

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 December 31, 1987 and the Profit and Loss Account for the year ended December 31, 1987 are shown in Table 2.1.

At the end of 1987, the total assets/liabilities of the Central Bank stood at Rs. 45,444.2 million registering an increase of 5.3 per cent over their level last year. The increase in assets resulted from a rise in Domestic Assets (6.0 per cent) and an increase in Other Assets and Accounts (23.5 per cent). Within Domestic Assets, significant increases were recorded in Loans and Advances to Government (13.9 per cent) and Medium and Long-term Loans (34.4 per cent). Short-term loans and Government and Government Guaranteed Securities increased by 3.6 per cent and 3.3 per cent, respectively. The International Reserve of the Bank decreased by 7.4 per cent.

During the year, the liabilities of the Bank rose mainly on account of borrowings abroad which stood at Rs. 1,801.7 million as at end of 1987, as compared with a nil balance as at end of 1986. The other increases in the liabilities of the Bank were Currency in Circulation (17.1 per cent), Medium and Long-term Credit Fund (24.4 per cent), Capital Contribution Account (25.0 per cent) and Other Liabilities and Accounts (17.5 per cent). These increases were partly off set by a considerable decrease in the holdings of Central Bank Securities (99.2 per cent) and of Deposits (23.1 per cent).

The income of the Bank for the year 1987 at Rs. 4,057.2 million showed an increase of 10.0 per cent over the previous year. After making allowances for expenditure and allocation to Reserve Accounts and provision for depreciation, the net profit of the Central Bank amounted to Rs. 1,651.0 million. A sum of Rs. 1.0 million is to be transferred to the surplus of the Bank in terms of Section 39(b) of the Monetary Law Act. The balance amounting to Rs. 1,650.0 million is earmarked to be paid to the Government in terms of Section 39(c) of the Monetary Law Act to be utilised for part liquidation of outstanding Government obligations to the Central Bank.

Foreign Exchange Operations

The Central Bank continued to determine the daily spot buying and selling rates of the US Dollar against the Sri Lanka Rupee for its transactions with the commercial banks. The spread between the spot buying and selling rates for the US Dollar was widened from Rs. 1.50 to Rs. 3.00 per US Dollars 100.00 with effect from March 09, 1987. At the same time, the Bank discontinued the spot sales of US Dollars to commercial banks. As at the end of December, 1987, the spot buying and selling rates per US Dollar were Rs. 30.7475 and Rs. 30.7775, respectively.

The Bank continued to intervene in the market by selling US Dollars forward in order to maintain stability in the forward exchange rates. The period of such cover was up to 3 months.

THE CENTRAL BANK

Balance Sheet as at

| 31st December 1986 | | LIABILITIES | 31st December 1987 | |
|--------------------|----------------|---|--------------------|----------------|
| Rs. | Rs. | | Rs. | Rs. |
| 15,000,000 | | Capital Accounts | | |
| 80,000,000 | 95,000,000 | Capital ... | 15,000,000 | |
| | | Surplus ... | 81,000,000 | 96,000,000 |
| | | Currency in Circulation | | |
| 12,229,000,668 | | Notes ... | 14,373,290,993 | |
| 634,241,496 | 12,863,242,164 | Coins ... | 689,812,604 | 15,063,103,597 |
| | | Deposits | | |
| 1,710,810,540 | | Government ... | 1,553,255,643 | |
| 122,732,153 | | Government Agencies and Institutions ... | 163,115,650 | |
| 5,045,339,209 | | Commercial Banks ... | 4,046,916,751 | |
| | | International Organisations Foreign Government and Foreign Banking Institutions ... | 581,503,815 | |
| 2,463,197,152 | | Compulsory Savings Fund excluding Rs. 177,613,005/- invested in Treasury Bills ... | 91,413 | |
| 103,942 | | Others ... | 1,354,268,631 | 7,699,151,903 |
| 664,531,455 | 10,006,714,451 | | | |
| | Nil | Borrowings Abroad ... | | 1,801,653,900 |
| | 1,025,000,000 | Medium and Long Term Credit ... | | 1,275,000,000 |
| | 160,000,000 | Capital Contribution Accounts ... | | 200,000,000 |
| | 2,603,633,000 | Central Bank Securities ... | | 19,575,000 |
| | 16,410,354,180 | Other Liabilities and Accounts ... | | 19,289,714,583 |
| | 43,163,943,795 | | | 45,444,198,983 |

Profit and Loss Account

| 1986 | | | 1987 | |
|---------------|---------------|---|---------------|---------------|
| Rs. | Rs. | | Rs. | Rs. |
| | 1,729,274,810 | To General Charges (including Salaries Expenditure on Currency Notes and Coins and Depreciation on Land and Buildings and Office Furniture) and Allocations made in terms of Section 38 of the Monetary Law Act ... | | 2,342,506,824 |
| | | Net Profit for the Year ended 31st December 1987 | | |
| 236,255,802 | | To Monetary Adjustment Account in Liquidation of Balance in terms of Section 39(a) of the Monetary Law Act ... | 63,627,154 | |
| 1,000,000 | | Carried to Surplus in terms of Section 39(b) of the Monetary Law Act ... | 1,000,000 | |
| 1,723,000,000 | 1,960,255,802 | To Part Liquidate Outstanding Government Obligations to the Central Bank in terms of Section 39(c) of the Monetary Law Act ... | 1,650,000,000 | 1,714,627,154 |
| | 3,689,530,612 | | | 4,057,133,978 |

The accounts of the Central Bank of Sri Lanka for the year ended 31st December 1987 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 Department,

Colombo 7,

20th April, 1988.

S. M. SABRY
Acting Auditor-General

OF SRI LANKA

31st December, 1987

TABLE 2.1

| 31st December 1986 | | ASSETS | 31st December 1987 | |
|--------------------|---------------------------|--|--------------------|---------------|
| Rs. | Rs. | | Rs. | Rs. |
| 4,728,955,695 | 9,539,429,972 | International Reserve | 3,204,821,056 | 8,838,165,663 |
| 4,810,389,476 | | Cash and Balances Abroad | | |
| 84,801 | | *Foreign Securities and Treasury Bills ... | | |
| | | Holdings of Special Drawing Rights ... | 3,398,272 | |
| 4,625,461,262 | | Domestic Assets | 5,268,673,355 | |
| 748,540,277 | | Loans and Advances to Government ... | | |
| 2,403,793,574 | | To Others —Medium and Long Term | 1,005,873,320 | |
| | | —Short Term | 2,490,282,769 | |
| 20,220,560,536 | | Government and Government Guaranteed Securities ... | 20,888,161,290 | |
| 160,000,000 | | Contributions to Financial and Other Institutions ... | 200,000,000 | |
| | Other Assets and Accounts | | 6,753,042,586 | |
| | | *Includes securities acquired from Government Institutions 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) | | |
| | 43,163,943,795 | | 45,444,198,983 | |

for the Year ended 31st December, 1987

| 1986 | | | 1987 | |
|------|---------------|--------------------------|------|---------------|
| Rs. | Rs. | | Rs. | Rs. |
| | 3,689,530,612 | By Interest, etc. Earned | | 4,057,133,978 |
| | 3,689,530,612 | | | 4,057,133,978 |

WARNASENA RASAPUTRAM

Governor

22nd March, 1988.

N. A. DHARMABANDU

Chief Accountant

Asian Clearing Union

The total value of transactions routed through the Asian Clearing Union Facility during the year 1987 amounted to Rs. 7,252.5 million as compared with the total for the previous year which amounted to Rs. 7,907.6 million. The net payments for the year under review amounted to Rs. 576.6 million as against a net payment of Rs. 925.6 million in 1986.

Sales and purchases of currencies both spot and forward up to six months continued. The currencies involved were Bangladesh Takas, Burmese Kyats, Indian Rupees, Iranian Riyals, Nepalese Rupees and Pakistani Rupees.

Short-term Credit

The Central Bank's rate of interest (Bank rate) on short-term advances to commercial banks secured by the pledge of Government and Government Guaranteed Securities and against the pledge of Usance Promissory Notes relating to commercial and production loans was reduced from 11 per cent to 10 per cent per annum as from August 7, 1987.

The Central Bank's accommodation to commercial banks under refinance schemes for exports continued to be in operation throughout the year. The period of refinance for exports that fall under Category I and Category II remained at 90 days. However, extensions by a further 30 day period was provided on a case by case basis upto a total of 120 days for both categories.

The rate of interest in respect of refinance for exports under Category I remained at 11 per cent per annum with an on-lending rate of 14 per cent per annum; for Category II exports, the corresponding rates applicable were 6 and 9.8 per cent per annum, as in the last year. During the year, the global limit of refinance to commercial banks remained at Rs. 1,663.4 million for exports under Category I of the Export Credit Refinance Facility. The Central Bank continued to refund 4 percentage points per annum of the interest charged on the refinance loans granted, to be passed on to the customers when the sale proceeds of the related exports are received in Sri Lanka within stipulated time limits. However, this rebate was applicable only for the initial period of 90 days for both categories.

The rate of interest on Central Bank advances 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 remain at 1.5 per cent per annum. These advances were disbursed under the New Comprehensive Rural Credit Scheme. The Central Bank also continued to guarantee loans disbursed by commercial banks under the New Comprehensive Rural Credit Scheme. 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.

Medium and Long-term Credit

During the year 1987, the Central Bank continued to operate the Scheme of Refinance under Medium and Long-term Credit Fund. The Bank continued to refinance the capitalisation of overdue interest and loan instalments of the tourist industry and also granted interest free loans to the lending banks under the Rescheduling Scheme for Fisheries Sector Bank Rehabilitation Loans and loans granted for cultivation of Chinese Ginger. The balance in the Medium and Long-term Credit Fund increased from Rs. 1,025.0 million as at end of 1986 to Rs. 1,275.0 million as at end of December, 1987. The amount of loans granted to credit institutions under the scheme and outstanding as at December 31, 1987 was Rs. 1,005.9 million. The rates of interest applicable to refinance loans granted under the above Scheme remained unchanged as follows :

TABLE 2.2

Rates of Interest on Medium and Long-term Refinance Loans

| Category | Extent of Refinance (per cent of total loan) | Period of loan (Yrs.) | Rate of Interest on Refinance (%) | | Margin permitted to the Credit Institution (%) | |
|----------|--|-----------------------|--|--|--|--|
| | | | A | B | A | B |
| | | | Total cost of the project Rs. 5 Mn. and below | Total cost of the project above Rs. 5 Mn. | Total cost of the project Rs. 5 Mn. and below | Total cost of the project above Rs. 5 Mn. |
| I | 100 | 3-15 | 8 1/2 | 8 1/2 | 4 | 4 |
| II | 70 | 3-15 | 7 | 8 | 2 | 2 |
| III | 60 | 3-15 | 8 | 8 | 4 | 4 |
| IV | 60 | 3-15 | 10 | 10 | 4 | 4 |

Source : Central Bank of Sri Lanka.

The Credit Guarantee Scheme for medium and long-term loans which came into operation with effect from March 16, 1987, provides guarantees for loans disbursed under designated credit schemes of refinance under Category I of the Medium and Long-term Credit Scheme. In 1987, the "Credit Scheme for Dairy Development" and "Sri Lanka ADB Livestock Development Project Loan Scheme" were brought under the Guarantee Scheme.

Commercial Bank Credit

The credit ceilings imposed in 1984 continued to be in operation during 1987. In terms of these ceilings, the Central Bank requires all commercial banks to ensure that —

- (a) the total amount of advances granted for the importation of non-essential items does not exceed advances granted and outstanding as on March 23, 1984;
- (b) credit is not extended to single importers beyond the level outstanding as on March 23, 1984 in respect of non-essential imports; and
- (c) the total advances granted and outstanding to the private sector other than for exports, agriculture and industry do not exceed 5 per cent of the total amount of such advances granted and outstanding as on May 11, 1984.

Reserve Requirements

Reserve requirements against unused balances of overdrafts allowed were withdrawn with effect from June 5, 1987.

Effective from August 7, 1987, the ratios of statutory reserves of commercial banks were reduced from 18 per cent to 10 per cent against demand deposits and from 14 per cent to 10 per cent against time deposits not exceeding 90 days. The reserve ratios against time deposits exceeding 90 days, savings deposits and special deposits remained unchanged at 10 per cent.

Secondary Market Operations in Treasury Bills

The Central Bank continued its transactions in Treasury bills in the Secondary Market. The sales turnover of Treasury bills decreased from Rs. 74,295.1 million in 1986 to Rs. 48,808.4 million in 1987. The purchase turnover too decreased from Rs. 31,817.3 million to Rs. 24,255.5 million.

The interest rates in the Call Money Market during the year varied between 5.375 and 20 per cent per annum whereas the discount rates applicable to the Secondary Treasury Bill Market operation varied between 10.3 per cent and 11.0 per cent per annum.

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.

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 to contributors a sum of Rs. 3.3 million inclusive of interest.

Import Duty Rebate to Exporters

Following a government decision to speed up the payment of duty rebate claims of exporters, the Central Bank set up an Import Duty Rebate Division in the Banking Department in March, 1987. According to this Scheme, duty rebate claims of the exporters are settled by their bankers who in turn are reimbursed by the Central Bank on receipt of their claims. Under the Scheme, a total sum of Rs. 199.3 million was paid during 1987.

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 the end of December 1987 was 163.

CURRENCY ISSUE

The total currency in circulation as on December 31, 1987 stood at Rs. 15,063.1 million comprising Rs. 14,373.3 million in notes and Rs. 689.8 million in coins. This represents an increase of Rs. 2,199.9 million over the figure of Rs. 12,863.2 million at the end of the preceding year. When compared with the amounts which were in circulation as at December 31, 1986, currency notes in circulation as at December 31, 1987 was Rs. 2,144.3 million (18 per cent) higher, while coins in circulation was Rs. 55.6 million (9 per cent) higher.

A currency note in the denomination of Rs. 1000 with a new design depicting a vignette of the Victoria Dam on the front and the University of Ruhuna on the reverse, was issued into circulation during the second half of the year. As an additional anti-counterfeiting measure, a new security thread known as the 'stardust' thread has been incorporated in the two high denomination notes in place of the normal plastic security thread found on the other denominations. All notes issued by the Central Bank and bearing a date on and after January 1, 1987 carry the amended title of the Bank in English "Central Bank of Sri Lanka."

Bradbury Wilkinson Lanka (Private) Ltd., a joint venture security printing plant set up in collaboration with the Government of Sri Lanka, commenced its operations in May, 1987 and all future currency note requirements of the Bank will be printed locally.

A coin of Rs. 10 denomination was issued into circulation in April, 1987 in commemoration of the International Year of Shelter for the Homeless.

BANKING DEVELOPMENT

The strengthening of the indigenous banking sector was a major feature in the field of banking development in 1987. A noteworthy change in the composition of the commercial banking sector took place in 1987 with the emergence of two new indigenous private banks. Of these two new banks, the Investment and Credit Bank Ltd., which subsequently changed its name to Sampath Bank Ltd., commenced business in March, 1987, thereby increasing the number of locally incorporated commercial banks operating in the country to five and raising the number of private indigenous banks to three. In December 1987, permission was granted under Section 121(B) of the Monetary Law Act, for another locally incorporated private commercial bank to be established under the name Seylan Trust Bank Ltd. The total number of commercial banks operating in Sri Lanka as at end of 1987 amounted to 24 comprising 19 foreign banks and 5 local banks.

In the field of branch banking, a total of 5 bank branches were opened during the year 1987, of which three belonged to the two State Banks. The Bank of Ceylon opened a new branch at Galewela and upgraded its Rikillagaskade ASC branch to a main branch. The Oruwela branch of Bank of Ceylon was amalgamated with the Kaduweia branch and consequent on this, the Oruwela branch ceased to operate with effect from August 7, 1987. Accordingly, the number of main bank branches of the Bank of Ceylon which stood at 238 at the end of 1986 increased to 239 by the end of 1987. The People's Bank also opened a new branch at Ratnapura in January, 1987 bringing the total number of its branches to 298. The two branches established by the private local banks in 1987 consisted of the Head Office branch of the Sampath Bank Ltd., at Colombo 10, and the Hatton National Bank's branch at Kalutara. With these changes in respect of the establishment of new branches and the rationalization of existing branches the total number of main bank branches of commercial banks rose from 604 at the end of 1986 to 608 by the end of 1987.

During 1987, 4 new RRDBs were established in the districts of Kegalle, Puttalam, Galle and Kandy, bringing the total number of RRDBs to 9 as at the end of the year. The number of RRDB branches rose by 29 during the year under review. At the end of the year, there were 61 branches.

The National Savings Bank also contributed to the expansion of banking network in the country by opening two new branches during 1987 at Borella and Hakmana bringing the total number of its branches to 62 by the end of 1987.

The Central Bank continued to pursue its policy of modernisation of commercial banking services in Sri Lanka by finalising arrangements such as installation of the necessary equipments and recruitment of additional staff in regard to the Automated Cheque Clearing System to speed up clearing operations of cheques.

BANK SUPERVISION

Commercial Banks

Examinations of seven commercial banks which had commenced in 1986 were concluded in 1987. Examinations of eight commercial banks (including two RRDBs) were commenced in 1987 and of these, three were concluded. The examination period 1986/87 has been extended by one year up to 1988. The Bank continued to monitor the financial condition of commercial banks on the basis of monthly statements of assets and liabilities furnished by them. The profitability of commercial banks in 1986 was also analysed on the basis of returns furnished by them. The Bank also monitored on a semi-annual basis, the training provided by foreign banks operating in Sri Lanka to their employees.

A direction for the segregation of non-performing advances from regular advances and instructions against accrued interest on such advances being taken to profits was issued in 1987. This would facilitate more accurate monitoring of the financial condition and profitability of commercial banks.

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

A Deposit Insurance Scheme to cover commercial banks, RRDBs and Co-operative Rural Banks was inaugurated in 1987 by the Central Bank.

Finance Companies

The total number of finance companies registered with the Central Bank as at December 31, 1987 amounted to 71. During the year under review, five applications were received by the Bank for registration. However, only one company was registered, while the applications of two companies were turned down since these companies did not conform to the provisions of the Control of Finance Companies Act (CFCA) No. 27 of 1979.

Licences issued to two finance companies registered with the Central Bank were cancelled by the Bank since they were not carrying on business as defined in the CFCA. The Monetary Board approved the suspension of the business of six companies and subsequently, five of them were granted permission to resume business subject to specific terms and conditions. An application has been filed in the Courts for the liquidation of the remaining company. The Bank also took preliminary steps to institute legal action against the directors of certain finance companies for violation of directions given by the Monetary Board.

During the year under review, 42 finance companies were examined under Section 15(1) of the Act. The monthly statements of assets and liabilities and annual profit and loss accounts and balance sheets furnished by finance companies were analysed, paying particular attention to compliance by them of the directions given by the Monetary Board in respect of the required levels of liquid assets and capital funds.

In December 1987, the Bank issued directions to finance companies imposing restrictions on rates of interest and other charges. Under these directions, the maximum rate of interest payable on a deposit with a maturity period of not more than 12 months was fixed at 17 per cent per annum. For deposits with a maturity period exceeding 12 months, the maximum interest payable was limited to 18 per cent per annum. In terms of these directions, finance companies were also required to charge interest on all loans and advances on the reducing balance. Further, the directions required finance companies to disburse advances and loans without deducting any amount in respect of repayment of principal, interest or other charges.

In response to a decision made by the District Court of Colombo in February, 1987, the Bank took preliminary measures to liquidate the Sevana Finance and Investments Co. Ltd., which was found insolvent.

DEVELOPMENT FINANCE

During 1987, the Central Bank continued its activities relating to the promotion of medium and long-term finance for industry, agriculture, and services. The emphasis in 1987, however, shifted from Medium and Long-term refinance to entrepreneurship development and rehabilitation of sick industries. The Bank who continued to implement the package of relief measures granted to the tourist hotel sector. The operations under the SMI-II Credit Guarantee Scheme with disbursements to be concluded in 1987, gathered momentum towards the end of the year.

The Bank commenced its Entrepreneurship Development Programme in January, 1987 consisting of three major areas awareness programmes for school leavers, programmes for potential entrepreneurs and those for existing entrepreneurs to upgrade their management and technology. The first programme was conducted at Hettimulla in February, 1987. This was followed by five other programmes in Chilaw, Kandy, Galle, Kuliypitiya and Girandurukotte. These included four programmes for school leavers and two programmes aimed at upgrading of management.

Approval of refinance under Categories II, III and IV of the Medium and Long-term Credit Fund (MLCF) of the Central Bank amounted to Rs. 134.7 million in 1987, a considerable decrease, when compared with the Rs. 442.8 million approved in the previous year. The decline was largely a result of the lower level of approvals for the rehabilitation of hotels in the tourist sector. Approvals of refinance to the export and agricultural sectors also remained below 1986 levels and amounted to Rs. 25.8 million and Rs. 23.0 million, respectively. A breakdown of refinance approvals is shown in Table 2.3

TABLE 2.3
Medium and Long-term Credit Fund
(Approvals of Refinance under Categories II-IV)

(Rs. Million)

| Category | 1985 | | 1986 | | 1987 | |
|---------------------------------------|--------------|-------------------|--------------|-------------------|--------------|-------------------|
| | Loan Amount | Amount refinanced | Loan Amount | Amount refinanced | Loan Amount | Amount refinanced |
| II Export Sector ... | 13.7 | 9.0 | 41.4 | 29.0 | 36.9 | 25.8 |
| III and IV ... | | | | | | |
| (i) Agriculture ... | 2.6 | 1.6 | 134.4(a) | 80.6 | 38.3(b) | 23.0 |
| (ii) Industry ... | 38.9 | 27.2 | 1.0 | 0.6 | 2.5 | 1.5 |
| (iii) Hotels ... | — | — | 2.5 | 1.5 | — | — |
| (iv) Others ... | 6.5 | 3.9 | 16.5 | 14.7 | 52.0 | 31.2 |
| Rehabilitation of sick industries ... | 145.5 | 101.9 | 325.6(c) | 316.4 | 84.8(d) | 53.2 |
| Total ... | 207.2 | 143.6 | 521.4 | 442.8 | 214.5 | 134.7 |

Source : Central Bank of Sri Lanka.

- (a) Includes 5 loans aggregating Rs. 130.4 million granted for Tree Crop projects under the Medium Term Investment Programme.
- (b) Comprises 2 loans granted for Tree Crop projects under the Medium Term Investment Programme.
- (c) Includes capitalisation of interest in arrears on loans amounting to Rs. 40.9 million granted to tourist hotel projects.
- (d) Comprises capitalisation of interest in arrears on loans granted to 39 tourist hotel projects.

The implementation of the package of relief to the tourist hotels continued in 1987 as well. Since most of the hotels made use of this facility during 1985 and 1986 requests for rescheduling in 1987 remained at a relatively lower level. Assistance under this scheme during 1987 was confined to the capitalisation of interest in arrears on loans granted to 39 hotel projects.

TABLE 2.4
Relief to Tourist Industry-Rescheduling of loans
(Cumulative Total as at December, 1987)

| Name of Credit Institution | Rescheduling completed | | Rescheduling under consideration | | Interest in arrears refinanced by Central Bank |
|---|------------------------|--------------------|----------------------------------|--------------------|--|
| | No. of Hotels | Loan Amount (Rs.) | No. of Hotels | Loan Amount (Rs.) | Amount (Rs.) |
| Development Finance Corporation of Ceylon ... | 25 | 155,238,020 | — | — | 84,815,390 |
| National Development Bank of Sri Lanka ... | 13 | 157,122,465 | — | — | 88,952,009 |
| People's Bank ... | 16 | 95,176,179 | 16 | 77,069,527 | 1,958,869 |
| Bank of Ceylon ... | 10 | 58,980,375 | 13 | 55,490,099 | 881,554 |
| Hatton National Bank Ltd. ... | 5 | 12,243,951 | 2 | 2,134,822 | 11,678,619 |
| Commercial Bank of Ceylon Ltd. ... | 7 | 35,295,999 | 6 | 6,335,209 | 11,266,907 |
| Grindlays Bank ... | — | — | 2 | 7,525,856 | — |
| Deutsche Bank (Asia) A.G. ... | 1 | 3,059,256 | — | — | 1,833,943 |
| Total ... | 77 | 517,116,245 | 39 | 148,555,513 | 201,387,291 |

Source : Central Bank of Sri Lanka.

Credit Guarantee Operations

A summary of the credit guarantee operations under the three credit guarantee schemes administered by the Bank is given in Table 2.5

Small Scale Industries (SSI) Scheme

The Central Bank commenced the SSI Credit Guarantee Scheme on behalf of the government in 1978 and the issue of credit guarantees under the Scheme was completed by the end of 1981. A total of 767 loans with a loan value of Rs. 31.2 million was guaranteed by the Bank during this period. Of these, 108 loans with a loan balance of Rs. 2.5 million were outstanding at the beginning of the year 1987 and 16 of them were repaid fully during the year. In 1987, one guarantee was withdrawn while claims under 5 guarantees were settled leaving 86 guarantees with a loan balance of Rs. 2.2 million outstanding at the end of the year. All these loans except 8, were in arrears but only in respect of 8 loans that claims had been submitted. By the end of the year, using funds allocated from the Government Budget for the purpose, the Central Bank had settled a total of 55 claims under this Scheme by paying Rs. 1.7 million to the two participating credit institutions (PCIs), the People's Bank and the Bank of Ceylon. Only seven claims were pending at the end of the year, of which three were deferred as loans were being repaid by the borrowers while the other four were pending as the information requested from the PCIs had not been furnished. The premium collected by the Central Bank from the PCIs under the Scheme upto the end of 1987 amounted to Rs. 0.91 million.

Small and Medium Industry (SMI-I) Scheme

Under the SMI-I Credit Guarantee Scheme, a total of 1,668 guarantees were issued by the Central Bank between 1979 and 1984 and 452 of them were outstanding with a loan balance of Rs. 63.9 million at the end of 1987. During the year under review, 90 loans were fully recovered and 27 claims were settled.

The number of loans in default at the end of the year stood at 354 and they amounted to Rs. 48.7 million. By the end of 1987, the Central Bank had paid a total of Rs. 11.5 million to four PCIs in settlement of 150 claims under the Scheme. Two claims with a liability of approximately Rs. 2.0 million were rejected increasing the total number of rejected claims to 15. At the end of the year, there were 52 claims with a claim liability of Rs. 4.3 million awaiting to be admitted for settlement. The total premium collected under this Scheme amounted to Rs. 10.6 million at the end of the year.

Small and Medium Industry-II (SMI-II) Scheme

The SMI-II Credit Guarantee Scheme commenced in 1982. The disbursement of loans under this Scheme was to be completed in 1987 and PCIs accelerated their lending resulting an increase of guarantee applications (642) during the year with a loan value of Rs. 365.4 million increasing the total number of guarantees issued under the SMI-II Scheme to 2,182. By the end of the year, 67 loans with an aggregate value

TABLE 2.5

Central Bank Credit Guarantee Schemes (1986-1987)

(As at December 31, 1987)

Value in Rupees Million

| Item | Small Scale Industries (S.S.I.) | | | | Small and Medium Scale Industries | | | | | | | |
|---------------------------------|---------------------------------|---------|------|---------|-----------------------------------|----------|------|----------|--------|----------|---------|-----------|
| | 1986 | | 1987 | | SMI-I | | | | SMI-II | | | |
| | No. | Value | No. | Value | 1986 | | 1987 | | 1986 | | 1987 | |
| | No. | Value | No. | Value | No. | Value | No. | Value | No. | Value | No. | Value |
| Loans granted | 767 | 31.2 | 767 | 31.2 | 1668 | 286.1 | 1668 | 286.1 | 1540 | 782.7 | 2182(e) | 1148.06 |
| Loans guaranteed | 767 | 23.4(a) | 767 | 23.4(a) | 1668 | 157.5(c) | 1668 | 157.5(c) | 1540 | 406.9(d) | 2182(e) | 593.07(d) |
| Loans fully repaid | 545 | 19.4 | 561 | 20.5 | 913 | 89.4 | 1003 | 112.3 | 56 | 8.66 | 67 | 11.28 |
| Guarantees withdrawn/lapsed | 62 | 3.6 | 63 | 3.9 | 48 | 12.8 | 48 | 12.8 | 50 | 30.33 | 62 | 35.87 |
| Claims admitted/settled | | | | | | | | | | | | |
| (i) Loans outstanding | 50 | 2.067 | 55 | 2.203 | 123 | 15.900 | 150 | 19.143 | 1 | 0.060 | 7 | 2.055 |
| (ii) Liability admitted | 50 | 1.550 | 55 | 1.652 | 123 | 9.541 | 150 | 11.486 | 1 | 0.036 | 7 | 1.233 |
| Claims rejected | | | | | | | | | | | | |
| (i) Loans outstanding | 2 | 0.22 | 2 | 0.22 | 13 | 4.05 | 15 | 4.98 | 2 | 0.17 | 4 | 0.17 |
| (ii) Amount claimed | 2 | 0.16 | 2 | 0.16 | 13 | 2.42 | 15 | 2.99 | 2 | 0.1 | 4 | 0.1 |
| Loans outstanding | 108 | 2.5(b) | 86 | 2.2(b) | 571 | 76.8(b) | 452 | 63.9(b) | 1431 | 490.0(b) | 1692 | 687.22(b) |
| (of which in arrears) | 105 | (2.4) | 78 | (1.3) | 387 | (48.6) | 354 | (48.7) | 197 | (59.1) | 327 | (122.05) |
| Guarantees outstanding | 108 | 1.9(a) | 86 | 1.6(a) | 571 | 44.1(c) | 452 | 36.8(c) | 1431 | 260.0(d) | 1692 | 375.41(d) |
| (i) Claims deferred | 6 | 0.527 | 4 | 0.438 | 33 | 8.827 | 36 | 10.492 | 4 | 0.890 | 5 | 1.369 |
| (ii) Claims under consideration | 4 | 0.158 | 3 | 0.030 | 49 | 7.601 | 52 | 7.113 | 8 | 3.436 | 18 | 7.283 |
| (ii.i) Claim liability | 4 | 0.119 | 3 | 0.023 | 49 | 4.561 | 52 | 4.268 | 8 | 2.062 | 18 | 4.370 |
| Premium Collection | — | 0.89 | — | 0.91 | — | 8.69 | — | 10.60 | — | 3.39 | — | 3.08 |

Source : Central Bank of Sri Lanka.

- (a) 75 per cent of loans outstanding.
 (b) Excluding instalments recovered.
 (c) 60 per cent of loans outstanding subject to a maximum of Rs. 0.4 million.
 (d) 60 per cent of loans outstanding subject to a maximum of Rs. 0.8 million in respect of loans upto Rs. 2.0 million and Rs. 1.2 million in respect of loans between Rs. 2.0 million to Rs. 4.0 million.
 (e) Includes 350 loans amounting to Rs. 227 million which are not reported as disbursed as at 31.12.1987

of Rs. 11.3 million were fully recovered and, of the 1,692 loans outstanding, 327 loans with a loan balance of Rs. 122.05 million had fallen into arrears. By the end of 1987 the Central Bank settled 7 claims under the scheme by paying Rs. 1.2 million to the five PCIs. Among the 1,692 outstanding SMI-II loans, 327 with a loan value of Rs. 122.0 million and a guarantee value of Rs. 73.0 million had fallen into arrears. This represents the maximum liability of the Central Bank under this Scheme. The premium collected from Scheme amounted to Rs. 8.0 million. An industry-wise classification of loans granted under SMI-II is shown in Table 2.6.

TABLE 2.6

SMI-II Scheme—Industry-wise Classification of Loans

(Amount in Rs. Thousand)

| Industry | 1982—1987 | | | 1987 | | |
|------------------------------|--------------|------------------|-------------------|--------------|----------------|-------------------|
| | No. of loans | Amount granted | Amount guaranteed | No. of loans | Amount granted | Amount guaranteed |
| Food Processing ... | 714 | 371,953 | 189,911 | 223 | 114,278 | 57,411 |
| Other Agro Industries ... | 45 | 18,903 | 10,222 | 10 | 4,290 | 2,574 |
| Rubber Products ... | 67 | 49,671 | 24,923 | 11 | 11,205 | 4,963 |
| Metal Products ... | 216 | 93,781 | 48,119 | 60 | 29,651 | 15,430 |
| Construction Materials ... | 142 | 80,709 | 44,031 | 37 | 19,588 | 11,193 |
| Construction Contracting ... | 19 | 25,400 | 12,320 | 11 | 13,325 | 6,535 |
| Wood Products ... | 150 | 50,674 | 28,249 | 37 | 13,379 | 7,627 |
| Garments ... | 111 | 48,155 | 25,368 | 24 | 17,013 | 7,900 |
| Textiles ... | 50 | 39,613 | 20,625 | 18 | 19,257 | 9,357 |
| Repair Workshop ... | 85 | 32,126 | 18,849 | 22 | 7,471 | 4,483 |
| Miscellaneous ... | 583 | 337,074 | 170,456 | 189 | 117,444 | 59,300 |
| Total ... | 2182 | 1,148,059 | 593,073 | 642 | 366,901 | 186,773 |

Source : Central Bank of Sri Lanka.

Follow-up and Inspection of Projects

The follow-up and inspection of projects financed under the MLCF and the SMI schemes were continued in 1987 in order to ascertain the levels of performance in the projects. The follow-up work enabled the Central Bank to identify corrective actions where necessary. The majority of the 87 SMI projects inspected during 1987 was those located in Colombo, Gampaha and Kalutara districts.

RURAL CREDIT

As in the previous years, the Central Bank played a pivotal role in promoting rural credit in the country during 1987. The activities of the Bank covered areas such as preparation of national policy guidelines, formulation of credit schemes, monitoring, supervision and evaluation of the credit schemes and the promotion and development of the institutional infrastructure required for implementation of an effective rural credit policy.

The Rural Credit Advisory Board (RCAB) held five meetings in 1987. For the first time, the Board held a meeting outside Colombo. The meeting coincided with a visit to the Nikaweratiya Electorate in the Puttalam District which was experiencing a severe drought at the time of the visit. The Board met the farmers at various places and discussed their problems. Several important issues relating to the promotion of rural credit in the country were discussed at the meetings of the Board. One of the areas that engaged the attention of the Board was the provision of credit for the tea sector, particularly the small holders and private tea factory owners who have been experiencing severe difficulties due to the erratic behaviour of prices. The need for special assistance to this sector was accepted in principle by the Board which requested the Central Bank to evolve a comprehensive credit package for the tea sector. During the year, the Board also considered a credit scheme for popularising the use of solar panels in rural electrification to benefit the remote areas of the country, not served with electricity from the national grid and discussed a programme for the promotion of dairy industry in Kalutara district through the establishment of service farms for upgrading animals. A request from the Anuradhapura Milk Producers Union to provide incentives for milk producers also drew the attention of the Board in 1987. Further, the Board reviewed the Scheme for Provision of Credit for Sugarcane Farmers in Sevanagala, and the Scheme for the Promotion of Credit for Purchase of Soyabean, Maize and other Pulses by the Ceylon Oils and Fats Corporation (COFC).

The Central Bank continued the implementation of the New Comprehensive Rural Credit Scheme (NCRCS) in 1987. The total volume of loans granted under the NCRCS was Rs. 124 million in Yala 1987 compared with Rs. 151 million in Yala, 1986. In Maha 1986/87, the total value of loans granted was Rs. 257 million which is an improvement compared with Rs. 116 million granted in Maha, 1985/86. Out of 41,390 farmers who received cultivation loans in 1986/87 Maha season, 1,920 farmers sought rescheduling facility offered under the NCRCS due to crop damage through natural causes. The amount of loans rescheduled was Rs. 7 million approximately. The credit guarantee was invoked in 1987 in respect of the loans granted in Yala, 1986. The total claim of the banks was Rs. 12.3 million, of which, according to the terms governing the credit guarantee, Rs. 6.1 million of 50 per cent was paid by the Central Bank as the first instalment of the claim. The balance is to be paid when the banks comply with the legal requirements regarding the recovery of overdue loans.

In the light of the experience gained during the operation of the Scheme, certain modifications and changes were introduced to the NCRCS during the year. The branch managers were allowed to dispense with the requirement of insisting on security in granting loans under NCRCS at their discretion. Certain conditions regarding the rescheduling of overdue cultivation loans were relaxed. In the case of recurrent crop losses, the borrowers were allowed to reschedule two consecutive loans and thereby remain eligible to receive a third loan to ensure the continuity of their agricultural operations. The Commercial Bank of Ceylon Ltd. was also admitted to the Scheme in 1987 as a participating bank. The number of Thrift and Credit Co-operative Societies registered for participation in the NCRCS increased from 20 to 29 during the year.

The Marketing Loan Scheme for Financing the Purchase of Maize, Soya beans, Pulses and Other Coarse Grains required for production of livestock feed and vegetable oils by the COFC was in operation in 1987 and Rs. 75 million was granted as loans during the year. However, in view of the failure of the COFC to operate the scheme in the manner envisaged to ensure payment of a guaranteed price at the farm gate, the Scheme was suspended until a long-term solution is evolved by the concerned agencies to achieve this objective.

During the year under review, two new credit schemes were introduced to provide medium and long-term credit to the rural sector. A credit scheme was commenced under the Kegalle District Integrated Rural Development Project (IRDP). An allocation of Rs. 50 million out of the proceeds of the loan had been made to support lending undertaken by banks for activities such as cultivation of paddy, subsidiary food crops and banana, farm investments (dairy, minor export crop nurseries, coconut fertilizer, farm machinery and equipment) and cottage and small scale industries. The other new scheme introduced in 1987 was the Credit Scheme for Outgrowers of Sugarcane in Pelwatte Sugar Project. Under this scheme, the Central Bank refinances the loans granted by Bank of Ceylon to outgrowers to the extent of 100 per cent of the sub-loan. An allocation of Rs. 39.3 million has been made by the Central Bank for this Scheme.

Several extensions and modifications were also made to existing credit schemes in 1987. Badulla IRDP Loan Scheme and the Matale-Puttalam Districts IRDP Loan Scheme scheduled to be terminated in 1987 were extended by one year to facilitate the use of the unutilised resources available under those schemes. The date of termination of the Credit Scheme to Assist Estate Sector Women in Income Generating Activities was also extended from 1987 upto end of 1988.

The Bank revised the eligibility criteria under the Coconut Fertilizer Credit Scheme to make eligible the holdings above 50 acres co-owned or managed by private companies provided the maximum size of the share of the holding of each individual does not exceed 50 acres. In the case of the Sri Lanka/Asian Development Bank (ADB) Livestock Development Project, the component of the Project relating to the Credit for Livestock Producers' Societies came into operation in 1987.

Several credit schemes which had either been completed or for which there was no demand from participating banks were terminated. These included the Credit Scheme for Cultivation of Orchids (Bank of Ceylon/Ceylon Tobacco Company Ltd.), Tank Irrigation Modernisation Project, Farm Machinery Loan Scheme for the Kurunegala District Integrated Rural Development Project, Abudhabi Funded North West Coast Fisheries Development Project, Credit Scheme for Cultivation of Orchid Plants (People's Bank/Sarvodaya/Lakmalsala) and the Credit Scheme for Financing Windmills. The Loan Scheme for the Dairy Development (Pilot) Project in Samanthurai Electorate and the Credit Scheme to Assist Settlers in the Minipe Scheme for the Installation of Bio-gas plants were incorporated in the All Island Dairy Development Loan Scheme.

The progress in the implementation of existing Medium and Long-term Credit Scheme assisted with Central Bank refinance from its Medium and Long-term Credit Fund (MLCF) Category I is given in Table 2.7.

There were 29 Medium and Long-term Credit Schemes in operation in the year 1987 with a total allocation of Rs. 1,115 million for the provision of refinance in respect of loans granted under these schemes. The total quantum of refinance utilised by the participating banks under these schemes stood at Rs. 434 million or 39 per cent of the total allocation as at the end of the year. Among the schemes showing a satisfactory rate of utilisation during the year were the Coconut Fertilizer Credit Scheme (62 per cent), Matale-Puttalam IRDP Credit Scheme (75 per cent), All Island Farm Machinery Loan Scheme (59 per cent) and Self-Employment Credit Schemes in the districts of Anuradhapura (100 per cent as at the end of November, 1987), Matara (100 per cent), Kalutara and Kurunegala (73 per cent.) The allocation made for the Anuradhapura Self-Employment Scheme was exhausted in 1987 and a fresh allocation of Rs. 6 million was made towards the end of the year. Similarly, a new allocation of Rs. 10 million was made for the Matara Self-Employment Scheme in late 1987. The refinance allocation for the All Island Farm Machinery Loan Scheme was also increased by Rs. 20 million during the year.

As in the previous years, the banks were reluctant to lend to the fisheries sector owing to the poor rates of recovery achieved in the past. The Central Bank introduced a rescheduling scheme for loans granted under the Fisheries Sector Bank Credit Scheme with a view to assisting the banks to overcome the problems faced due to high incidence of default on such loans.

With a view to assisting the lending banks by providing a degree of protection against possible losses in their investment credit for the rural sector, in 1987 the Central Bank decided to bring several designated Medium and Long-term Credit Schemes also under a Credit Guarantee Scheme. Initially, the All Island Dairy Development Loan Scheme and the Sri Lanka - ADB Livestock Development Project Loan Scheme were brought under the Credit Guarantee Scheme. The Credit Guarantee Fund created in 1985 with an initial contribution of Rs. 300 million from the Central Bank for guaranteeing loans granted for short-term cultivation purposes will serve as the common fund for guaranteeing medium and long-term loans granted under designated MLCF Credit Schemes also.

Several Missions from the IFAD arrived in 1987 for identification appraisal and formulation of a Rural Credit Project for the small farmers and the landless in several districts. In July, 1987, a memorandum of understanding between the Government of Sri Lanka and the IFAD Mission was prepared which formed the basis for loan appraisal. Loan negotiations for the Project are expected to take place in 1988. At the request of the government of Sri Lanka and the ADB, a Mission from the FAO Investment Centre also visited Sri Lanka in 1987 in order to analyse the rural credit situation and to propose recommendations for improvements.

During the year, the Central Bank completed the inspection of the agricultural loan portfolio of 4 branches of Bank of Ceylon, 4 branches of People's Bank, 3 Co-

Loan Schemes approved for refinance under Category I

| Name of Credit Scheme | Refinance allocation (Rs. Mn.) |
|--|-----------------------------------|
| A. Credit Schemes at the beginning of the year 1987 | |
| 1. Coconut Fertilizer Credit Scheme | 55.00 |
| 2. Fisheries Sector Bank Financing Scheme | 140.00 |
| 3. Credit Scheme for construction of Fertilizer Stores by MPCSS | 14.00 |
| 4. Credit Scheme for Fisheries Co-operatives | 42.00 |
| 5. Matale-Puttalam District Integrated Rural Deve. Project | 54.79 |
| 6. Youth Self-employment and Village Adoption Schemes in Matara District | 18.20 |
| 7. ADB/Sri Lanka Rural Credit Project Loan Scheme | 137.00 |
| 8. Fertilizer Credit Scheme for Tea Small Holders | 7.50 |
| 9. Credit Scheme for financing the purchase of draught animals in districts not covered under Sri Lanka Rural Credit Project | 5.60 |
| 10. Credit Scheme for financing the projects identified under Village Adoption and Self-employment Programme in Anuradhapura District | 12.00 |
| 11. Credit Scheme for the construction of small on-farm potato seed stores | 1.00 |
| 12. Badulla District Integrated Rural Development Project | 7.00 |
| 13. Credit Scheme for Madel Fishing (Beach seining) | 5.00 |
| 14. Credit Scheme for settlers for cultivation of sugarcane under Pelwatte Sugar Project | 66.00 |
| 15. Vavuniya-Mannar District Integrated Rural Deve. Project | 32.00 |
| 16. Credit Scheme to assist small farmers for cultivation of sugarcane in Sevanagala, Hingurana and Kantalai Sugar Project | 120.60 |
| 17. Sri Lanka/ADB Coconut Deve. Project Credit Scheme to assist Coconut Growers to carry out a replanting programme with inter-cropping in Rambukkana area | 8.00 |
| 18. Credit Scheme for Traders displaced under the Victoria Project for purchase of Commercial buildings | 22.00 |
| 19. All Island Farm Machinery Loan Scheme | 106.99 |
| 20. Special Credit Scheme to assist Estate Sector Women in Income Generating Activities under the FAO/Women Bureau Project | 1.00 |
| 21. Credit Scheme for the cultivation of Chinese Ginger, Pineapple and Passion Fruit in the Kurunegala, Colombo and Gampaha Districts | 32.00 |
| 22. Anuradhapura Dry Zone Agricultural Project Loan Scheme | 22.30 |
| 23. Sri Lanka/ADB Livestock Development Project | 68.20 |
| 24. Scheme for financing Self-employment and other Medium Farm Projects in the Districts of Kandy, Kegalle and Matale | 6.00 |
| 25. Credit Scheme for Dairy Development | 20.60 |
| 26. Credit Scheme to promote self-employment in Kalutara and Kurunegala Districts | 20.00 |
| 27. Credit Scheme for Tube wells for lift irrigation purposes | 1.10 |
| B. Credit Schemes approved during the year 1987. | |
| 1. Kegalle District Integrated Rural Development Project | 50.00 |
| 2. Credit Scheme for Outgrowers for Cultivation of Sugarcane under Pelwatte Sugar Project | 39.3 |
| Total | 1,115.18 |

TABLE 2.7

of the Medium and Long Term Credit Fund

| Amount Utilized as at 31.12.87 (Rs. Mn.) | Amount Unutilised as at 31.12.87 (Rs. Mn.) | Date of Commencement of Project | Period for Disbursement of the Allocation (Years) |
|--|--|---------------------------------------|---|
| 49.96 | 5.04 | 26.03.79 | 3 |
| 114.98 | 25.02 | 02.07.79 | 3 |
| 9.14 | 4.86 | 13.10.80 | 1 |
| 1.28 | 40.72 | 28.04.81 | 2 |
| 53.84 | 0.95 | 08.05.81 | 6 |
| 8.94 | 9.26 | 10.04.81 | — |
| 82.31 | 54.69 | 01.07.82 | 5 |
| 1.36 | 6.14 | 11.08.82 | 1 |
| 0.01 | 5.59 | 10.09.82 | 2 |
| 6.27 | 5.73 | 14.10.82 | — |
| — | 1.00 | 01.03.83 | 1 |
| 3.83 | 3.17 | 27.09.83 | 5 |
| 0.89 | 4.11 | 26.04.84 | 1 |
| 9.88 | 56.12 | 10.05.84 | 6 |
| 0.70 | 31.30 | 14.06.84 | 4 |
| 15.51 | 105.09 | 20.09.84 | 5 |
| 0.10 | 7.90 | 26.12.84 | 3 |
| — | 22.00 | 11.03.85 | 2 |
| 48.25 | 58.74 | 26.03.85 | 2 |
| 0.31 | 0.69 | 31.12.85 | 1 |
| 3.95 | 28.05 | 27.06.85 | 3 |
| 2.47 | 19.83 | 02.07.85 | 3 |
| 1.14 | 67.06 | 01.03.86 | 3 |
| 1.75 | 4.25 | 01.03.86 | — |
| 2.51 | 18.09 | 16.04.86 | 3 |
| 14.66 | 5.34 | 15.05.86 | — |
| 0.11 | 0.99 | 08.09.86 | 2 |
| — | 50.00 | 15.01.87 | 5 |
| — | 39.3 | 07.08.87 | 7 |
| 434.15 | 681.03 | | |

Source : Central Bank of Sri Lanka.

operative Rural Banks and the Kurunegala District Regional Rural Development Bank. These bank branches were in the districts of Matale, Badulla, Gampaha and Kurunegala. The inspection reports were forwarded to the Head Offices of the respective banks, District/Regional Offices and to the branches inspected, recommending courses of action for rectification of deficiencies observed and for improving rural lendings. The Bank also followed up these inspections with compliance reports from the bank branches inspected.

REGIONAL RURAL DEVELOPMENT BANKS (RRDBs)

During 1987, 4 RRDBs were established in the districts of Kegalle, Puttalam, Galle and Kandy bringing the total number of RRDBs in operation to 9 as at the end of 1987. As shown in Table 2.8, these 9 RRDBs expanded their branch network to 61 with 29 new branches opened during the year under review.

TABLE 2.8

Branch Network of RRDBs

| Name of the RRDB | Date of Establishment of RRDB | Head Office | No. of Branches opened | | | Total as at end of 1987 |
|------------------|-------------------------------|-----------------|------------------------|------|------|-------------------------|
| | | | 1985 | 1986 | 1987 | |
| Kalutara | 13.07.85 | Bulathsinhala | 04 | 03 | 04 | 11 |
| Matara | 28.07.85 | Yatiyana | 05 | 02 | — | 07 |
| Kurunegala | 10.08.85 | Kuliyapitiya | 06 | 04 | 02 | 12 |
| Anuradhapura | 12.08.85 | Mihintale ... | 02 | 04 | 01 | 07 |
| Hambantota | 13.12.86 | Ambalantota ... | — | 02 | 02 | 04 |
| Kegalle | 08.02.87 | Hettimulla ... | — | — | 08 | 08 |
| Puttalam | 11.07.87 | Chilaw ... | — | — | 05 | 05 |
| Galle | 17.08.87 | Elpitiya ... | — | — | 01 | 01 |
| Mahanuwara | 03.10.87 | Gampola ... | — | — | 06 | 06 |
| | | Total ... | 17 | 15 | 29 | 61 |

Source : Central Bank of Sri Lanka.

The year 1987 witnessed a considerable expansion in activities of the RRDBs. The mobilisation of deposits exhibited a more than two-fold increase while lending increased by nearly one and a half times during the year compared with the position as at end of 1986. Several RRDBs diversified their activities with the introduction of pawn broking and current account operations.

The total value of deposits mobilised by 9 RRDBs as at December 31, 1987 reached Rs. 53 million encompassing 87,978 deposits compared with Rs. 21 million and 41,174 deposits as at end of 1986, respectively. The average value of deposits rose from Rs. 501 in 1986 to Rs. 602 in 1987 when both savings and fixed deposits are considered together. The composition of total deposits in value terms indicated that more than 83 per cent had been in savings accounts leaving the balance of about 17 per cent in fixed deposits. In terms of the number of deposits, 87,312 or 99 per

TABLE 2.9

**A Districtwise Breakdown of Mobilization of Deposits
as at end of 1986 and 1987**

(Amount in Rs. '000)

| Name of RRDB | Savings | | | | Fixed | | | | Total | | | |
|--------------|---------------|---------------|---------------|---------------|------------|--------------|------------|--------------|---------------|---------------|---------------|---------------|
| | 1986 | | 1987 | | 1986 | | 1987 | | 1986 | | 1987 | |
| | No. | Amount | No. | Amount | No. | Amount | No. | Amount | No. | Amount | No. | Amount |
| Kalutara | 10,295 | 3,389 | 20,563 | 8,496 | 94 | 3,446 | 133 | 3,532 | 10,389 | 6,835 | 20,696 | 12,028 |
| Matara | 10,503 | 5,350 | 16,657 | 12,174 | 105 | 672 | 203 | 1,898 | 10,608 | 6,022 | 16,860 | 14,072 |
| Kurunegala | 13,958 | 4,221 | 20,042 | 9,399 | 49 | 466 | 150 | 2,000 | 14,007 | 4,687 | 20,192 | 11,399 |
| Anuradhapura | 5,653 | 2,749 | 8,483 | 3,802 | 2 | 42 | 11 | 611 | 5,655 | 2,790 | 8,494 | 4,413 |
| Hambantota | 509 | 259 | 5,839 | 3,239 | 6 | 48 | 75 | 462 | 515 | 307 | 5,914 | 3,701 |
| Kegalle | — | — | 8,888 | 3,113 | — | — | 47 | 421 | — | — | 8,935 | 3,534 |
| Puttalam | — | — | 3,091 | 1,706 | — | — | 15 | 71 | — | — | 3,106 | 1,777 |
| Galle | — | — | 1,230 | 941 | — | — | 19 | 136 | — | — | 1,249 | 1,077 |
| Mahanuwara | — | — | 2,519 | 886 | — | — | 13 | 88 | — | — | 2,532 | 974 |
| Total | 40,918 | 15,968 | 87,312 | 43,756 | 256 | 4,674 | 666 | 9,219 | 41,174 | 20,641 | 87,978 | 52,975 |

Source: Central Bank of Sri Lanka.

cent represented savings accounts which can be considered as a proxy for the total number of customers served by the 9 RRDBs in 1987. Table 2.9 gives detailed information in regard to mobilisation of savings and fixed deposits by each RRDB.

The loan operations of the RRDBs expanded rapidly from 8,243 loans in 1986 to 13,801 loans in 1987. The value of total loans granted during 1987 was Rs. 96.1 million which reflected an increase of 47 per cent when compared with the position of the previous year. The total number of loans disbursed showed an increase of 67 per cent. Detailed information on loans granted by each RRDB is given in Table 2.10. The spread of loans by purpose revealed that there was a considerable diversion of loans to non-agricultural activities while the low average size of loans reflected the concerted effort made by the RRDBs to cater to the needs of the small borrowers. Although there has been a noticeable variation in the purpose-wise lending operation from one RRDB to another, taken together, agricultural loans which included cultivation, farm equipment, and other types accounted for about 36 per cent of the total loans, in 1987. A further 7 per cent had been for livestock while loans to small industries constituted about 16 per cent of the

TABLE 2.10
District-wise Breakdown of Loans Granted in 1985, 1986 and 1987

(Rs. '000)

| District | During 1985 | | During 1986 | | During 1987 | | Total (1985-87) | |
|------------------|--------------|--------------|--------------|---------------|---------------|---------------|-----------------|----------------|
| | No. | Amount | No. | Amount | No. | Amount | No. | Amount |
| Kalutara ... | 335 | 1,154 | 1,799 | 5,740 | 2,700 | 12,787 | 4,834 | 19,681 |
| Matara ... | 482 | 787 | 3,424 | 12,602 | 4,977 | 20,166 | 8,883 | 33,555 |
| Kurunegala ... | 123 | 1,226 | 1,771 | 14,553 | 1,347 | 11,551 | 3,241 | 27,330 |
| Anuradhapura ... | 164 | 1,681 | 1,249 | 32,320 | 1,965 | 38,334 | 3,378 | 72,335 |
| Hambantota ... | — | — | — | — | 1,609 | 5,752 | 1,609 | 5,752 |
| Kegalle ... | — | — | — | — | 900 | 5,929 | 900 | 5,929 |
| Puttalam ... | — | — | — | — | 109 | 828 | 109 | 828 |
| Galle ... | — | — | — | — | 80 | 509 | 80 | 509 |
| Mahanuwara ... | — | — | — | — | 114 | 280 | 114 | 280 |
| Total | 1,104 | 4,848 | 8,243 | 65,215 | 13,801 | 96,136 | 23,148 | 166,199 |

Source : Central Bank of Sri Lanka.

total loan portfolio. The share of loans to trade and business activities reflected 35 per cent. There has not been a significant change in purpose-wise distribution of loans in 1987 compared with that of 1986, as shown in Table 2.11.

In view of the relatively low level of resources available to RRDBs and their commitment to assist the small borrowers who are not normally the target group of other commercial banks, the RRDBs have been concentrating on small loans cater-

ing to small farmers, small entrepreneurs and other small borrowers. The RRDBs have used methods such as 'Janahamuwa' or local level meetings and field visits to disseminate information, educate borrowers and improve their access to credit. The experience of RRDBs so far has been encouraging as they have contributed to enhancing income generating and self employment opportunities in turn, promoting rural development. They have also been able to maintain a high recovery rate mainly due to effective supervision of credit through field officers.

TABLE 2.11

A Purpose-wise Comparison of Loans Granted in 1985, 1986 and 1987

| Purpose | 1985 | | | 1986 | | | 1987 | | |
|------------------------|--------------|--------------------|------------|--------------|--------------------|------------|---------------|--------------------|------------|
| | No. | Amount Rs. '000 | % | No. | Amount Rs. '000 | % | No. | Amount Rs. '000 | % |
| Agriculture ... | 395 | 2,027 | 42 | 4,234 | 23,388 | 36 | 6,816 | 34,950 | 36 |
| Livestock ... | 77 | 554 | 11 | 585 | 4,905 | 07 | 1,000 | 6,353 | 07 |
| Small Industries ... | 257 | 999 | 21 | 1,375 | 8,304 | 13 | 2,429 | 15,229 | 16 |
| Trade and Business ... | 287 | 790 | 16 | 1,394 | 25,161 | 39 | 2,228 | 33,454 | 35 |
| Other ... | 88 | 478 | 10 | 655 | 3,457 | 05 | 1,328 | 6,150 | 06 |
| Total ... | 1,104 | 4,848 | 100 | 8,243 | 65,215 | 100 | 13,801 | 96,136 | 100 |

Source: Central Bank of Sri Lanka.

RURAL BANKING AND STAFF TRAINING COLLEGE

In 1987 the Rural Banking and Staff Training College organized and conducted 42 training courses and seminars in which 928 persons participated. Of the total number of participants, 273 were from commercial banks, 225 from Regional Rural Development Banks and 146 from the Central Bank. Almost all participants were in the middle or lower management strata in the banking sector.

The training provided by the College was in areas such as financing of agricultural and small industrial projects, commercial credit and financial analysis, marketing, foreign exchange operations, off-shore banking, international trade financing and specialized managerial programmes related to human resources management and managerial development. During 1987 several changes were also introduced to the curriculum by including subjects such as human resource management and entrepreneurship development.

In 1987, the College organized and conducted 17 training programmes outside Colombo. Four of these programmes were organised for the benefit of the small-scale entrepreneurs in the private sector with a view to promoting their management skills. Six of the outstation programmes were conducted for recruits to the Regional Rural Development Banks.

Two of the training programmes conducted outside Colombo were for the staff of the participating banks in the Kirindi-Oya Irrigation and Settlement Project-Phase II. In response to a request made by the Ministry of Education, a 4-day seminar for Teachers'/Instructors of the Ministry of Education was also conducted.

The College completed its 6th year of operation in September, 1987. The sixth anniversary lecture was delivered by Mr. Kamchorn Sathirakul, Governor, Bank of Thailand, on the topic 'The Role of Financial Institutions in Rural Development: The Thai Experience' to an invited gathering of executives of banks, financial institutions, ministries and government departments.

EMPLOYEES' PROVIDENT FUND

The Central Bank of Sri Lanka is charged with the responsibility of receiving contributions, surcharges and income from the investment of monies of the Employees' Provident Fund (EPF), maintaining proper accounts of registered employers and the individual members of the Fund and effecting refund of benefits to the members in terms of provisions of the EPF Act. The Bank carries out these activities in close co-operation with the Employees' Provident Fund Division of the Department of Labour which attends to the administration and enforcement of the provisions of the EPF Act.

Contributions

The contributions received by the Fund during 1987 amounted to Rs. 2,194.3 million as against Rs. 2,047.9 million in 1986. This represents an increase of Rs. 146.4 million or 7.1 per cent over the contributions received during the previous year.

Members' Balances

Members' balances as at December 31, 1987 before allocation of interest for the year under review, stood at Rs. 20,061.5 million which is an increase of Rs. 3,659.4 million or 22.3 per cent over the balance as at end of 1986.

Investments

During the year under review, the Fund invested a total amount of Rs. 4,409.7 million in Government Securities, Treasury Bills and in Rupee Loan stock held by the Sinking Funds of the two National Housing Debentures. When compared with Rs. 6,138.0 million invested in 1986, this was a decrease of Rs. 1,728.3 million. This was mainly due to the increase in the amount of EPF benefits paid to members by 62.6 per cent over the 1986 benefits and the reduction in maturity proceeds received during 1987 as compared to 1986. The total investments made during the year under review included a sum of Rs. 493.9 million representing maturity proceeds of earlier investments and Treasury Bills. The total amount invested in Government Securities amounted to Rs. 4,227.7 million which represented 60.4 per cent of the total securities issued by the Government of Sri Lanka during the year, 1987. The amount invested in Treasury Bills during the year amounted to Rs. 171.0 million. At the end of the year under review, the Fund did not hold any Treasury Bills, as they had matured at various intervals during the year. The total investments held by the Fund as at December 31, 1987, amounted to Rs. 21,634.0 million, which is an increase of Rs. 3,915.4 million over the level of 1986. This included a sum of Rs. 10.6 million invested in Rupee Loan stock held by the Sinking Funds of the National Housing Debentures.

Income Received from Investments

In 1987, the income from investments of the Fund amounted to Rs. 2,378.9 million as against Rs. 1,953.5 million in 1986, recording an increase of Rs. 425.4 million or 21.8 per cent.

Refunds

The total sum paid out by way of refund of EPF benefits to members during the year 1987, amounted to Rs. 573.6 million as against Rs. 352.7 million in 1986, recording an increase of Rs. 220.9 million or 63 per cent. During the year under review, 34,530 claims for refund of benefits were paid out, which included 364 claims from repatriates of Indian origin.

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 1987 remained at 12.5 per cent per annum as in the previous year. However, the effective rate of interest is higher than the above rate as the interest is calculated on the year-end balance irrespective of whether the current year's contributions had remained to the credit of the member for the full year or not.

Recording of Balances in EPF Account Books

Recording of balances in EPF Account Books issued by the Department of Labour continued during the year under review. However, the issue of Annual Statements indicating the members' balances as at end of 1986 continued to be despatched as was done, in the past.

A comparative statement of the operations of the Fund on data presently available is given in Table. 2.12.

TABLE 2.12

EPF Statistics, 1986—1987

| Item | 1986 | 1987 |
|---|--------------|--------------|
| 1. Contributions received (Rs. '000) | 2,047,962(a) | 2,194,280(a) |
| 2. Investments (Rs. '000) | 6,137,982(b) | 4,409,686(b) |
| 3. Income received from Investments (Rs. '000) | 1,953,489 | 2,378,882 |
| 4. Refund Payments (Rs. '000) | 352,709 | 573,600 |
| 5. No. of Refunds | 25,219 | 34,530 |
| 6. Rate of Interest (per cent) | 12.5 | 12.5 |
| 7. Interest Provision on Members' Balances (Rs '000) | 2,050,259 | 2,507,681 |

Source: Central Bank of Sri Lanka.

(a) Excludes contributions credited to Suspense Accounts.

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

EXCHANGE CONTROL

The Central Bank continuing its function as the agent of the Government with regard to the implementation of exchange control activities, effected the following changes in exchange control procedures during the year under review.

1. Imports

- (a) Authorised Dealers were informed that an import licence issued by the Controller of Imports and Exports was necessary to establish Letters of Credit for the import of Masoor Dhal. Authorised dealers were also informed that letters of credit established for the import of Masoor Dhal by the private sector importers should not be enhanced in value or should not be extended beyond the original expiry date. (Operating Instructions Nos. EC/14/87 (B) and EC/24/87 (B) dated 1987.04.03 and 1987.06.16 respectively).
- (b) Authorised Dealers were informed that an import licence from the Controller of Imports and Exports was not necessary for the establishment of Letters of Credit for the import of plywood sheets for the manufacture of receptacles or containers for Sri Lanka exports (tea chest panels) (Operating Instructions No. EC/29/87 (B) of 1987.07.09).
- (c) Authorised Dealers were informed that import licences from the Controller of Imports and Exports were necessary to establish Letters of Credit for the import of the following items :

(I) C.C.C.N. No.

- 07.05 (ii) Dried Leguminous Vegetable shelled whether or not skinned — other (Operating Instructions No. EC/30/87 (B) of 1987.07.15).

(II) C.C.C.N. No.

25.24 Asbestos

(a) Blue Asbestos

(b) Other

88.01 Balloons and Air Ships

88.02 Flying Machines, Gliders and Kites, Rotochutes

(a) Air craft not fitted with means of mechanical propulsion rotochutes.

(b) Helicopters

(c) Other air craft of an unladen weight not exceeding 2,000 kgs.

(d) Other aircraft of an unladen weight exceeding 2,000 kgs. but not exceeding 15,000 kgs.

(e) Other air craft of an unladen weight exceeding 15,000 kgs.

88.03 Parts of goods falling in heading No. 88.01 or 88.02

88.04 Parachutes and parts thereof and accessories thereto.

88.05 Catapults and similar air craft launching gear; ground flying trainers; parts of any of the foregoing articles. (Operating Instructions No. EC/34/87 (B) of 1987. 8.25).

(III) C.C.C.N. No.

48.01 A Newsprint

(i) In rolls or reels

(ii) Other

(Operating Instructions No. EC/41/87 (B) of 1987.10.22).

- (d) Authorised Dealers were informed that Letters of Credit should not be established for the import of maize from any source. (Operating Instructions No. EC/48/87 (B) of 1987.12.21).
- (e) The Principal Collector of Customs was informed that the requirement that foreign currency brought into the country should be declared, should, in the case of foreign nationals, be applicable to those who bring into the country such currency in excess of US \$ 100 in the case of currency notes and US \$ 1,000 in the case of other financial instruments such as travellers cheques and drafts

2. Exports

The Principal Collector of Customs was informed that he may permit, at his discretion, export of gifts of local produce and commercial samples where the value does not exceed Rs. 3,000 (Letters bearing No. EC/SAA/01/87 of 1987.09.10 addressed to the Principal Collector of Customs).

3. Travel

- (a) Authorised Dealers were permitted to release the following enhanced exchange allowances to persons proceeding abroad for travel on business (Operating Instructions No. EC/01/87 (K) of 1987.01.02).
 - (i) For Directors of companies, Partnerships and Sole Proprietorships.
 - (a) US \$ 100 per diem upto a maximum of 30 days for travel to Bangladesh, Bhutan, Burma, India, Maldiv Islands, Nepal and Pakistan.
 - (b) US \$ 150 per diem upto a maximum of 30 days for travel to other countries.
 - (ii) For employees of Companies, Partnerships and Sole Proprietorships
 - (a) US \$ 60 per diem upto a maximum of 30 days for travel to Bangladesh, Bhutan, Burma, India, Maldiv Islands, Nepal and Pakistan.
 - (b) US \$ 100 per diem upto a maximum of 30 days for travel to other countries.
- (b) Authorised Dealers were permitted to release the following enhanced basic exchange allowances to Sri Lankan nationals resident in Sri Lanka for travel abroad. (Operating Instructions No. EC/36/87 (K) of 1987.09.10).

- (i) A basic exchange allowance of US \$ 300 per adult and US \$ 150 per child under 12 years of age, once in 2 years, for travel to Bangladesh, Bhutan, Burma, India, Maldives Islands, Nepal and Pakistan.
- (ii) A basic exchange allowance of US \$ 1,200 per adult and US \$ 600 per child under 12 years of age, once in 3 years, for travel to countries other than those mentioned at (i) above.

PUBLIC DEBT

The Bank continued to manage Public Debt on behalf of the Government in terms of Section 113 of the Monetary Law Act. Floating of Government Securities/ Loans, issue of Treasury Bills and Tax Reserve Certificate and servicing of government's foreign loans were the main functions handled by the Bank during the year 1987.

The outstanding gross and net Public Debt as at end of 1987 stood at Rs. 191,604.8 million and Rs. 186,426.5 million, respectively. Rupee loans amounting to Rs. 7,000 million were floated during 1987. The total repayments of rupee loans during 1987 amounted to Rs. 1,172.3 million and the amount outstanding as at the end of the year stood at Rs. 39, 779.2 million. The authorized limit of Treasury Bills remained unchanged at Rs. 35,000 million. The amount of Treasury Bills outstanding at the end of the year was Rs. 29,850 million. The weekly issue of Treasury Bills which commenced in November, 1986 was continued during 1987.

Total disbursement on medium and long-term external borrowings of the Government during the year 1987 amounted to Rs. 9,519.4 million and repayments amounted to Rs. 4,664.1 million. Total interest payments and other charges on external Public Debt in 1987 amounted to Rs. 2,487.9 million. The total external Public Debt outstanding as at end of 1987 stood at Rs. 111,338.6 million.

During 1987 the Bank floated debentures on behalf of the State Mortgage and Investment Bank and continued to issue Central Bank Securities under Section 91(1) (b) of the Monetary Law Act.

During the year, the Bank, with a view to improving the data base on Sri Lanka's external debt, continued to transmit data on transactions relating to external debt to the External Debt Monitoring Unit (EDMU) of the Ministry of Finance and Planning, for computerization.

REGIONAL OFFICE—MATARA

During 1987, Matara Regional Office expanded its activities to cover a wider area and was able to provide a better service to a large number of persons. The Regional Office made a concerted effort to promote the flow of institutional credit to

a wider array of economic activities with particular emphasis on small scale enterprises in non-farm activities. In addition the Office continued its training activities and also other supporting services to a large number of persons.

Refinance Credit Operations

Table 2.13 presents a statistical summary of refinance credit schemes implemented by the Matara Regional Office.

TABLE 2.13

**Matara Regional Office : A Statistical Summary of
Refinance Credit Operations - 1987**

| Scheme | Year 1987 | | Cumulative end of 1987 | |
|---|--------------|------------------|------------------------|-------------------|
| | No. of loans | Amount (Rs.) | No. of Loans | Amount (Rs.) |
| 1. Self Employment Refinance Credit Scheme | 204 | 2,254,535 | 1,001 | 9,011,220 |
| 2. Village Adoption Refinance Credit Scheme | 01 | 11,000 | 117 | 603,685 |
| 3. Model Yaya Paddy Cultivation Loans under New Comprehensive Rural Credit Scheme | 550(a) | 1,047,736 | 2,138 | 4,964,629 |
| 4. High-land Farming Loans | 77 | 308,470 | 210(b) | 1,172,280 |
| 5. Tea Fertilizer Refinance Loan Scheme | — | — | 183(c) | 1,266,124 |
| 6. Coconut Fertilizer Refinance Loan Scheme | 07 | 359,895 | 370 | 3,226,945 |
| 7. Moneragala Two Wheel Tractor Loans | — | — | 04 | 155,940 |
| Total | 839 | 3,981,636 | 4,023 | 20,400,823 |

Source : Central Bank of Sri Lanka.

(a) 1986/87 Maha, 1987 Yala and 1987/88 Maha

(b) Includes 42 Open dug wells in Buttala and Wellawaya

(c) 46 earlier approvals have been withdrawn

Self-employment and Village Adoption Loan Schemes— Galle and Matara Districts

(i) Loan Recommendations and Approvals

As in the previous year, the Regional Office placed greater emphasis on Self-employment Loan Schemes during 1987. Only one loan amounting to Rs. 8,000 was recommended during the year under review under the Village Adoption Scheme. However, under the Self-employment Loan Schemes 251 projects involving a sum of Rs. 2.1 million were recommended in 1987 for bank financing. The relevant banks together approved 204 projects with a loan value of nearly Rs. 2.0 million during the year under the Self-employment Loan Schemes. More details of loans recommended by the Regional Office and approved by the banks are given in Table 2.14 while a sector-wise classification of loan approvals is given in Table 2.15.

(ii) Repayments

During the year under review 123 loans amounting to Rs. 1.1 million were fully repaid bringing the total number and the value of loans fully repaid by the end of 1987 to 378 and Rs. 2.8 million, respectively. This amount represented 22.3 per cent of the total approved loan portfolio.

TABLE 2.14**Matara Regional Office : Loans Recommended and Approved under Self-employment Schemes—1987**

| Bank | Recommended | | Approved | |
|--|-----------------|-------------|-----------------|-------------|
| | No. of Projects | Value (Rs.) | No. of Projects | Value (Rs.) |
| Bank of Ceylon | 137 | 1,303,590 | 115 | 1,234,500 |
| People's Bank | 61 | 470,355 | 46 | 425,455 |
| India Overseas Bank | 32 | 192,000 | 32 | 190,500 |
| Regional Rural Development Bank | 21 | 180,750 | 11 | 104,080 |
| Total | 251 | 2,146,695 | 204 | 1,954,535 |

Source : Central Bank of Sri Lanka.

TABLE 2.15**Matara Regional Office : Sectoral Classification of Loan Approvals**

| Sector | No. of Projects | | Loan Amounts (Rs.) | |
|-------------------------------------|-----------------|-----------------------------------|--------------------|-----------------------------------|
| | Year 1987 | Upto the end of 1987 (Cumulative) | Year 1987 | Upto the end of 1987 (Cumulative) |
| 1. Agriculture | 59 | 326 | 678,080 | 2,568,930 |
| 2. Industry | 90 | 529 | 695,455 | 3,303,030 |
| 3. Services, Farm Power etc. | 55 | 263 | 592,000 | 3,731,945 |
| Total | 204 | 1,118 | 1,965,535 | 9,603,905 |

Source : Central Bank of Sri Lanka.

Paddy Cultivation Loans under New Comprehensive Rural Credit Scheme (NCRCS)

The Regional Office continued the Model Yaya System in respect of paddy cultivation loans. The Yaya organizations in Akuressa, Hakmana, Devinuwara, Kamburupitiya and Matara electorates were granted loans under this system during the year.

Details of the loans are given in Table 2.16. In accordance with the provision of the NCRCS several loans were recommended during the year for rescheduling. The Regional Office also organized a number of seminars with a view to providing a greater knowledge of the NCRCS to a larger number of farmers in the area.

TABLE 2.16

Matara Regional Office : Model Yaya Loans

| Electorate | 1986/87 Maha | | | 1987 Yala | | | 1987/88 Maha | | |
|-------------------|--------------|----------------|------------------------|-----------|----------------|------------------------|--------------|----------------|------------------------|
| | Acres | No. of Farmers | Loans Sanctioned (Rs.) | Acres | No. of Farmers | Loans Sanctioned (Rs.) | Acres | No. of Farmers | Loans Sanctioned (Rs.) |
| Matara ... | — | — | — | — | — | — | 13 | 09 | 27,794 |
| Akuressa ... | — | 73 | 108,523 | 84 | 54 | 89,076 | 66 | 46 | 62,977 |
| Hakmana ... | — | 57 | 86,224 | 127 | 105 | 185,244 | 157 | 131 | 264,989 |
| Kamburupitiya ... | — | 39 | 103,334 | 35 | 11 | 40,618 | 41 | 15 | 59,412 |
| Devinuwara ... | — | 10 | 19,545 | — | — | — | — | — | — |
| Total ... | — | 179 | 317,626 | 246 | 170 | 314,938 | 277 | 201 | 415,172 |

Source: Central Bank of Sri Lanka.

Tea and Coconut Fertilizer Loan Schemes

Despite continued efforts made by the Regional Office during the year to improve the performance of these two credit schemes, their performance remained much below expectations in 1987 as well. During the year only 7 loans amounting to Rs. 359,895 have been granted to the growers in the area under the Coconut Fertilizer Credit Scheme thus bringing the total number and value of such loans to 370 and Rs. 3.2 million by the end of 1987. Loans have not been disbursed under the Tea Fertilizer Loan Scheme during the year.

Issue of Treasury Bills

The Regional Office marketed Treasury Bills to the value of Rs. 12.0 million in 1987.

Local Clearing House

During the year, the Clearing House cleared 139,305 cheques to the value of Rs. 1,033.2 million.

REGIONAL OFFICE—ANURADHAPURA

During 1987, the Anuradhapura Regional Office continued its activities relating to promotion of both Short-term and long & medium-term credit for a wide array of activities within the district. The Regional Office continued to provide guidance and extension support to borrowers covering financial, managerial and technical aspects on an increasing scale. Training programmes were extended to cover a wider section of the population. More than 2,000 persons have undergone training facilities under the Central Bank programmes. Increasing number of village meetings, discussions, workshops, etc., have been conducted during the year, in an effort to deliver the message of development banking to the masses. The Bank also assisted a number of other institutions such as the Ministry of Plan Implementation, the Women's Bureau, Ministry of Youth and Employment and the Industrial Development Board in carrying out their training programmes.

An agricultural competition was conducted for the second year in succession, in which the benefits accruing to the borrowers who followed the training programmes were clearly evident. The competition has motivated a large number of farmers to undertake intensive cultivation practices to secure a better income.

Refinance Credit Operations

Table 2.17 presents a summary of the refinance credit operations of the regional office under the Medium and Long-term Credit Fund.

TABLE 2.17

Anuradhapura Regional Office : Refinance Credit Operations

| Sector | No. of Projects Recommended to Banks | Amount Recommended (Rs. '000) | No. of Projects Approved by Banks | Amount Approved (Rs. '000) |
|-----------------------|--------------------------------------|-------------------------------|-----------------------------------|----------------------------|
| Agriculture | 1,097 | 12,761 | 381 | 4,368 |
| Livestock | 589 | 3,025 | 154 | 901 |
| Small Industry | 324 | 3,396 | 188 | 1,848 |
| Services | 150 | 1,122 | 83 | 816 |

Source : Central Bank of Sri Lanka.

When compared with the previous years's record, in 1987 the Regional Office was able to recommend a larger number of projects involving a much large volume of credit

In addition the Regional Office played an important role in promoting short-term production loans for paddy and a variety of subsidiary food crops under the New Comprehensive Rural Credit Scheme (NCRCS). The Regional Office sponsored 696 such loans amounting to Rs. 3.3 million in respect of 1,646 acres during the culti-

vation year 1987. These loans were extended by the branches of the Bank of Ceylon, the People's Bank and the Anuradhapura Regional Rural Development Bank. It was further evident during the year that with careful monitoring, education of farmer-borrowers and continuous guidance the flow of credit can be increased with better recovery rates as well.

Performance of Medium and Long-term Projects

The main objectives of the Regional Office were to increase production, income and employment opportunities by enhancing the flow of institutional credit to economic activities. The total number of projects identified up to the end of 1987 by the Regional Office stood at 2,160 and 806 of them have been approved for financing by the lending banks. The projects in operation have shown encouraging performance in relation to the above objectives.

Income and Employment

The total income generated by the projects in operation during the year is estimated at Rs. 27.5 million. A Sector-wise analysis proves that agricultural projects have generated a higher and steady income. Leaving out the most progressive farmers who earned a much higher income the majority of the projects averaged an income of Rs. 10,000 to 15,000 in each season, particularly during the off season with the cultivation of 1-2 acres of cash crops with water from dug wells.

The small scale industrial and service sector projects have shown a greater capacity over agricultural projects in generating employment. Employment per project in some of the well managed industrial projects amounted to 8 persons. Details on income and employment generation are given in Table 2.18.

TABLE 2.18

Anuradhapura Regional Office : Estimated Income and Employment

| Sector | No. of Projects in Operation | Monthly Income (Rs.) | Annual Income (Rs.) | Employment (No. of persons) |
|----------------|------------------------------|----------------------|---------------------|-----------------------------|
| Agriculture | 365 | 1,046,100 | 12,553,200 | 629 |
| Livestock | 118 | 51,800 | 621,600 | 77 |
| Small Industry | 176 | 994,550 | 11,934,600 | 328 |
| Service Sector | 81 | 198,100 | 2,377,200 | 87 |
| Total | 740 | 2,290,550 | 27,486,600 | 1,121 |

Source : Central Bank of Sri Lanka.

Loan Repayment

Table 2.19 provides a summary of the repayment of loans of the Medium and Long-term Credit Programme.

The agricultural sector projects have recorded the highest repayment rate of over 90 per cent while the service sector recorded a repayment rate of 87 per cent. The repayment rates of Industry and Livestock loans were 84 per cent and 80 per cent, respectively. Failure of livestock projects in the field of poultry has been the major contributory factor for the lower repayment rate of livestock loans.

TABLE 2.19
Anuradhapura Regional Office Repayment of
Long-term and Medium-term loans

(Amount in Rs. '000)

| Sector | No. of Projects financed by Banks | Amount of Loan | Total Amount due for repayment as at end of 1987 | Total Amount repaid as at end of 1987 | Total Amount Overdue |
|------------------|-----------------------------------|----------------|--|---------------------------------------|----------------------|
| Agriculture ... | 365 | 4,205 | 1,422 | 1,356 | 145 |
| Livestock ... | 118 | 659 | 339 | 296 | 4 |
| Industries ... | 176 | 1,609 | 634 | 534 | 108 |
| Services ... | 81 | 537 | 266 | 231 | 34 |
| Total ... | 740 | 7,010 | 2,661 | 2,417 | 330 |

Source : Central Bank of Sri Lanka.

Agricultural Training Programmes, Seminars/Workshops

With the emphasis on the need for intensifying cultivation practices, using better technology, various training programmes were designed and carried out regularly by the Regional Office. During the year under review 9 such programmes benefitting over 500 farmers were conducted in different parts of the district. In addition more than 65 village meetings were also organised during the year to increase the awareness of development potential in rural areas and improve the access to institutional credit facilities for a larger segment of the community.

Issue of Treasury Bills

During the year under review, the total contribution to Treasury bills by the banks in the district amounted to Rs. 230.2 million. This was a marked increase when compared with the last year's contribution. The main contributor was the People's Bank.

Local Clearing House

The Clearing House at the Regional Office continued to provide clearing facilities to the banks in the region. During the year, cheques to the value of Rs. 242 million were cleared.

REGIONAL OFFICE—MATALE

During 1987, the Regional Office at Matale continued its activities with a view to promoting rural credit and thereby rural development. Its activities included project identification and appraisal, recommendation of projects for bank financing, conduct of training programmes and monitoring of bank financed projects. During the year, particular emphasis was placed on the weaker sections of the rural society with a view to assisting them to improve their economic conditions. Table 2.20 provides a summary of the credit operations relating to the refinance loan schemes implemented and monitored by the Regional Office during the year under review.

TABLE 2.20

**Matale Regional Office : A Summary of
Refinance Credit Operations in 1987**

| Scheme | Number of beneficiaries/Units directed to Banks | Loan quantum recommended (Rs.) |
|---|---|--------------------------------------|
| 1. New Comprehensive Rural Credit Scheme (NCRCS)... Yala/Maha 1987/88 | 1,678 | 7,309,538 |
| 2. Self-Employment Credit Scheme Matale/Kandy/ Kegalle | 221 | 1,480,085 |
| 3. Dairy Development Credit Scheme | 45 | 344,200 |
| 4. All Island Farm Machinery Loan Scheme | 20 | 888,600 |
| 5. Integrated Rural Development Loan Scheme (Matale District) | 01 | 30,000 |
| 6. Small and Medium Industry Loan Scheme | 01 | 32,000 |
| Total | 1,966 | 10,084,423 |

Source : Central Bank of Sri Lanka.

Yala Cultivation Season—1987

Owing to the severe drought which adversely affected paddy cultivation during 1986/87 Maha season many farmers were unable to repay their bank loans and became ineligible for fresh loans during Yala, 1987. However, the Regional Office made an effort to increase the flow of paddy cultivation loans during the season to eligible farmers through various measures. During the season the Office organised 16 Credit Camps in the district and recommended 682 loans amounting to Rs. 2.6 million for cultivation of paddy and minor food crops. The recovery rate of Yala, 1987 loans has been estimated at 67.5 per cent as at end of 1987.

Maha Cultivation Season—1987/88

During the 1987/88 Maha season, the number of Credit Camps was increased to 21 and a wider geographical area was covered by the Camps. Some of these Camps have benefited particularly those farmers who are in remote, difficult areas in the

district and contributed towards reduction of their transaction costs of obtaining loans from the banks. In respect of the 1987/88 Maha season, 997 loans amounting to Rs. 4.7 million have been released for the cultivation of paddy and minor food crops under the NCRCS.

Medium and Long-term Refinance Loan Schemes

The Regional Office continued to implement and monitor a number of Medium and Long-term Refinance Loan Schemes. Of these, the Self-employment Loan Scheme was perhaps the most important. The main objectives of this loan scheme were to raise the level of employment, production and incomes in the region. During the year, 502 self-employment projects were approved and directed to the banks for financing. In addition to assistance granted for obtaining finance, the office also made an effort to help the owners of the small enterprises to resolve their marketing and raw material problems. Among the other Medium and Long-term Credit Schemes, the Dairy Development Credit Scheme and the All Island Farm Machinery Loan Scheme were important. In all these schemes the repayment rates were about 99 per cent.

Training and Publicity Activities

The Regional Office organised a number of meetings and seminars to educate potential borrowers about the Self-employment Loan Scheme and various other banking facilities. Several training programmes were also conducted in small industry, poultry keeping and dairy farming.

Issue of Treasury Bills

During the year under review, the Regional Office was able to market Treasury Bills to the value of Rs. 219.5 million. The district-wise breakdown of the issues is given in Table 2.21.

TABLE 2.21

Matale Regional Office : Issue of Treasury Bills—1987

| District | Amount (Rs.) |
|----------|-----------------|
| Kandy | 164,961,000 |
| Matale | 53,715,000 |
| Kegalle | 850,000 |
| Total | 219,526,000 |

Source : Central Bank of Sri Lanka.

Local Clearing House

During the year 1987, the Regional Clearing House at Matale cleared 79,687 cheques with a total value of Rs. 441.6 million. In August, 1987 the Regional Clearing House at Kandy commenced its operations and cleared 136,100 cheques to the value of Rs. 1,369.0 million by the end of 1987.

PUBLICATIONS

The Central Bank's Annual Report for the year 1986 was presented to the Honourable Minister of Finance and Planning in terms of Section 35(1) of the Monetary Law Act. The Review of the Economy for 1986 which contains a more comprehensive analysis of economic trends and developments in the country during that year was also released in September, 1987. A brief review of the economy for the first half of 1987, was published in November, 1987 under the title "Economic Performance in the First Half of 1987", in Sinhala, Tamil and English.

During the year, several other publications were put out. Among them were : The Economic and Social Statistics of Sri Lanka—Vol. IX 1986 and the Socio-Economic Data Folder - 1987. These publications contain basic data on key economic variables. The Price and Wage Statistics of Sri Lanka, 1985 and Sri Lanka Currency of Recent Times, 1938-1985 were also released during the year. The Reports of the Survey of Customer Services of Commercial Banks in Sri Lanka, the Report on the 1985 Survey of Business Activities and Planned Investments in Sri Lanka - 1983/84 to 1985/86, Staff Studies Vol. 14 Nos. 1 and 2 were some of the other publications released during the year. The Bank also co-ordinated the Seminar on 'Alleviation of Poverty in Sri Lanka' held in collaboration with the UNICEF and the report 'The Alleviation of Poverty in Sri Lanka' was released. The Credit Bulletin No. 4, a Sinhala Cartoon Book 'Sebavu Sihinayak' (සැබැවු සිහිනයක්) Occasional Papers Nos. 15, 16 and 17 were also released. The Bulletin, the Sinhala monthly—Satahana, and the English-News Survey continued to be published in the year under review.

Library

The Library continues in popularity as a medium of reference to those within the Bank. Outsiders, although to a much restricted number, also had access to it. During the year there were 1,263 additions to the Library in the field of economics and related topics.

SEMINARS

During 1987, the following distinguished economists conducted seminars on topics of interest to officers at the Central Bank.

1. Professor Shanthi Devarajan of the Harvard University on "Growth Without Adjustment : Thailand 1973-1982."

2. Dr. Sarath Rajapathirana of the World Bank on "Industrialization and Foreign Trade", and
3. Dr. Michel Amsalim and Mr. Seth Moerowitz of the Citicorp Investment Bank, New York on "Privatization".

Mr. W. A. Wijewardena of the Bank's Research Department also conducted a seminar on "Interest Elasticity of Money Supply in Sri Lanka".

RESEARCH ACTIVITIES

The Central Bank continued to place considerable emphasis on research work relating to various aspects of the economy during the year under review. The following research papers were completed by the officers in the Bank during 1987 :

1. "Development of the Capital Market in Sri Lanka".
2. "A Macro-econometric Model for Sri Lanka : The Sri Lankan Country Model—ESCAP-LINK".
3. "The Impact of Exchange Rate Changes in Key Currencies on the Balance of Payments : The Case of Sri Lanka, 1977-86".
4. "The Effect of Income Distributional Pattern on Demand for Different Types of Energy in Household Sector".
5. "The Impact of 1984 Tariff Reform on Domestic Industry".
6. "Tax Ratio Analysis in a Tax Capacity Model".
7. "Interest Elasticity of Money Supply in Sri Lanka".
8. "A Model to Evaluate the Impact of Central Bank Securities on Selected Economic Variables".
9. "Intra Industry Trade in Sri Lanka".
10. "Resources for Meeting Housing Needs in Sri Lanka".
11. "Tax Ratio Analysis in a Tax Capacity Model - The Case of Sri Lanka 1970-1985".

SURVEYS

Consumer Finances and Socio-Economic Survey—1986/87

The Bank completed the enumeration work of the Consumer Finances and Socio-Economic Survey, 1986/87 which commenced in October, 1986. The Survey was conducted in 4 rounds during a period of 12 months. The main objective of the survey was to generate comprehensive data on consumer finances and socio-economic conditions of the household sector in the country.

Survey of Business Activities and Planned Investments

The Survey of Business Activities and Planned Investments is conducted on an annual basis in order to ascertain the structure of the investment, its direction, the extent of planning, sources and uses of funds and the volume of investment. The report on the Survey of Business Activities and Planned Investments for the period 1983/84 to 1985/86 was published in October, 1987. Data collections for the next survey covering the period 1984/85 to 1986/87 has also been completed and the report on the findings will be published in 1988.

Country-wide Data Collection System

The Bank continued to collect data under the Country-wide Data Collection System which has been in operation since the last quarter of 1978. Information on retail prices of over 200 consumer items, producer prices of a wide range of items retail prices of agricultural inputs and activity-wise daily wage rates in paddy cultivation, tea, rubber and coconut small holdings as well as small scale construction activities is collected from around 100 selected centres scattered in the Island. Data so collected are published together with a brief analysis in the annual publication—"Price and Wage Statistics—Retail Producer and Input Prices and Wages."

Monitoring of Import Liberalization Programme

The Bank continued to monitor imports under the imports liberalization programme by obtaining monthly data on Letters of Credit and Bills received against Letters of Credit. These data and analytical notes based on the data were made available to the relevant authorities on a regular basis.

TRAINING

During the year under review the Bank continued the policy of training its officers in academic as well as non-academic fields. Academic Courses which were confined to postgraduate studies in Economics, Statistics, Computer Science and allied fields at universities abroad and Sri Lanka were arranged during the course of the year. These covered courses leading to Masters and Ph.D. degrees. A total of 6 officers proceeded on postgraduate studies abroad during the year while 3 officers followed postgraduate studies in Sri Lanka.

Training in non-academic fields related to practical short-term training courses, seminars, workshops, study tours, visits, etc., mainly covered the areas in Rural Development, Agricultural and Industrial Credit, Banking and Computer Studies both local and foreign. In all, 98 officers proceeded abroad on short-term training during the year, while another 297 officers participated in local training courses. The in-service training programmes on commercial banking practices and operations for Central Bank officers at the People's Bank and Bank of Ceylon also continued during 1987. In addition to these training programmes the Bank also co-ordinated the South East Asian Central Banks (SEACEN) training course on Financial System and Banking which was the first in the series and held in Colombo from October 7–November 5, 1987.

DATA PROCESSING

During 1987, the Bank, whilst improving facilities for the existing applications, made an effort to assess and plan its data processing requirements for the next 5 to 10 years. Also the Bank placed considerable emphasis on new developments such as the Sri Lanka Automated Clearing House Project, Consumer Finance Survey, Economic Database Project and Introduction of Computing Equipment into User Departments. Further the Bank played a vital role in work connected with the accelerated computerization programme for the Central Bank activities which have not yet been computerised. Details on these tasks are given below :

1. Sri Lanka Automated Clearing House

The Sri Lanka Automated Clearing House (SLACH) Project was commenced in 1986. The primary objective of the project is to replace the manual cheque clearing arrangements in Colombo with more modern and advanced techniques.

A new office was established with special computing equipment. Recruitment and training of staff and installation and testing of the computer hardware and software took place during 1987.

By the end of 1987 the SLACH was nearly ready to take over the Colombo inter bank clearing activities, and was awaiting an adequate percentage of cheques with MICR (Magnetic Ink Character Recognition) codes, to be in circulation. The SLACH will begin to function in early 1988. It will provide a system for faster processing of cheques and be able to handle an increased volume of cheques in the future without enhancing resources. Also, it will eliminate human errors during sorting and provide a more comprehensive system to the banks. The entire project may be considered a major step towards banking automation and electronic funds transfer in Sri Lanka which is the current trend in the banking industry in the World.

2. Consumer Finance Survey

The design and development of systems and programmes for editing and updating of the data collected in the Consumer Finance and Socio-Economic Survey, 1986/87 was completed during 1987. The data entry of various schedules was also completed.

Data editing and updating are in progress and expected to be completed by March, 1988 and tabulation will be done during 1988.

3. Economic Database

The Bank has undertaken to develop a comprehensive database for use by its Economic Research Department. During the current year, the Bank acquired the necessary software, trained staff and made considerable upgrades to the hardware.

4. Introduction of Computing Equipment into User Departments

During 1987, the Central Bank embarked on an accelerated program for computerizing many application areas which need computerization. It was decided to instal data processing equipment, particularly personal computers, in user departments. Depending on the requirement, connectivity to the main computer is also provided. Applications with very large volumes of data and transactions will continue to use the mainframe.

MANAGEMENT AUDIT

The Internal Audit Division, in accordance with its programme of work, carried out the functions of audit of the various Departments of the Bank, including the Regional Offices at Matale, Matara and Anuradhapura during the year 1987.

As a part of the on-going project on studying the manpower requirements of the Bank, the Management Services Division undertook a study of the manpower requirements of the Bank's Internal Audit Division during the year.

The work of revising the Audit Manuals currently being used by the Bank continued during 1987.

PERSONNEL

The Governor Dr. W. Rasaputra attended the following conferences and meetings during the year 1987 :-

- (1) The 22nd South East Asian Central Bank (SEACEN) Governors' Conference held in Kathmandu, Nepal.
- (2) The 28th meeting of the Interim Committee of the Board of Governors of the International Monetary Fund and Meetings of the Development Committee and the Group of 24 held in Washington D.C., U.S.A.
- (3) Meeting of the Board of Directors of the Asian Clearing Union held in Rangoon, Burma.
- (4) Commonwealth Central Bank Governors' Conference held in London, U.K. and Meeting of the Bank for International Settlements held at Basle, Switzerland.
- (5) Annual meetings of the International Monetary Fund and the World Bank held in Washington D.C., U.S.A.
- (6) XVII Meeting of the Council of SEANZA Central Bank Governors held in Sydney, Australia.

Mr. D. L. Kannangara, Senior Deputy Governor acted as Chief Executive Officer of the Bank and the Chairman of the Monetary Board in the absence from Sri Lanka of the Governor.

Mr. A. S. Jayawardena, Deputy Governor was designated as Senior Deputy Governor and acted as Chief Executive Officer of the Bank and the Chairman of the Monetary Board in the absence from Sri Lanka of the Governor and Mr. D. L. Kannangara, Senior Deputy Governor.

Dr. K. S. E. Jayatillake, Deputy Governor was designated as Senior Deputy Governor and acted as Chief Executive Officer of the Bank and the Chairman of the Monetary Board in the absence from Sri Lanka of the Governor, Mr. D. L. Kannangara, Senior Deputy Governor and Mr. A. S. Jayawardena, Deputy Governor.

Mr. G. Cumararatunga, Deputy Secretary to the Treasury attended meetings of the Monetary Board as the Alternate of the Secretary to the Ministry of Finance and Planning in the absence of the latter.

Appointments

Mr. A. S. Jayawardena, Executive Director, who was on release to the International Monetary Fund as Alternate Executive Director was appointed a Deputy Governor with effect from 1st January, 1987.

Dr. K. S. E. Jayatillake, Executive Director was appointed a Deputy Governor with effect from 1st June, 1987.

Mr. S. W. P. Amarasuriya, Executive Director was appointed Secretary to the Monetary Board with effect from 5th June, 1987.

Mr. D. K. Jayawardena, Superintendent, Employees' Provident Fund was appointed as Executive Director with effect from 1st November, 1987 in addition to being Superintendent, Employees' Provident Fund.

Mr. P. Wattagama, Secretary was appointed as Executive Director with effect from 1st November 1987 in addition to being Secretary.

Mr. V. N. D. Nanayakkara, Adviser, Special Projects was appointed Adviser in the Development Finance Department with effect from 27th July, 1987.

Mr. P. M. Nagahawatte, Controller of Exchange was appointed Director of Premises with effect from 15th January, 1987 in addition to being Controller of Exchange.

Dr. W. Hettiarachchi, Director of Banking Development, Director of Training and Additional Director of Economic Research was appointed Director of Economic Research with effect from 15th January, 1987.

Mr. S. Pattividana, Director of Premises was appointed Director of Rural Banking and Staff Training College with effect from 15th January, 1987.

Mr. Y. A. Piyatissa, Acting Additional Director of Bank Supervision was appointed Acting Director of Banking Development, in addition to being Acting Additional Director of Bank Supervision with effect from 15th January, 1987. He was appointed Acting Director of Bank Supervision with effect from 15th October, 1987.

Mr. T. G. Savundranayagam, Deputy Director of Economic Research was appointed Acting Additional Director of Economic Research to be in charge of Training in addition to other duties in the Economic Research Department, with effect from 15th January, 1987.

Mr. V. Sivasubramaniam, Deputy Superintendent of Public Debt was appointed Acting Additional Superintendent of Public Debt with effect from 15th January, 1987.

Miss C. Abeynayake, Deputy Chief Accountant was appointed Acting Additional Chief Accountant with effect from 15th January, 1987, and was placed in charge of Policy and Planning Division in addition to her duties as Acting Additional Chief Accountant.

Mr. A. M. S. Radaliyagoda, Deputy Director of Rural Banking and Staff Training College was appointed Acting Additional Director of Rural Banking and Staff Training College with effect from 15th January, 1987. He was appointed Acting Additional Director of Premises with effect from 28th January, 1987.

Mr. E. J. Anandappa, Deputy Secretary was appointed Acting Additional Superintendent of Employees' Provident Fund with effect from 1st November, 1987.

Mr. P. T. Sirisena, Deputy Director of Development Finance was appointed Acting Additional Director of Development Finance with effect from 1st November, 1987. He was appointed Acting Additional Director of Bank Supervision with effect from 4th November, 1987.

Mr. W. Jayasena, Deputy Director of Information was appointed Acting Additional Secretary with effect from 1st November, 1987.

Mr. P. Pattiarachchige, Deputy Director of Rural Banking and Staff Training College was appointed as Acting Additional Director of Rural Banking and Staff Training College with effect from 1st November, 1987.

Dr. G. Abeysekera, Deputy Head of Department who was on release to the Ministry of Finance and Planning was appointed to function as Special Officer in charge of Banking Development in addition to his duties as Chairman, National Savings Bank with effect from 9th March, 1987. He reverted to the Central Bank service on full time basis with effect from 16th September, 1987.

Mr. H. Premaratne (a former Chief Accountant and Executive Director) was appointed as a Consultant on Supervision of Banking and Financial Institutions on contractual basis with effect from 1st November, 1987.

Officers on Release (as at 31st December, 1987)

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

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

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

Mr. S. Easparathan for an assignment with the International Monetary Fund in Micronesia.

Dr. L. E. N. Fernando to the International Monetary Fund to function as Alternate Executive Director for Bangladesh, Bhutan, India and Sri Lanka.

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, Mr. M. B. Dissanayake, Dr. S. S. Colombage, Messrs. E. A. P. N. Dias, D. S. I. A. Ariyadasa, J. M. T. B. Jayasundera, G. A. V. Fonseka, Dr. I. Coomaraswamy, Messrs. C. Liyanage, T. M. Z. Mutaliph and Mrs. Y. M. Indraratne to the Ministry of Finance and Planning.

Mr. K. B. Dodangollegama to the Ministry of Industries and Scientific Affairs.

Mr. N. A. De S. Athuraliya to the Mahaweli Authority of Sri Lanka.

Retirement

Mr. D. A. P. Weerawardena, Adviser, Exchange Control retired from the Central Bank's service with effect from 12th May, 1987.

Death

Mr. E. Balasingam, Director of Bank Supervision expired on 29th September, 1987.