

## PART II

### ACCOUNTS AND OPERATIONS OF THE CENTRAL BANK

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## **ACCOUNTS AND OPERATIONS OF THE CENTRAL BANK**

### **ACCOUNTS AND BANKING OPERATIONS**

The Balance Sheet of the Central Bank, as at 31st December, 1983 and the Profit and Loss Account for the year ended 31st December, 1983 are shown in Table 2.1.

Total assets/liabilities of the Central Bank at the end of 1983 stood at Rs. 33,096.9 million registering an increase of 10 per cent above their level last year. The increase in assets resulted from increases in 'International Reserves' (2 per cent) and 'Domestic Assets' (15 per cent). The liabilities of the Bank rose during the same period on account of increases in deposits of Government, Government Agencies, and Commercial Banks from Rs. 3,288.3 million to Rs. 5,226.3 million and currency in circulation from Rs. 6,856.5 million to Rs. 8,173.5 million.

The income of the Bank for the year 1983 at Rs. 2,954.8 million showed an increase of 8 per cent over the previous year. After making allowances for expenditure and allocations to Reserve Accounts and provisions for depreciation, the net profit of the Central Bank amounted to Rs. 1,651.0 million. A sum of Rs. 1 million was transferred to the surplus of the Bank in terms of Section 39(b) of the Monetary Law Act. The balance amount of Rs. 1,650.0 million was paid to the Government in terms of Section 39(c) of the Monetary Law Act to be applied in part liquidation of outstanding Government obligations to the Central Bank.

#### **Foreign Exchange**

The Central Bank continued to announce the rates at which the Bank will buy and sell spot U.S. Dollars against Sri Lanka Rupees in the morning of each working day and to transact at these rates with the commercial banks until 2.30 p.m. The Central Bank continued to restrict its forward transactions with commercial banks in Sri Lanka to the purchase of U.S. Dollars against Rupees upto a maximum period of six months. Transactions in currencies handled under the Asian Clearing Union Agreement remained unchanged during the year. Both sales and purchases spot and forward upto six months continued. The currencies involved are Bangladesh Takas, Burmese Kyats, Indian Rupees, Iranian Riyals, Nepalese Rupees and Pakistani Rupees.

#### **Asian Clearing Union**

The total value of transactions routed through the Asian Clearing Union facility during the year under review amounted to Rs. 4,618.0 million as compared to the previous year's figure of Rs. 4,176.2 million. The net receipts for the year under review amounted to Rs. 214.5 million as compared with Rs. 142.5 million in 1982.

**Accounts of the Central Bank of  
Balance Sheet as**

31st December 1982		LIABILITIES	31st December 1983	
Rs.	Rs.		Rs.	Rs.
15,000,000		<b>Capital Accounts</b>		
67,000,000	82,000,000	Capital ..	15,000,000	
		Surplus ..	68,000,000	83,000,000
		<b>Currency in Circulation</b>		
6,594,611,997		Notes ...	7,859,148,039	
261,870,269	6,856,482,266	Coins ..	314,397,956	8,173,545,995
		<b>Deposits</b>		
1,025,896,298		Government ..	1,758,189,021	
18,804,278		Government Agencies and Institutions ..	54,845,058	
2,243,575,525		Commercial Banks ..	3,413,245,644	
		International Organisations, Foreign Government and Foreign Banking Institutions ..	4,894,195,284	
5,113,496,976		Compulsory Savings Fund excluding Rs. 122,074,500 invested in Treasury Bills ..	186,510	
406,865		Others ..	599,684,518	10,720,346,035
561,158,942	8,963,338,884			
	1,851,177,070	Borrowings Abroad ..		1,873,056,859
	775,000,000	Medium and Long Term Credit ..		775,000,000
	110,000,000	Capital Contribution Account ..		110,000,000
	11,528,747,416	Other Liabilities and Accounts ..		11,361,957,704
	30,166,745,636			33,096,906,593

**Profit and Loss Account**

	Rs.		Rs.
	1,221,389,163	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.	1,303,766,732
		Net Profit for the year ended 31st December, 1983	
		To Monetary Adjustment Account in Liquidation of Balance in terms of Section 39(a) of the Monetary Law Act. Rs. 58,642	
1,450,140		Carried to surplus in terms of Section 39(b) of the Monetary Law Act. Rs. 1,000,000	
1,000,000		To part liquidate Outstanding Government Obligations to the Central Bank in terms of Section 38(c) of the Monetary Law Act. Rs. 1,650,000,000	1,651,058,642
1,500,000,000	1,502,450,140		
	2,723,839,303		2,954,825,374

The accounts of the Central Bank of Ceylon for the year ended 31st December, 1983 were audited under my direction in pursuance of Section 154(1) of the Constitution of the Democratic Socialist Republic 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).

Ceylon as of 31st December, 1983  
of 31st December, 1983

TABLE 2.1

31st December 1982		ASSETS	31st December 1983	
Rs.	Rs.		Rs.	Rs.
6,219,483,080		International Reserve Cash and Balances Abroad ..	6,003,952,062	
728,436,348		*Foreign Securities ..	1,222,599,773	
148,029,819	7,095,949,247	Holdings of Special Drawing Rights ..	20,437,101	7,246,988,936
		Domestic Assets		
2,140,337,811		Loans and Advances to Government ..	2,794,461,262	
603,213,207		to Others—Medium and Long Term ..	623,491,947	
792,953,480		—Short Term ..	2,321,122,015	
15,860,139,246		Government and Government Guaranteed Securities ..	16,598,592,278	
110,000,000	19,506,643,744	Contributions to Financial and Other Institutions ..	110,000,000	22,447,667,502
	3,564,152,645	Other Assets and Accounts		3,402,250,155
		*Includes securities acquired from Government Institu- tions on 1st February, 1964 at a face value of Rs. 5,527,675 and on 24th May, 1965 at a face value of Rs. 57,450 (the estimated market values of these securities were Rs. 2,933,697 and Rs. 34,340 respectively as on these dates)		
	30,166,745,636			33,096,906,593

for the year ended 31st December, 1983

Rs.		Rs.
2,723,839,303	By Interest, etc. earned	2,954,825,374
2,723,839,303		2,954,825,374

Warnasena Rasaputra  
Governor

U. A. de Silva  
Chief Accountant

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  
4th April, 1984

W. G. Epa  
Auditor-General



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.

### **Medium and Long Term Credit Fund**

During the year 1983, 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 1983 amounted to Rs. 156.1 million.

### **Commercial Bank Credit**

With effect from 1st November, 1983 the Central Bank directed all commercial banks to ensure that the total amount of advances granted to the private sector and outstanding on or after 1st November, 1983 does not exceed the total amount of advances granted and outstanding as on 31st October, 1983 and to consider certain sectors as priority areas for allocation of credit. This directive was withdrawn with effect from 1st December, 1983.

### **Reserve Requirements**

The reserve requirements of the Central Bank were amended with effect from 2nd December, 1983. The statutory reserve ratio on demand deposits was raised from 14 per cent to 16 per cent while the ratio on time and savings deposits was raised from 6 per cent to 8 per cent.

With effect from 16th December, 1983 commercial banks were directed to maintain, in addition, as reserve requirements, 16 per cent of the total unutilised balances of overdrafts allowed by such banks.

### **Treasury Bills**

The Central Bank continued its transactions in Treasury Bills under Open Market Operations. The Bank sells Treasury Bills from its own portfolio and purchases Treasury Bills of varying maturities. There was a decline in the total sales of Treasury Bills from Rs. 48,701.9 million in 1982 to Rs. 18,946.9 million in 1983 ; purchases also declined from Rs. 19,110.2 million in 1982 to Rs. 12,668.8 million in 1983. The significant decrease in operations under this scheme can be attributed to the rise of the average call money rate in 1983 when compared with 1982. The rates of discount applicable for Open Market Operations in Treasury Bills during the year varied between 12 and 13.75 per cent per annum.

### **Compulsory Savings Fund**

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 paid out to contributors Rs. 6.4 million (inclusive of interest) on 1,443 refund applications received.

### **Government Accounts**

As banker to the Government, the Government Accounts Branch of the Banking Department of the Central Bank continued to maintain accounts of Government Departments, Government Agencies and Institutions and certain Statutory bodies. The number of operative accounts in the Government Accounts Branch as at the end of December, 1983 was 154 (Government Departments 139 and others 15).

### **CURRENCY ISSUE**

The total currency in circulation as at 31st December, 1983 was Rs. 8,173.5 million representing an increase of Rs. 1,317.0 million over the figure for the preceding year. Circulation of currency notes in 1983 increased by Rs. 1,264.5 million and circulation of coins increased by Rs. 52.5 million over the preceding year. During the year under review, the demand for currency notes of the Rs. 1000 and Rs. 500 denominations rose substantially. Currency notes of the Rs. 500 and Rs. 1000 denominations in circulation at the end of December, 1983 was Rs. 1,533.5 million and Rs. 2,011.5 million respectively. The rise in circulation of these two denominations resulted in a drop in circulation of currency notes of the Rs.100 denomination over the previous year by Rs. 297.5 million.

Action is being taken to issue coins of Rs. 2 and Rs. 5 denominations in replacement of the notes shortly.

### **BANKING DEVELOPMENT**

The commercial banking sector continued to expand during the year under review. The branch network of domestic banks increased by 16 (Bank of Ceylon-11, People's Bank-3, Commercial Bank of Ceylon Ltd.-1 and Hatton National Bank Ltd.-1). At the end of 1983, the domestic branch network of commercial banks consisted of 679 branches inclusive of Agricultural Service Centre branches of the Bank of Ceylon.

A Merchant Banking Company called 'The People's Merchant Bank Ltd.,' was established during the year by the People's Bank in collaboration with Guinness Mahon and Co. Ltd., a U.K. merchant banking firm. Its establishment was the recognition of the need for financial services ancillary to pure commercial banking, a consequence of the expansion of the banking, financial and business activities over the past few years.

Foreign banks and other financial institutions also continued to evince interest in banking opportunities in Sri Lanka. While no new foreign banks opened branches in Sri Lanka during the year, approval was granted to The Chase Manhattan Bank N.A. of the U.S.A. to open a branch in Colombo. The Bank of Credit & Commerce International (Overseas) Ltd., (BCCI) was granted permission to open a branch in the Investment Promotion Zone of the GCEC as well as to establish a Foreign Currency Encashment and Exchange Counter at the Colombo International Airport, Katunayake. The Foreign Currency Counter commenced operations in December, 1983.

As at the end of 1983, the total number of foreign domiciled banks with branches in Sri Lanka amounted to 21 of which 14 were established after 1977. Thus, at the end of 1983, there were 25 commercial banks operating in Sri Lanka, consisting of 4 domestic banks and 21 foreign banks. There were also 2 Representative Offices of foreign banks, and 2 Merchant Banking Companies (the Bank of Ceylon having established a merchant bank called 'Merchant Bank of Sri Lanka Ltd.,' in 1982), operating in the country. On the basis of the population census held on 17th March, 1981 population per bank branch amounted to 21,870 (approximately) as at 31st December, 1983.

Despite the fairly substantial network of bank branches that have been established throughout the country, the rural areas have not been adequately served. The Central Bank has therefore formulated a Banking Development Plan which is expected to achieve a need-based branch expansion programme tailored to the special requirements of an area and to achieve a purposeful expansion of credit to the needy sectors.

### **BANK SUPERVISION**

In the year 1983, the examination of nineteen commercial banks under Section 29(1) of the Monetary Law Act was concluded, thereby completing examinations of every commercial bank operating in Sri Lanka during the 1982-1983 examination period.

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 continued in 1983. Examinations of eight finance companies under Section 15(1) of the Act were commenced during the year 1983 and three of the examinations were concluded. In addition, examinations of four finance companies which commenced in 1982 were concluded during the year. Applications received from finance companies for registration under the Act were evaluated and one finance company was registered with the Monetary Board during the year.

The programme of monitoring transactions of Foreign Currency Banking Units established by commercial banks under the Foreign Currency Banking Scheme continued during the period under review.

### **DEVELOPMENT FINANCE**

Demand for medium and long-term refinance loans from the Central Bank remained low in 1983. Excess liquidity in the banking system, the diversion of small and medium industry loans for refinance from the National Development Bank of Sri Lanka (NDB), the reduction in the extent of refinance granted to export-oriented projects, a deceleration in investment activity and a suspension of refinance for hotel projects contributed to the drop in demand for refinance.



In March 1983, rates of refinance applicable to all categories of the Medium and Long-term Credit Fund loans were reduced by 1 per cent. The margin allowed to banks under the Categories III and IV was reduced from 5 to 4 per cent per annum. Commencing 20th April, 1983 refinance granted to export-oriented projects under the Category II was reduced from 100 per cent to 70 per cent of the term loan granted. These changes helped to rationalise the Central Bank refinance rates with those offered by development banks for similar purposes.

In 1983, the issue of credit guarantees under the Small and Medium Industry Loan Scheme refinanced by the NDB remained low. Banks lodged 93 credit guarantee applications, 47 under the SMI-I Scheme, and 46 under the SMI-II Scheme, as against 260 applications received under the two schemes in the earlier year. Activity under the SMI-I tapered off owing to the full utilization of the IDA credit by the National Development Bank. The slow response to the SMI-II, also financed by an IDA line of credit is attributable to a lack of enthusiasm among potential entrepreneurs as well as to excess liquidity in the banking system. Also, in the early part on 1983, the SMI-II lending rate prevailed at 20 per cent. The lending rate under SMI-I was 15 per cent per annum. As a corrective measure in late 1983, the SMI-II lending rate was brought down to 14 per cent per annum.

The Bank, in 1983, intensified the follow-up work with respect to refinance loans as well as loans guaranteed by the Bank. The Follow-up Division carried out a performance survey of projects refinanced by the Bank between 1979 and 1982. Also, to assess the problems encountered by small and medium scale industry loans guaranteed by the Bank, 227 projects located in the Districts of Colombo, Gampaha, Kandy, Batticaloa, Hambantota, Badulla and Polonnaruwa were subjected to direct inspections. Inspections revealed sickness in projects owing to technical, marketing and financial problems. Action is being taken to assist banks in the rehabilitation of sick projects.

The number of credit guarantees issued by the Central Bank increased to 2,537 in 1983; and 1,834 guarantee loans, carrying a guarantee liability of Rs. 122 million remained outstanding. According to participating banks, 966 loans were reported to be in arrears. Consequently, credit supervision, follow-up and rehabilitation work received greater emphasis in 1983. The Follow-up Division created in 1983 conducted 227 field inspections. An Entrepreneur Development Division was also created in late 1983.

#### **Operations of the Medium and Long Term Credit Fund (MLCF)**

In terms of Section 88 A of the Monetary Law Act, loans granted by credit institutions for productive purposes are refinanced under the Medium and Long-term Credit Fund. In 1983, 38 applications with a refinance component of Rs. 74.8 million were approved. This included 18 applications with a refinance component of Rs. 36.5 million for export-oriented projects under Category II of the Scheme. A breakdown of refinance approvals is shown in Table 2.2

**TABLE 2.2**  
**Medium and Long - term Credit Fund**  
**(Approvals of Refinance under Categories II — IV)**

Category	Rs. million					
	1981		1982		1983	
	Loan Amount	Amount refinanced	Loan Amount	Amount refinanced	Loan Amount	Amount refinanced
II Export sector	35.4	32.0	97.7	97.7	43.7	36.5
III and IV						
(a) Agriculture	30.8	19.1	1.0	1.0	27.8	19.2
(b) Industry	76.1	68.1	65.0	53.4	9.7	7.0
(c) Hotel	105.0	83.0	75.3	72.5	13.2	8.6
(d) Others	147.8	90.7	8.3	5.0	5.8	3.5
Total	395.1	292.9	247.3	229.6	100.2	74.8

*Source:* Central Bank of Ceylon.

A summary of the terms and conditions applicable to refinance loans granted under the Medium and Long-term Credit Fund as at 31st December, 1983 is given below :—

**TABLE 2.3**  
**Terms relating to approvals of the Medium and Long-term Credit Fund**

Category	Extent of refinance (per cent of total loan)	Period of loans	Rate of interest of refinance		Margin permitted to the credit institution	Minimum contribution that an enterprise should make towards total cost of the project
			A Total cost of the project Rs. 5 mn & below %	B Total cost of the project above Rs. 5 mn %		
	%				%	%
I	100	3—15 yrs	7½	7½	4	10
II	70	3—15 yrs	9	10	2	
III	60	3—15 yrs	10	10	4	20
IV	60	3—15 yrs	12	12	4	

*Source:* Central Bank of Ceylon

### Credit Guarantee Schemes

A performance summary of the three credit guarantee schemes administered by the Central Bank is shown in the Table 2.4.

**TABLE 2.4**  
**Central Bank Credit Guarantee Schemes**

		Small Scale Industries (SSI)				Small & Medium Industries (SMI-I)				Small & Medium Scale Industries (SMI-II)			
		1982		1983		1982		1983		1982		1983	
		Number	Value Rs.Mn.	Number	Value Rs. Mn.	Number	Value Rs.Mn.	Number	Value Rs.Mn.	Number	Value Rs.Mn.	Number	Value Rs.Mn.
Loans granted ..	..	767	31.2	767	31.2	1,541	253.7	1,585	265.7	152(e)	24.8	185	43.9
Loans guaranteed ..	..	767	23.4(a)	767	23.4(a)	1,541	140.1	1,585	146.5	152	14.9	185	25.0
Loans fully repaid ..	..	246	3.9	370	n.a.	37	2.7	193	8.6	nil	nil	4	0.4
Guarantees lapsed/withdrawn ..	..	59	3.2	61	n.a.	9	1.3	29	7.7	nil	nil	11	0.8
Loans outstanding ..	..	462	13.2(b)	315	8.73(b)	1,495	195.1(b)	1,349	159.7	152	24.8(b)	170	43.0(b)
(Of which in arrears) ..	..	n.a.	n.a.	224	n.a.	n.a.	n.a.	697	103.3	—	—	45	5.4
Guarantees outstanding ..	..	462	9.9 (a)	315	6.54(a)	1,495	110.3(c)	1,349	90.9	152	14.9(d)	170	24.4(d)
Claims admitted/Settled													
(i) Loans outstanding ..	..	nil	nil	20	0.64	nil	nil	14	0.187	—	—	—	—
(ii) Liability admitted ..	..	nil	nil	20	0.41	nil	nil	14	0.112	—	—	—	—
Claims pending													
(i) Loans outstanding ..	..	39	1.1	29	1.66	45	4.32	89	12.8	—	—	—	—
(ii) Amount claimed ..	..	39	1.2	29	1.25	45	2.59	89	7.68	—	—	—	—

Notes.— (a) 75% of loans outstanding.  
 (b) Excludes instalments recovered.  
 (c) 60% of loans outstanding subject to maximum of Rs. 400,000.  
 (d) 60% of loans outstanding subject to maximum of Rs. 800,000.  
 (e) Includes 9 guarantees transferred to SMI-I Scheme in the course of 1983.

Source: Central Bank of Ceylon.

( x )

**I. The Small Scale Industries (SSI) Credit Guarantee Scheme**

The issue of guarantees under the Small Scale Industries Credit Guarantee Scheme (SSI) which commenced in April, 1978 was completed in 1981. Follow-up work with respect to these loans was intensified in 1983. Under this scheme, the guarantee liability is 75 per cent of loans defaulted by borrowers. By the end of 1983, the Central Bank received 49 claims. Of these, 20 claims amounting to Rs. 414,000 were admitted and settled. One claim amounting to Rs. 200,000 did not conform to the disbursement and follow-up procedure laid down by the Bank, and was rejected.

**TABLE 2.5**  
**Industrial Classification — SMI - I Loans**

(Amount in Rs. Thousand)

Industry code	Industry	1979-1983			1983		
		No of loans	Total loans granted	Amount guaranteed	No of loans	Total loans granted	Amount guaranteed
1.	Rice milling	336	50,898	29,983	5	1,345	807
2.	Light engineering	170	25,744	14,046	7	2,790	1,274
3.	Bricks & other building materials	254	51,185	28,618	2	279	167
4.	Ready-made garments, batiks, handloom, carpets, etc.,	140	21,131	11,081	8	1,926	1,016
5.	Rubber and rubber-based products	30	8,866	4,440	3	945	567
6.	Footwear & other leather products	22	3,474	1,834	4	1,108	465
7.	Jaggery & Sugarcane products	7	333	200	1	100	60
8.	Furniture & other wooden products	80	8,331	4,845	1	85	51
9.	Fibre and fibre-based products	96	9,211	5,507	1	20	12
10.	Stationery & other paper products	24	4,098	2,259	1	35	21
11.	Food and beverages	79	16,746	8,370	3	480	288
12.	Paints, polish, varnish etc.,	10	3,677	1,871	1	400	240
13.	Spare parts for radios & bicycles	12	1,508	800	—	—	—
14.	Soap and other cosmetics	29	1,616	969	—	—	—
15.	Handicrafts & toys	21	808	485	—	—	—
16.	Cigars, beedi	6	48	28	—	—	—
17.	Fishing boats and inland fisheries	7	4,400	1,900	—	—	—
18.	Jewellery and gems	11	656	394	—	—	—
19.	Sports goods	3	94	56	—	—	—
20.	Agricultural	10	2,702	1,221	—	—	—
21.	Glass & other products	7	1,166	700	—	—	—
22.	Brass & aluminium ware	45	6,671	3,456	1	243	146
23.	Timber sawing	47	9,229	5,530	1	350	210
24.	Printing	41	11,438	6,216	3	1,092	655
25.	Miscellaneous	98	21,698	11,620	2	800	430
Total		1,585	265,728	146,429	44	11,998	6,409

Source : Central Bank of Ceylon

## II. The Small and Medium Scale Industry (SMI-I) Guarantee Scheme

Under the SMI—I Scheme loans granted by participating credit institutions and refinanced by the National Development Bank, are guaranteed by the Central Bank. The guarantees are issued under Section 108 of the Monetary Law Act. The scheme commenced operations in 1979. The scheme funded by an IDA line of credit (US\$ 12.0 million) was fully utilized by 1983. As a result, only 44 credit guarantees were issued to credit institutions in 1983.

As at 31st December, 1983 guarantees amounting to 1,585 were issued in respect of loans amounting to Rs. 265.7 million. The total liability under these guarantees amounted to Rs. 146.5 million of which 14 claims amounting to Rs. 0.112 million were admitted and settled. It was also found that 78 projects remained abandoned owing to market failure, lack of funds or mismanagement. Loans granted for these projects amounted to Rs. 8.7 million and the balance outstanding in December, 1983 amounted to Rs. 6.2 million. However, in certain instances loan instalments continued to be paid with other incomes. An industry-wise classification of SMI-I loans is shown in Table 2.5.

## III. Small and Medium Scale Industries (SMI-II) Credit Guarantee Scheme

The SMI—II Scheme which commenced in January, 1982 is funded by an IDA loan of US\$ 30.0 million. Funds are channelled through the NDB, which refinances SMI loans granted by participating credit institutions. Under this scheme, loans upto a maximum of Rs. 2.0 million may be granted to a project. Loans refinanced by the NDB are eligible for Central Bank credit guarantees. The extent of the Central Bank guarantees is 62 per cent of the amount in default, subject to a maximum of Rs. 800,000 for each loan. The lending rate for SMI-II loans was reduced from 20 per cent per annum to 14 per cent per annum in the latter part of the year. In the course of 1983, 42 loans were guaranteed under the scheme.

An industry-wise classification of loans guaranteed under SMI-II scheme is shown in Table 2.6.

**TABLE 2.6**  
**Industrial Classification — SMI - II Loans**

Ind- ustry code	Industry	1982-1983			1983		
		No. of loans	Loan amount approved Rs. '000	Amount guaranteed Rs. '000	No. of loans	Loan amount approved Rs. '000	Amount guaranteed Rs. '000
1.	Food processing	60	12,205	6,923	11	5,573	2,944
2.	Other agro-industries	7	869	521	2	240	144
3.	Rubber products	3	600	360	—	—	—
4.	Metal products	39	5,712	3,417	9	1,765	1,059
5.	Construction materials	5	1,655	993	2	1,400	840
6.	Construction contracting	—	—	—	—	—	—
7.	Wood products	21	5,331	3,199	3	400	240
8.	Garments	13	5,761	3,056	4	4,700	2,420
9.	Textiles	2	355	213	—	—	—
10.	Repair workshops	1	30	18	—	—	—
11.	Miscellaneous	34	11,409	6,346	11	8,075	4,345
Total		185	43,927	25,046	42	22,153	11,992

Source: Central Bank of Ceylon

**RURAL CREDIT**

The Central Bank continues to exercise controlling and supervisory functions over rural credit operations of commercial banks while at the same time exerting influence on policy formulation relating to rural credit. The controlling influence of the Central Bank over rural credit operations is exercised by regulating the terms and conditions on which refinance-short, medium and long term-are made available to the commercial banks for lending in the rural sector. The supervisory functions are exercised through periodic inspections undertaken by the Rural Credit Department to examine the rural credit portfolios of commercial bank branches-an activity which was started at the end of last year. The chief instrument for exercising influence on policy formulation in this area by the Central Bank is the Rural Credit Advisory Board, which was set up in August, 1981. During the year under review, the Rural Credit Advisory Board held 6 meetings at which several policy issues came up for consideration.

Among the issues considered were the examination of a proposal to establish Regional Rural Development Banks, a Credit Scheme to Assist Rubber Growers, a Credit Scheme for Cultivation of Sugar Cane and measures to assist state sector banks to achieve a reasonable level of profitability in the area of rural credit operations. Draft legislation for the establishment of Regional Rural Development Banks is now under preparation. The credit schemes for the rubber sector is intended to supplement the existing subsidy scheme of the Rubber Control Department. The main purpose of the proposed credit scheme is to give the rubber growers access to cash resources at the beginning of each replanting stage to assist them to undertake cultivation operations. The proposal is under examination. The Rural Credit Advisory Board considered sugar cultivation as a priority sector that should be encouraged so that farmers in the country undertake diversification of crops and the country could achieve self-sufficiency in sugar. The banks are expected to assist sugar cane growers in the country under a medium and long term loan programme in areas serviced by sugar factories, established by public sector or private sector organizations.

During the year under review, the Department took steps to organize a scheme of credit for primary co-operative and thrift societies. Through the proposed credit scheme it is hoped to give these primary societies access to resources which now appear to be reducing the scope of activities of such societies. With the introduction of the scheme early in 1984, it is expected to bring these societies into the main stream of rural credit, thereby enabling them to play a more significant role in rural areas than at present.

Table 2.7 shows the performance of existing credit schemes, undertaken under Category I of the Medium and Long Term Credit Fund operations of the Central Bank. These credit schemes have either been initiated by the Central Bank, as for example credit schemes operated through the Regional Offices of the Central Bank, or introduced in response to requests from banks or development agencies of the government. Some of them are linked to International Development Association (IDA)/Asian Development Bank (ADB) /International Fund for Agricultural

TABLE 2.7

Loan Schemes 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 utilized as at 31.12.1983 (Rs. mn)	Amount unutilized as at 31.12.1983 (Rs. mn)	Date of commencement of project	Period for disbursement of the allocation (yrs)
<b>A. Credit Schemes at the beginning of the year 1983</b>					
1. Credit Scheme for Cultivation of Orchid Plants-Bank of Ceylon/Ceylon Tobacco Co. Ltd.	4.50	3.49	1.01	03-02-79	3
2. Coconut Fertilizer Credit Scheme	50.00	48.16	1.84	26-03-79	3
3. Fisheries Sector Bank Financing Scheme	140.00	113.09	26.91	02-07-79	3
4. Tank Irrigation Modernisation Project	7.69	7.69	—	02-06-79	1
5. Loan Scheme for Dairy Development in Nuwara Eliya Dist.	10.00	8.10	1.90	22-08-79	3
6. Fram Machinery Loan Scheme for Kurunegala Distr. Integrated Rural Development Project	40.00	21.50	18.50	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	5.40	49.60	19-11-79	3
9. Credit Scheme for Construction of fertilizer stores by M.P.C.S.	14.00	8.81	5.19	13-10-80	1
10. Abu-Dhabi Funded North West Coast Fisheries Development Project	60.00	—	60.00	13-10-80	3
11. Credit Scheme for Cultivation of Orchid Plants-People's Bank/Sarvodaya/Lakmala	3.00	23	2.77	10-12-80	5
12. Credit Scheme for Fisheries Co-operatives	42.00	—	42.00	28-04-81	2
13. Matale Puttalam Districts Integrated Rural Development Project	54.23	6.63	47.60	08-05-81	6
14. Credit Scheme for financing of windmills	2.56	1.05	1.51	11-12-81	1
15. Youth Self Employment Scheme in Matara District	7.20	66	6.54	10-04-81	—
16. Radampola Uda Apearakka Village Adoption Scheme	—	—	—	16-03-81	—
17. Sri Lanka Rural Credit Project Loan Scheme	137.00	4.16	132.84	01-07-82	1
18. Fertilizer Credit Scheme for tea smallholders	7.50	4.04	3.46	11-08-82	1
19. Credit Scheme for financing the purchase of draught animals in districts not covered under Sri Lanka Rural Credit Project	5.60	01	5.59	10-09-82	2
20. Credit Scheme for financing the projects identified under Village Adoption and Self-employment Programme in Anuradhapura District	6.00	23	5.77	14-10-82	2
<b>B. Credit Schemes approved during the year 1983</b>					
1. Credit Scheme for the Construction of Small on-farm potato seed stores	1.00	—	1.00	01-03-83	1
2. Badulla District Integrated Rural Development Programme	7.00	—	7.00	27-09-83	5
<b>Total</b>	<b>654.40</b>	<b>233.25</b>	<b>421.15</b>		

Source: Central Bank of Ceylon.

Development (IFAD) assisted projects. The problem with regard to these credit schemes is the inadequate progress made in the utilization of allocation earmarked for them. At the end of the year under review, out of a total allocation of Rs. 654 million, Rs. 421 million remained unutilised. This has been a feature of medium and long term lending in the rural sector ever since the inception of Category I Schemes in 1978. In some cases, however, physical targets have not been achieved for reasons beyond the control of the banks. For example, the dairy sector is plagued by difficulties of getting adequate supply of animals in the right age group and in good health. In some other cases, bad initial planning and design of projects should take the major share of the blame for failure to achieve the targets set. For example, in the Sri Lanka Rural Credit Project and in the Kurunegala District Integrated Rural Development Project the allocation for 4-wheel tractors was not utilised in view of the shortage of demand for 4-wheel tractors among farmers as a result of escalation in fuel prices. However, in other schemes and with regard to other components greater effort by the lending banks and by the co-ordinating agencies could achieve a significant improvement in the level of utilization. Banks require more skilled manpower with a larger commitment to secure the targets set under various schemes.

During the year under review the following new credit schemes were introduced :

- (1) Loans for construction of small on-farm seed potatoes stores in Nuwara Eliya and Badulla Districts.
- (2) Agricultural Credit under the Badulla District Integrated Rural Development Programme.

Several adjustments were also made to existing schemes with a view to assisting loan recipients. In the Fisheries Sector Bank Financing Scheme the loan repayment period in respect of a certain class of boats was extended to assist borrowers to repay and to grant them a measure of relief. In several other schemes physical components were changed and the funds reallocated for items for which there was a ready demand.

The experience in the year 1982 on the Self Employment and Village Adoption Scheme implemented by the Regional Office, Matara encouraged the Central Bank to enhance the size of the projects assisted under this programme from Rs. 6,000 to Rs. 12,000, thus enabling the Regional Office to promote somewhat larger projects in the area. Also, with the addition of the Moneragala and Hambantota Districts as areas coming under the purview of the Regional Office at Matara, an irrigation component and a farm power component based on 2-wheel tractors have been incorporated into the bank scheme. A similar scheme is in operation in the Anuradhapura District. The accent of this programme at Anuradhapura is on the promotion of the Minor Irrigation System based on tapping of underground water through open dug wells, with pump sets and windmills.

The Asian Development Bank assisted Sri Lanka Rural Credit Project in which the Central Bank has a major role to play as the co-ordinating agency, made satisfactory progress during the year. The orders on hand exceed the total number of



2-wheel tractors available for sale and it is expected to complete the sale of these 2-wheel tractors in the first quarter of 1984. The work on the irrigation component under this project for which the Water Resources Board is the executing agency has also shown progress and it is expected that the Water Resources Board would make arrangements early in 1984 to procure the equipment.

The Rescheduling Scheme which commenced in 1982 was operated during the year and the last date for applications was extended to 30th June, 1984. However, there has been a complete lack of progress in the scheme. The number of applicants remain around 2,050 whereas the total number of defaulters of loans from the Bank of Ceylon is around 82,300.

During the year under review, the Central Bank undertook the inspection of the rural credit portfolios of 19 commercial banks and co-operative banks. They included 7 branches of the People's Bank, 7 co-operative rural banks, 3 branches of the Bank of Ceylon and 2 Agrarian Service Centre Offices affiliated to the Bank of Ceylon in Galle, Polonnaruwa, Hambantota, Kurunegala and Moneragala Districts. These inspection reports were completed and issued to the banks with a request for a compliance report from them.

A mid term survey was undertaken on the progress of projects financed by the Regional Office of the Central Bank at Matara to assess the progress on repayments on the loans granted under this project. This report was finalised and issued during the year. In addition, two survey reports relating to the Survey on Utilization of Loans for Small Holders for Cultivation of Orchids and the Survey on the Fisheries Loans granted in the Kalutara District conducted in 1982 were also finalised during the year.

## **SURVEYS**

The Report on the Consumer Finance and Socio Economic Survey 1978/79-Part I was released in March, 1983. This report analyses survey data and presents the summary tables. Tabulation of the data in the Consumer Finance and Socio Economic Survey 1981/82 was completed during 1983. Both parts of the Report are expected to be released by mid 1984.

A survey of Planned Investments and Business Activities of the Public and Private Limited Liability Companies in the country was conducted from June to October, 1983. The report is expected to be released in April, 1984.

The preliminary work on planning and implementation of a continuing survey on Employment and Unemployment commenced in the 2nd half of 1983. This is an indepth study on Employment, Unemployment and Under-employment in the country. A bench mark survey is to be conducted once in every five years commencing July, 1984. The possibility of building up of a quarterly series of data on key variables, which are subject to constant changes is also being examined.

A study has been undertaken in association with the World Bank on "The Evolution of Living Standards and Policy in Sri Lanka since 1970." The study is aimed at analysing trends in living standards of Sri Lanka over the past decade in the context of the policy initiatives which have been promoted by the Government.

The Bank continued to monitor the import liberalization programme by obtaining monthly data on Letters of Credit opened for imports.

### **RURAL BANKING AND STAFF TRAINING COLLEGE**

The Rural Banking and Staff Training College organized and conducted twenty-one training courses, seminars and workshops where 554 middle and senior level management personnel from commercial banks and other financial institutions participated. One programme, 'Risks and Controls in Foreign Exchange' was co-sponsored by Citibank, Colombo while the 'Trainers' Training Programme' was conducted by a team of foreign consultants who were in the country on a special assignment.

These training programmes covered areas relating to credit management, project identification and evaluation, commercial banking, capital market operations, management development, financing of animal husbandry schemes, small plantations, marine and inland fisheries, merchant banking and off-shore banking.

Training of officers in rural banking and credit was considered a priority area for training. Programmes were also conducted in the outstations.

The College completed its second year of operations in September, 1983. The second anniversary lecture of the College was delivered by Dr. W. M. Tilakaratna, Secretary, Ministry of Finance and Planning on the topic 'The Role of Banks in Development'.

### **PUBLICATIONS**

The Annual Report of the Central Bank for the year 1982 was presented to the Hon. Minister of Finance and Planning in terms of the Section 35 of the Monetary Law Act. The Review of the Economy-1982 was also published later in the year, while the Monthly Bulletin was published regularly.

Two issues of the Staff Studies namely Vol 11 No. 1 and 2 and Vol. 12 No. 1 were published during the year. Vol. 5 of the Economic and Social Statistics was also published, while a Socio Economic Data folder containing basic data on the economy was issued. The Price and Wage Statistics - 1982 containing data collected under the country wide data collection system was released during the period under review.

In addition, a booklet entitled "Guide to Banking in Sri Lanka" and the Credit Bulletin No. 3 on "Finance for Exports" were published during the year. Occasional Papers No. 5 containing an address by the Governor on "Rural Development Initiatives" and No. 6 containing the Second Anniversary address at the Rural Banking and Staff Training College by Dr. W. M. Tilakaratna on the topic "The Role of Banks in Development" were published.

The News Survey of the Bank and the Sinhala publication "Satahana" were continued to be published and both publications appeared to be popular among the reading public judging from the demand for them.

## **TRAINING**

Training of officers both in the academic and non-academic (practical training) fields continued during the year under review.

Five officers proceeded abroad on post-graduate studies in Economics. Fifty eight officers proceeded abroad on short term training programmes mainly in the fields of rural, agricultural and industrial credit, banking and economics.

At the same time, training was also conducted locally mainly at the Bank's Rural Banking & Staff Training College. With the College emerging as a major source of training in Sri Lanka for personnel in the banking and financial sector, the need to send Central Bank officers for training at other local training centres was reduced. A total of 71 officers followed training courses at the College. The training programme in Commercial Banking Practices and Operations for Central Bank officers at the Bank of Ceylon and People's Bank continued throughout the year, and will be continued in 1984 too.

## **SEMINARS**

In addition to the seminars organised by the Rural Banking and Staff Training College, the Bank organised seminars on topics of current interest. The first of such seminars was on Interest Rates and was held in Colombo, while the second on Rural Credit and Development was held in Badulla with the aim of securing a wider participation of the people engaged in development in rural areas. The purpose of this seminar was to educate the people on facilities offered by commercial banks for those engaged in agriculture, industry and self employment projects, to publicise the role of the Central Bank in this respect, to enable bank officers in rural areas to gather knowledge about the new trends in rural credit and to facilitate data collection in these fields on a regular basis.

## **CUSTOMER SERVICE**

The Committee on Customer Services in Banking which was established in mid 1981 has been functioning since then mainly with the objective of improving commercial banks' services to customers in the context of an expanding economy. It comprises senior officials of the Central Bank, commercial banks and certain development oriented ministries and government institutions. During the year 1983, the Committee was mainly concerned with the matters of expediting bank transactions, such as encashment of cheques and foreign drafts and granting of loans. The Committee also examined in detail the provision of bank finance to the export sector. The Committee also discussed the need to expand the information services of banks to assist both banks and customers.

## **TASK FORCE**

The Hon. Minister of Finance appointed a Task Force to assess the damage caused to commercial and industrial enterprises in July, 1983. This Task Force was headed by the Director of Statistics and consisted of Senior Officials in the Ministries of Finance and Planning, Industries and Scientific Affairs, Textile Industries, Trade & Shipping and in the Central Bank. The report of the Task Force was submitted on 16th August, 1983.

## **REGIONAL OFFICE—MATARA**

During the year 1983, Matara Regional Office of the Central Bank of Ceylon continued to expand its rural credit and regional development activities which were initially introduced as pilot schemes. Accordingly, the Self-Employment Scheme (SES) and the Village Adoption Scheme (VAS) were actively promoted by the Regional Office which also assisted the banks in the area in identifying projects and conducting training programmes.

Training programmes were intended to provide technical and management skills for the prospective borrowers from the banks in sectors such as poultry farming, dairy farming, horticulture and small industrial ventures. In all, 36 sessions of training involving 1,361 participants were conducted under the training programmes which were organised with the assistance of commercial banks, government institutions and other relevant agencies in the area. The provision of basic training was supplemented with field investigations and preparation of appraisal reports on viable economic projects. Furthermore, the prospective borrowers were assisted in obtaining banking facilities and back-up services such as marketing for the successful implementation of projects. Finally, the supervision of end use of loans and follow-up action to ensure loan repayment were also undertaken by the Regional Office with the assistance of commercial banks.

The refinance assistance for Self-Employment Schemes (SES) was mainly designed to promote self employment activities among the unemployed youth in the district. As at end 1983 the Regional Office had recommended to the commercial banks 460 projects under this scheme, of which 268 projects were approved for financing with a total loan value of Rs. 1,186,130. Of the projects recommended under the SES, about one fourth was in the agricultural sector including poultry and dairy farming, while the majority belonged to non-agricultural activities such as brick making, coir products, confectionery and garments.

Refinance assistance under Village Adoption Schemes (VAS) was based on the concept of providing credit for integrated rural development with a view to promoting rural income and employment generation using an "area approach". As at end of 1983 five villages have been adopted by the banks under this scheme. Although the total credit disbursed appeared to be relatively small, the impact of this project in terms of organizing farmers and villagers and training of villagers as well as developing relationships between the bankers and villagers has been quite significant.

The two state banks, i.e. Bank of Ceylon and People's Bank, and the Indian Overseas Bank were actively involved in financing the projects recommended by Matara Regional Office during the year under review. A consolidated statement indicating the progress of projects under the Self Employment Scheme (SES) and the Village Adoption Scheme (VAS) is given in Table 2.8. The total number recommended under both SES and VAS categories amounted to 503 projects. Of this number, 297 projects have been financed by banks involving a sum of Rs. 1,281,115. The estimated number of jobs created under these projects totalled 523 as at end December, 1983.

Due to effective efforts taken to ensure utilization of the loans for the recommended purposes, the repayment position of projects of which the gestation period had ended, reflected 78 per cent as at end of December, 1983. While several loans were fully recovered during this period, some of the beneficiaries were recommended for enhanced financial assistance for their projects. The progress on repayment of capital is depicted in Table 2.9 which shows the satisfactory recovery position of the loans.

The Regional Office also embarked on a programme to stimulate rural economic activities through the mobilisation of collective and co-operative attitudes of the rural people as a basis for obtaining bank finance. Among the various clusters of economic activities organised during the year under review were home-gardening, livestock and small industries. Several voluntary and non-governmental organizations in the area assisted in this effort. Furthermore, some of these activities were extended to cover the Hambantota and Moneragala districts as well.

The introduction of "Credit Camps" for speedy sanctioning and disbursement of paddy cultivation loans under the Central Bank Refinance Scheme proved to be quite successful. The Regional Office also initiated a Model Yaya Paddy Cultivation Loan Scheme (MPCLS) in Matara district with a view to organizing farmers using the cultivation unit of "Yaya" as the basis rather than the individual farmer. This scheme also aimed at improving agricultural practices, adopting flexible banking procedures, providing technical services under "farm clinics" and ensuring better disbursement and recovery of loans. In 1983 Yala and 1983-84 Maha Rs. 304,940 was granted as loans to 260 farmers covering 460 acres in six villages in the district.

In consultation with the Regional Office, the Indian Overseas Bank introduced several regional loan schemes for activities such as poultry keeping, cultivation of coconut and tea replanting, sugarcane, and purchase of 2-wheel tractors, for which Central Bank refinance facilities were made available. Similarly, the People's Bank and Bank of Ceylon implemented a regional loan scheme to provide financial assistance to tea smallholders for purchase of fertilizer for which Central Bank refinance was available.

The Regional Office in Matara continued to conduct the Regional Clearing House, transacting two daily clearings with the four commercial banks in the area. The clearing transactions amounted to Rs. 821 million during the year 1983.

TABLE 2.8

**Progress on Projects under SES and VAS Schemes Recommended by Matara Regional Office  
As at end of December 1983**

Sector	S. E. S.				V. A. S.				GRAND TOTAL				Estimated Employment
	Total Recommended No.	Total Recommended Amount (Rs.)	Total Approved No.	Total Approved Amount (Rs.)	Total Recommended No.	Total Recommended Amount (Rs.)	Total Approved No.	Total Approved Amount (Rs.)	Total Recommended No.	Total Recommended Amount (Rs.)	Total Approved No.	Total Approved Amount (Rs.)	
<b>Agriculture</b>													
1. Agriculture ..	18	65,865	7	26,285	3	5,000	—	—	21	70,865	7	26,285	10
2. Dairy Farming ..	28	123,700	9	42,500	4	19,800	3	14,400	32	143,500	12	56,900	12
3. Poultry Farming ..	79	418,800	41	214,200	2	20,000	2	20,000	81	438,800	43	234,200	43
4. Goat Farming ..	2	6,000	—	—	5	11,500	5	11,500	7	17,500	5	11,500	5
5. Fisheries ..	4	18,450	3	11,000	—	—	—	—	4	18,450	3	11,000	3
<b>Industries</b>													
6. Bakery & Confectionery ..	27	108,620	17	71,140	2	7,125	1	5,000	29	115,745	18	76,140	36
7. Other Food Products ..	—	—	—	—	—	—	—	—	—	—	—	—	—
8. Tobacco/Beedi ..	6	28,785	3	16,200	—	—	—	—	6	28,785	3	16,200	10
9. Handlooms ..	11	40,550	8	30,050	4	12,500	3	7,500	15	53,050	11	37,550	27
10. Sewing ..	39	159,915	31	126,515	—	—	—	—	39	159,915	31	126,515	58
11. Other Textile Products ..	14	52,570	9	36,370	—	—	—	—	14	52,570	9	36,370	21
12. Carpentry ..	25	93,570	12	50,220	—	—	—	—	25	93,570	12	50,220	18
13. Paper Products ..	5	23,890	1	4,090	—	—	—	—	5	23,890	1	4,090	2
14. Non-Metallic Minerals ..	78	306,555	46	180,825	5	18,575	—	—	83	325,130	46	180,825	135
15. Metal Crushing ..	9	36,215	5	21,500	2	5,471	2	5,250	11	41,686	7	26,750	19
16. Metal Products ..	10	46,200	9	41,200	—	—	—	—	10	46,200	9	41,200	26
17. Coir Products ..	31	80,480	21	55,260	9	17,710	8	15,915	40	98,190	29	71,175	35
18. Repairs & Maintenance ..	28	119,675	14	58,195	—	—	—	—	28	119,675	14	58,195	19
19. Other ..	23	92,815	15	62,630	4	16,120	2	6,120	27	108,935	17	68,750	23
20. Farm Equipments ..	3	83,750	3	83,750	3	9,300	3	9,300	6	93,050	6	93,050	7
21. Chemicals ..	6	24,800	5	20,800	—	—	—	—	6	24,800	5	20,800	5
22. Trade & Commerce ..	14	54,400	9	33,400	—	—	—	—	14	54,400	9	33,400	9
<b>TOTAL</b>	<b>460</b>	<b>1,985,605</b>	<b>268</b>	<b>1,186,130</b>	<b>43</b>	<b>143,101</b>	<b>29</b>	<b>94,985</b>	<b>503</b>	<b>2,128,706</b>	<b>297</b>	<b>1,281,115</b>	<b>523</b>

Source: Matara Regional Office  
Central Bank of Ceylon.

TABLE 2.9

**Central Bank of Ceylon—Matara**  
**Repayment Position as at end of December 1983**

Sector	Capital Repayment			Overdue
	Loan Amnt. released	Due	Made	
<b>Agriculture</b>				
1. Agriculture .. ..	20,800	7,060	6,352	708
2. Dairy Farming .. ..	20,400	4,080	2,880	1,200
3. Poultry Farming .. ..	122,315	40,301	29,019	11,282
4. Goat Farming .. ..	—	—	—	—
5. Fisheries .. ..	3,000	2,850	1,350	1,500
<b>Industries</b>				
6. Bakery & Confectionery .. ..	44,349	28,662	22,334	6,328
7. Other Food Products .. ..	—	—	—	—
8. Tobacco/Beedi .. ..	16,200	10,192	3,260	6,932
9. Handlooms .. ..	25,300	9,393	7,308	2,085
10. Sewing .. ..	98,115	54,161	41,823	12,338
11. Other Textile Products .. ..	29,070	17,886	13,691	4,195
12. Carpentry .. ..	48,220	19,729	17,902	1,827
13. Paper Products .. ..	4,090	2,622	2,394	228
14. Non-Metallic Products .. ..	140,900	96,018	75,757	20,261
15. Metal Crushing .. ..	25,250	12,795	11,595	1,200
16. Metal Products .. ..	26,300	12,345	10,115	2,230
17. Coir Products .. ..	57,235	26,392	22,691	3,701
18. Repairs & Maintenance .. ..	40,100	21,320	17,005	4,315
19. Other .. ..	43,150	22,319	17,244	5,075
20. Farm Equipments .. ..	90,750	10,450	10,273	177
21. Chemicals .. ..	15,800	7,255	4,215	3,040
22. Trade & Commerce .. ..	7,400	3,764	3,008	756
<b>Total</b> .. ..	<b>878,744</b>	<b>409,594</b>	<b>320,216</b>	<b>89,378</b>

**REGIONAL OFFICE—ANURADHAPURA**

The Regional Office of Anuradhapura is in its second year of operation. Anuradhapura being the largest administrative district in the island, activities of the Regional Office are still confined to the district itself. In view of the heavy demand for Central Banking services from commercial banks and other agencies in neighbouring districts such as Polonnaruwa, Trincomalee and Puttalam, an expansion of the Regional Office activities to cover at least some of these districts is envisaged.

In addition to the supervision of development and agricultural lending in the district, work on the Refinance Loan Scheme of the Regional Office continued during the year under review. This scheme was introduced in the year 1982 in order to promote development finance for small scale projects in the hitherto unbanked areas in the district. It also provides a sound footing for a close and continuous dialogue between the bankers, rural masses and the Government agencies which will result in an expansion of banking facilities for the rural sector in the long run. In order to enlarge the coverage of the scheme, the operations that were confined to only 6 AGA Divisions in the inaugural year were expanded to the whole district covering 20 AGA Divisions. Prospective borrowers under this scheme are identified through a series of group meetings, personal discussions and visits to project sites. The assistance of Assistant Government Agents, voluntary and government agencies involved in rural development and also field level officials are obtained in this regard.

In the selection of projects, highest priority is given to agricultural projects with lift irrigation facilities in order to harness underground water resources for cultivation purposes mainly during the Yala season. Project leading for development of livestock, too, was considered a key area. Nearly 83 per cent of the total projects recommended are for agriculture and livestock development. Prospective borrowers are provided with training in their respective fields.

As at end December, 1983 the number of projects recommended under the scheme to the Bank of Ceylon, the People's Bank, the Hatton National Bank Ltd. and the State Bank of India for provision of credit amounting to Rs. 3.5 million was 637. Details are indicated in Table 2.10.

As at end December, 1983 branches of the Bank of Ceylon and the People's Bank sanctioned an aggregate of Rs. 1 million for 186 projects. Out of the total sum sanctioned Rs. 724,125 was disbursed for 128 projects during the year under review.

In order to ensure steady progress of the units financed, the Regional Office in addition to training facilities, provided extension services and continued guidance and counselling in operational and managerial spheres.

The projects that commenced during the year provided new employment opportunities to 91 persons while establishing 78 persons in full employment. The gross turnover of the total projects commenced is estimated at Rs. 5.3 million.

Of the total projects financed, 62 projects commenced repayment of loan instalments to the banks. Nearly 87 per cent of the total sum due to the banks has been settled by the borrowers.

In addition to long and medium term project financing, a cultivation programme was carried out in one of the remotest villages, namely Galahitiyagama in the Horowapothana AGA Division. A sum of Rs. 74,440 was disbursed by the Horowapothana branch of the Bank of Ceylon towards this project. This cultivation programme is undertaken with a view to launching a long term integrated development programme with project financing in future.

In addition, the Regional Office during the period under review expanded its activities in the areas of inspection of Co-operative Rural Banks, supervision of SMI Projects and collection of consumer prices and producer prices under the Country-wide Data Collection Scheme. While supervising the work of the Data Collectors, the Regional Office collects independent data on a continuing basis on retail prices of consumer goods and producer prices of major agricultural products. Meanwhile, collection of economic data on other major activities such as production of subsidiary crops, tourist arrivals in the city etc. and data on small scale industrial projects in the region continues to be done.



**TABLE 2.10**  
**Village Adoption and Self-Employment Scheme—Position as at end December, 1983**

(Value in Rs. Thousand)

Category	No. of Projects forwarded to Banks		Projects approved by Banks		Projects Financed Capital Involved				Gross Estimated Turn-over	Repayment			Total Amount Over-due Value	Employment Nos.
	Unit Nos.	Value	Unit Nos.	Value	Values Rs.									
					Unit Nos.	Bank Loan	Borrowers Contribution	Total						
1. Agriculture with life Irrigation facilities														
1.1 Dug wells with pump sets ..	160	1330.6	45	389.5	37	314.7	76.1	390.8	1,225.0	06	2.9	2.1	0.8	48
1.2 Banana cultivation ..	02	9.8	01	3.5	—	—	—	—	—	—	—	—	—	—
1.3 Windmills ..	05	67.3	—	—	—	—	—	—	—	—	—	—	—	—
2. Livestock														
2.1 Poultry farming ..	77	474.1	25	149.6	18	96.0	32.1	128.1	413.9	09	5.1	2.9	2.2	18
2.2 Dairy farming ..	89	480.6	16	81.8	01	5.4	0.9	6.4	—	—	—	—	—	01
2.3 Goat farming ..	124	430.4	30	104.2	14	49.3	7.0	56.3	—	01	0.7	0.7	—	14
2.4 Piggery farming ..	76	239.7	17	65.9	11	46.3	16.0	62.3	—	—	—	—	—	11
3. Industry														
3.1 Brick manufacture ..	11	46.3	05	22.8	02	9.5	1.6	11.1	116.2	02	2.6	2.0	0.6	04
3.2 Bakery & Confectionery ..	21	103.0	15	70.9	15	70.9	31.4	102.3	2,150.5	15	25.0	22.4	2.6	26
3.3 Blacksmithy, Tinkering & Tractor Maint. Units ..	11	60.8	02	8.1	02	8.1	2.4	10.5	135.1	02	3.2	3.2	—	03
3.4 Carpentry & Wood carving ..	13	81.0	08	45.1	07	40.2	15.0	55.2	481.7	06	10.5	8.9	1.6	08
3.5 Beedi & Cigar manufacture ..	02	8.9	02	8.9	02	8.9	2.1	11.0	124.9	02	2.9	2.6	0.4	12
3.6 Garments & Batik ..	07	31.5	04	15.5	04	15.5	6.6	22.1	171.2	04	6.1	5.8	0.3	05
3.7 Coir Products ..	05	20.0	02	7.8	02	7.8	0.9	8.7	90.0	02	3.4	3.1	0.4	03
3.8 Manufacture of Envelopes & Soap ..	02	9.3	01	5.5	01	5.5	1.2	6.7	80.6	01	2.5	2.5	—	02
3.9 Preparation of Ayurvedic drugs ..	01	3.0	—	—	—	—	—	—	—	—	—	—	—	—
4. Services														
4.1 Trading & packing household ingredients & provisions ..	08	30.0	03	8.0	03	8.0	1.4	9.4	79.8	03	3.0	2.8	0.2	03
4.2 Bicycle repair units ..	13	48.5	07	25.5	06	22.5	10.8	33.3	163.9	06	3.7	3.4	0.2	06
4.3 Photography ..	02	15.0	01	8.5	01	8.5	5.0	13.5	57.6	01	2.5	2.5	—	02
4.4 Hair dressing ..	04	9.9	01	3.0	01	3.0	1.6	4.6	24.0	01	1.9	1.5	0.4	02
4.5 Electrical Work ..	01	10.0	—	—	—	—	—	—	—	—	—	—	—	—
4.6 Battery charging units ..	01	4.0	01	4.0	01	4.0	1.0	5.0	7.2	01	0.9	0.9	—	01
4.7 Transport units ..	01	2.0	—	—	—	—	—	—	—	—	—	—	—	—
4.8 Prep. of sign boards ..	01	5.0	—	—	—	—	—	—	—	—	—	—	—	—
TOTAL ..	637	3,521.3	186	1,028.1	128	724.1	213.0	937.2	5,321.6	62	77.1	67.5	9.6	169

Source : Central Bank of Ceylon

Supervision of SMI Projects in the region is now entrusted to the Regional Office and 13 such projects were supervised during the period under review. Supervision of SMI Projects are carried out on an ongoing basis to identify problems and to ensure steady progress and repayment of loan instalments.

The Clearing House of the Regional Office continued its operations with two daily Clearings. The Bank of Ceylon, the People's Bank, the Hatton National Bank Ltd, and the State Bank of India participate regularly in the Clearing House.

## EXCHANGE CONTROL

The Bank continued to function as the agent of the Government with regard to implementation of Exchange Control. The major changes in Exchange Control procedure that came into effect during the year under review are indicated below :—

### 1. Shipping and Airline External Accounts

The approval of the Controller of Exchange was declared necessary with effect from 1st January, 1983 for the remittance of passage and freight collections lying to the credit of Airline External Accounts.

### 2. Exports

(i) Cloves were removed from the Floor Price Scheme with effect from 1st February, 1983.

(ii) An Export Licence issued by the Controller of Imports and Exports was declared necessary for the export of cinnamon quills and quillings with effect from 31st May, 1983.

(iii) The Floor Price Scheme for cinnamon was suspended with effect from 16th September, 1983.

### 3. Education

Exchange allowed to cover living expenses of Sri Lankans pursuing studies abroad were increased in the manner indicated below :—

Country	Allowance for Living Expenses	
	Under-graduate professional and technical education	Post-graduate study
(a) Bangladesh, Burma, India, Maldives, Nepal & Pakistan	Ind. Rs. 7,200 p.a.	Ind. Rs. 9,600 p.a.
(b) Europe including U.K. & U.S.S.R.	£ 2,400 p.a.	£ 3,000 p.a.
(c) Australia, Canada, Japan, New Zealand & U.S.A.	U.S. \$ 6,000 p.a.	U.S. \$ 7,200 p.a.
(d) All other countries	U.S. \$ 3,600 p.a.	U.S. \$ 4,800 p.a.

Similarly, the outfit allowance was increased from £ 75 to £ 150 to be allowed once in four years.

#### **4. Indian Repatriates**

The exchange allowance to intending Indian repatriates was increased from SL Rs. 50 to SL Rs. 100 per adult and from SL Rs. 25 to SL Rs. 50 per child under 12 years of age.

#### **5. Encashment of Travellers Cheques**

The encashment of travellers cheques by a person on any one day was limited to the equivalent of Rs. 100,000.

#### **6. Imports**

(i) The prior approval of the Director of Commerce was declared necessary for the opening of Letters of Credit for the import of coffee.

(ii) Authorised Dealers were informed that Letters of Credit should not be established for the import of cloves.

#### **7. Resident Current Accounts**

Debits to Resident Current Accounts held by foreign companies and personnel engaged in contracts with Government or Private Organisations in Sri Lanka should be in respect of local disbursements, and remittances abroad should be only in respect of maintenance of dependants abroad.

#### **8. Inward Remittances**

The requirement of obtaining Exchange Control approval for conversion to Sri Lanka Rupees of all inward remittances of US\$ 50,000 and over received in respect of the following was waived.

(a) Advance payments or payments for exports.

(b) Payments from Overseas Agents to meet disbursements of vessels.

(c) Payments from Overseas Agents to meet bunkering costs of ships and airlines.

(d) Freight collections in respect of Sri Lankan vessels received from abroad.

(e) Remittances received by General Sales Agents and local branch offices of foreign airlines operating in Sri Lanka.

(f) Funds received by U. N. Agencies, viz, UNDP, UNICEF, FAO, WHO and Colombo Plan Bureau.

## PUBLIC DEBT

The Central Bank continued to manage the public debt on behalf of the Government in terms of Section 113 of the Monetary Law Act. The main features included floating of rupee loans, recording of foreign loan disbursements, repayments of local and foreign loans, payment of interest and commitment charges. During the year 1983, rupee loans amounting to Rs. 8,188 million were floated in terms of the Loans (Special Provisions) Act No. 40 of 1982 and the Appropriation Act No. 15 of 1983. Issue of Treasury bills during the year resulted in an increase of the amount outstanding by Rs. 80 million. During the year the Superintendent of Public Debt also continued to manage the Joint Investment Fund, Tax Reserve Certificates, Foreign Administrative Borrowings and Foreign Debt. The Registered Stock and Securities Ordinance (Cap. 420) was amended by the Act No. 51 of 1983 in order to make provision for discontinuing contributions to Sinking funds for the redemption of rupee loans with effect from the financial year 1984. Total interest payments in 1983 amounted to Rs. 6,593 million and total repayments of loans inclusive of contributions to Sinking funds amounted to Rs. 4,871 million.

In addition, the Superintendent of Public Debt floated debentures on behalf of the Urban Development Authority, and the State Mortgage and Investment Bank.

## EMPLOYEES' PROVIDENT FUND

The Monetary Board of the Central Bank is charged with the responsibility of receiving contributions, surcharges and income from the investment of monies of the Fund, maintaining proper accounts of registered employers and the individual members of the Fund and effecting refund of benefits to the members in terms of the provisions of the E.P.F. Act. These activities are carried out by the Employees' Provident Fund Department of the Bank in close co-operation with the Employees' Provident Fund Division of the Labour Department which attends to the administration and the enforcement of the provisions of the Act. A brief note on its operations during the year 1983 is given below.

### Contributions

The contributions received by the Fund during the year 1983 amounted to Rs. 1,201.7 million as against Rs. 1,079.6 million in 1982. This represents an increase of 11 per cent over the level of contributions received during the previous year.

### Members' Balances

Members' balances as at 31st December, 1983 before allocation of interest for the year under review, stood at Rs. 8,341.9 million which is an increase of Rs. 1,501.6 million or 22 per cent over the level of 1982.

### Investments

During the year under review, the Fund invested a sum of Rs. 2,389 million in Government Securities and Treasury bills as against a sum of Rs. 1,477.7 million in 1982, indicating an increase of 62 per cent. The total investments made during the year under review included a sum of Rs. 676.6 million representing maturity proceeds of earlier investments and Treasury bills. The total amount invested in Government

Securities alone amounted to Rs. 2,345 million which represents 26 per cent of the total securities issued by the Government of Sri Lanka during the year 1983. The total investments held by the Fund as at 31st December, 1983 amounted to Rs. 8,956.7 million, which is an increase of Rs. 1,712.4 million over the level of 1982.

#### Income received from Investments

In 1983, the income from investments of the Fund amounted to Rs. 923.4 million as against Rs. 658.5 million in 1982 recording an increase of 40 per cent. This increase was mainly due to the investment of the increased volume of contributions received by the Fund and the re-investment of income derived from the past investments during the year under review.

#### Refunds

The total sum paid out by way of refunds of EPF benefits to members during the year 1983 amounted to Rs. 383.6 million as against a sum of Rs. 372.6 million in 1982. This records an increase of 3 per cent. During the year under review 75,049 claims for refund of benefits were received which included 14,943 from repatriates of Indian origin and 31,085 claims on medical grounds. The number of claims paid out during the year totalled 55,082.

#### 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 as at end of 1982 was raised to 10 per cent per annum in 1983 as against 9.5 per cent in 1981. 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 the current year's contributions) was received by the Fund to the member's credit, eg. contributions received in December attracts interest for the full year in the same way as contributions received in January of that year. Therefore, the effective rate of interest is approximately 11.2 per cent.

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

TABLE 2 . 11  
EPF Statistics 1982—1983

		Rs. '000	
		1982	1983
1.	Contributions received (Rs.)	1,079,584(a)	1,201,670(a)
2.	Investments (Rs.)	1,477,718(b)	2,389,003(b)
3.	Income received from investments (Rs.)	658,488	923,397
4.	Refund payments (Rs.)	372,643	383,644
5.	No. of refunds	69	55
6.	Rate of interest (per cent)	10.0	12.0
7.	Interest provision on members' balances (Rs.)	684,034	1,001,027

Source: Central Bank of Ceylon.

(a) Excludes contributions credited to Suspense Accounts.

(b) Includes maturity proceeds re-invested in Government Securities and the monies invested in Treasury bills.

## PERSONNEL

The Governor, Dr. W. Rasaputra, attended the following Conferences and Meetings during the year 1983 :—

- (a) SEACEN Governors' Conference in Bali, Indonesia (January 25-30).
- (b) Development Committee Meeting of the International Monetary Fund and the World Bank, and the Meetings of Group of 24 in Washington (April 20- May 7).
- (c) Commonwealth Central Bank Governors' Conference held at the Bank of England and the Aid Group Meeting at Paris and the Bankers' Forum at Nice (June 8-19).
- (d) Annual Meetings of the International Monetary Fund, the World Bank and the Meeting of Group of 24 in Washington (September 18-October 12).
- (e) 15th SEANZA Council of Governors' Meeting in Kathmandu, Nepal (November 27-December 3).

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 period of absence from Sri Lanka of the Governor in the month of January, 1983.

Mr. D. L. Kannangara, Deputy Governor, was designated Senior Deputy Governor and acted as the Chief Executive Officer of the Bank and the Chairman of the Monetary Board during the periods of absence from Sri Lanka of the Governor in the months of April, June, September, October, November and December, 1983.

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 of the Secretary to the Ministry of Finance and Planning.

### Appointments

Dr. K. S. E. Jayatillake who was on release to the International Monetary Fund for an assignment with the Central Bank of Oman reverted to the Central Bank's service with effect from 19th September, 1983 and resumed duties as Executive Director.

Mr. U. A. de Silva who was on release to the International Monetary Fund for an assignment with the Central Bank of the Gambia reverted to the Central Bank's service with effect from 6th June, 1983 and was appointed Chief Accountant.

Mr. C. Selvasiranjeevi, Acting Additional Superintendent of Employees' Provident Fund was appointed Acting Additional Director of Management Audit and Director of Management Audit with effect from 1st April, 1983 and 11th June, 1983, respectively.

Mr. C. D. Wimalasuriya was appointed Acting Superintendent of Currency with effect from 9th September, 1983.

#### **Retirements**

Mr. H. Premaratne, Executive Director, retired from the Central Bank's service with effect from 16th August, 1983.

Mr. V. K. Wickramasinghe who was on release to the National Development Bank of Sri Lanka retired from the Central Bank's service with effect from 21st February, 1983.

Mr. M. H. Sourjah, Director, Management Audit, retired from the Central Bank's service with effect from 11th June, 1983.

Mr. S. P. Wickremaratne, Superintendent of Currency, retired from the Central Bank's service with effect from 9th September, 1983.

#### **Officers on Release (as at 31st December, 1983)**

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

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

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

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

Mr. N. A. Dharmabandu to the International Monetary Fund for an assignment with the Solomon Islands Monetary Authority.

Dr. W. Hettiarachchi to the International Monetary Fund for an assignment with The Royal Monetary Authority, Bhutan.

Mr. E. Balasingham to the International Monetary Fund for an assignment with the Bank of Sierra Leone.

Dr. M. U. A. Tennakoon to the Mahaweli Authority of Sri Lanka to function as Adviser, Evaluation Studies.

Mr. A. A. D. Justin to the Ministry of Industries and Scientific Affairs to function as Secretary, Ministry of Industries and Scientific Affairs.

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