Million)

Item	1979		1980		1981	
	Loan Amount	Refinance Amount	Loan Amount	Refinance Amount	Loan Amount	Refinance Amount
Agriculture ..	1.0	1.0	1.0	0.7	31.5	19.9
Fisheries ..	1.7	1.7	—	—	—	—
Industry ..	38.1	27.7	62.1	49.0	77.0	67.6
Hotels ..	—	—	52.0	36.0	105.7	83.6
Others ..	0.5	0.5	60.0	36.0	145.5	89.9
Total ..	41.3	30.9	175.1	121.7	359.7	260.9

Refinancing of the export sector (Category II of the MLCF Scheme) in 1981 is shown in the table below :

TABLE 2.5**Medium and Long Term Refinance Approvals - Export Sector**

(Rs. Million)

	Loan Amount	Refinance Amount
Export Sector Projects ..	35.4	32.0
Total	35.4	32.0

It is seen from the preceding two tables that the operations under the Medium and Long Term Credit Fund have significantly increased over the previous year. This increase is due to the attractive low interest rates offered by the Central Bank as well as the greater participation of credit institutions in term lending.

Credit Guarantee Scheme for Small Scale Industry Projects (SSI)

The SSI Scheme commenced operations in 1978. Under this Scheme the Central Bank provides a guarantee on behalf of the Government, for loans disbursed by approved credit institutions, viz. People's Bank, Bank of Ceylon and the Development Finance Corporation of Ceylon (DFCC) on the recommendation of the Industrial Development Board (IDB). The extent of the guarantee is 75 per cent of the total liability. By the end of 1980 the Central Bank had guaranteed 764 loans

totalling Rs. 30.9 million and in 1981 only 3 loans amounting to Rs. 349,000 were issued with guarantees. With the commencement of the Small and Medium Industry loan scheme of the National Development Bank (NDB), the SSI Scheme operations tapered off.

The post guarantee work connected with the SSI Scheme in the form of premia collection and follow up of progress was carried out in 1981. Also, the guarantee claims are being received by the Department from the credit institutions, and they are being scrutinised prior to admitting them for settlement. Guarantee claims were received in respect of 33 loans but none were settled due to the non-completion of investigations.

The cumulative value of loans guaranteed and the risk exposure of the Central Bank on the guarantees outstanding is shown in the following table :

TABLE 2.6

	(Rs. Million)	
	1980	1981
Total value of loans	30.6	31.0
Total balance outstanding in the loans guaranteed	24.3	17.1
75% risk exposure	18.2	12.8
Risk exposure as a percentage of total loans guaranteed under the scheme	59.8%	41.3%

Small and Medium Scale Industries Credit Guarantee Scheme (SMI)

The Monetary Board at the end of 1979 approved of the institution of a credit guarantee scheme, under Section 108A of the Monetary Law Act to cover loans granted under the Small and Medium Industries Scheme (SMI) of the National Development Bank of Sri Lanka (NDB). Operations under this scheme commenced in October, 1979. For the administration of this scheme the NDB received a line of credit from the IDA through the Government of Sri Lanka amounting to US \$ 16 million. Of this amount US \$ 12 million was set aside to assist the participating credit institutions (Bank of Ceylon, People's Bank, the DFCC, Hatton National Bank Ltd., the Commercial Bank of Ceylon Limited) with refinance facilities upto 80 per cent of the loans disbursed for SMI Projects, while the Central Bank issued guarantees to cover these loans upto 60 per cent of such loans.

The following table shows the breakdown of the number of loans granted, the volume of guarantees issued by the Central Bank and the industry-wise classification of the projects guaranteed since its inception :

The districts which benefitted mostly from this scheme are Colonbo, Kurunegala Puttalam, Gampaha, Kandy, Matara and Jaffna covering a very large area of the country's semi-urban population, while fibre milling, brick making, rice milling, tile making and metal crushing representing an indigenous network of industries, were the recipients of the major share of the financing for their development.

TABLE 2.7

SMI Credit Guarantees Issued 1980 - 1981

Rs. '000

Industry	1980		1981	
	No. of loans	Amount	No. of loans	Amount
1. Rice milling ..	98	11,946	200	23,911
2. Light Engineering ..	62	6,862	73	6,266
3. Bricks and other building materials ..	130	15,245	111	21,352
4. Ready-made garments, batik, handlooms, carpets, etc. ..	67	5,357	52	4,988
5. Rubber and rubber based products ..	9	768	16	3,447
6. Footwear & other leather products ..	11	728	6	660
7. Jaggery & sugarcane products ..	1	29	4	91
8. Furniture & other wooden articles ..	41	4,692	15	4,246
9. Fibre & fibre based products ..	55	4,208	27	2,813
10. Stationery & other paper products ..	22	3,849	6	905
11. Food and beverages ..	33	2,934	26	1,900
12. Paints, polish, varnish, etc. ..	2	600	6	1,293
13. Spare parts for radios & bicycles ..	8	244	5	119
14. Soap & other cosmetics ..	10	321	18	1,316
15. Handicrafts & toys ..	9	412	19	654
16. Cigars & beedi ..	3	21	3	26
17. Fishing boats & inland fisheries ..	7	2,092	4	1,600
18. Jewellery & gems ..	2	208	6	977
19. Sports goods ..	1	65	1	15
20. Agricultural implements ..	2	420	2	44
21. Glass & other glass products ..	4	490	3	361
22. Brass & aluminium ware ..	31	2,120	47	4,051
23. Miscellaneous ..	18	2,125	36	3,179
24. Printing ..	—	—	29	6,060
25. Timber sawing ..	—	—	48	8,840
Total	626	65,736	763	99,114

The table below, summarises the commitment towards the risk on account of loans guaranteed by the Central Bank :

TABLE 2.8

Guarantees Issued under SMI Projects and Risk Exposure

Rs. Million.

	1980	1981
Total value covered by the guarantees issued ..	65.8	164.8
60% of risk exposure ..	39.5	98.9

The operations under the SMI (I) scheme are expected to be terminated during the first quarter of 1982 with the exhaustion of the proceeds of the IDA loan. In the course of 1981, the NDB with the concurrence of the Government negotiated a second loan of US \$ 30 million from the IDA to finance Small and Medium Scale Industries in future years. The SMI (II) Scheme will therefore continue to offer refinance for SMI Projects through participating credit institutions. The maximum loan for any project under the proposed SMI (II) Scheme is fixed at Rs. 2 million, as

against Rs. 1 million fixed under the SMI (I) Scheme. The Development Finance Department participated in the negotiations with the IDA and the Central Bank will continue to issue guarantees upto 60 per cent of the loans with a maximum cover of Rs. 800,000 as against Rs. 400,000 fixed for the SMI (I) Scheme. The relevant operating instructions to be issued to the participating banks were finalised and the operations under this scheme will commence by early 1982.

RURAL CREDIT

Under Section 33 of the Monetary Law Act, the Monetary Board created a new department of Rural Credit in the Central Bank, from 1st December, 1981. The significance of this development is that the Central Bank has assumed greater responsibility for the direction and control of the flow of credit in the rural sector through the banking system.

With the creation of this new department, all functions handled by the previous Rural Credit & Development Finance Department relating to rural credit and rural development were entrusted to the department. These activities include—

- (1) the operation of the Medium & Long Term Credit Fund (MLCF) relating to loans given for agriculture and fisheries under schemes approved by the various ministries ;
- (2) the implementation of the rural credit project financed with assistance from the Asian Development Bank ;
- (3) the study and report on framework of national policy guidelines on rural credit and review of same on a continuous basis in the light of the feedback received through Departments' inspection of commercial banks' branches and other lending agencies and periodic seminars and conferences held by the Department ; and
- (4) the co-ordination of the operations of banks and other credit agencies connected with rural credit.

Rural Credit Advisory Board

In the year under review, the Department convened the first meeting of the Rural Credit Advisory Board set up by the Minister of Finance and Planning in 1980 for the purpose of formulating national policy guidelines for the rural credit operations in Sri Lanka.

The functions which come within the purview of this Board include—

- (i) organization of an appropriate and sound rural credit structure in the country ;
- (ii) determination of the linkages and operational relationship between the various agencies handling rural credit and rural development ;
- (iii) the laying down of a framework of national policy guidelines on rural credit ;

- (iv) determination of the nature and extent of refinance from the Central Bank of Ceylon in respect of lendings to agricultural and allied sectors ;
- (v) determination of the manner and the agencies through which non-viable farmers may be financed ;
- (vi) examination of measures required for ensuring adequate flow of credit to small farmers ; and
- (vii) periodic review of the various development schemes under implementation, consideration of factors inhibiting their progress according to schedule and suggestion of suitable measures for overcoming the obstacles.

The Board held four meetings during the year 1981. Major policy changes affecting rural credit operations of the banking system were accepted for implementation. It was decided to reschedule existing loans given to farmers during the period 1st January, 1977 to 30th June, 1981. The rescheduling scheme proposed by the Rural Credit Advisory Board offers a measure of relief to the farmers and an opportunity to rehabilitate themselves and thereby become eligible for fresh loans. The scheme provides for all the loans granted during the period referred to above to be consolidated to form one loan. In the consolidation of these loans no penal interest will be charged. Interest will be added on the outstanding up to 30th June, 1981 at 9 per cent rate of interest. The farmers who wish to make use of this opportunity will be requested to pay 10 per cent of the consolidated loan and the balance in 10 half yearly instalments spread over a period of 5 years. Each loan instalment will be related to a 'kanna'. In areas where double cropping is not possible due to lack of water, banks may consider giving an extended repayment period not exceeding 10 years. On repayment of the first 7 instalments on the due dates, the farmers will be given a concession of a write-off of the last three instalments due on the consolidated loan as an incentive to promote regular repayments. Those farmers who do not wish to use this scheme to rehabilitate themselves will be considered as wilful defaulters and legal action will be taken against them to recover these loans. Also, the bank managers have been given the discretion to refuse the rescheduling facility to any farmer who in their opinion, may be considered a wilful defaulter of existing loans, i.e. a farmer who has the capacity to repay, but is not inclined to honour his commitments to the bank. Under the scheme if a farmer is accepted for rescheduling by the bank, he also becomes eligible for a fresh loan under the Comprehensive Agricultural Credit Scheme of the two state banks to meet the cost of cultivation of Yala 1982. This scheme was introduced by Bank of Ceylon in September, 1981 in the districts of Mannar, Mulaitivu and Anuradhapura to coincide with the Maha season. The scheme is expected to be introduced islandwide to coincide with Yala 1982.

Sri Lanka Rural Credit Project—Asian Development Bank

The work connected with the implementation of the rural credit project progressed rapidly in 1981. This Loan Agreement signed on 22nd February, 1980 with the Asian Development Bank provides for assistance upto US \$ 10.9 million. A service charge of 1 per cent per annum is payable on the loan amount withdrawn and outstanding. The loan is repayable over a period of 40 years, with repayments

commencing after a grace period of 10 years. The proceeds of the loan will be used to improve the availability of farm power equipment in the project area, promote the use of underground water through tube wells, dug wells etc. and also for the provision of various supporting and ancillary facilities including training, designed to help rural development. The loan proceeds will be used to meet the costs of the following project components :

<i>Category</i>		<i>Amount allocated US \$ '000</i>
1. Farm power equipment	.. ..	4.997
2. Irrigation facilities	.. ..	1.069
3. Rice milling facilities	.. ..	.787
4. Supporting services & facilities	.. ..	.226
5. Local expenditure for draft animals	.. ..	.800
6. Rural Banking and Staff Training College	.. ..	.499
7. Unallocated	.. ..	2.522
		<u>10.900</u>

The project area consists of the districts of Amparai, Badulla, Batticaloa, Hambantota, Jaffna, Mannar, Polonnaruwa, Puttalam, Trincomalee and Vavuniya in the dry and intermediate zones of Sri Lanka.

During the year steps were also taken to train officers of the Central Bank, Bank of Ceylon and People's Bank abroad in the operation of rural credit policies and programmes. The preparatory work connected with the recruitment of consultants from abroad to help in the designing of courses, curricula and programmes to be undertaken by the Rural Banking and Staff Training College was done during the year under review. The selection of consultants is expected to be made early in 1982 to enable the consultants to undertake this work in the first half of the year.

Credit Schemes

During the year under review five more credit schemes were supported with refinance from the Central Bank. At the end of last year there were 12 credit schemes (details of which are shown in Table 2.9) for which a total of Rs. 334.2 million was allocated by way of refinance of which only Rs. 93.16 million were utilized. During the year utilization increased to Rs. 184.56 million, leaving an unutilized balance of Rs. 149.64 million. With the five new credit schemes introduced during the year, the total allocation increased to Rs. 457.07 million. There were no disbursement under these credit schemes during the year. As a result the total unutilized funds has increased to Rs. 272.51 million. It is anticipated that there would be a rapid draw down of funds allocated for various schemes during 1982 as measures have been taken to remove obstacles impeding the rapid implementation of some of these credit schemes. The Table 2.9 gives a summary of the amount allocated, and the utilization under each scheme.

TABLE 2 · 9

Loan Schemes sponsored by the Ministries and approved for refinancing by the Monetary Board under Category I of the Central Bank Refinance Scheme

Name of Loan Scheme	Refinance allocation (Rs. mn)	Amount utilised as at 31. 12. 81 (Rs mn)	Amount unutilised as at 31. 12. 81 (Rs. mn)	Date of commencement of project	Period for disbursement of the allocation (years)
A. Credit Schemes at the beginning of the year 1981					
1. Credit Scheme for cultivation of Orchid Plants Bank of Ceylon/Ceylon Tobacco Co. Ltd.	4.50	2.50	2.00	03.1.79	3
2. Coconut Fertilizer Credit Scheme	55.00	41.20	13.80	26.3.79	3
3. Fisheries Sector Bank Financing Scheme	10.70	98.20	8.80	02.7.79	3
4. Tank Irrigation Modernization Project	7.70	7.70	—	02.6.79	1
5. Loan Scheme for Dairy Development in Nuwara Eliya District	10.00	3.48	6.52	22.8.79	3
6. Farm Machinery Loan Scheme for Kurunegala District Integrated Rural Development Project	40.00	26.30	13.70	28.10.79	5
7. Loan Scheme for Dairy Development (Pilot) Project in Samanthurai Electorate	.12	—	.12	27.11.79	3
8. Credit Scheme to assist settlers in Mahaweli Project area for the purchase of tractors	55.00	5.12	49.88	19.11.79	3
9. Inland Fisheries Bank Financing Scheme	5.20	.02	5.18	29.08.80	2
10. Credit Scheme for Establishment of Fertilizer Stores by MPCSC	11.50	—	11.50	13.10.80	1
11. Abu Dhabi Funded North West Coast Fisheries Development Project	60.00	—	60.00	13.10.80	3
12. Credit Scheme for Cultivation of Orchid Plants People's Bank/Sarvodaya/Laksala	3.00	.04	2.96	10.12.80	5
B. Credit Schemes approved during the year 1981					
1. Credit Scheme for Fisheries Co-operatives	38.00	—	38.00	28.04.81	2
2. Matale-Puttalam Districts Integrated Rural Development Project	54.79	—	54.79	08.05.81	6
3. Credit Scheme for financing of windmills	2.56	—	2.56	11.12.81	1
4. Youth Self Employment Scheme in Matara District	2.70	—	—	10.04.81	
5. Radampola-Uda Aparekka Village Adoption Scheme	—	—	—	16.03.81	
	457.07	184.56	272.51		

RURAL BANKING AND STAFF TRAINING

The Rural Banking and Staff Training College was inaugurated on 15th September, 1981. The main objective of this College is to train officers in the banking sector and extension staff in other agencies connected with agricultural credit operations. Training will be provided in areas related to banking which include agricultural and industrial finance, rural banking, commercial banking and foreign exchange operations, international banking, economics, budgeting and credit planning, man - power planning, personnel management and administration, accounts, record-keeping, audit and bank examination, project and loan appraisal and data management.

In addition to these main areas, there will also be short-term seminars organised on special subjects which are of relevance to the banking sector. New areas for training will be added from time to time.

The College organised the following seminars and training courses some of which were co-sponsored by other banks and institutions during the period September-December, 1981.

- (1) Executive Development Course/Workshop ;
- (2) Small Scale Agricultural Project Identification, Formulation & Evaluation Training Course ;
- (3) Seminar on "Unit Trusts and Portfolio Management" ;
- (4) Seminar on "Recovery of Agricultural Loans " ;
- (5) Seminar/Workshop on "Management of Foreign Exchange Positions " ;
- (6) Seminar on "Leasing" ;
- (7) Seminar on "Recovery of Agricultural Loans " (In Sinhala) ;
- (8) Seminar on "Budget 1982" ;
- (9) Seminar on "Procedures and Facilities for Small Industrialists."

ECONOMIC RESEARCH

As in the past years, the Department of Economic Research continued to monitor and review the progress of the different sectors of the economy in 1981. In particular, monetary and banking developments, fiscal developments and balance of payments and exchange rate developments received close scrutiny of the Department. In addition, the Department also commenced inquiring into the relatively neglected areas such as economic and social overheads and population and manpower problems.

During the year under review, 23 research projects covering mainly the areas of money and banking, trade, agriculture, industry and public finance were completed. In particular, problems of the plantation sector, investment in economic and social overheads and continuing inflationary problems received high priority in the research programme. The findings of some of the research studies completed were published in the "Staff Studies".

Monetary Policy

During the year 1981 there was intensive activity in the field of monetary policy and monetary and banking developments were kept under the constant review by the Department. There were several monetary policy changes during the year and the Department was involved in background reporting leading to such policy changes. A credit squeeze was introduced in May, 1981, which was replaced by policy measures of a more traditional nature in June, 1981. In August, 1981, the monetary policy was once again intensified by way of a higher Bank Rate and a modification of the structure of penal rates.

Credit Plan

The Department serviced the Credit Plan Committee appointed by the Governor with the objective of preparing a National Credit Plan. A Credit Plan for 1981 was formulated and during the fourth quarter of 1981 the Department was engaged in the preparation of the groundwork for the credit plan of 1982.

IMF Consultations

During the year under the review, the Department serviced 3 Missions from IMF. In addition to arranging and co-ordination of the discussions, the Department also provided all the statistical material requested by the Fund. During the year, the Department also serviced Missions from other international agencies such as the IBRD and ADB.

Publications

The Central Bank's regular publications i.e., Annual Report—1980, A Review of the Economy—1980, Monthly Bulletin and Staff Studies—Vol. 9 No. 1 & 2 were issued by the Department during the year. The Selected Economic Indicators which contain the latest information on a vast number of important sectors and aspects of the economy were issued monthly and the staff of the Department was responsible for the statistical data in this publication.

Special Assignments

A new subject under the heading "Customer Services in Banking" was entrusted to the Department in 1981. Among other things, this involved studies on "sick industries" which were in need of financial and other assistance. A report on one such 'industry' was completed.

STATISTICS

Consumer Finance and Socio Economic Survey 1978/79 and 1981/82

A preliminary report containing the main findings on income and employment has been prepared. The computer processing of data relating to expenditure, investment and savings will be completed in early 1982.

The field work of the Consumer Finances and Socio Economic Survey 1981/82 commenced in October, 1981. Two rounds of data gathering have been completed and the schedules sent for computer processing.

Survey of Planned Investment

This survey is being carried out on an annual basis. The report of the Planned Investment Survey 1980 is now ready. Questionnaires relating to planned investment in 1982 and actual investments in 1981 have been mailed at the end of the year.

Survey of Credit and Indebtedness Among Paddy Farmers—1976

The report of this survey was published.

Country-wide Data Collection System

The Country-wide Data Collection System which was introduced in 1978 continued in 1981. Under this programme data are collected on retail prices of nearly 220 consumer items, producer prices of major agricultural products, retail prices of inputs going to paddy farming, tea, rubber and coconut plantations, and wage rates in paddy farming, tea, rubber and coconut small holdings and in the construction industry. Information is also collected on the availability of consumer goods, agricultural inputs and labour. These data are collected on a regular basis from 100 selected urban centres in the country. The data collected were presented in the publication "Price and Wage Statistics : Retail, Producer and input Prices and Wages."

Monitoring of the Import Liberalisation Programme

The Department continued its programme of monitoring the import liberalisation programme, by obtaining monthly data on letters of credit opened on imports the modification of letters of credit and bills received against letters of credit. The data were tabulated with further categorisation into consumer, intermediate and investment goods and into Government, Public Corporations and Private Sector including non-essential items. These data were made available to the relevant ministries on a regular basis.

Statistical Publications

The following issues were published in the course of 1981 :-

- (1) Socio Economic Data Folder—1981 ;
- (2) Economic & Social Statistics of Sri Lanka—Vol. 3 Nos. 1 & 2 ;
- (3) Price & Wage Statistics—1980 ;
- (4) Survey of Credit and Indebtedness Among Paddy Farmers—1976.

PUBLIC DEBT

The gross Public Debt increased during 1981 by Rs. 13,343,689,970 and stood at Rs. 64,399,346,288 at the end of the financial year. The increase in Domestic Debt amounted to Rs. 6,448,343,670, while the increase in Foreign Debt amounted to Rs. 6,895,346,300. The increase in gross Public Debt consisted mainly of increases in Treasury Bills, Rupee Loans, Administrative Borrowings and Foreign Loans. Central Bank advances and Tax Reserve Certificates reflected decreases, while the special loans remained unchanged. The composition of the public debt is shown in Table 2-10

TABLE 2 · 10

Composition of the Public Debt - 1980 and 1981

			Rupees
Item	Outstanding as at		Change during the year
	31.12.1980	31.12.1981	
1. Domestic Debt	29,378,845,694	35,827,189,364	+6,448,343,670
1.1 Long Term Debt	17,938,682,557	20,359,819,233	+2,421,136,676
a. Rupee loans	17,610,978,400	20,025,428,500	+2,414,450,100
b. Administrative Borrowings	327,630,318	334,316,694	+ 6,686,376
c. National Development Bonds	73,839	73,839	—
1.2 Short Term Debt	11,440,163,137	15,467,370,131	+4,027,206,994
a. Treasury Bills	9,800,000,000	13,920,000,000	+4,120,000,000
b. Tax Reserve Certificates	12,525,327	10,932,320	- 1,593,007
c. Central Bank Advances	1,319,200,000	1,228,000,000	- 91,200,000
d. Special Loans	308,437,810	308,437,811	(1)*
2. Foreign Debt	22,276,810,625	29,172,156,925	+6,895,346,300
2.1 Project Loans	6,784,273,556	9,232,757,856	+2,448,484,300
2.2 Commodity Loans	11,791,107,159	14,054,815,511	+2,263,708,352
2.3 Other Loans	3,701,429,910	5,884,583,558	+2,183,153,648
Total Public Debt	51,655,656,319	64,999,346,289	+13,343,689,970

Source : Central Bank of Ceylon.

* This amount should not be considered as an increase in amount. The amount outstanding as at 31.12.1980 should have been Rs. 308,437,811 and not Rs.308,437,810 (i.e. in rounding off Rs. 308,437,810.63).

Domestic Debt**(a) Rupee Loans**

The Government budgetary programme for the financial year 1981 envisaged raising a sum of Rs. 3,750 million from domestic non-bank sources as against a sum of Rs. 3,100 million envisaged during the financial year 1980. These rupee loans so raised carried an interest of 16 per cent per annum with a maturity period of 3 years.

The total amount raised by way of Rupee loans during the year 1981 amounted to Rs. 2,512.3 million and the details of subscription to each Rupee loan floated in 1981 are given in Table 2.11. All Rupee loans were raised under the Appropriation Act No. 58 of 1980.

As observed from the Table, the National Savings Bank, the Joint Investment Fund and the Employees Provident Fund were the major subscribers to Rupee Loans. In addition to the Rupee Loan programme, the Department of Public Debt floated five UDA Debentures totalling Rs. 432.7 million. The Employees Provident Fund and the National Savings Bank contributed Rs. 66.0 million and Rs. 56.7 million

respectively and the balance was taken by the Monetary Board of the Central Bank of Ceylon on account of the Joint Investment Fund. Compared with the performance in 1980, there was a notable increase in the investments by the Sinking Fund and the Employees Provident Fund, while there was a sharp decline in subscriptions by the National Savings Bank and the Insurance Corporation.

TABLE 2.11

Government Domestic Loan Programme - 1981 - Classification of subscriptions to the Government of Sri Lanka Rupee Loans - 16% Loans 1984

Subscribers	'A' Series	'B' Series	'C' Series	'D' Series	'E' Series	'F' Series	Total	Percentage
1. Semi - Government Savings Institutions:								
(a) National Savings Bank ..	55.02	14.00	23.00	167.40	26.60	—	286.02	11.39
2. Trusts, Benevolent, Pension and Provident Fund :								
(a) Employees' Provident Fund ..	182.50	194.77	232.50	115.75	289.28	6.75	1021.55	40.66
(b) Others ..	1.00	1.02	—	40.00	10.43	2.60	55.05	2.19
3. Joint Investment Fund ..	230.53	190.52	243.16	175.91	171.80	2.70	1014.62	40.39
4. National Housing Sinking Fund ..	.95	1.04	1.26	0.94	1.88	0.27	6.34	0.25
5. Insurance Funds :								
(a) Insurance Corporation ..	30.00	10.00	—	—	—	—	40.00	1.59
b) Insurance Companies ..	—	—	—	—	—	—	—	—
6. Departmental and Other official Funds ..	—	—	—	—	—	—	—	—
7. Clubs and Institutions ..	—	0.02	—	—	0.01	—	0.03	....
8. Commercial Banks ..	—	88.63	—	—	—	—	88.63	3.53
9. Central Government ..	—	—	0.08	—	—	—	0.08	....
10. Individuals ..	—	—	....	—	—	—	....	—
Total	500.00	500.00	500.00	500.00	500.00	12.32	2512.32	100.00

Four Rupee loans amounting to Rs. 97,870,400 matured during the year and these loans were repaid by utilising the monies in the respective Sinking Funds. The surplus in the Sinking Funds amounting to Rs. 2,769,092 were credited to the Consolidated Fund, while the deficiency of Rs. 10,881,909 was made good out of the Supplementary Sinking Fund. The net increase in the liability on account of Rupee Loans during the year 1981 amounted to Rs. 2,414,450,100. The details of the loans raised and loans repaid are given in the Table 2.12.

TABLE 2 · 12

Repayment of Rupee Loans During 1981

Rupees

Loan	Amount	Value of SFS Bal. Refundable by the JIF (Rs.)	Date of Maturity	Advanced date of Repayment	Deficiency/Surplus in the SFS (Rs.)
1. 3½% Loan 76-81 ..	24,860,000	27,580,341.15	01.02.81	—	2,720,341.15†
2. 4½% Loan 81-85 ..	44,702,800	37,643,224.98	01.11.85	01.11.81	7,059,575.02*
3. 4½% Loan 81-85 'B' Series ..	25,000,000	21,177,666.13	01.12.85	01.12.81	3,822,333.87*
4. 9% Con. Stock 81-83 'C' Series ..	3,307,600	3,356,350.64	01.12.83	01.12.81	48,750.64†
Total	97,870,400	89,757,582.90			2,769,091.79† 10,881,908.89*

† Surplus in the Sinking Fund.

* Deficiency in the Sinking Fund of the maturing loan to be met by the Supplementary Sinking Fund.

(b) Sinking Funds

At the end of financial year 1981 the value of the Sinking Funds established for the redemption of the Rupee Loans amounted to Rs. 6,340,150,618 reflecting an increase of Rs. 1,463,522,955 during the year.

The increase was made up as follows :—

	Rs.	Rs.
(1) Sinking Fund contributions during 1981 ..		964,330,608
(2) Interest on investments ..		599,831,839
Total ..		1,564,162,447
Less :		
(1) Amount utilised for repayment during 1981 ..	97,870,400	
(2) Surplus credited to Consolidated Fund in 1981 ..	2,769,092	100,639,492
Net increase during 1981 ..		1,463,522,955

(c) Administrative Borrowings

Two loans made available to the Government through the Central Bank have been categorised under Administrative Borrowings serviced under Public Debt expenditure. The total rupee liability of Administrative Borrowings amounted to Rs. 334,316,894 as at the end of the year.

(d) Treasury Bills

The authorised limit of Government Treasury Bills was revised twice during the year. The authorised limit after each revision is given below with the date of the revision :

<i>Date of Revision</i>	<i>Increased Amount</i> <i>Rs. Million</i>	<i>New Limit</i> <i>Rs. Million</i>
1981.07.08 ..	3,000 ..	13,000
1981.11.24 ..	5,000 ..	18,000

The total amount of Treasury Bills issued and outstanding at the end of the year amounted to Rs. 13,920 million recording an increase of Rs. 4,120 million over the year. The banking sector held Treasury Bills amounting to Rs. 13,773 million with the share of the Central Bank being Rs. 13,761 million. A classification of ownership of Treasury Bills at the end of 1981 is given in the Table 2.13. The rate of interest on Treasury Bills remained unchanged at 13 per cent per annum.

TABLE 2 · 13

Ownership of Treasury Bills 1980 and 1981

Owners	1980	1981	Percentage
	Amount (Rs. Mn.)	Amount (Rs. Mn.)	
Bank Sector			
1. Central Bank ..	9,604.5	1,3760.8	98.9
2. Commercial Banks ..	8.0	12.7	0.1
	9,612.5	1,3773.5	99.0
Non-Bank Sector			
1. Sinking Funds ..	—	—	—
2. Other Funds ..	6.3	8.9	0.1
3. Savings Institutions ..	—	—	—
4. Insurance Companies ..	4.0	2.7	0.0
5. Compulsory Savings Fund ..	115.5	124.7	0.9
6. Others ..	0.2	0.2	0.0
	126.0	136.5	1.0
Government Agencies			
1. E. P. F. ..	1.5	5.0	0.0
2. National Savings Bank ..	—	—	—
3. Ceylon Mineral Sands Corporation ..	60.0	5.0	0.0
4. National Development Bank ..	—	—	—
5. Tyre Corporation ..	—	—	—
	61.5	10.0	0.0
Total	9,800.0	13,920.0	100.0

(e) Tax Reserve Certificates

The authorised limit of Rs. 750 million on the issue of Tax Reserve Certificates remained unchanged. Tax Reserve Certificates issued up to the end of 1981 amounted to Rs. 737,743,600 and of this amount, certificates to the value of Rs. 726,811,280 had been surrendered for payment of taxes leaving a sum of Rs. 10,932,320 as outstanding. Compared with the level as at end of 1980, this amount reflected a decrease of Rs. 1,593,007 during the year.

(f) Central Bank Advances

Provisional advances to the Government given by the Central Bank decreased during the year by Rs. 91,200,000 and the total outstanding liability of these advances amounted to Rs. 1,228,000,000 as at end of the year.

Foreign Debt

The total foreign debt outstanding as at end of 1981 excluding administrative borrowings amounted to Rs. 29,172,156,925 recording an increase of Rs. 6,895,346,300 during the year. The foreign debt comprised Project Loans, Commodity Loans and Other Loans amounting to Rs. 9,232,757,856, Rs. 14,054,815,511 and Rs. 5,884,583,558, respectively. Disbursements recorded under Foreign Loans in 1981 amounted to Rs. 5,486,693,337. The major portion of the Foreign Debt serviced under Public Debt is accounted under various foreign currencies and at the end of every month outstanding foreign currency balances are revalued in keeping with the changes in parity rates. The net change on account of all parity revisions during 1981 increased the Foreign Debt liability by Rs. 2,162,649,159. Twenty seven Foreign Loan agreements were signed during the financial year 1981. Withdrawals did not commence under eight Foreign Loans although the agreements were signed in 1980.

Payment of Interest

Interest payments on Public Debt amounted to Rs. 3,715,828,099 in 1981 reflecting an increase of Rs. 1,515,878,497 over 1980. The details of interest paid under each category of debt are set out in the Table 2.14.

TABLE 2.14

Interest Payment on Public Debt¹

Type of Debt	1977	1978	1979	1980	1981
A. Domestic Debt:					
1. Rupee Loans ..	689,639,915	839,929,008	1,028,678,106	1,330,288,692	1,694,238,933
2. Administrative Borrowings ² ..	31,747,227	39,889,369	27,552,069	15,344,501	2,930,074
3. Treasury Bills ..	88,847,415	173,919,871	220,050,000	441,282,750	1,305,525,000
4. Tax Reserve Certificates ..	1,022,824	986,391	653,073	504,876	238,010
Sub-Total	811,257,431	1,054,724,639	1,276,933,248	1,787,420,819	3,002,932,017
B. Foreign Debt:					
Foreign Loans ..	136,207,376	285,031,967	356,680,312	412,528,783	712,896,082
Total of A & B ..	947,464,807	1,339,756,606	1,633,613,560	2,199,949,602	3,715,828,099
FEECs payment on Foreign Loans ..	54,622,469	—	—	—	—

1. Excluding interest payments on temporary rupee borrowings and short term foreign loans serviced by the Treasury.
2. This represents KFW loan AL 556 and Iran loan. Iran loan paid in full at end of 1980.

Borrowings by Semi - Government Institutions

(a) National Housing Debentures

National Housing Debentures amounting to Rs. 10,000,000 were repaid during the year. Debentures issued and outstanding as at end of 1981 amounted to Rs. 66,000,000. The approximate market value of the Sinking Fund established for the redemption of National Housing Debentures was Rs. 36,019,024 as at end of December, 1981.

(b) Urban Development Authority Debentures

Urban Development Authority Debentures amounting to Rs. 432,660,000 were issued during the year 1981. These debentures are of 3 year maturity carrying an interest of 16 per cent per annum.

(c) State Mortgage and Investment Bank Debentures

There were three State Mortgage & Investment Bank Debenture issues of Rs. 20 million each during 1981. The State Mortgage & Investment Bank Debentures issued and outstanding as at end of 1981 amounted to Rs. 117,250,000.

EXCHANGE CONTROL

Imports :

- (i) Authorised Dealers were permitted to establish Letters of Credit for payment of imports on f.o.b. or on c & i terms, without the prior approval of the Department of Exchange Control, subject to—
 - (a) goods being shipped on a vessel owned or chartered by the Ceylon Shipping Corporation,
 - (b) goods being air freighted on a plane owned by Air Lanka Ltd.

Exports :

- (i) The requirement of a quality certificate by an internationally recognised firm of Surveyors or a Panel of Surveyors attached to the National Chamber of Commerce was introduced, effective from 20th May 1981, for the export of the following grades of Rubber :
 - (a) Grade RSS 4
 - (b) Grade RSS 5
- (ii) Authorised Dealers were informed that they could, with effect from 24th August 1981 approve applications for the export of jewellery/jewellery studded with gems manufactured in Sri Lanka, subject to stipulated conditions.

Non-Resident Foreign Currency Accounts:

The existing rules of the NRFC Account Scheme were amended as follows :—

- (i) Non-Resident Foreign Currency Accounts could now be opened either by Sri Lanka nationals resident abroad or within a period of 90 days of their return to Sri Lanka.
- (ii) These accounts may be held jointly, provided all joint holders conform to the conditions set out at (i) above.
- (iii) These accounts may be closed at any time by the account holder, and in any case within a period of 10 years after the account holder has taken up permanent residence in Sri Lanka.

Resident Guest Scheme :

Resident Guests were permitted by the Minister of Finance and Planning to bring in external funds for investment in the projects approved by the G.C.E.C.

Agency Commission on Cargo Imported to Sri Lanka :

Shipping Agents were informed that they should arrange to receive an agency commission of 2½ per cent, with effect from 01.02.1981, on all cargo imported to Sri Lanka, except cargo on 'Free Out' terms.

Agency Commission on Transshipment Containers :

Shipping Agents were informed that they should arrange to receive an agency commission for handling transshipment containers as follows :—

- (a) US \$ 15 per transshipment container or one per cent of the total freight on that particular container, whichever is higher.
- (b) A minimum of US \$ 5 for handling empty transshipment containers.

Encashment of Foreign Currency

Authorised Dealers were permitted to encash inward remittances, and traveller's cheques and foreign currency notes tendered by persons in Sri Lanka up to the value of US \$ 500 or its equivalent in other foreign currencies, without obtaining information from payee as to the purpose and source of foreign exchange.

EMPLOYEES' PROVIDENT FUND

The Monetary Board of the Central Bank of Ceylon, through the Employees' Provident Fund Department, continued to receive all sums paid under the Employees' Provident Fund Act, No. 15 of 1958 as contributions, surcharges and income from the investment of monies of the Fund and to perform its other functions in respect of these monies in terms of Section 5 of the Act. A brief note on its operations during the year 1981 is given below :

Contributions :

The contributions received by the Fund during the year 1981 amounted to Rs. 895.7 million as against Rs. 741.0 million in 1980. This represents an increase of Rs.154.7 million or 20.9 per cent over the level of contributions made during the previous year.

In 1980, the minimum rates of contributions to the E.P.F. were 6 per cent of the total earnings of the employee as contributions of the employee and 9 per cent of the total earnings of the employee as contributions of the employer, making a total of 15 per cent of the total earnings of the employee. In 1981, the minimum contributions of the employee was raised to 8 per cent and that of the employer to 12 per cent, making a total of 20 per cent of the total earnings of the employee. This increase in the rate of contributions from 15 per cent to 20 per cent representing an increase of $33\frac{1}{3}$ per cent in contributions was expected to result in a significant increase in the volume of contributions in 1981.

The following table gives a comparative statement of contributions received from January-December 1980 and 1981. It is observed that between February and July, 1981, the percentage increase in the contributions received was far less than $33\frac{1}{3}$ per cent over the level in 1980 except in April, 1981, when the percentage increase was 40.60 per cent. However, during the period August to October 1981, the contributions received have increased by at least 30 per cent over the respective levels in 1980. The contributions received during November and December 1981 have again recorded a slight decline.

TABLE 2 · 15
Comparative Statement of Monthly Contributions received
(inclusive of surcharges)

Month			1980 (In Rupees)	1981 (In Rupees)	% Increase
January	..	..	59,919,005	88,861,606	48.30
February	..	..	64,082,536	71,864,998	12.14
March	..	..	59,670,071	72,491,149	21.48
April	..	..	52,683,439	74,075,267	40.60
May	..	..	64,026,454	67,102,044	4.80
June	..	..	63,575,370	73,725,633	15.96
July	..	..	67,996,088	73,469,813	8.05
August	..	..	60,400,233	83,204,251	37.75
September	..	..	61,547,179	80,345,928	30.54
October	..	..	62,543,157	81,627,273	30.51
November	..	..	61,700,343	75,918,1*7	23.04
December	..	..	72,982,042	80,385,316	10.14

Members' Balances :

The members' balances as at the end of 1981 stood at Rs. 5,596.6 million. which is an increase of Rs. 976. 2 million or 21.1 per cent over the level of 1980

Investments :

During the year under review the Fund invested a sum of Rs. 1.124.0 million in Government Securities and in debentures issued by the U.D.A. as against a sum of Rs. 1,022.5 million in 1980. This is an increase of Rs. 101.5 million or 9.9 per cent over the level of 1980. The total investments held by the E. P. F. as at the end of 1981 amounted to Rs. 5.9 billion.

The investment of Employees' Provident Fund monies is dependent on several factors, the major one being the amount of contributions received in each month. The volume of contributions is determined by the level of employment, wage rates,

the percentage of wages contributed by employers and employees and the degree of enforcement of the provisions of the Employees' Provident Fund Act by the Commissioner of Labour. The funds that are available to the Employees' Provident Fund Department, over a given time period for investment in Government of Sri Lanka Securities, are the sum of contributions, maturity proceeds of past investments, and investment income, less the total benefits of refunds to members and the administrative expenses of the Fund.

A Committee appointed by the Monetary Board examines periodically the feasibility of diversifying the investments of the Fund.

Income from Investments :

In 1981, the income from investments of the Fund amounted to Rs. 486.2 million as against Rs. 351.6 million in 1980. This is an increase of Rs. 134.6 million or 38.2 per cent, as against an increase of Rs. 82.8 million or 30.8 per cent in the previous year. This increase was mainly due to the investment of the increased volume of contributions received by the Fund, the re-investment of income derived from the past investments and the higher rate of interest paid on rupee loans.

Refunds :

The total paid out by way of refund of E.P.F. benefits to members in 1981 amounted to Rs. 300.4 million, as against a sum of Rs. 205.4 million in 1980. This reflects an increase of Rs. 95.0 million or 46.3 per cent as compared with 1980. The number of refund applications finalised in 1981 amounted to 61,969 as against 50,968 in 1980. This included 24,630 claims received from the repatriates of Indian origin.

The E.P.F. Department introduced in 1976 a new scheme on a voluntary basis for refunding of E.P.F. benefits to repatriates of Indian origin. Under this scheme, repatriates are paid their E.P.F. benefits by cheque which can be encashed exclusively for the transfer of funds to India by mail transfer. This scheme ensures that repatriates are paid their E.P.F. benefits in the shortest possible time.

It is observed that the volume of refunds handled by the E.P.F. Department has substantially increased during the period 1980- 1981. The amount of benefits refunded has also considerably increased during this period. This upward trend in the refund of benefits can be attributed to the increased number of claims received from repatriates of Indian origin and the quantum of increased benefits involved in each case.

Interest on Members' Balances :

The Employees' Provident Fund is required to pay interest on members' balances as at end of each year out of the income from investment of monies of the Fund. The rate of interest payable on members' balances in 1981 was raised to 8.5 per cent per annum from 8 per cent in 1980.

Interest is paid on the balances standing to the credit of members at the end of the year and thereafter interest accumulates on the aggregate sum. Besides, interest is paid for the entire year on the balance standing to the member's credit

at the end of the year irrespective of the date when any portion of that balance, (which represents current year's contributions) was received by the fund to the member's Credit e.g., Contributions received in December attract interest for the full year in the same way as contributions received in January of that year. Therefore, the effective rate of interest is somewhat higher than 8.5 per cent per annum.

Administration of the Department :

(a) During the year under review, the Department introduced as a pilot project, the issue of 'C' forms with names and membership numbers pre-printed. Accordingly, Hambantota, Matara, Galle, Nuwara Eliya, Matale, Trincomalee, Polonnaruwa, Mannar, Vavuniya, Anuradhapura, Jaffna, Batticaloa, Chilaw, Puttalam, Kandy, Gampaha and Amparai districts have been brought under this scheme, and it will be extended to the remaining districts shortly.

(b) Procedures were drawn up and action was taken to expedite the refund of E.P.F. benefits.

(c) Administrative procedures were introduced to avoid any overpayments in refunds.

(d) During the year under review, the E.P.F. Department was able to finalise a new scheme in consultation with the Commissioner of Labour for E.P.F. benefits to be directly credited to savings or current accounts of claimants. This scheme is presently in force on a voluntary basis.

(e) Director of Management Audit was requested to undertake the micro-filming of the Master Files, Annual Statement Listings and the Individual Employment Ledgers.

(f) Action was taken at the request of the Commissioner of Labour to create three new E.P.F. zones, namely : Gampaha, Amparai and Mulativu.

A comparative statement of the operations of the Fund on data presently available is given below :

TABLE 2 · 16

E. P. F. Statistics — 1980 - 1981

	1980	1981
1. Contributions received (Rs.) ..	741,032,542*	895,677,610*
2. Investments (Rs.) ..	1,022,500,194**	1,123,971,335**
3. Income received from investments (Rs.) ..	351,608,138	486,182,828
4. Refund payments (Rs.) ..	205,355,353	300,358,747
5. Number of refunds ..	50,968	61,969
6. Rate of interest (%) ..	8.0	8.5
7. Interest on members' balances (Rs.) ..	392,728,706	531,672,296

* Excludes contributions credited to UP & OP Contributions Account.

** Includes maturity proceeds re-invested in Government Securities.

ESTABLISHMENTS

The Establishments Department continued to handle all matters relating to Recruitment of Staff, Promotions, Evaluation of work performance, Disciplinary matters and allied staff matters.

Recruitments

During the year appointments were made to the following new posts :

- (i) Comptroller of Security — Staff Class Grade 3 (To be in-charge of the Security Service)
- (ii) Journalist — On a part-time contractual basis.

DATA PROCESSING

The Division of Data Processing was upgraded to a Department of the Bank on 01.12.1981. The Data Processing Department has been internally organised into the Divisions of Systems & Programming and, Operations.

The Department carried out in 1981 the computer processing of several areas of Central Bank operations. These were primarily—

- (a) The accounting system of the Employees' Provident Fund Department.
- (b) The balance of Payments of Sri Lanka.
- (c) Listing of private miscellaneous inward remittances to Sri Lanka.
- (d) Local and Foreign Loans of the Public Debt Department.
- (e) Short and Medium Term Loans of the Banking Department.
- (f) The Monitoring of the Imports System.
- (g) The Data Collection Survey of the Statistics Department.
- (h) The Consumer Finance Survey carried out by the Statistics Department.
- (i) Other periodical statistical surveys carried out by the Departments of Statistics and Economic Research.
- (j) The Central Bank payroll and retirement benefits.

In addition, the Department provided programming services and computer time to the National Savings Bank, the Commissioner for Registration of Persons and the Government Railway Department.

In the course of 1981, the Department undertook the design and the implementation of the computerisation of the procedures of the Government Accounts Branch of the Bank. This system is designed to produce 12 types of daily reports.

PREMISES

The functions of the Premises Department is basically to create and maintain a pleasant environment for bank officers to work in. In pursuance of this objective, the Department performed its functions regularly, specially in the performance of

such services as the supply of water, maintenance of air-conditioning, maintenance of lift services, provision of emergency power supplies, cleaning, maintenance and repair of Bank premises, and repair and maintenance of furniture and fittings. Apart from this work, the Premises Department has been engaged in the execution of the following projects during the year 1981 :

- (i) Regional office at Matara,
- (ii) Regional office at Anuradhapura,
- (iii) Rural Banking and Staff Training College,
- (iv) New Central Bank building project,
- (v) Securing of additional floor space for the Bank, and
- (vi) Improvement and maintenance of the fleet of vehicles of the Bank.

INFORMATION

The Department of Information was set up in August, 1980 to:

- (i) Maintain and operate an efficient library service which should cull and extract information from various publications, journals and newspapers and circulate such information among bank personnel and others who are interested,
- (ii) handle the sale and distribution of bank publications,
- (iii) handle the supply of information to the press and radio, and the general public ; and the arrangements for conferences and seminars, workshops etc., sponsored by the Central Bank from time to time.

During the year under review, the Department handled the work connected with giving publicity to work undertaken by the Central Bank, organising press conferences and the supply of information, data and background material to the press and the public. Two international conferences—the 16th Conference of the South East Asian Governors in January, 1981 and the 9th Board Meeting of the Asian Clearing Union in March, 1981—were hosted by the Bank in 1981 and the Department attended to all the necessary arrangements. During the year, the Department also organised a seminar outside Colombo, the first of such seminars to be conducted by the Central Bank. This seminar was held at Moneragala and was intended to bring closer liaison between bankers and that section of the public who need bank assistance to launch agricultural and industrial projects on their own.

The publication of a monthly News Survey has proved very popular among those for whom it is meant, namely legislators, executives in the private sector, state officials and students interested in economic affairs. Another publication is the Credit Information Bulletin. The first issue of this bulletin outlined the credit facilities for agriculture.

SECRETARIAT

During the year, the Secretariat Department submitted several amendments to the Manual of the Central Bank which were adopted by the Monetary Board. Among these was an amendment to the Provident Fund Rules, which benefited the employees greatly. The Legal Division of the Secretariat which handles all legal work of the Bank was, inter alia, engaged in work relating to the drafting of General Banking & Trust Business Act which contains provisions relating to the grant of licences to the commercial banks, capital requirements of such banks, etc. This law which was drafted in order to consolidate the several aspects of commercial banking is expected to enable the banking system to discharge these functions more efficiently and effectively. Action was also taken to comply with the provisions of the Employees' Trust Fund Act, No. 46 of 1980 according to which, the Central Bank commenced contributions to the Employees' Trust Fund with effect from March, 1981 at the rate of 3 per cent of the Gross Salary in respect of all eligible employees.

MANAGEMENT AUDIT

The Department of Management Audit, comprising the Internal Audit and Management Services Divisions, attended to the audit of accounting operations of Departments of the Bank and undertook Organisation and Method (O & M) assignments on directives issued by the Governor for improving work performance, streamlining systems and procedures, reviewing man-power requirements of departments of the Bank, etc.

REGIONAL OFFICE—MATARA

The first Regional Office of the Central Bank of Ceylon was ceremonially opened in Matara on 29th March, 1981 by the Hon. Minister of Finance and Planning.

The area of authority of the Regional Office includes the administrative districts of Matara, Hambantota and Moneragala.

The major activity undertaken by the Regional Office immediately after it commenced operations was the implementation of the Self-Employment Scheme for 500 youths in Matara District (SES) and the Village Adoption Scheme (VAS). SES was formulated by the Central Bank of Ceylon for the Matara District to commemorate the 50th Anniversary of Adult Franchise. VAS was formulated by the Bank to promote the overall development of under-developed villages through their adoption by branches of the state commercial banks, (the Bank of Ceylon and the People's Bank) by providing financial facilities for development activities in such villages. This scheme was launched in the villages of Radampola and Uda Aparekka in the Matara District as pilot projects.

The schemes referred to above aim at promoting self-employment among the unemployed and raising income levels through bank financing of viable projects in which locally available raw materials and skills are to be used. These schemes were introduced to political authorities, bankers, Government Agencies engaged in development activities and the members of the public through a series of seminars and meetings held in the Matara District.

With the introduction of the SES and the VAS in Matara District the Regional Office received a spate of applications from the unemployed seeking assistance from the two Commercial Banks. The projects chosen by them include agriculture, dairy farming, poultry farming, goat farming, fisheries, confectionery, beedi manufacture, handlooms, sewing, carpentry, paper products, bricks and tile manufacture, metal crushing, metal products, coir products and workshops for repairs and maintenance.

The following table gives the bank-wise and the sector-wise classification of the loans recommended under the two schemes:

TABLE 2-17

Loans Recommended by the Regional Office under the SES and VAS

Sector	SES		VAS	
	No of Loans	Amount Rs.	Radampola & Uda Aparekka No. of Loans	Amount Rs.
BANK OF CEYLON				
1. Agriculture ..	1	5,000	2	3,000
2. Dairy Farming ..	11	44,200	2	10,800
3. Poultry Farming ..	2	10,400	1	2,900
4. Fisheries ..	3	13,450	—	—
5. Confectionery ..	6	26,720	2	7,120
6. Beedi Manufacture ..	5	22,890	—	—
7. Handlooms ..	1	3,000	4	12,500
8. Sewing ..	9	37,180	—	—
9. Carpentry ..	2	4,250	—	—
10. Paper Products ..	3	13,490	—	—
11. Bricks & Tiles ..	23	96,530	4	16,575
12. Metal Crushing ..	1	3,000	1	1,471
13. Coir Products ..	6	18,340	4	6,610
14. Repairs & Maintenance ..	3	12,845	—	—
15. Other ..	8	30,330	—	—
Sub-Total	84	341,625	20	60,976
PEOPLE'S BANK				
1. Agriculture ..	7	16,565	—	—
2. Dairy Farming ..	16	59,200	—	—
3. Poultry Farming ..	7	34,450	—	—
4. Goat Farming ..	2	4,250	—	—
5. Confectionery etc. ..	14	56,115	—	—
6. Beedi Manufacture ..	1	4,185	—	—
7. Handlooms ..	3	9,550	—	—
8. Sewing ..	18	58,685	—	—
9. Carpentry ..	19	53,520	—	—
10. Bricks & Tiles ..	53	214,615	1	2,000
11. Metal Crushing & Metal Products ..	8	32,440	1	4,000
12. Coir Products ..	11	23,425	3	5,600
13. Repairs & Maintenance ..	9	38,480	—	—
14. Paper Products ..	—	—	1	5,400
15. Other ..	11	38,850	1	2,120
Sub-Total	179	644,330	7	19,120
GRAND TOTAL	263	985,955	27	80,096

The Regional Office identified the viable project proposals and, in June/July, 1981, one-day training programmes were conducted to provide participants with a basic training in the respective activities they had chosen. The training programmes conducted included poultry farming, dairy farming, bricks and tiles manufacture and coir products. A series of seminars and group discussions were organised to give guidance to a large number of people on various other economic activities which do not warrant classroom training. In the conduct of these training programmes the Regional Office was assisted by Commercial Banks and Government Departments and Agencies.

The two schemes which are being now implemented stipulate that the total cost of any one project should not exceed Rs. 6,000 of which 10 per cent or Rs. 600 is to be contributed by the borrower. The maximum bank assistance made available for any one project, therefore is Rs. 5,400. A concessionary rate of interest at 12½ per cent per annum is charged from the borrower by the lending bank. Refinance is available to the lending bank from the Central Bank at 8½ per cent per annum.

As at end of December, 1981 the Regional Office recommended for financing to the Bank of Ceylon and the People's Bank, 263 projects under the SES and 27 projects under the VAS. The aggregate of the recommended loans under the two schemes amounted to Rs. 985,955 and Rs. 80,096 respectively.

The following table indicates the number and the aggregate amount of the loans approved by the Bank of Ceylon and the People's Bank under the two schemes as at end of December, 1981.

TABLE 2.18

Loans Approved under SES and VAS by Commercial Banks

Scheme	Bank of Ceylon		People's Bank	
	No. of Loans	Amount Rs.	No. of Loans	Amount Rs.
S. E. S.	14	60,535	16	58,255
VAS (Radampola & Uda Aparekka)	5	9,500	3	6,370
Total	19	70,035	19	64,625

The Regional Office has taken steps to introduce these schemes to the Moneragala District as well.

Traditional Central Banking Functions at the Regional Office

A Regional Clearing House commenced operations on 15th June, 1981 to facilitate speedy clearance of cheques in the Matara District. Presently, 2 clearings take place—the first clearing at 11.30 hours and the settlement clearing at 08.30 hours the following day.

The Banks participating in the Regional Clearing House are the Bank of Ceylon, the People's Bank and the Commercial Bank of Ceylon Ltd.

PERSONNEL

The Governor, Dr. W. Rasaputram attended the following Conferences, Meetings and Seminars during the year 1981 :—

- (a) the Meetings of the Interim Committee and Joint Development Committee of the International Monetary Fund and International Bank for Reconstruction and Development in Libreville (Gabon) (11th to 24th May).
- (b) the Annual General Meeting of Commonwealth Central Bank Governors in London and the Annual General Meeting of the Bank for International Settlements in Basle, followed by visits to the Central Bank of Egypt in Cairo and the Bank of the United Arab Emirates in Abu-Dhabi for official discussions (9th to 25th June).
- (c) Investment Promotion Seminars in Sydney and official discussions in Bangkok and Manila (27th August to 10th September).
- (d) the Annual Meetings of the International Monetary Fund and the International Bank for Reconstruction and Development in Washington D.C. (19th September to 9th October).
- (e) the 14th Meeting of the SEANZA Council of Governors in Singapore and official discussions in Beijing (17th to 30th November).

Dr. H. N. S. Karunatilake, Senior Deputy Governor acted as the Chief Executive Officer of the Bank and Chairman of the Monetary Board during the periods of absence abroad of the Governor.

Mr. K. Kanagasabapathy, Deputy Governor was designated as Senior Deputy Governor and functioned as Chief Executive of the Bank from 17th to 30th November, 1981 during the absence abroad of the Governor and Dr. H. N. S. Karunatilake.

Mr. C. P. Chanmugam, Deputy Secretary to the Treasury acted as the Alternate of the Official Member of the Monetary Board during the periods of absence abroad of the Secretary to the Ministry of Finance and Planning.

Mr. A. S. Jayawardena functioned as Director of Economic Research from 8th June to 8th August, 1981 in addition to his duties as Assistant to the Governor.

Appointments

Mr. D. L. Kannangara, Assistant to the Governor, who was on release to the International Monetary Fund as the Alternate Executive Director for Bangladesh, India and Sri Lanka resumed duties at the Central Bank and was appointed a Deputy Governor with effect from 1st December, 1981.

Dr. K. S. E. Jayatilake, Director of Statistics was appointed Executive Director on 1st June, 1981.

Mr. S. W. P. Amarasuriya who was on Special Leave on Training in the United Kingdom resumed duties at the Central Bank and was appointed Adviser, Banking Development and Training with effect from 1st June, 1981.

Mr. H. Premaratne, Acting Additional Chief Accountant who was on release to the International Monetary Fund to accept an assignment with the Central Bank of The Gambia resumed duties at the Central Bank on 25th February, 1981. He was appointed Chief Accountant with effect from 1st May, 1981.

Mr. S. P. Wickremaratne, Director of Premises was appointed Superintendent of Currency with effect from 1st January, 1981.

Mr. S. Easparathan, Director of Rural Credit and Development Finance was released to the Ministry of Finance and Planning on a full time basis with effect from 8th June, 1981. He resumed duties at the Central Bank on 8th August, 1981 and was appointed Director of Economic Research with effect from that date.

Mr. D. K. Jayawardena, Director of Establishments was appointed Superintendent of the Employees' Provident Fund with effect from 1st December, 1981.

Mr. P. M. Nagahawatte was appointed Acting Director of Premises with effect from 1st January, 1981.

Mr. N. A. Dharmabandu was appointed Acting Additional Chief Accountant with effect from 1st August, 1981.

Mr. G. M. P. D. de Silva who had been appointed Acting Director of Rural Credit and Development Finance with effect from 8th June, 1981 was appointed Acting Director of Rural Credit with effect from 1st December, 1981.

Mr. H. M. R. Ellepola who was appointed Acting Additional Director of Economic Research with effect from 1st August, 1981 was appointed Acting Director of Development Finance with effect from 1st December, 1981.

Mr. P. Amarasinghe was appointed Acting Superintendent of Public Debt with effect from 8th June, 1981.

Mr. V. N. D. Nanayakkara, Superintendent, Employees' Provident Fund and Data Processing Manager was appointed Manager of Data Processing Department with effect from 1st December, 1981.

Dr. G. M. Abayaratna was appointed Acting Director, Rural Banking and Staff Training College with effect from 1st August, 1981.

Mr. B. F. J. Silva was appointed Acting Director of Establishments with effect from 1st December, 1981.

Retirements

Mr. D. R. Siriwardena, Assistant to the Governor retired from Bank service with effect from 29th July, 1981.

Mr. N. Kathirgamathamby, Special Adviser, retired from Bank service with effect from 4th January, 1981.

Mr. P. M. Hassan, who was on release to the Ministry of Food and Co-operatives to function as Food Commissioner retired from Bank service with effect from 1st May, 1981.

Officers on release (as at 31st December, 1981)

The following officers of the Bank were on release to Ministries, Government Departments, State Corporations in Sri Lanka, and for assignments with the International Monetary Fund.

Mr. T. G. Punchiappuhamy, Assistant to the Governor continued to be on part-time release to the Gem Corporation till 31st October, 1981.

Mr. V. K. Wickramasinghe to the Ministry of Finance and Planning to function as General Manager of National Development Bank of Sri Lanka.

Mr. A. S. Jayawardene, Assistant to the Governor to the International Monetary Fund as Alternate Executive Director for Bangladesh, India and Sri Lanka.

Mr. V. S. Subramaniam, to the International Monetary Fund for an assignment with the Solomon Islands Monetary Authority.

Mr. U. A. de Silva, Chief Accountant, to the International Monetary Fund for an assignment with the Central Bank of The Gambia.

Dr. K. S. E. Jayatilake to the International Monetary Fund for an assignment with the Central Bank of Oman as an Adviser.

Dr. S. T. G. Fernando to the Ministry of Finance and Planning to function as Chairman, People's Bank.

Mr. R. M. Tennekoon to the Ministry of Plantation Industries to function as Chairman, Estate Products Limited.

Mr. S. Rajalingam to the Ministry of Finance and Planning to function as Director, Economic Affairs, General Treasury.

Dr. L. E. N. Fernando to the Ministry of Finance and Planning to function as Additional Director, Economic Affairs, General Treasury.

Dr. G. W. P. Wickremasinghe to the Ministry of Trade and Shipping to function as Chairman and Managing Director, Sri Lanka Export Credit Insurance Corporation.

Mr. A. A. D. Justin to the Ministry of Industries and Scientific Affairs to function as Chairman, Sri Lanka Tyre Corporation and Secretary, Ministry of Industries and Scientific affairs.

Mr. C. E. Jayasuriya to the Sri Lanka Export Credit Insurance Corporation.

Dr. A. C. Randeni and Messrs. M. B. Dissanayake and G. A. V. Fonseka to the Ministry of Finance and Planning.

Messrs D. J. M. Meegoda and A. A. R. Dissanayake to the Ministry of Finance and Planning to be attached to the National Development Bank of Sri Lanka.