

## PART II

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## 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, 1984 and the Profit & Loss Account for the year ended 31st December, 1984 are shown in Table 2.1.

Total assets/liabilities of the Central Bank at the end of 1984 stood at Rs. 33,271.8 million, registering a marginal increase above their level last year. 'International Reserve' rose sharply by 73 per cent whereas 'Domestic Assets' and 'Other Assets and Accounts' declined by 21 per cent and 11 per cent respectively. The liabilities of the Bank in the form of 'Currency in Circulation' increased by 17.5 per cent and 'Deposits' by 3.7 per cent. 'Borrowings Abroad' declined significantly from Rs. 1,873.1 million to Rs. 12.7 million. The 'Central Bank Securities' account, which was opened in June 1984, showed a balance of Rs. 557.3 million.

The income of the Bank for the year 1984, at Rs. 3,161.7 million, showed an increase of 7 per cent over the previous year. After making allowances for expenditure and allocations to Reserve Accounts and provision for depreciation, the net profit of the Central Bank amounted to Rs. 1,501.5 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. 1,500.5 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 U.S. Dollars against Sri Lanka Rupees in the morning of each working day and to transact at these rates with the local commercial banks. The Central Bank's forward transactions were restricted to its purchases of U.S. Dollars up to six months until March 1984. With effect from 26th March, 1984 the Central Bank entered the two-way forward exchange market by quoting buying and selling rates for U.S. Dollars against Sri Lanka Rupees upto a period of three months. As at the end of 1984, the Central Bank purchased one month forward U.S. Dollars at the spot middle rate and sold at a premium of S. L. Rs. 7.50 per U.S. \$. 100 against the spot middle rate. Three month forward U.S. Dollars were purchased and sold at a discount of S.L. Re. 0.50 and a premium of S. L. Rs. 22.00 respectively per U. S. \$. 100 against the spot middle rate. The transactions in foreign currencies handled under the Asian Clearing Union Agreement remained unchanged during the year. Sales and purchases of 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. 7,370.5 million as compared to Rs. 4,618.0 million for the previous year. The net receipts for the year under review amounted to Rs. 150.1 million as compared to Rs. 214.5 million in 1983.

**Accounts of the Central  
Balance Sheet as**

31st December, 1983 Rs.		LIABILITIES	31st December, 1984 Rs.	
15,000,000	83,000,000	<b>Capital Accounts</b>	15,000,000	84,000,000
68,000,000		Capital ..	69,000,000	
		Surplus ..		
7,859,148,039	8,173,545,995	<b>Currency in Circulation</b>	9,218,548,130	9,600,037,681
314,397,956		Notes ..	381,489,551	
		Coins ..		
		<b>Deposits</b>		
1,758,189,021		Government ..	1,344,326,827	
54,845,058		Government Agencies ..	84,298,409	
3,413,245,644		and Institutions ..	4,025,540,681	
		Commercial Banks ..		
		International Organisations, ..		
		Foreign Government and ..		
4,894,195,284		Foreign Banking ..	5,075,581,166	
		Institutions ..		
		Compulsory Savings ..		
		Fund excluding ..		
		Rs. 132,446,250 ..		
		invested in ..		
186,510	10,720,346,035	Treasury Bills ..	57,181	11,120,019,201
599,684,518		Others ..	590,214,937	
	1,873,056,859	Borrowings Abroad ..		12,723,480
	775,000,000	Medium and Long Term ..		775,000,000
	110,000,000	Credit ..		
	—	Capital Contribution ..		110,000,000
		Accounts ..		557,315,000
	11,361,957,704	Central Bank Securities ..		
		Other Liabilities ..		11,012,747,243
		and Accounts ..		
	33,096,906,593			33,271,842,605

**Profit and Loss Account**

31st December, 1983 Rs.			31st Dec. 1984 Rs.
	1,303,766,732	To General Charges (including Salaries, Expenditure on Currency Notes & Coins & Depreciation on Land & Buildings & Office Furniture) & Allocations made in terms of Section 38 of the Monetary Law Act	1,660,250,639
		Net Profit for the Year Ended 31st December, 1984	
58,642		To Monetary Adjustment Account in Liquidation of Balance in terms of Section 39(a) of the Monetary Law Act.	
1,000,000		Carried to Surplus in terms of Section 39(b) of the Monetary Law Act. Rs. 1,000,000	
1,650,000,000	1,651,058,642	To part liquidate Outstanding Government Obligations to the Central Bank in terms of Section 39(c) of the Monetary Law Act. Rs. 1,500,461,262	1,501,461,262
	2,954,825,374		3,161,711,901

The accounts of the Central Bank of Ceylon for the year ended December, 31st 1984 were audited under my direction in pursuance of Article 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 (Chapter 422).

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

Auditor - General's Dept.  
Colombo-7  
17th April, 1985.

W. G. Epa  
Auditor-General

**TABLE 2.1**

**for the year ended 31st December, 1984**

31st December, 1983 Rs.		31st Dec. 1984 Rs.
2,954,825,374	By Interest, Etc. Earned	3,161,711,901
2,954,825,374		3,161,711,901

**N. A. Dharmabandu**  
*Chief Accountant*

### Loans and Advances

Effective 26th March, 1984, the Central Bank withdrew the short term general advance facility available to commercial banks against the pledge of Government and Government Guaranteed Securities and increased the pre-shipment export credit refinance facility.

The Central Bank's accommodation to commercial banks under the refinance schemes for exports continued to be in operation during the year. Several changes to the export credit refinance schemes were introduced on 26th March, 1984. Rates of interest on short term advances to commercial banks against the pledge of usance promissory notes for the purpose of refinancing exports from Sri Lanka were increased. For refinance in respect of traditional exports (Category I), the interest rate was increased from 10 per cent to 13 per cent per annum with the commercial banks' maximum on-lending rate being increased from 13 per cent to 16 per cent per annum. In respect of non-traditional exports (Category II), the discount rate was increased from 7 per cent to 10 per cent with the commercial banks' on-lending rate being increased from 9.75 per cent to 12.75 per cent on discount and from 10.8 per cent to 13.8 per cent per annum on face value. When the sales proceeds of the related exports are received in Sri Lanka within the time limits specified by the Controller of Exchange, the Central Bank makes a refund of 4 percentage points per annum on the relevant refinance loan to the commercial banks to be passed on to the customers.

As stated earlier, the quantum of refinance available for traditional exports was increased by the addition of funds previously given under the general advance facility. Furthermore, the Central Bank was prepared to grant additional refinance outside the limits allocated to each commercial bank for pre-shipment packing credit of tea exports. No limits were placed on refinance under Category II. Exports which qualified for refinance under Category II were defined as all exports other than tea, rubber, coconut, garments, gems, marine products and petroleum products. The period of refinance was limited to 60 days with extensions of 30 days on a case by case basis upto a maximum of 90 days, for both categories of exports.

All exports for which refinance had been obtained required forward purchases cover. This requirement was waived on 9th April, 1984 for exports on firm orders or letters of credit, the value of which was Rs. 500,000 or less. The duration of the forward contract was related to the maturity of the corresponding letters of credit or the latest period of delivery specified in the export contract, but in no event should it exceed a period of 6 months. Commercial banks had to ensure that foreign currency purchased forward was sold forward only for essential imports. The Central Bank has disbursed an amount of Rs. 8,078.3 million as loans under Category I and an amount of Rs. 2,241.9 million under Category II during 1984.

The rate of interest on Central Bank 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 food crops continued to be at 1.5 per cent per annum. An amount of Rs. 219.7 million was disbursed under this

scheme during 1984. The rate of interest on the Bank's advances to commercial banks against the pledge of usance promissory notes in respect of advances granted 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 except on refinance granted to the People's Bank/Paddy Marketing Board. The rate of interest was revised upwards by 2 percentage points for refinance above Rs. 400 million. An amount of Rs. 1,874.5 million was disbursed under this scheme during the year.

#### Medium and Long Term Credit

During the year 1984, the Central Bank continued to operate the scheme of refinance under the Medium and Long Term Credit Fund. The total refinance disbursed by the Bank during 1984 amounted to Rs. 169.0 million and the total repayment received amounted to Rs. 142.6 million. The balance in the Medium and Long Term Credit Fund stood at Rs. 775.0 million of which Rs. 649.9 million was disbursed and outstanding from credit institutions.

#### Commercial Bank Credit

With effect from 26th March, 1984 the Central Bank required all commercial banks to ensure that the total amount of their advances granted for the importation of non-essential items should not exceed the advances granted and outstanding as on 23rd March, 1984. The Central Bank also required the commercial banks not to extend credit to single importers beyond the level outstanding as on 23rd March, 1984 in respect of non-essential imports. In addition to these restrictions, commercial banks were required to ensure that the total advances granted and outstanding to the private sector other than for exports and agriculture should not exceed more than 5 per cent of the total amount of such advances granted and outstanding on 11th May, 1984.

#### Reserve Requirements

With effect from 23rd November, 1984 the Central Bank introduced a special reserve requirement in addition to the existing reserve requirements imposed on commercial banks. Special reserves were required to be maintained in the form of rupee deposits in the Central Bank. Such reserves were determined in respect of demand deposit liabilities and in respect of time and savings deposit liabilities on the basis of the amount of increase over the level of deposits as at 14th November, 1984. The amount to be maintained as special reserves was determined on the basis of tranches of the increase. The tranches of increase and the amount to be maintained as reserves in respect of each tranche are given below :

<i>Tranche</i>	<i>Amount of Special Reserve</i>
(i) Up to 3%	Nil
(ii) Over 3% and upto 6%	5% of increase
(iii) Over 6% and upto 10%	10% of increase
(iv) Over 10%	15% of increase

### **Treasury Bills**

The Central Bank continued transactions in Treasury bills in the secondary market. Sales of Treasury bills increased sharply from Rs. 18,946.9 million in 1983 to Rs. 39,835.6 million in 1984 ; purchases too increased from Rs. 12,668.8 million in 1983 to Rs. 25,677.4 million in 1984. The significant increase in the operations under this scheme was mainly due to the narrowing yield differential between call money market rates and the secondary Treasury bill market rates.

### **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—

- (a) the subsidy scheme in terms of which a sum equivalent to 65 per cent of the authorised remittance or part thereof is paid to such repatriates ; and
- (b) the scheme under which an ex-gratia payment of Rs. 500 plus 65 per cent thereof per repatriate is paid as an incentive for these workers to leave Sri Lanka.

The Bank operated these two schemes through the commercial banks. Under the subsidy scheme, a sum of Rs. 11.6 million was paid to repatriates during 1984. The total amount of ex-gratia payments made in respect of 5,937 repatriates, who left the Island during the year, amounted to Rs. 4.9 million.

### **Compulsory Savings Fund**

The Central Bank continued to be the custodian of the money 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. 5.9 million (inclusive of interest) on 1,273 refund applications received.

### **Government Accounts**

As banker to the Government, the Government Accounts Branch of the Banking Department 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 end of December, 1984 was 157 (Government Departments 142 and others 15).

### **CURRENCY ISSUE**

The total currency in circulation as at 31st December, 1984 was Rs. 9,600.0 million. This represents an increase of Rs. 1,426.5 million over the figure of Rs. 8,173.5 million at the end of the preceding year. Currency notes in circulation during the year 1984 increased by Rs. 1,359.4 million and the coin circulation increased by Rs. 67.1 million over the preceding year.

The year under review marked a change in the pattern of demand for high value currency notes, in that, a drop of 23.5 per cent was recorded in the total demand for such notes in 1984 over that of 1983. The demand for high value currency notes of Rs. 1,000 and Rs. 500 which recorded a substantial increase in the previous year showed a reversal in the pattern of demand and a drop of Rs. 241 million and Rs. 109 million, respectively, was observed.

As regards coins, an ever growing demand was observed in respect of the high denominational coins in the year under review. Consequently, special orders were placed in 1984 for substantial quantities of the higher denomination coins, namely, Re 1, -/50 cts. and -/25 cts. Action has been finalised to replace the Rs. 2 and Rs. 5 currency notes with coins. The new design coins to be issued in early 1985 will circulate along with the notes, until the latter are gradually withdrawn from circulation.

### **BANKING DEVELOPMENT**

As at end of 1984, there were 25 commercial banks operating in Sri Lanka, comprising four domestic banks and 21 foreign banks. There were also two Representative Offices of foreign banks and two merchant banking companies carrying on business in the country. During the year, 13 branches and one pay office were opened by Sri Lankan banks. The Bank of Credit & Commerce International Limited opened a branch in the Investment Promotion Zone, Katunayake on 5th May, 1984.

Accordingly, at end 1984 the total number of bank branches stood at 1,022 of which the operating branches inclusive of 59 Agrarian Service Centre (ASC) branches amounted to 647. The balance included relocated ASC branches, pay offices, Kachcheri branches and extension offices. Meanwhile, the American Express International Banking Corporation was granted approval for the establishment of its Regional Office for Asia in Colombo and this commenced business in May, 1984.

### **BANK SUPERVISION**

The Bank commenced examination of ten commercial banks for the examination period 1984/1985 under Section 29(1) of the Monetary Law Act and concluded four of these examinations. In addition, operations of commercial banks were supervised continuously on the basis of monthly, quarterly, and annual statements furnished by them. The Bank also commenced the examination of a banking institution, other than a commercial bank under Section 29(2) of the Monetary Law Act.

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 1984. Examinations of eighteen finance companies under Section 15(1) of the Act commenced during the year 1984 and twelve of these examinations were concluded. The examination of two finance companies which commenced in 1983 was also concluded during the year. Applications for

registration under the Act received from finance companies were evaluated and four companies were registered with the Monetary Board during the year. Monthly statements furnished by finance companies and their annual profit and loss accounts and balance sheets were analysed, with particular attention paid to liquidity and capital ratios and transfers to reserve funds.

The Bank also 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

Approval of Central Bank refinance for Medium and Long Term Investment in 1984 remained at the moderate level of Rs. 129.6 million. However, it reflected a substantial increase over the approvals of only Rs. 74.8 million in the previous year. Refinance in respect of the export sector increased from Rs. 37 million in 1983 to Rs. 79.1 million in 1984 while refinance for industry increased from Rs. 7 million to Rs. 49.1 million. Terms and conditions of refinance remained unchanged in 1984 but tourism and construction of commercial buildings were not refinanced in this year.

The fall in the tourist arrivals precipitated a major liquidity crisis in the hotel sector calling for some relief measures in the course of 1984. Consequently, at the instance of Government and after a series of consultations with banking institutions, the Central Bank announced a package of relief measures to hotels in September, 1984. These reliefs included a moratorium for the repayment of principal and interest on loans, extending to March, 1987, and re-scheduling of outstanding debts over an extended period. Central Bank offered to refinance 60 per cent of the interest in arrears, in order to give liquidity relief to affected banks. The progress in the re-scheduling exercise was slow but by December 1984, nearly 40 hotel projects were under consideration for re-scheduling.

The second Small and Medium Scale Industry Loan Scheme (SMI-II) registered some progress in 1984, but the commitment of funds nevertheless remained low. After a series of review meetings with the World Bank, the Government and the Participating Credit Institutions (PCIs), the spread available to the PCIs for SMI loans was increased from 5 per cent to 7 per cent in September, 1984. Also additional sectors such as bee keeping, horticulture, commercial transport of goods, commercial scale animal husbandry, colour photo processing outside Colombo and the financing of permanent working capital were made eligible for SMI loans. Since nearly 40 per cent of the outstanding SMI loans had fallen into arrears with respect to recoveries by December 1983, the Central Bank intensified its follow-up work with direct project inspections (243 inspections in 1984 in almost all parts of the Island). The follow-up work was mainly directed to identifying problems and making appropriate recommendations for their rehabilitation and eventual recovery. The direct participation of the Central Bank in project follow-up appears to have helped to bring about re-scheduling of loans and make available additional facilities for

rehabilitation of sick projects. Also, a large number of defaulters appears to have recommenced repayments after Central Bank inspections. Consequently, the number of loans in arrears of more than 3 instalments guaranteed under the Central Bank Guarantee Schemes decreased from 966 in December 1983 to 850 in December 1984.

### Operations of the Medium and Long-term Credit Fund (MLCF)

Under Categories II, III and IV of the Medium and Long-Term Credit Fund (MLCF), 45 applications amounting to Rs. 129.6 million were approved of which 25 applications amounting to Rs. 79.1 million were for export oriented projects under Category II of the scheme. There were 17 applications amounting to Rs. 49.1 million for industrial projects during the year. A breakdown of refinance approvals is shown in Table 2.2. Category I of the MLCF is administered by the Department of Rural Credit. Terms and conditions of refinance reported in the Annual Report 1983 remained unchanged.

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

Category	Rs. Million					
	1982		1983		1984	
	Loan Amount	Amount Refinanced	Loan Amount	Amount Refinanced	Loan Amount	Amount Refinanced
II Export Sector	97.7	97.7	43.7	36.5	113.0	79.1
III and IV						
(a) Agriculture	1.0	1.0	27.8	19.2	0.1	0.1
(b) Industry	65.0	53.4	9.7	7.0	98.2	49.1
(c) Hotels	75.3	72.5	13.2	8.6	—	—
(d) Others	8.3	5.0	5.8	3.5	2.2	1.3
<b>Total</b>	<b>247.3</b>	<b>229.6</b>	<b>100.2</b>	<b>74.8</b>	<b>213.5</b>	<b>129.6</b>

Source : Central Bank of Ceylon.

### Credit Guarantee Operations

A summary of the credit guarantee operations is shown in Table 2.3.

### Small and Medium Scale Industry (SMI-I) Scheme

Under the SMI-I scheme the Central Bank had issued 1,657 credit guarantees, covering Rs. 282.3 million loans granted by participating credit institutions. By December 1984, 476 loans had been fully recovered. Among the 1,081 loans outstanding 619 had fallen into arrears. Nevertheless, the total recoveries to-date under the scheme amounted to Rs. 130.8 million or 46 per cent of the total loans granted. On the other hand, the outstanding balance in 619 loans in arrears amounted to 33 per cent of the loans granted. Upto December 1984, banks had invoked the credit guarantee on 138 loans and by December 1984, the Central Bank had admitted or settled 50 claims amounting to Rs. 1.82 million. The Central Bank had rejected 5 claims amounting to Rs. 884,239.

TABLE 2.3

## Central Bank Credit Guarantee Schemes (1983—1984)

Amounts in Rs. million

Item	Small Scale Industries (SSI)				Small & Medium Scale Industries (SMI-I)				Small & Medium Scale Industries (SMI-II)			
	1983		1984		1983		1984		1983		1984	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Loans granted ..	767	31.2	767	31.2	1,585	265.7	1,657	282.3	185(e)	43.9	372	141.0
Loans guaranteed ..	767	23.4(a)	767	23.4(a)	1,585	146.5	1,657	155.5	185(e)	25.0	372	77.4
Loans fully recovered ..	373	n.a.	441	11.4	193	8.6	476	28.6	4	0.4	11	1.3
Guarantees lapsed/withdrawn ..	58	n.a.	61	3.6	29	7.7	45	11.4	11	0.8	15	2.4
Loans outstanding ..	315	8.73(b)	229	6.09(b)	1,349	159.7(b)	1,081	151.5(b)	170	43.0(b)	346	116.5(b)
(Of which in arrears) ..	224	n.a.	173	5.0	697	103.3	619	91.9	45	5.4	58	11.5
Guarantees outstanding ..	315	6.54(a)	229	4.57(a)	1,349	90.9(c)	1,081	86.6(c)	170	24.4(d)	346	65.2(d)
Claims Admitted/Settled												
(i) Loans outstanding ..	20	0.64	35	1.25	14	0.187	50	3.04	—	—	—	—
(ii) Liability admitted ..	20	0.41	35	0.75	14	0.112	50	1.82	—	—	—	—
Claims pending ..												
(i) Loans outstanding ..	29	1.66	23	1.41	89	12.8	88	16.3	—	—	3	0.22
(ii) Amount claimed ..	29	1.25	23	1.06	89	7.68	88	9.8	—	—	3	0.13

Source: Central Bank of Ceylon.

- Note:— (a) 75% of loans outstanding.  
 (b) Excluding 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) Including 25 guarantees transferred to SMI-I Scheme during 1984.

According to the available information 139 of the SMI-I projects are reported to be abandoned. An industry-wise classification of SMI-I loans is shown in Table 2.4.

**TABLE 2.4**  
**SMI - I Scheme—Industry-wise Classification of Loans**

Amount in Rs. Thousand						
Industry	1979 — 1984			1984		
	No. of Loans	Amount Granted	Amount Guaranteed	No. of Loans	Amount Granted	Amount Guaranteed
1. Rice milling ..	355	53,813	31,682	10	1,703	972
2. Light engineering ..	185	28,507	15,510	13	1,988	1,193
3. Bricks & other building materials ..	255	52,567	29,333	4	1,883	990
4. Ready-made garments, batiks, handloom, carpets, etc., ..	140	21,744	11,367	2	830	418
5. Rubber and rubber-based products ..	31	9,116	4,590	1	250	150
6. Footware & other leather products ..	21	3,434	1,810	—	—	—
7. Jaggery & sugarcane products ..	7	298	179	1	55	33
8. Furniture & other wooden products ..	87	9,255	5,248	5	743	446
9. Fibre and fibre based products ..	99	9,638	5,763	3	570	342
10. Stationery & other paper products ..	25	4,121	2,273	1	25	15
11. Food and beverages ..	86	17,532	8,901	8	910	546
12. Paints, polish, varnish, etc., ..	10	3,677	1,871	—	—	—
13. Spare-parts for radios & bicycles ..	13	1,733	1,015	1	225	135
14. Soap and other cosmetics ..	28	1,281	768	—	—	—
15. Handicrafts & toys ..	20	808	485	—	—	—
16. Cigars, beedi ..	6	48	29	—	—	—
17. Fishing boats and inland fisheries ..	8	5,400	2,300	1	1,000	400
18. Jewellery and gems ..	12	806	484	1	150	90
19. Sports goods ..	3	94	56	—	—	—
20. Agricultural implements ..	9	1,702	821	—	—	—
21. Glass & other products ..	7	1,166	700	—	—	—
22. Brass & aluminium ware ..	49	7,784	3,930	2	1,070	448
23. Timber sawing ..	49	10,051	6,008	2	875	510
24. Printing ..	46	13,193	7,239	6	2,250	1,350
25. Miscellaneous ..	106	24,510	13,115	11	2,965	1,579
<b>Total ..</b>	<b>1,657</b>	<b>282,278</b>	<b>155,477</b>	<b>72</b>	<b>17,492</b>	<b>9,617</b>

Source : Central Bank of Ceylon.

### Small and Medium Scale Industry Credit Guarantee Scheme (SMI-II)

The second SMI (SMI-II) commenced in 1982 with an International Development Association line of credit of U.S. \$ 30 million. The utilization of SMI funds in the course of 1983 and 1984 was poor and the total commitment of funds (being 80 per cent of loans refinanced by the NDB) by December 1984 was only Rs. 133.3 million.

Under SMI-II Central Bank had issued 372 credit guarantees covering Rs. 141.0 million loans granted by participating credit institutions. Among the loans guaranteed, 58 loans had already fallen into arrears. Banks had submitted 3 claims and they were pending settlement in December, 1984. An industry-wise classification of loans granted under SMI-II is shown in Table 2.5.

**TABLE 2.5**  
**SMI - II Scheme - Industry - wise Classification of Loans**

Amounts in Rs. Thousand

Industry	1982-1984			1984		
	No. of Loans	Amount Granted	Amount Guaranteed	No. of Loans	Amount Granted	Amount Guaranteed
1. Food processing	100	36,690	19,874	48	25,523	13,574
2. Other agro industries	12	6,614	3,249	7	6,025	2,896
3. Rubber products	15	7,897	3,968	12	7,297	3,608
4. Metal products	54	11,936	7,207	21	7,514	4,564
5. Construction materials	26	11,720	6,652	22	10,965	6,199
6. Construction contracting	—	—	—	—	—	—
7. Wood products	38	9,742	5,845	21	5,211	3,126
8. Garments	29	13,525	7,098	16	7,764	4,042
9. Textiles	12	4,970	2,982	10	4,615	2,769
10. Repair workshop	6	1,525	915	5	1,495	897
11. Other	80	36,365	19,663	50	26,541	14,268
<b>Total</b>	<b>372*</b>	<b>140,984</b>	<b>77,453</b>	<b>212</b>	<b>102,950</b>	<b>55,943</b>

Source: Central Bank of Ceylon.

\* Excluding 25 loans amounting to Rs. 5.9 million which were guaranteed in 1983 and subsequently transferred to SMI-I in 1984.

## RURAL CREDIT

During the year 1984, the Central Bank continued to play an active role in directing and supporting the rural credit operations of the banking system. The Bank was actively involved in the formulation of policies relating to rural credit.

During the year the most important activity in which the Bank was involved was the preparation of legislation concerning the proposal to establish Regional Rural Development Banks (RRDBs) in the country and matters connected with its implementation. The draft proposals were ready by the middle of the year and received Cabinet approval. It is expected that the proposals will come before Parliament for approval in early 1985. In view of this the Bank initiated the preliminary work for implementing this proposal.

At the same time, a Committee examined and reported on recruitment policies, salaries and other emoluments, location of RRDBs and innovative approaches to rural lending to be adopted by these banks.

In 1984, the Rural Credit Advisory Board (RCAB) met on seven occasions. This is the principal policy formulating body in the area of rural credit. At these meetings several issues with far reaching implications for the rural sector were taken up for discussion. More over, several proposals for the introduction of credit schemes to

cater to the requirements, hitherto not covered under existing schemes, were also considered. Proposals for rescheduling of loans given under the Fisheries Sector Bank Financing Scheme, the introduction of the Revolving Credit Scheme for paddy farmers in the Polonnaruwa district, refinancing facilities for farm machinery and equipment in the wet zone areas, and the extension of agricultural credit through Thrift and Co-operative Credit Societies were some of the principal proposals that were examined by the RCAB. Some proposals have been implemented already, while some others are to be implemented in the near future.

Table 2.6 shows the progress of existing credit schemes under Category I of the Medium and Long Term Credit Fund of the Central Bank. There were 27 such schemes in operation during the year 1984, of which five were introduced during the year.

As in the previous year, there was a considerable number of schemes which showed inadequate progress in the disbursement of loans. The Central Bank had allocated Rs. 882.2 million for provision of refinance facilities for these schemes, of which only Rs. 313.3 million or 36 per cent had been utilised as at the end of the year. This unsatisfactory progress cannot be attributed solely to the lending banks for there were many factors which affected these schemes beyond the control of the commercial banks. Financing under District Integrated Rural Development Projects depends on the progress achieved by other executing agencies. Financing for sugar cane cultivation under the Pelwatte project could not commence due to the failure of the company to complete other preliminary work on schedule. Similarly, there were operational deficiencies in some credit schemes which made disbursement of credit difficult. Lack of demand for draught animals and four-wheel tractors was mainly responsible for the failure of the banks to proceed with the provision of credit for these purposes satisfactorily.

On the other hand, the progress in some loan schemes such as credit for two-wheel tractors, where there is a ready demand, has been satisfactory during the year under review. Lack of necessary infrastructure, skilled man power and motivation of officers of commercial banks remained important factors responsible for the slow progress in many credit schemes in 1984.

The Sri Lanka Rural Credit Project, assisted by the Asian Development Bank (ADB) in which the Central Bank is the co-ordinating agency, made satisfactory progress in lending. In regard to the farm power component of the project, after achieving the targetted sale of 1,000 two-wheel tractors to farmers, the two executing agencies, viz : the Bank of Ceylon and the People's Bank entered into a second agreement with the Sri Lanka State Trading (Tractor) Corporation in 1984, for the further procurement of 1,000 two-wheel tractors. Difficulty in the sale of four-wheel tractors has been partly overcome by extending the area of operation to cover the entire island. The sale of water pumps and power sprayers has made good progress during the year. In regard to the irrigation component, the Water Resources Board, the executing agency, made some progress in the procurement of necessary equipment. The ADB Mission which was in Sri Lanka in May, 1984 recommended the reallocation of loan components with a view to expediting the completion of the project before 31st December, 1985, the date of expiry of the loan.

## Loan Schemes approved for refinancing under Category I

Name of Credit Scheme	Refinance allocation (Rs. Mn.)
<b>A. Credit Schemes at the beginning of the year 1984</b>	
1. Credit Scheme for cultivation of Orchid Plants-Bank of Ceylon/Ceylon Tobacco Co. Ltd. ..	4.50
2. Coconut Fertilizer Credit Scheme ..	45.20
3. Fisheries Sector Bank Financing Scheme ..	140.00
4. Tank Irrigation Modernisation Project ..	7.69
5. Loan Scheme for Dairy Development in Nuwara Eliya District ..	10.00
6. Farm Machinery Loan Scheme for Kurunegala District Integrated Rural Development Project ..	40.00
7. Loan Scheme for Dairy Development (Pilot) Project in Samanthurai Electorate ..	0.12
8. Credit Scheme to assist settlers in Mahaweli Project area for the purchase of tractors ..	55.00
9. Credit Scheme for construction of fertilizer stores by M.P.C.S. ..	14.00
10. Abu-Dhabi Funded North West Coast Fisheries Development Project ..	60.00
11. Credit Scheme for cultivation of Orchid Plants-People's Bank/Sarvodaya/Lakmalsala ..	3.00
12. Credit Scheme for Fisheries Co-operatives ..	42.00
13. Matale-Puttalam Districts Integrated Rural Development Project ..	54.23
14. Credit Scheme for financing of windmills ..	2.56
15. Youth Self-Employment Scheme in Matara District ..	8.20
16. Radampola Uda Aperakka Village Adoption Scheme ..	—
17. Sri Lanka Rural Credit Project Loan Scheme ..	137.00
18. Fertilizer Credit Scheme for Tea Small Holders ..	7.50
19. Credit Scheme for financing the purchase of draught animals in districts not covered under Sri Lanka Rural Credit Project ..	5.60
20. Credit Scheme for financing the projects identified under Village Adoption and Self-employment Programme in Anuradhapura District ..	6.00
21. Credit Scheme for the construction of small on-farm potato seed stores ..	1.00
22. Badulla District Integrated Rural Development Project ..	7.00
<b>B. Credit Schemes approved during the year 1984</b>	
1. Credit Scheme for Madel fishing (Beach Seining) ..	5.00
2. Credit Scheme for settlers for cultivation of Sugarcane under Pelwatte Sugar Project ..	66.00
3. Vavuniya-Mannar District Integrated Rural Development Project ..	32.00
4. Credit Scheme to assist small farmers for cultivation of sugarcane in Sevanagala, Hingurana and Kantale Sugar Project ..	120.60
5. Sri Lanka - ADB - Coconut Development Project Credit Scheme to assist coconut growers to carry out a replanting programme with inter - cropping in Rambukkana area ..	8.00
<b>Total</b>	<b>882.20</b>

TABLE 2.6

## of the Medium and Long Term Credit Fund

Amount utilised as at 31.12.84 (Rs. Mn.)	Amount unutilised as at 31.12.84 (Rs. Mn.)	Date of commencement of project	Period for disbursement of the allocation (years)
3.49	1.01	03.02.79	3
39.23	5.97	26.03.79	3
126.29	13.71	02.07.79	3
7.69	—	02.06.79	1
8.10	1.90	22.08.79	3
33.79	6.21	28.10.79	5
—	0.12	27.11.79	3
5.40	49.60	19.11.79	3
8.81	5.19	13.10.80	1
—	60.00	13.10.80	3
0.23	2.77	10.12.80	5
—	42.00	28.04.81	2
17.90	36.33	08.05.81	6
1.05	1.51	11.12.81	1
2.18	6.02	10.04.81	—
—	—	16.03.81	—
52.54	84.46	01.07.82	1
4.37	3.13	11.08.82	1
0.01	5.59	10.09.82	2
1.27	4.73	14.10.82	2
—	1.00	01.03.83	1
1.00	6.00	27.09.83	5
—	5.00	26.04.84	1
—	66.00	10.05.84	6
—	32.00	14.06.84	4
—	120.60	20.09.84	5
—	8.00	26.12.84	3
313.35	568.85	—	—

Source: Central Bank of Ceylon

During the year 1984, the Central Bank completed the inspection of the agricultural loan portfolios of 18 commercial bank branches (8 branches of the People's Bank and 10 branches of the Bank of Ceylon) and the working of three Co-operative Rural Banks in the districts of Ampara, Puttalam, Matale, Nuwara-Eliya, Badulla, Kandy and Kalutara. Inspection reports were sent to the respective branches, along with suitable recommendations for rectifying the deficiencies and with a request for a compliance report to the Central Bank.

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

The Rural Banking and Staff Training College organized and conducted twenty six training courses, seminars and workshops where 636 middle and senior level management personnel from commercial banks, other financial institutions and co-operative societies participated. The programme on 'Credit Management' was co-sponsored by the Grindlays Bank, Colombo, and was conducted by the faculty of the Grindlays International Training Institute, Bombay, India while the course on 'Developing Management Skills' was conducted in association with the Citibank, Colombo.

The training offered by the College in 1984 was in areas relating to credit management, project identification and evaluation, commercial banking, management development, computerisation of banking, cottage industries, statistics and accountancy. Training of officers in rural banking and credit was considered a priority. Programmes were also conducted in the outstations.

The College completed its third year of operations in September, 1984. The third anniversary lecture of the College was delivered by Mr. N. G. P. Panditharatna, Member, Monetary Board of the Central Bank of Ceylon on the topic, 'Credit in the Mahaweli Areas'.

### **EMPLOYEES' PROVIDENT FUND**

The Monetary Board of the Central Bank is entrusted with the responsibility of receiving contributions, surcharges and the investment of funds of the Employees' Provident Fund (EPF), maintaining proper accounts of registered employers and the individual members of the EPF and effecting refund of benefits to the members in terms of 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 1984 is given below.

#### **Contributions**

The contributions received by the Fund during the year 1984, amounted to Rs. 1,583.4 million as against Rs. 1,201.7 million in 1983. This represents an increase of Rs. 381.7 million or 31.8 per cent over the level of contributions received during the previous year. This is the highest percentage increase recorded since 1978.

**Members' Balances**

Members' balances as at 31st December 1984, before allocation of interest for the year under review, stood at Rs. 10,392.8 million which is an increase of Rs. 2,050.9 million or 24.6 per cent over the level of 1983.

**Investments**

During the year under review, the Fund invested a sum of Rs. 5,895.6 million in Government Securities, Treasury bills and Debentures issued by the Urban Development Authority and the State Mortgage and Investment Bank, as against a sum of Rs. 2,389.0 million in 1983. This is an increase of Rs. 3,506.6 million over the level of 1983. The total investments made during the year under review included a sum of Rs. 3,717.7 million, representing maturity proceeds of earlier investments and Treasury bills. The total amount invested in Government Securities alone amounted to Rs. 3,152.3 million which represented 72.6 per cent of the total securities issued by the Government of Sri Lanka during the year 1984. The total amount invested in Treasury bills at various intervals during the year amounted to Rs. 2,472.9 million. At the end of the year under review, the Fund did not hold any Treasury bills, as they were discounted earlier. The total investments held by the Fund as at 31st December, 1984 amounted to Rs. 11,134.7 million, which is an increase of Rs. 2,178.0 million over the level of 1983.

**Income Received from Investments**

In 1984, the income from investments of the Fund amounted to Rs. 1,193.9 million as against Rs. 923.4 million in 1983, recording an increase of Rs. 270.5 million or 29.3 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 refund of EPF benefits to members during the year 1984, amounted to Rs. 551.6 million as against a sum of Rs. 383.6 million in 1983. This records an increase of Rs. 168.0 million or 43.8 per cent. During the year under review 75,281 claims for refund of benefits were received in the Department which included 8,314 from repatriates of Indian origin and 40,278 on medical grounds. The number of claims paid out during the year totalled to 65,198.

**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 1983 was raised to 12 per cent per annum in 1984. 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 members' 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, e.g. 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 13.4 per cent.

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

**TABLE 2.7**  
**EPF Statistics 1983—1984**

Item	Amounts in Rs. Mn.	
	1983	1984
1. Contributions received	1,201.7 (a)	1,583.4 (a)
2. Investments	2,389.0 (b)	5,895.6 (b)
3. Income received from investments	923.4	1,193.9
4. Refund payments	383.6	551.6
5. No. of refunds	55,082	65,198
6. Rate of interest (per cent)	12.0	12.5 (c)
7. Interest provision on members' balances	1,001.0	1,299.0

Source: Central Bank of Ceylon.

(a) Excludes contributions credited to Suspense Accounts.

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

(c) Proposed but yet to be approved.

## 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 as follows:

### 1. Shipping and Airline External Accounts

The approval of the Controller of Exchange was declared necessary for the opening of Shipping and Airline External Accounts with effect from 1st June, 1984.

### 2. Exports

(i) The requirement that payment for goods exported should be received not later than six months from the date of export was amended as follows with effect from 9th April, 1984.

(a) Letters of Credit (sight terms)—not later than 21 days from the date of maturity.

(b) Letters of Credit (deferred payment)—not later than 21 days from the date of maturity.

(c) D/P Bills (Sight Bills without L/C)—not later than 21 days from the date of presentation of documents.

(d) Usance Bills (D/A)—not later than 180 days from the date of shipment. Any extension of the above limits required the prior approval of the Controller of Exchange.

- (ii) Authorised Dealers were required to purchase forward foreign exchange proceeds of exports exceeding Rs. 500,000 in value with effect from 2nd May, 1984.
- (iii) The requirement of an export licence from the Controller of Imports and Exports for the export of cinnamon to countries other than Mexico was waived with effect from 6th June, 1984.
- (iv) The Principal Collector of Customs was informed that he could at his discretion permit Sri Lankans to export commercial samples of precious stones and jewellery where the value does not exceed Rs. 2,500 with effect from 7th June, 1984.

### 3. Imports

- (i) The requirement of obtaining an import licence from the Controller of Imports and Exports for the establishment of Letters of Credit for the import of newsprint was waived from 10th January, 1984.
- (ii) The requirement of obtaining the prior approval of the Director of Commerce for the opening of Letters of Credit for the import of coffee was waived on 23rd March, 1984. This requirement was subsequently re-introduced from 20th September, 1984.
- (iii) The sale of exchange forward, which had hitherto been allowed for all imports was restricted to the import of food and food-stuffs, raw materials, components and intermediate goods, drugs and pharmaceuticals, books and pamphlets, capital goods and parts thereof, as from 2nd May, 1984.

### 4. Resident Current Accounts

Authorised Dealers were informed that debits to Resident Current Accounts maintained by foreign companies and personnel engaged in contracts with the Government or private organisations could be made without reference to the Exchange Control Department in respect of the following :—

#### (i) *Foreign Companies*

Local disbursements and outward remittances in terms of contracts with the Government or private organisations, subject to the settlement of local liabilities such as taxes etc.

#### (ii) *Foreign Personnel*

Local disbursements, and outward remittances relating only to the maintenance of dependants abroad subject to the settlement of local liabilities such as taxes, if any. All other debits were subjected to Exchange Control approval.

### 5. Non-Resident Rupee Accounts

Authorised Dealers were informed that applications from Foreign Exchange Houses for the opening of Non-Resident Accounts should be backed by a guarantee of rupees one million by a reputed bank abroad. Exchange Control approval was also considered necessary for the designation of Non-Resident Accounts as Non-Resident Blocked Accounts.

### PUBLIC DEBT

The Central Bank continued to manage Public Debt on behalf of the Government in terms of Section 113 of the Monetary Law Act. The main functions under this included floating of rupee loans, issue of Treasury bills and Tax Reserve Certificates, recording of foreign loan disbursements, servicing of local and foreign loans and payment of interest and commitment charges. During the year 1984 rupee loans amounting to Rs. 4,344.3 million were floated in terms of the Appropriation Act No. 52 of 1983. The issue of Treasury bills during the year resulted in a decrease of Rs. 2,540 million from the level that prevailed at the end of 1983. During the year the Superintendent of Public Debt continued to manage the Joint Investment Fund. However, Government contributions for redemption of rupee loans were discontinued from January, 1984. Total interest payments on Public Debt in 1984 amounted to Rs. 7,296.4 million and total repayments of loans amounted to Rs. 4,632 million inclusive of repayments out of the resources of sinking funds. In addition, the Superintendent of Public Debt floated and serviced debentures on behalf of the Urban Development Authority and the State Mortgage and Investment Bank and also issued Central Bank Securities details of which are given elsewhere in this section.

### REGIONAL OFFICE — MATARA

The year 1984 commenced with the shifting of the Regional Office to its own premises at No. 35, Anagarika Dharmapala Mawatha, Matara. During the year, the Regional Office continued to provide services for a wider section of persons engaged in small scale economic activities by way of facilitating bank lending and back-up services. The main emphasis was on implementing Self-Employment, Village Adoption and Paddy Cultivation Refinance Loan Schemes.

A series of project orientation training sessions were conducted for applicants seeking bank loans under various refinance schemes during 1984. Apart from training 446 participants in agriculture, livestock farming and small industry a larger number of discussions and meetings were held in Matara, Hambantota and Moneragala Districts for the benefit of paddy and highland farmers.

The Industrial Development Board, the Department of Agriculture, the Department of Animal Production and Health and the Agriculture Development Authority lent their assistance in conducting training programmes.

The following is a statistical summary of the refinance credit operations with which this office associated as at end of 1984.

**TABLE 2.8**  
**Refinance Credit Operations — Regional Office, Matara**  
**Statistical Summary — As at end of 1984**

Schemes	Number of Beneficiaries	Loan Amount (Rs)
1. 500 Youth Self - Employment Refinance Credit Scheme ..	416	3,724,770
2. Village Adoption Refinance Credit Scheme ..	66	249,285
3. Model 'Yaya' Paddy Cultivation Loans under Comprehensive Rural Credit Scheme ..	962	2,200,000
4. Dry Farming Loans under Comprehensive Rural Credit Scheme ..	220	880,000
5. Tea Fertilizer Refinance Loan Scheme ..	135	1,088,924
6. Coconut Fertilizer Refinance Loan Scheme ..	140	766,086
Total ..	1939	8,909,065

Source : Central Bank of Ceylon.

It can be seen from the above statistical summary, that the aggregate sum of credit facilities mobilized under refinance schemes through the banking system in the region amounted to Rs. 8,909,065 catering to about 2,000 beneficiaries as at end of 1984.

Agro-loans under the Comprehensive Rural Credit Scheme (CRCS) were virtually defunct when the Regional Office introduced the Model Yaya Paddy Cultivation Loan Scheme in 1982. Defaults were high and as a result both the bankers and the farmers were disillusioned with the CRCS. A dialogue was re-established through a series of meetings for the benefit of the farmers and officials at village level. The initiative taken by the Indian Overseas Bank in providing cultivation loans in several villages, encouraged the state banks to take part in the newly designed Model 'Yaya' Paddy Loan Scheme under the CRCS. The Bank of Ceylon lent its support for the scheme and as at end of 1984 they successfully recovered the loans granted for paddy cultivation amounting to rupees one million in two seasons. The Bank of Ceylon and the Indian Overseas Bank now provide about Rs. 2.2 million of agro-loans under this scheme. This is expected to move up gradually over the years when new paddy tracts are brought under the credit scheme.

In an attempt to promote bank lending to agriculture in the dry zone areas of Hambantota and Moneragala, a series of seminars were conducted over the past two years to expose the farmers to modern systems of farm management and lending operations. Though there were obstacles initially due to lack of infra-structural facilities and problems connected with the attitudes of farmers and bankers, a major break-through was made in 1984 by way of credit deployment, owing to the assistance received from various government and non-governmental organisations in the region. As a result, several farmer groups were able to obtain loans amounting to about Rs. 800,000 for the cultivation of paddy, vegetables and subsidiary food crops for lift irrigation systems and for the purchase of two wheel tractors.

**TABLE 2 · 9**  
**Progress on Project under Village Adoption (VAS) and Self Employment Schemes (SES) of the Regional Office Matara**  
**As at end of December, 1984**

Sector	S E S				V A S				Both schemes				Estimated Employment
	Total Recommended No.	Amount (Rs.)	Total Approved No.	Amount (Rs.)	Total Recommended No.	Amount (Rs.)	Total Approved No.	Amount (Rs.)	Total Recommended No.	Amount (Rs.)	Total Approved No.	Amount (Rs.)	
<b>Agriculture</b>													
1. Agriculture	37	101,515	16	55,035	4	11,000	1	2,000	41	112,515	17	57,035	20
2. Dairy farming	28	148,200	11	68,900	7	35,200	6	29,800	35	183,400	17	98,700	18
3. Poultry farming	89	550,600	54	332,000	5	46,200	4	35,400	94	596,800	58	367,400	59
4. Goat farming	4	12,500	—	—	20	34,600	20	34,600	24	47,100	20	34,600	20
5. Fisheries	6	33,450	4	16,000	—	—	—	—	6	33,450	4	16,000	4
<b>Industries</b>													
6. Bakery & confectionery	40	186,520	26	112,140	4	13,125	3	11,000	44	199,645	29	123,140	52
7. Other food products	1	20,000	—	—	—	—	—	—	1	20,000	—	—	—
8. Tobacco/Beedi	4	20,385	3	16,200	—	—	—	—	4	20,385	3	16,200	10
9. Handlooms	15	68,550	12	57,050	8	37,500	6	27,500	23	106,050	18	84,550	41
10. Sewing	55	266,515	38	169,415	5	30,000	4	25,000	60	296,515	42	194,415	72
11. Other textile products	20	98,070	10	40,370	1	10,000	1	10,000	21	108,070	11	50,370	24
12. Carpentry	30	128,070	14	61,720	2	10,500	2	10,500	32	138,570	16	72,220	23
13. Paper products	3	14,490	2	9,090	—	—	—	—	3	14,490	2	9,090	3
14. Non-metallic minerals	89	357,945	55	228,825	5	18,575	—	—	94	376,520	55	228,825	152
15. Metal crushing	10	41,640	6	26,000	2	5,471	2	5,250	12	47,111	8	31,250	20
16. Metal products	10	46,200	9	41,200	—	—	—	—	10	46,200	9	41,200	26
17. Coir products	38	108,380	27	75,020	12	31,210	8	18,415	50	139,590	35	93,435	42
18. Repairs & maintenance	40	201,725	23	112,995	1	5,000	1	5,000	41	206,725	24	117,995	35
19. Other	38	204,730	23	120,130	7	38,170	4	20,520	45	242,900	27	140,650	40
20. Farm equipment	66	2,137,980	65	2,102,980	4	14,300	4	14,300	70	2,152,280	69	2,117,280	70
21. Chemicals	6	24,800	5	20,800	—	—	—	—	6	24,800	5	20,800	5
22. Trade & Commerce	19	95,200	13	58,900	—	—	—	—	19	95,200	13	58,900	14
<b>Total</b>	<b>648</b>	<b>4,867,465</b>	<b>416</b>	<b>3,724,770</b>	<b>87</b>	<b>340,851</b>	<b>66</b>	<b>249,285</b>	<b>735</b>	<b>5,208,316</b>	<b>48</b>	<b>3,974,055</b>	<b>750</b>

Source: Central Bank of Ceylon.

TABLE 2. 10

**Recovery of Loans Under the Self—Employment and Village  
Adoption Schemes of the Regional Office, Matara as at end of December 1984**

Sector	Loan amount released  (Rs)	Capital Repayments		
		Scheduled  (Rs)	Amount repaid (Rs)	Amount overdue (Rs)
<b>Agriculture</b>				
1. Agriculture ..	30,700	8,736	6,996	1,740
2. Dairy farming ..	54,300	24,290	15,820	8,470
3. Poultry farming ..	180,700	87,705	63,421	24,284
4. Goat farming ..	20,500	3,000	2,310	690
5. Fisheries ..	13,000	5,570	2,300	3,270
<b>Industries &amp; Services</b>				
6. Bakery & Confectionery ..	79,900	31,256	19,495	11,761
7. Other food products ..	—	—	—	—
8. Tobacco/Beedi ..	16,200	14,332	5,228	9,104
9. Handlooms ..	54,200	19,819	16,656	3,163
10. Sewing ..	136,840	72,320	56,732	15,588
11. Other textile products ..	32,360	26,757	20,757	6,000
12. Carpentry ..	37,770	25,089	18,233	6,856
13. Paper products ..	4,090	3,990	3,876	114
14. Non-metallic minerals ..	103,960	89,141	68,449	20,692
15. Metal crushing ..	17,000	10,135	9,395	740
16. Metal Products ..	32,300	20,385	17,985	2,400
17. Coir products ..	70,445	39,957	33,008	6,949
18. Repair & maintenance ..	73,232	41,113	27,256	13,857
19. Others ..	95,430	42,887	32,464	10,423
20. Farm equipment ..	1,912,450	411,063	388,767	22,296
21. Chemicals ..	20,800	13,285	9,355	3,930
22. Trade & Commerce ..	52,900	18,559	15,410	3,149
<b>Total ..</b>	<b>3,039,077</b>	<b>1,009,389</b>	<b>833,913</b>	<b>175,476</b>

Source : Central Bank of Ceylon.

The Central Bank Refinance Credit Schemes to promote fertilizer use in the plantation sector were a boon to the small holders in the region, though several constraints such as tenurial problems, licensing and registration procedures, coupled with formalities in bank lending hampered the fuller utilisation of resources allocated under these schemes. However, the funds disbursed by banks under the Tea Fertilizer Refinance Loan Scheme amounted to Rs. 1,088,924 (in respect of Galle and Matara Districts) while in the case of coconut fertilizer (in Matara and Hambantota Districts) they amounted to Rs. 766,010.

A significant feature of these refinance credit operations has been the relatively high rate of loan recovery owing to close supervision of individual projects and credit programmes. The overall rate of recovery in respect of all refinance credit operations has been estimated at 85 per cent.

Table 2.9 shows the combined loan recovery position with respect to Self-Employment and Village Adoption Schemes which recorded about 83 per cent recovery of loans. Loans under other schemes, such as paddy and dry-farming, not shown in tables separately, have recorded almost over 90 per cent loan recoveries in each category.

The Matara Regional Office lent its support to government and non-government agencies and institutions in promoting development banking in the region. This office took part in 30 seminars conducted by various organisations, arranged an equal number of village level discussions with farmers and other beneficiaries and conducted farm management and leadership training workshops at village level.

A unit has been formed to co-ordinate the island-wide data collection activities of the Central Bank by undertaking the supervision of the work of data collectors at 13 centres ranging from Galle to Bibile. A unit to assist in the follow up of projects financed under the Small and Medium Scale Industries Loan Scheme functioned during the year. A total of 35 industrial units in Matara and Hambantota districts come under the purview of this office.

The Matara Regional Clearing House cleared a total of 135,984 cheques, to the value of Rs. 868 million during 1984.

#### **REGIONAL OFFICE — ANURADHAPURA**

The Anuradhapura Regional Office continued to pursue the goal of fostering economic growth, particularly of low income groups in the region through bank credit during 1984, the third year of its operation. The implementation of the Special Development Lending Scheme (SDLS) launched during the inaugural year received the highest priority in order to ensure meaningful and effective participation of commercial banks in this scheme.

Despite excessive rains and floods in the first quarter of the year which affected cultivation in the area and necessitated programmes for rehabilitation and re-scheduling of some of the loans, and the deterioration in the security situation which resulted in curtailment of banking activities in the northern region, the overall performance of the lending programme was satisfactory. Bankers continued to finance more projects identified by the Regional Office with a clear vision of the Central Bank's objectives and the projects in operation recorded encouraging results in the sphere of income, employment generation and loan repayments.

A total number of 954 projects were identified under the SDLS and 237 projects were in operation. The Regional Office has so far been able to reach more than 100 selected villages in the Anuradhapura district and enlighten approximately 25,000 to 30,000 persons on the opportunities available to them through banks and the advantages of cultivating sound banking habits. The impact of the campaign which is conducted on an on-going basis is clearly evident from the increase in the number of persons seeking assistance from the scheme.

The Regional Office has also strengthened its links with other institutions and agencies such as the Departments of Agriculture and Animal Husbandry and Health, the district administration and grassroot level officials with a view to ensuring a steady progress of the SDLS. In order to enhance the operational efficiency of the scheme, an attempt was made to identify borrowers in selected compact areas. Several operational policy revisions too were effected in an effort to respond more effectively to the changing needs. The scale of finances for small scale industrial and livestock projects has been increased to Rs. 25,000 and Rs. 10,000 respectively. Coverage has been widened with the inclusion of two-wheel tractors, agricultural implements and finances for land preparation.

During the year, 317 projects were identified, of which 103 projects were approved by banks. These included agriculture and livestock projects which accounted for 75 per cent of the identified projects. In agriculture the use of dug wells for irrigation was encouraged. During the year a total of Rs. 1.8 million was committed by banks for project financing and Rs. 1.4 million was disbursed.

Taking into consideration the loss of employment opportunities as a result of flood affected projects, it is estimated that 204 have stabilised in their employment, while 89 persons have found new employment opportunities from the projects in operation. In regard to employment creation, small scale industrial projects have shown a higher potential than the agricultural projects though the comparative income generating capacity of the agricultural projects is somewhat higher. The aggregate gross income generated by projects in operation is estimated to be Rs. 7 million during the year under review. Timely provision of advice, guidance and credit and training in intensive cultivation techniques to the borrowers were the main contributory factors for the success of most of the agricultural projects.

As at end December, 1984, 199 projects were due for repayment of loans. A total of 14 borrowers repaid their loans in full. A drop in the rate of repayment in 1984 is observed as compared with the rate of 86 per cent in 1983. However, the rate of repayment still remains around 70 per cent. Destruction caused to some of the projects during early part of the year resulted in the decline of repayment and a few cases of wilful defaults too have been observed. Rehabilitation programmes and re-scheduling of loans of the damaged projects have been arranged and legal action has been contemplated against the wilful defaulters.

A programme of integrated development of villages was effectively carried out at Galahitiyagama in the Horowpothana AGA Division covering areas of agricultural development, health and education. The villagers were encouraged to adopt advanced technology in their cultivation methods, with the help of special training programmes, field visits and demonstrations. This exercise has proved to be satisfactory with the villagers reaping an extremely successful harvest despite flood damage. Aspects of education and health improvement particularly amongst children were also taken care of. The overall impact of the programme is clearly demonstrable as five more adjacent villages have sought bank assistance.

**Progress on Projects Under Village Adoption and  
Anuradhapura - as at**

Category	Projects forwarded to Banks		Projects Approved by Banks	
	Units	Value	Units	Value
<b>1. Agriculture with Lift Irrigation facilities</b>				
1.1 Dug wells with pump sets ..	288	2,529.8	87	765.6
1.2 Banana cultivation ..	3	13.3	1	3.5
1.3 Windmills ..	29	401.2	1	22.5
1.4 Two wheel tractors ..	2	80.0	—	—
<b>2. Livestock</b>				
2.1 Poultry farming ..	77	474.2	29	173.0
2.2 Dairy farming ..	138	800.7	24	128.1
2.3 Goat breeding ..	149	602.3	43	160.5
2.4 Piggery ..	78	248.1	22	79.5
<b>3. Industry</b>				
3.1 Concrete works ..	2	8.6	—	—
3.2 Brick manufacture ..	11	46.3	5	22.8
3.3 Bakery & Confectionery ..	39	223.3	21	102.4
3.4 Blacksmithy, Tinkering & Welding works ..	13	90.8	5	67.6
3.4 Carpentry & Wood carving ..	15	106.0	10	72.4
3.5 Beedi & Cigar manufacture ..	4	19.9	3	13.9
3.6 Garments & Batik ..	21	144.2	8	55.5
3.7 Coir products ..	7	27.3	4	14.8
3.8 Manufacture of Stationery & Soap ..	3	20.3	1	5.5
3.9 Preparation of Ayurvedic drugs ..	2	9.0	1	3.0
3.10 Leather products ..	2	21.0	—	—
3.11 Clay Industry ..	11	65.5	1	10.0
3.13 Battery acid production ..	1	45.0	—	—
3.13 Aquarium ..	1	10.0	—	—
<b>4. Services</b>				
4.1 Trading & packing of household ingredients & provisions ..	15	59.5	4	11.0
4.2 Bicycle repair units ..	25	162.0	0	47.5
4.3 Photography ..	2	15.0	1	8.5
4.4 Hair dressing ..	7	24.9	4	14.8
4.5 Electrical works ..	2	26.0	1	16.0
4.6 Battery charging units ..	2	16.4	2	16.4
4.7 Transport services ..	1	2.0	—	—
4.8 Prep. of sign boards ..	1	5.0	1	5.0
4.9 Radio repairing units ..	3	15.5	—	—
<b>TOTAL ..</b>	<b>954</b>	<b>6,313.1</b>	<b>289</b>	<b>1,819.8</b>

TABLE 2.11

Self - Employment Schemes of the Regional Office,  
end December, 1984

Value in Rs. Thousand

Projects Financed by Banks				Repayments				Esti- mated income generated (monthly)	Employ- ment	Paid up Units
Units	Bank Loan	Borro- wer's Contri- bution	Total	Units fallen due for repay- ment	Total amount due as at end De- cember 1984	Total amount repaid as at end De- cember 1984	Total amount over due			
76	656.3	151.7	808.0	65	105.8	73.7	32.2	228.0	112	4
1	3.5	.5	4.0	—	—	—	—	0.8	1	—
1	22.5	2.5	25.0	1	1.4	1.4	—	3.0	4	—
—	—	—	—	—	—	—	—	—	—	—
22	125.5	41.0	166.5	22	32.7	24.1	8.6	8.0	7	—
12	61.2	9.9	71.1	6	5.3	4.3	1.0	10.1	12	—
35	123.0	17.1	140.1	24	23.4	18.1	5.3	24.0	35	2
17	59.8	19.5	79.2	16	16.5	9.9	6.6	10.0	10	1
—	—	—	—	—	—	—	—	—	—	—
3	14.5	3.5	18.0	3	8.8	2.8	6.0	2.0	2	—
18	84.4	40.1	124.5	18	58.4	42.7	15.7	180.0	30	—
4	35.6	8.4	44.0	2	2.0	2.0	—	10.0	4	2
9	65.1	19.5	84.7	8	25.1	20.8	4.2	20.0	8	—
3	13.9	2.7	16.6	3	8.5	7.6	0.9	18.0	12	—
8	55.5	23.4	79.0	5	9.7	8.9	0.8	30.0	20	3
4	14.8	2.3	17.1	4	7.5	4.2	3.4	5.0	4	—
1	5.5	1.2	6.7	1	5.3	3.4	1.8	2.0	1	—
1	3.0	1.0	4.0	1	1.9	1.9	—	2.8	2	—
—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—
3	8.0	1.4	9.4	2	4.9	1.3	3.6	6.0	3	1
10	47.5	20.5	68.0	10	13.6	12.0	1.6	23.6	12	—
1	8.5	5.0	13.5	1	5.2	5.3	—	3.0	1	—
4	14.9	3.3	18.1	4	4.8	3.1	1.7	4.5	7	—
1	16.0	8.0	24.0	1	1.3	1.3	—	12.4	3	—
2	16.4	5.0	21.4	1	2.5	2.5	—	2.1	1	1
—	—	—	—	—	—	—	—	—	—	—
1	5.0	0.6	5.6	01	1.1	1.1	—	4.0	2	—
—	—	—	—	—	—	—	—	—	—	—
237	1,460.4	388.1	1,848.5	199	345.7	252.4	93.4	609.3	293	14

Source : Central Bank of Ceylon.

In 1984, the Regional Office conducted 16 training programmes, covering crop cultivation and livestock development. While lectures provided the theoretical background for intensive cultivation, field visits and the demonstrations provided the participants with a practical knowledge of land preparation, the economic use of well water, safe handling of water pumps, preparation of nurseries and the use of fertilizer and pesticides etc. Approximately, 1,600 persons have so far benefited from these programmes and expertise from the Departments of Agriculture, Animal Husbandry and Health was utilized in conducting training. Training programmes conducted by other agencies such as the Ministry of Youth Affairs and Employment and the Industrial Development Board were also used by the Regional Office to provide a detailed knowledge of project management and accounting procedures to the village investors.

The Regional Office endeavoured to promote an efficient credit delivery system, strengthen the implementation and institutional capacity and ensure regular contact and exchange of views between the Regional Office and others engaged in development work. For this purpose, several seminars, workshops and discussions for bank officials, managers of the Agricultural Development Authority, Chairmen of Gramodaya Mandala, other grassroot level officials were conducted during the year under review.

The Regional Office continued to assist and supervise the Islandwide Data Collection Programme of the Central Bank. Inspection of projects under the SMI Scheme was extended to cover a larger number of projects. During the year under review 25 such projects were examined. Data on 'tiny sector' industrial projects were continuously collected. A report on the progress and performance of 'tiny sector' industrial projects is being prepared.

A survey was conducted to review the performance of the "Health Month" conducted during the month of September 1984 by the health inspectors of the district, co-ordinated by the district administration. A report based on the findings was submitted to the District Authorities.

The Regional Office Clearing House cleared cheques to the value of Rs. 148.5 million.

#### **CUSTOMER SERVICE**

The Committee on Customer Services in Banking which comprises senior officials of the Central Bank, commercial banks and certain development oriented ministries and government institutions was established in mid-1981. It has been functioning with the main objective of improving commercial banks' services to customers. During the year 1984 the Committee caused an Index of Circulars/Operating Instructions issued by the Exchange Control and Banking Departments of the Central Bank during the period 1977-1983 to be compiled. This was done mainly with a view to assisting the new banks that set up operations in Sri Lanka in recent times. The Committee also finalised arrangements to conduct a Survey on Customer Services in Banking and questionnaires are expected to be despatched to a random sample of 10,000 customers in early 1985.

## PUBLICATIONS

The Annual Report of the Central Bank for the year 1983 was presented to the Honourable Minister of Finance and Planning in terms of Section 35 of the Monetary Law Act. The Review of the Economy, 1983 was also published later in the year, while the monthly bulletin was published regularly. A brief review of the economy in the first half of 1984 was published during the year, under the title "Economic Performance in the first half of 1984".

During the year, Part I of the Report of the Consumer Finance and Socio-Economic Survey 1981/1982 and Part II of the Report of the Consumer Finance and Socio-Economic Survey 1978/1979 containing detailed statistical tables, were published. Price and Wage Statistics—1983, containing data collected under the country wide data collecting system was released during the year. The Socio-Economic Data Folder for 1984, containing basic data for the year was also issued. A report on Business Activities and Private Investment covering the period 1982/1983 to 1985/1986 was also published.

The 'Credit Bulletin' No. 4, containing information on agricultural credit and the Sinhala version of the "Guide to Banking in Sri Lanka" were published in 1983. The latter publication was reprinted to meet the heavy demand.

Occasional paper No.7 on 'Tea Production in Sri Lanka-Future Outlook and Mechanisms for Enhancing Sectoral Performance' by Dr. R. Dias Bandaranaike, and No. 8 on 'Rural Savings Mobilization' by Dr. Nimal Sanderatna were also published.

The News Survey and the Sinhala version 'Satahana' continued to be published and both publications appeared to be popular with the reading public judging from the increase in its demand.

The Central Bank continued to compile all data pertaining to agriculture, rural development and credit and this data were released in the form of a half yearly bulletin in 1984. The Bank continued to publish the quarterly magazine of 'Geminaya Thorathuru' which was started in 1983 and the bulletin on Retail Prices of Agricultural Inputs.

## SEMINARS

In August 1984 the Bank organized the Senior Executive Study/Tour Programme of the Asian & Pacific Regional Agricultural Credit Association and German Foundation for International Development (APRACA/DSE) for 21 delegates from countries of the region. The People's Bank and the Bank of Ceylon assisted the Bank in the organization and financing. The Study/Tour consisted of a Conference in Colombo and visits to various projects assisted by the People's Bank, the Bank of Ceylon and the Regional Offices of the Central Bank in various parts of the country over a period of 8 days.

The Central Bank hosted the Eighth Seacen Training Course on "Inspection and Supervision of Financial Institutions" organised by the South East Asian Central Banks (SEACEN) Research and Training Centre from July 23—August 24, 1984. The course designed for officers in central banks and monetary authorities who are directly involved in the regulation of commercial banks and other financial institutions included participants from the Bank Indonesia, the Bank Negara Malaysia, the Nepal Rastra Bank, the Monetary Authority of Singapore, the Bank of Thailand and the Central Bank of Ceylon.

## **SURVEYS**

Analytical work on a study undertaken in association with the World Bank on "The Evolution of Living Standards and Policy in Sri Lanka since 1970" was in progress during the year under review. The study is aimed at analysing trends in living standards of Sri Lanka over the past decade in the context of the policy initiatives by the Government.

In February, the Bank conducted a follow-up study on the report of the Task Force, which surveyed the damage to commercial and industrial establishments, to assess the progress of the rehabilitation and reconstruction of industries and other commercial establishments, which were affected by the July, 1983 disturbances.

An evaluation study of one of the credit schemes under the Medium and Long Term Credit Fund, i.e. Loan Scheme for Purchase of Two-wheel Tractors under the Matale District Integrated Rural Development Project was also conducted.

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

## **TRAINING**

During the year, the Central Bank continued its programme of academic and practical training for Bank officers. Academic courses were confined to post-graduate studies mainly in economics and statistics. Practical training in the form of short-term courses, seminars, study tours etc., covered the areas related to Rural Development, Agricultural and Industrial Credit, Banking, Economics and Computer Studies. Training was undertaken both locally and abroad.

Several training courses were conducted at the Bank's Rural Banking & Staff Training College and, therefore, the need to send Central Bank officers for training at other local training centres was very much reduced. A total of 90 officers followed training courses at the Training College. Some of the other institutions where officers participated in training courses and seminars were the Sri Lanka Institute of Development Administration, the National Institute of Business Management, the Institute of Business Management etc.

The in-service training programme for Central Bank officers at the Bank of Ceylon and People's Bank continued during this period. A total of 33 officers both in the Staff and Non-staff grades underwent this training during 1984.

## PERSONNEL

The Governor, Dr. W. Rasaputra, attended the following Conferences and Meetings during the year 1984.

- (a) Nineteenth Conference of the South East Asian Central Banks (SEACEN) Governors held in Rangoon, Burma
- (b) Twelfth Meeting of the Board of Governors of the Asian Clearing Union held in Pakistan
- (c) Meetings of the Group of 24, the Interim Committee of the International Monetary Fund and the Development Committee held in Washington U.S.A.
- (d) Conference of the Commonwealth Central Bank Governors held in London and discussions on the rationalisation of interest rates with Bank of Greece held in Athens, Greece
- (e) Meeting of the Group of 24 and the Interim Committee and the Annual Meetings of the International Monetary Fund and the International Bank for Reconstruction and Development held in Washington, U.S.A.
- (f) Conference on 'Economic Integration and Debt' held in Buenos Aires Argentina

Mr. N. G. P. Panditharatna resigned from the Monetary Board with effect from 1st December, 1984.

Mr. D. S. Jayasundera was appointed as a Member of the Monetary Board with effect from 1st December, 1984.

Mr. C. P. Channugam, 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.

Mr. B. Mahadeva, as Acting Secretary, Ministry of Finance and Planning attended a Meeting of the Monetary Board in the absence of the Secretary to the Ministry of Finance and Planning and the Deputy Secretary to the Treasury.

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

Mr. T. G. Punchiappuhamy, 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 period of absence from Sri Lanka of both the Governor and the Senior Deputy Governor, Mr. D. L. Kannangara, in the month of September.

### Appointments

Mr. D. L. Kannangara, Deputy Governor was designated Senior Deputy Governor with effect from 2nd August, 1984.

Mr. T. G. Punchiappuhamy, Executive Director, was appointed as a Deputy Governor with effect from 1st August, 1984.

Mr. S. W. P. Amarasuriya, Adviser, Banking Development and Training was promoted to Staff Class Special Grade and designated an Executive Director with effect from 1st March, 1984.

Mr. U. A. de Silva, Chief Accountant was promoted to Staff Class Special Grade with effect from 6th November, 1984. He was appointed an Executive Director with effect from 9th November, 1984.

Dr. S. T. G. Fernando, who is on release to the Ministry of Finance and Planning to function as Chairman, Peoples' Bank was promoted to Staff Class Special Grade with effect from 6th November, 1984.

Mr. R. M. Tennakoon was appointed Adviser, Banking Development and Training with effect from 1st March, 1984. He was appointed Director of Bank Supervision with effect from 5th September, 1984, in addition to his duties as Adviser, Banking Development and Training. He was promoted to Staff Class Special Grade with effect from 6th November, 1984 and appointed Superintendent of Currency with effect from 9th November, 1984.

Mr. N. A. Dharmabandu who was on release to the I.M.F. for an assignment with the Solomon Islands Monetary Authority, reverted to the Central Bank's service with effect from 26th March, 1984 and was appointed Acting Additional Chief Accountant. He was appointed Chief Accountant with effect from 9th November, 1984.

Mr. P. M. Nagahawatte, Director of Premises was appointed Additional Chief Accountant with effect from 13th January, 1984, in addition to his duties as Director of Premises.

Mr. D. A. P. Weerawardena, Additional Controller of Exchange was appointed Controller of Exchange with effect from 2nd May, 1984.

Dr. G. M. Abayaratna, Director, Rural Banking and Staff Training College, was appointed Director of Economic Research with effect from 2nd May, 1984.

Dr. M. U. A. Tennakoon, who was on release to the Mahaweli Authority of Sri Lanka, reverted to the Central Bank's service on 23rd February, 1984. He was promoted to Staff Class Grade IV and appointed Acting Additional Director, Rural Credit with effect from 1st March, 1984. He was appointed Acting Director, Rural Banking and Staff Training College with effect from 2nd May, 1984.

Dr. N. E. H. Sandaratne, was promoted to Staff Class Grade IV and appointed Acting Director of Statistics with effect from 1st March, 1984.

Dr. W. Hettiarachchi, who was on release to the I.M.F. for an assignment with the Royal Monetary Authority, Bhutan, reverted to the Central Bank's service with

effect from 22nd August, 1984. He was promoted to Staff Class Grade IV and appointed as Acting Adviser, Banking Development and Training with effect from 9th November, 1984.

Mr. E. Balasingam, who was on release to the I.M.F. for an assignment with the Bank of Sierra Leone reverted to the Central Bank's service with effect from 17th September, 1984. He was promoted to Staff Class Grade IV and appointed as Acting Director of Bank Supervision with effect from 9th November, 1984.

**Officers on release (as at 31st December, 1984)**

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

Mr. A. S. Jayawardena, Executive Director, to the I.M.F. as Alternate Executive Director for Bangladesh, Bhutan, India and Sri Lanka.

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

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

Mr. S. Easparathan, to the Ministry of Finance and Planning to function as Director, External Debt Monitoring and Management Unit, Department of External Resources.

Dr. L. E. N. Fernando, to the Ministry of Finance and Planning to function as Chairman, Bank of Ceylon.

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, Dr. G. Abeysekera, Dr. I. Coomaraswamy and Messrs M. B. Dissanayake, G. A. V. Fonseka, and E. A. P. N. Dias to the Ministry of Finance and Planning.

**Retirements**

Mr. V. S. Subramaniam, Executive Director retired from the Central Bank's service with effect from 24th June, 1984.

Mr. S. Ponniah, Director of Bank Supervision retired from the Central Bank's service with effect from 5th September, 1984.

**Death**

Mr. C. D. Wimalasuriya, Acting Superintendent/Currency expired on 15th August, 1984.