

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 29, 1989 and the Profit and Loss Account of the Bank for the year ended December 29, 1989 are presented in Table 2.1. Total Assets/Liabilities of the Central Bank as at the end of 1989 stood at Rs.62,770.5 million registering an increase of 13.4 per cent during the year. The increase in the assets was mainly due to increases in the International Reserve and other assets of the Bank. The ratio of domestic assets to total assets declined from 73.2 per cent in 1988 to 65.8 per cent in 1989, despite an increase in the value of such assets by Rs.761 million which was mainly on account of loans and advances given to Government during the latter part of the year.

The share of currency in circulation which accounted for the highest in the total liabilities declined from 37 per cent in 1988 to 34 per cent in 1989. However, the total value of currency in circulation increased by Rs.755 million or 3.7 per cent during 1989. There was no significant change in the share of deposits and other liabilities in total liabilities of the Bank.

A comparison of major components of assets and liabilities of the Bank is shown in Table 2.2. The income of the Bank for the year 1989 at Rs. 6,939.9 million showed an increase of 24.3 per cent over that for the preceding year. After making allowances for expenditure and allocations to Reserve Accounts and provision for Depreciation and other Charges, the net profit of the Central Bank amounted to Rs. 1,000 million. A sum of Rs. 500 million is to be transferred to the surplus of the Bank in terms of section 39(b) of the Monetary Law Act. The balance sum of Rs.500 million is earmarked to be paid to the Government in terms of section 39(c) of the Monetary Law Act.

Foreign Exchange Operations

The Central Bank continued to determine the daily spot buying and selling rates of the U.S. Dollar against Sri Lanka Rupee for its transactions with commercial banks. The spread between the spot buying and selling rates for the U.S. Dollar was Rs. 3.00 per US\$ 100. No significant policy changes in this respect were made in 1989.

The Bank continued to intervene, when necessary, in the forward market by selling U.S. Dollars forward in order to maintain stability in the forward exchange rates. The period of such cover was upto six months.

As in the past, the Central Bank invested its foreign exchange reserves in international money and capital markets.

Asian Clearing Union

The total value of transactions routed through the Asian Clearing Union (ACU) facility in 1989 amounted to Rs.16,209 million as compared with Rs. 13,407 million during the previous year.

The rupee value of net settlements made in foreign currency in 1989 amounted to Rs. 393 million as compared with Rs. 3,305 million in 1988.

The Board of Directors of the ACU at its meeting held in Bombay in March, 1989 decided to introduce a swap facility among the member countries. Under this scheme which came into operation in November, 1989, Asian Monetary Units (AMUs) were made available to participating countries to settle their temporary imbalances in clearing.

THE CENTRAL BANK
Balance Sheet as at

30th December, 1988		LIABILITIES	29th December, 1989	
Rs.	Rs.		Rs.	Rs.
		Capital Accounts		
15,000,000		Capital	15,000,000	
82,000,000	97,000,000	Surplus	92,000,000	107,000,000
		Currency in Circulation		
19,553,357,957		Notes	20,207,421,450	
817,983,685	20,371,341,642	Coins	918,566,342	21,125,987,792
		Deposits		
3,513,523,741		Government	2,764,709,352	
159,573,844		Government Agencies and Institutions	68,834,706	
5,033,453,381		Commercial Banks	5,596,634,032	
		International Organisations, Foreign Government and Foreign Banking Institutions	5,463,706,571	
3,905,462,348		Compulsory Savings Fund excluding Rs. 14,994,750/- invested in Treasury Bills	174,878	
401,801	12,999,188,595	Others	695,077,765	14,589,137,304
386,773,480				
	231,227,500	Borrowings Abroad		2,631,958,214
	1,875,000,000	Medium and Long Term Credit		1,875,000,000
	220,000,000	Capital Contribution Accounts		220,000,000
	19,325,000	Central Bank Securities		22,221,401,356
	19,518,552,639	Other Liabilities and Accounts		
	55,331,635,376			62,770,484,666

Profit and Loss Account for the

30th December, 1988			29th December, 1989	
Rs.	Rs.		Rs.	Rs.
		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		5,939,397,126
	3,537,195,117	Net Profit for the Year ended 30th December 1989		
		To Monetary Adjustment Account in Liquidation of Balance in terms of Section 39 (a) of the Monetary Law Act	505,371	
34,372,461		Carried to Surplus in terms of Section 39 (b) of the Monetary Law Act	500,000,000	
10,000,000		To Part Liquidate Outstanding Government Obligations to the Central Bank in terms of Section 39 (c) of the Monetary Law Act	500,000,000	1,000,505,371
2,000,000,000	2,044,372,461			
	5,581,567,578			6,939,902,497

Note of the Auditor General

The accounts of the Central Bank of Sri Lanka for the year ended 29th December 1989 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.

30th March, 1990

W. Gamini Epa
Auditor General

30th December, 1988 Rs. Rs.		ASSETS	29th December, 1989 Rs. Rs.	
2,683,093,809		International Reserve		
4,929,183,221		Cash and Balances Abroad	4,828,392,377	
2,704,443	7,614,981,473	*Foreign Securities and Treasury Bills	4,678,005,347	
		Holdings of Special Drawing Rights	452,156,659	9,958,554,383
		Domestic Assets		
6,194,673,355		Loans and Advances to Government	7,599,551,611	
1,147,825,912		to Others - Medium and Long Term	1,572,145,018	
2,705,925,672		- Short Term	2,740,395,432	
30,244,061,536		Government and Government Guaranteed Securities	29,141,386,521	
220,000,000	40,512,486,475	Contributions to Financial and Other Institutions	220,000,000	41,273,478,582
	7,204,167,428	Other Assets and Accounts		11,538,451,701
		*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)		
	55,331,635,376			62,770,484,666

year ended 29th December, 1989

30th December, 1988 Rs. Rs.			29th December, 1989 Rs. Rs.	
	5,581,567,578	By Interest, etc. Earned ...		6,939,902,497
	5,581,567,578			6,939,902,497

H. N. S. Karunatilake
Governor

N. A. Dharmabandu
Chief Accountant

TABLE 2.2
Comparison of Major Components of Assets and
Liabilities of the Central Bank as at the end of 1988 and 1989

LIABILITIES					ASSETS				
ITEM	1988		1989		ITEM	1988		1989	
	Rs.Mn.	%	Rs.Mn.	%		Rs.Mn.	%	Rs.Mn.	%
Capital Account	97.0	0.2	107.0	0.2	International Reserve	7,615.0	13.8	9,958.6	15.9
Currency in Circulation	20,371.3	36.8	21,126.0	33.7	Domestic Assets	40,512.5	73.2	41,273.5	65.7
Deposits	12,999.2	23.5	14,589.1	23.2	Other Assets	7,204.1	13.0	11,538.4	18.4
Borrowings Abroad	231.2	0.4	2,632.0	4.2					
Medium & Long Term Credit	1,875.0	3.4	1,875.0	3.0					
Capital Contribution A/c	220.0	0.4	220.0	0.3					
Central Bank Securities	19.3	-	-	-					
Other Liabilities	19,518.6	35.3	22,221.4	35.4					
TOTAL	55,331.6	100.0	62,770.5	100.0	TOTAL	55,331.6	100.0	62,770.5	100.0

Source: Central Bank of Sri Lanka.

Bank Rate

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 increased from 10 per cent per annum to 14 per cent per annum as from June 15, 1989.

Short Term Credit

Central Bank's accommodation to commercial banks under Export Credit Refinance Schemes continued to be in operation throughout the year. The period of refinance for both Category I (traditional) and Category II (non-traditional) exports remained at 90 days. However, extensions by a further 30 day period were 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 Export Credit 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 per cent per annum and 9.8 per cent per annum respectively. The Central Bank continued to refund 4 percentage points per annum of the interest charged on the export credit refinance so that the lending banks could pass the benefit on to the customers on export transactions, provided the sale proceeds are received in Sri Lanka within 90 days. The global limit of refinance remained at Rs. 1,663 million under Category I of the Export Credit Refinance Facility. However, a further sum of Rs. 400 million was made available with effect from November 16, 1989, as a temporary measure, to overcome the liquidity needs of the tea sector whose production, export and realisation of proceeds were disrupted. This was withdrawn on December 15, 1989. There was no limit of refinance under Category II except in the case of tea-bags and calibrated precious stones.

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 rate of interest on Central 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 authorised persons, to finance the purchase of paddy and for the purchase and storage of other specified crops grown locally, remained unchanged at 3 per cent per annum.

Accommodation to Finance Companies

In terms of Sections 20(4) (a) and 21(1) of the Finance Companies Act No.78 of 1988, the Central Bank continued to grant financial accommodation to commercial banks in respect of their lending operations with non-bank financial institutions which were faced with temporary liquidity problems and/or whose administration and management have been taken over by the Monetary Board. An amount of Rs. 470 million had been disbursed upto the end of 1989, on this account.

Reserve Requirements

The statutory reserve ratio on demand, time and savings deposits liabilities of commercial banks remained at 15 per cent during the year. The quantum of Treasury Bills that could be held for reserve requirement purposes was 5 percentage points within the 15 per cent reserve ratio.

Commercial Bank Credit

(a) Credit Ceiling

The Central Bank of Sri Lanka directed commercial banks that with effect from June 15, 1989, the total amount of advances granted and outstanding to the private sector should not exceed their total advances granted and outstanding as at May 31, 1989.

For the purpose of this directive, the Central Bank defined the term "advances" to include loans, overdrafts, import bills and local bills financed. However, advances granted for the purpose of agriculture (including marketing and cultivation loans), exports (including export bills and pre-shipment credit) and industry were excluded from the credit ceiling. Furthermore, Interbank transactions in the call money market, advances granted to the Co-operative Wholesale Establishment for essential food imports, Praja Naya Niyamakas, Village Adoption Schemes, Self-Employment Schemes, Poverty Alleviation Projects sponsored by the National Youth Services Council, produce brokers of tea, rubber and coconut, import of sugar by private importers and housing were also excluded from the credit ceiling.

(b) Margin Requirements on Letters of Credit

The Central Bank directed the commercial banks to obtain from their customers a 100 per cent cash margin on Letters of Credit issued as from June 15, 1989 for specified imports considered non-essential.

The margin requirements on Letters of Credit which were to be terminated on November 15, 1989 were later extended for a further period.

Secondary Market Operations in Treasury Bills

The Central Bank continued its operations in Treasury Bills in the Secondary Market. The sales turnover of Treasury Bills increased from Rs. 61,361 million in 1988 to Rs. 72,810 million in 1989. The purchase turnover on the other hand, decreased from Rs. 25,399 million to Rs. 21,428 million during the two periods under consideration. The net sales turnover to the non-banking sector amounted to Rs. 7,560 million in 1988 and Rs. 15,399 million in 1989.

The discount rates applicable to Secondary Market Operations in Treasury Bills varied between 12.25 per cent to 18 per cent during the year.

Subsidy & Ex-gratia Payment to Indian Repatriates

The Bank continued to operate, on behalf of the Government, the schemes relating to the repatriation of estate workers of Indian origin covered under the Indo-Ceylon Agreement of 1964.

Import Duty Rebate to Exporters

The Bank continued to reimburse on behalf of the Government, claims made by commercial banks in respect of import duty rebates paid to exporters. A total sum of Rs. 779 million was reimbursed during 1989.

Compulsory Savings Fund

The Central Bank continued to be the custodian of the monies collected in terms of the Compulsory Savings Act No.6 of 1971 and the Ceiling on Income and Compulsory Savings

Law No.15 of 1972 and administered the Compulsory Savings Fund on behalf of the Government. During the year, the Bank paid out to contributors Rs. 0.4 million (inclusive of interest) on 87 applications received.

Government Accounts

As Banker to the Government, the Central Bank continued to maintain accounts of Government Departments, Government Agencies and Institutions and certain statutory bodies. The number of operational accounts at the end of December, 1989 was 172.

CURRENCY ISSUE

Currency in circulation recorded a slight increase of 4 per cent in 1989 and stood at Rs. 21,125.9 million as at the end of the year. Of the currency in circulation, notes comprised 96 per cent, while the balance was in the form of coins.

In terms of value of notes, the Rs. 1,000/= note represented 48.0 per cent of total notes in circulation followed by Rs. 500/=, Rs. 100/=, Rs. 50/=, Rs. 10/= and Rs. 20/= in that order. In terms of volume, Rs. 10/= note had the highest circulation followed by Rs. 100/=, Rs. 50/=, Rs. 20/=, Rs. 1000/= and Rs. 500/= in that order. The Bank continued with the progressive withdrawal from circulation of the notes in the denomination of Rs. 1/=, Rs. 2/= and Rs. 5/=.

In 1989, 24.5 million unfit notes were withdrawn from circulation. These notes with a face value of Rs. 1,310.9 million were cancelled and destroyed.

The Bradbury Wilkinson Lanka (Pvt) Ltd., Biyagama, the Joint Venture Security Printing Plant set up in collaboration with the Government of Sri Lanka, supplied all the requirements of printed currency notes of the Bank in 1989.

During 1989, action was taken to have the signatures (in facsimile) of Hon. D.B.Wijetunga and Dr. H.N.S.Karunatilake, the Minister of Finance and the Governor of the Central Bank, respectively on the notes of Rs. 1000/=, Rs. 500/=, Rs. 100/=, Rs. 50/=, Rs. 20/= and Rs. 10/= denominations. All these notes will carry the date February 21, 1989.

BANKING DEVELOPMENT

At the end of 1988, there were 25 commercial banks operating in Sri Lanka, comprising 19 foreign banks and 6 indigenous banks with a network of 700 branches. During 1989, indigenous banks opened 19 branches, while the savings unit of a foreign bank was upgraded to a fully fledged branch. The Emirates Bank International Ltd., one of the foreign banks, ceased to operate in Sri Lanka with effect from September 29, 1989 and its business was taken over by the Hatton National Bank. Thus the number of foreign banks in Sri Lanka at the end of 1989 stood at 18.

The Bank of Ceylon opened 3 new offices during the year 1989, viz. an extension office at Biyagama Free Trade Zone, a foreign employment service centre at Rakshana Mandiraya and a Pay Office at Peradeniya Campus branch. Its Mankulam branch was re-opened in August, 1989 which had been closed due to security reasons. Matale 2nd City branch was closed down and amalgamated with Matale Main branch, while the Nildandahinna Agricultural Service Centre (ASC) was temporarily closed down due to adverse security situation in the area. The amalgamation of Ipalogama ASC branch with Galnewa branch, Wahakotte ASC branch with Galewela branch, Digana ASC branch with Madawala branch and Srawasthipura ASC branch with Anuradhapura branch took place during the year. Further,

the Weeraketiya and Wellawaya ASC branches were upgraded and consequently at end 1989, the total number of branches of Bank of Ceylon stood at 284.

Meanwhile, the Pawning Centre at Borella and the Malwatte Road branch of the People's Bank were upgraded to main branches during 1989. In addition, the People's Bank opened a new branch at Pamunugama in May, 1989 and an Extension Office at the Insurance Building bringing the total of its branches to 300 as at the end of the year.

The Hatton National Bank opened a new branch at Wattala and took over the business of the Emirates Bank International Ltd., to function as a branch. The Sampath Bank opened 7 branches at Kiribathgoda, Colombo Fort, Bambalapitiya, Katunayake Airport, Kurunegala, Navam Mawatha and Kandy during 1989. The Seylan Trust Bank opened 5 branches at Mt. Lavinia, Maharagama, Panadura, Kiribathgoda and Matara during the year under review. The National Savings Bank (NSB) also contributed to the expansion of banking services in the country by opening 3 new branches during the year at Colombo West, Weligama and Kiribathgoda increasing its total number of branches to 67 as at the end of 1989.

BANK SUPERVISION

The Central Bank commenced the examination of 14 commercial banks including two Regional Rural Development Banks in 1989 and concluded all but three of these examinations. 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 banks in 1988 was also analysed in 1989 on the basis of returns furnished by banks. The Banks continued to monitor the transactions of Foreign Currency Banking Units established by commercial banks under the Foreign Currency Banking Scheme on the basis of monthly returns obtained from them.

The Bank issued two directives to commercial banks in April, 1989 under the provisions of the Banking Act No. 30 of 1988, specifying limits on maximum shareholdings of banks and on maximum exposures to large borrowers. The compliance of banks with the limits on concentration of shareholdings and facilities extended was also monitored by the Bank. At the same time, the Bank also issued a notice to commercial banks relating to determinations made by the Bank under the Banking Act. These determinations, inter alia, included:

- (a) minimum percentage of capital funds to be maintained by licensed commercial banks to be 4 per cent of average month-end liabilities including contingent liabilities during the preceding twelve months;
- (b) minimum liquid assets to be maintained by licensed commercial banks to be 20 per cent of total liabilities less liabilities to the Central Bank and to the shareholders; and
- (c) approved security against which facilities are to be provided to directors of licensed banks.

During 1989, the Bank continued to administer the Deposit Insurance Scheme which came into operation in April, 1987 with the promulgation of the Regulations under Section 32E of the Monetary Law Act. This scheme, which is optional, extends its coverage to commercial banks, regional rural development banks and co-operative rural banks of the Multi-purpose Co-operative Societies.

Applications for registration as insured institutions were received from 2 commercial banks, 5 regional rural development banks and 179 Multi-purpose Co-operative Societies comprising 764 co-operative rural banks. During the year 1989, one Regional Rural Development bank and 33 Multi-purpose Co-operative Societies with a network of 139 co-operative rural banks were examined by the Bank Supervision Department of the Bank prior to their applications being considered for registration under this scheme.

As at end of December, 1989, 2 commercial banks, 3 regional rural development banks and 18 co-operative rural banks of 3 Multi-purpose Co-operative Societies had been registered as insured banks and insured societies.

SUPERVISION OF FINANCE COMPANIES

The Department of Supervision of Non-Bank Financial Institutions which was established on December 23, 1988 by the Central Bank has since been in charge of the supervision of non-bank financial institutions in Sri Lanka. In 1989, the Bank placed greater emphasis on on-site examination of finance companies, while implementing new techniques of off-site surveillance.

The new policies achieved their objectives as shown by the overall performance of the finance company sub-sector in the financial system. The public deposits with finance companies increased from Rs. 6,267.9 million as at end of 1988 to Rs. 6,527.4 million as at end of 1989. There was no failure of finance companies in 1989 as against 7 failures in the previous year in spite of the highly unfavourable economic conditions that prevailed in the year. The month long strike in the transport sector during June - July adversely affected the liquidity position of finance companies, since the private sector operated public transport service is largely financed by them. However, the finance companies managed to wade through the difficult situation. Moreover, except three small companies which were in difficulties in 1988 also, all other finance companies that experienced difficulties in 1987 and 1988 managed to improve their performance considerably in 1989 with the technical and managerial assistance of the Central Bank. Two finance companies were given financial assistance through the refinance facility of the Central Bank.

During 1989, in the process of continuous supervision of finance companies, comprehensive on-site examinations were undertaken by the Bank in respect of 23 companies and of these examinations, 15 were completed within the year. In addition, 9 companies were subjected to detailed audit through auditors appointed by the Central Bank under Section 12(d) of the Finance Companies Act No. 78 of 1988. The remaining few companies too were subjected to strategic on-site examinations. During 1989, several measures were taken to strengthen the supervisory and regulatory role of the Central Bank on finance companies. Following directions were issued in 1989:-

- (i) With effect from April 1, 1989, every finance company shall at all times maintain assets in the form of Sri Lanka Government Treasury Bills, Sri Lanka Government Securities and Central Bank of Sri Lanka Securities equivalent to six (6) per cent of the average of its month end deposit liabilities during the twelve months of the last financial year.
- (ii) Every finance company shall deposit documents relating to Sri Lanka Government Treasury Bills, Sri Lanka Government Securities and Central Bank of Sri Lanka Securities referred to above with the Chief Accountant of the Central Bank of Sri Lanka.

- (iii) No finance company shall, as from April 1, 1990 take into account as income, any accrued interest on a loan, credit facility or any type of financial accommodation on which interest and/or capital repayments are in arrears for six months or more.
- (iv) Commencing April 1, 1990 every finance company shall (in the maintenance of the books of accounts) segregate a loan, credit facility or any type of financial accommodation to which paragraph above is applicable, from other loans, credit facility and any type of financial accommodation under separate control accounts in the general ledger.

The off-site surveillance through an Early Warning System (EWS) which was introduced in February, 1989 continued throughout the Year. The Monetary Board had in December 1988 approved of a scheme to grant relief to depositors of finance companies in distress. The relief payment was extended to deposits in respect of the principal sum deposited and maturing as at December 31, 1989. Under this scheme, a sum of Rs. 20,000/- or 50 per cent of the matured deposit, whichever is less, was to be made to depositors exclusive of any accrued interest and subject to deductions from the sum paid of loans and other dues to the finance companies. During 1989, the Board decided to grant further relief to depositors to the full extent of the principal sum, where a deposit does not exceed Rs. 10,000/-. In 1989, such relief payments were being made to depositors of five finance companies that are vested in the Monetary Board.

The payment to depositors of finance companies vested in the Bank is financed mainly by providing refinance facilities from the Medium and Long Term Credit Fund established under Section 88E of the Monetary Law Act. During 1989, five companies received the benefit of such refinance facilities amounting to Rs. 57.0 million. The progress of the relief payment scheme as at end of 1989 is given in Table 2.3

The implementation of the Depositor Relief Scheme in the distressed finance companies was impeded by several factors. The managements of certain failed finance companies have maintained unofficial records and hence, company documents do not corroborate a fair proportion of the deposit claims. Some of the claims made by the public are not based on genuine deposits. Further, creditors who are not eligible under the scheme have applied as depositors.

The Central Bank officials, in order to make sure that the relief payments are made only on genuine deposits, have to verify the information given by the depositors using independent data available at the company level. This exercise of verification has been made difficult in certain companies due to absence or improper maintenance of books and accounts and hence the implementation of the relief scheme in those companies has been impeded. Hence, the verification of deposits had to be done using other documents. In certain companies where legal proceedings are still pending as their managements have objected to the take-over by the Central Bank, the relief scheme could not be implemented.

In 1989, nine prosecutions instituted by the Fraud Bureau under the Control of Finance Companies Act No. 27 of 1979 were taken up for hearing. Of these, two prosecutions were taken up for trial in the Magistrate's Court, Colombo. Further, a complaint was made to the Criminal Investigations Department against the Directors of company for misappropriation of company funds and the case is now pending in the Magistrate's Court, Colombo.

In 1989, there has been no suspension of finance companies. However, of the companies suspended earlier, the management and administration of one company was vested in the Monetary Board. Thus, as at the end of 1989, six companies remained vested in the Board.

TABLE 2.3

Name of Company	No. of Applns recd.* (1)	No. of Applns processed (2)	Total Amt. payable (Rs.) (3)	No. of deposits paid (4)	Amt paid (Rs.) (5)	(5) as a % of (3) (6)
Union Trust & Investments Ltd.	12,679	9,556	106,893,245	5,489	52,020,000	48.7
Home Finance Ltd.	12,442	12,047	115,991,951	312	2,568,670	2.2
Hideki Finance & Investments Ltd.	4,796	3,942	44,800,028	178	1,864,146	2.6
Sarabhoomi Investments Co.(Pvt) Ltd.	384	335	3,200,946	152	1,601,039	50.0
Finance & Guarantee Co. Ltd.	388	277	847,266	339	508,772	60.0
TOTAL	30,680	26,157	271,733,436	6,470	58,562,627	21.6

Source: Central Bank of Sri Lanka.

* Including applications on non-matured deposits.

Of these, one company was amalgamated with another finance company; two companies are being managed by a team of officers appointed by the Board; two others are being managed by firms under agreements signed with the Board. A management team has been appointed to manage the fifth company which will commence operations in 1990. It has been decided to stay liquidation proceedings in the case of three other companies and vest them in the Monetary Board.

As at the end of 1988, there were 72 finance companies registered with the Monetary Board. All these companies were registered under the former Act, namely the Control of Finance Companies Act No. 27 of 1979, which was repealed. No new companies were registered in 1989. However, due to the restructuring presently being implemented by the Central Bank, the total number of operational finance companies as at end 1989 was about 45. A further reduction in the number of finance companies is expected.

For finance companies to be eligible for registration under the existing Finance Companies Act No. 78 of 1988 they are required to become public companies and maintain an unimpaired capital of Rs. 5 million. In addition, the Monetary Board should be satisfied that the registration of a finance company would not be to the detriment of the depositors. Among the aspects that will be considered necessary for the protection of depositors would include proper internal controls, satisfactory accounting systems and procedures. A period of two years has been granted for the presently operational finance companies to comply with stipulations of the 1988 Act and this transitional period ends by December 18, 1990.

To increase the public awareness of the legislative framework relevant to non-bank financial institutions, the Department of Supervision of Non-Bank Financial Institutions of the Bank in association with the non-governmental organisation, organised a public seminar in June 1989 on the Finance Companies Act No. 78 of 1988. This seminar was addressed by Governor, Central Bank of Sri Lanka, Dr. H.N.S.Karunatilake; Director, Supervision of Non-Bank Financial Institutions, Dr. N.L.Sirisena; Deputy Solicitor General, Mr. Shibly Aziz, P.C, among others.

DEVELOPMENT FINANCE

Medium and Long-Term Credit Fund

In 1989, the approval of refinance by the Central Bank under Categories II, III and IV of its Medium and Long-Term Credit Fund Scheme (MLCF) amounted to Rs. 441.0 million when compared to the previous year's approval of Rs. 255.0 million. A major portion of these approvals amounting to Rs. 298.0 million was by way of assistance to sick industries, which included capitalisation of interest in arrears on loans granted to 27 tourist hotels. Despite the unsettled conditions in the country, the approval of refinance for setting-up new projects and expansion of existing projects under Categories II, III and IV amounted to Rs. 142.0 million in 1989, an increase of Rs. 63.0 million over previous year's approvals. Of this, the refinance approvals to export-oriented projects certified by the Export Development Board amounted to Rs. 32.0 million. However, the refinance approvals in 1989 to agriculture in respect of loans granted to meet the domestic cost of the Medium-Term Investment Programme (MTIP) for the plantation sector was only Rs. 9.0 million compared to the previous year's approval of Rs. 43.0 million. This was mainly due to near exhaustion of Rs. 260.0 million (US\$ 10.0 million) approved for the purpose. A breakdown of medium and long-term refinance approvals is given in Table 2.4

TABLE 2.4
Medium and Long-term Credit Fund
(Approval of Refinance under Categories II, III & IV)

(Rs.Mn.)

Category	1987		1988		1989	
	Loan amount	Amount refinanced	Loan amount	Amount refinanced	Loan amount	Amount refinanced
II Export Sector	36.9	25.8	27.2	19.0	46.2	32.3
III & IV						
i) Agriculture	38.3	23.0	72.0	43.2(a)	14.7	8.8(a)
ii) Industry	2.5	1.5	2.8	1.7	35.4	21.2
iii) Hotels	—	—	—	—	—	—
iv) Other	52.0	31.2	15.0	15.0	80.0	80.0
Assistance to sick industries	84.8	53.2	272.6	175.8(b)	463.1	298.2(c)
Total	214.5	134.7	389.6	254.7	639.4	440.5

Source: Central Bank of Sri Lanka.

- (a) Comprises four loans granted in 1988 and one loan granted in 1989 to Bank of Ceylon for Tree Crop Projects under the Medium Term Investment Programme
- (b) Includes two loans granted for refurbishing of 2 hotels and capitalisation of interest in arrears on loans granted to 13 tourist hotel projects.
- (c) Includes capitalisation of interest in arrears on loans granted to 27 tourist hotel projects.

The relief measures introduced by the Bank in May, 1988 in respect of the hotel sector continued to be operative during the year. The position of this scheme as at the end of 1989 is given in Table 2.5

TABLE 2.5
Relief to Hotel Industry
Rescheduling of Loans
(Cumulative total as at 31.12.1989)

Name of credit institution	No. of hotel projects	Rescheduled loans refinanced by Central Bank Rs.	Loans created by capitalisation of interest in arrears refinanced by Central Bank Rs.
Development Finance Corporation of Ceylon	26	139,400,300.00	89,551,561.96
National Development Bank of Sri Lanka	13	—	59,181,154.95
Hutton National Bank Ltd.	04	3,613,600.00	6,994,132.44
Bank of Ceylon	04	23,317,340.00	528,932.71
People's Bank	05	13,131,300.00	1,175,320.00
Commercial Bank of Ceylon Ltd.	04	9,850,000.00	14,240,144.20
Overseas Trust Bank	01	1,500,000.00	—
Total	57	190,812,540.00	171,671,246.26

Source: Central Bank of Sri Lanka

Credit Guarantee Operations

A summary of credit guarantee operations under the four credit guarantee schemes administered by the Central Bank is given in Table 2.6

Small-Scale Industries (SSI) Scheme

The issue of credit guarantees under the SSI scheme which commenced operations in 1978 was completed in 1981. Out of a total of 767 loans guaranteed during this period, 584 loans have been fully repaid, while 64 guarantees amounting to Rs. 3.9 million were either withdrawn or lapsed due to non-compliance with Central Bank's operating instructions by the participating credit institutions. As at the end of 1989, 57 claims amounting to Rs. 1.6 million were settled, while 6 claims amounting to Rs. 0.22 million were rejected. Accordingly, only 56 credit guarantees with a total liability amounting to Rs. 1.1 million remained outstanding as at end of 1989. The total premia collected under this scheme upto the end of 1989 amounted to Rs. 0.94 million.

Small and Medium-Scale Industries - I (SMI - I) Scheme

The issue of credit guarantees under SMI - I Scheme which commenced operations in 1979 was completed in 1982. Out of a total of 1,670 loans guaranteed under the scheme, 1,142 loans were fully repaid and 78 credit guarantees were either withdrawn or lapsed due to non-compliance with Central Bank's operating instructions by participating credit institutions. At the end of 1989, 243 claims amounting to Rs. 19.3 million were settled, while 25 claims amounting to Rs. 5.3 million were rejected. Accordingly, only 182 credit guarantees with a total liability amounting to Rs. 15.0 million were outstanding as at the end of 1989. The total premia collected under this scheme upto the end of 1989 amounted to Rs. 11.6 million.

Small and Medium-Scale Industries - II (SMI - II) Scheme

The issue of credit guarantees under SMI - II Scheme which commenced operations in 1982 was completed in 1989. Out of a total of 2,531 loans guaranteed during this period, 230 loans to the value of Rs. 52.0 million have been repaid, while 180 credit guarantees to the value of Rs. 105.6 million had either been withdrawn or lapsed due to the non-compliance with Central Bank's operating instructions by the participating credit institutions. As at the end of 1989, 57 claims amounting to Rs. 9.1 million were settled, while 19 claims to the value of Rs. 4.0 million were rejected. As at the same date, 2,045 credit guarantees with a total liability amounting to Rs. 445.0 million were outstanding. The total premia collected under this scheme upto the end of 1989 amounted to Rs. 18.4 million.

Small and Medium-Scale Industries - III (SMI - III) Scheme

The total number of loans guaranteed under the SMI-III Scheme which commenced operations in July 1988 was 1,047 amounting to Rs. 637.0 million as at the end of 1989. As at this date, 3 loans amounting to Rs. 4.4 million were fully repaid, while 14 guarantees to the value of Rs. 4.6 million had either been withdrawn or lapsed due to non-compliance with Central Bank's operating instructions by the participating credit institutions. One claim received during the year was rejected. At the end of 1989, 290 loans amounting to Rs. 259.4 million had not been disbursed. Since, in terms of Central Bank operating instructions, credit guarantee cover becomes effective only on the date of disbursement of loans, only 739 credit guarantees with a liability of Rs. 198.7 million were outstanding as at the end of 1989. The total premia collected under this scheme up to the end of 1989 amounted to Rs. 2.1 million.

TABLE 2.6
Summary of Central Bank Credit Guarantee Schemes as at 31.12.89

Value Rs.Mn.

Schemes and Years Item	SMALL SCALE INDUSTRIES (S.S.I.)				SMALL AND MEDIUM SCALE INDUSTRIES											
					SMI-I				SMI-II				SMI-III			
	1988		1989		1988		1989		1988		1989		1988		1989	
	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value
Loans granted	767	31.20	767	31.20	1668	286.10	1670	286.10	2510(e)	1370.74	2531	1392.54	263(f)	155.00	1047(g)	636.95
Loans guaranteed	767	23.40(a)	767	23.40(a)	1668	157.50(b)	1670	157.50(b)	2510	702.29(c)	2531	713.63(c)	263	110.33(d)	1047	440.07
Loans fully repaid	572	21.6	584	22.54	1035	119.30	1142	148.59	70	11.90	230	51.97	-	-	3	4.41
Guarantees withdrawn or lapsed	63	3.9	64	3.94	48	12.8	78	23.18	109	58.83	180	105.65	2	0.13	14	4.55
Claims settled	57	2.22	57	2.22	212(i)	28.12	243(j)	37.419	15(k)	2.968	57(l)	20.063	-	-	-	-
Loans outstanding	57	1.665	57	1.665	212	16.098	243	19.276	15	1.801	57	9.133	-	-	-	-
Liability admitted	57	1.665	57	1.665	212	16.098	243	19.276	15	1.801	57	9.133	-	-	-	-
Claims rejected	2	0.22	6	0.42	16	5.05	25	8.38	4	0.17	19	7.35	-	-	1	0.70
Loans outstanding	2	0.16	6	0.22	16	3.03	25	5.31	4	0.10	19	3.98	-	-	1	0.56
Amount claimed	2	0.16	6	0.22	16	3.03	25	5.31	4	0.10	19	3.98	-	-	1	0.56
Loans outstanding	73	1.85(h)	56	1.43(h)	357	48.17(h)	182	25.77(h)	2197	948.20(h)	2045	812.38(h)	123	46.92(h)	739	347.12(n)
(Of which in arrears)	73	1.85(h)	56	1.43(h)	288	41.46(h)	154	22.14(h)	478	192.00(h)	548	267.62(h)	-	-	48	1.52(h)
Guarantees outstanding	73	1.38(a)	56	1.07(a)	357	27.85(b)	182	15.01(b)	2197	511.92(c)	2045	445.06(c)	123	36.49(d)	739	198.73(d)
Claims pending	6	0.52	4	0.80	45	13.00	6	3.24	50	24.40	16	19.60	-	-	-	-
Loans outstanding	6	0.39	4	0.29	45	7.80	6	2.91	50	14.60	16	9.93	-	-	-	-
Amount claimed	6	0.39	4	0.29	45	7.80	6	2.91	50	14.60	16	9.93	-	-	-	-
Premium collection (Rs.Mn.)		0.93		0.94		11.28		11.63		13.17		18.43		0.13		2.14

a) 75% of loans outstanding.

b) 60% of loans outstanding subject to maximum of Rs. 0.4 mn. per project.

c) 60% of loans outstanding subject to maximum of Rs. 0.8 mn. in respect of loans upto Rs. 2.0 mn. and Rs. 1.2 mn. for loans between Rs. 2.0 mn. to Rs. 4.0 mn.

d) 80%, 60% and 40% respectively for loans upto Rs. 2.0 mn., Rs. 2.0 mn. to Rs. 3.0 mn. and Rs. 3.0 mn. to Rs. 4.0 mn. subject to maximum of Rs. 1.6 mn. per project.

e) Inclusive of 115 loans amounting to Rs. 78.2 mn. which are not reported as having disbursed as at end of 1988.

f) Inclusive of 138 loans amounting to Rs. 108.2 mn. which are not reported as having disbursed as at end of 1988.

g) Inclusive of 290 loans amounting to Rs. 259.4 mn. which are not reported as having disbursed as at end of 1989.

h) Including instalments recovered.

i) Inclusive of 14 claims under which 50% of the Central Bank liability amounting to Rs. 0.774 mn. has been settled.

j) Inclusive of 27 claims under which 50% of the Central Bank liability amounting to Rs. 1.954 mn. has been settled.

k) Inclusive of 1 claim under which 50% of the Central Bank liability amounting to Rs. 0.135 mn. has been settled.

l) Inclusive of 9 claims under which 50% of the Central Bank liability amounting to Rs. 0.875 mn. has been settled.

Source : Central Bank of Sri Lanka.

An industry-wise classification of projects under the SMI-II and III Schemes is given in Table 2.7

Follow-up and Inspection of Projects

The follow-up and inspection of projects financed under the SMI Loans Schemes were continued in 1989 with a view to taking corrective action where necessary. Some of these inspections were undertaken in order to settle claims lodged by participating credit institutions. During 1989, 136 projects, most of which were located in Colombo, Gampaha, Kurunegala, Chilaw and Galle districts, were inspected.

RURAL CREDIT

In 1989, the Bank continued to play the role of a credit executing agency for the following rural based projects funded by foreign agencies:

- 1) Asian Development Bank (ADB) funded Kirindi Oya Irrigation and Settlement Project - Phase II
- 2) ADB funded Perennial Crops Development Project
- 3) ADB funded Small Holder Tea Development Project
- 4) ADB funded Agriculture Rehabilitation Project

In keeping with the role of a credit executing agency, the Bank entered into subsidiary loan agreements with the Participating Credit Institutions (PCIs) in respect of above projects to facilitate their implementation. On 26th December 1989, the Bank entered into a technical assistance agreement with the ADB for the formulation of a second rural credit project. The main objective of the technical assistance agreement is to assist commercial banks in formulating a strategy and a programme for promoting and financing investments in agricultural and agro-industrial sectors, it will also assist the Bank and commercial banks to formulate plans of action to implement the various policy and procedural changes that are recommended by the second rural credit review. The Bank also did preparatory work and provided necessary assistance to enable the Government to enter into "Agriculture Programme Loan" agreement with the ADB. The agreement which was signed in December 1989 will provide loan funds from special fund resources for financing of imported inputs or capital goods in the agriculture and allied sectors.

The Bank which has been entrusted with the responsibility of implementing a poverty alleviation programme under the Small Farmers and Landless Credit Project funded by the International Fund for Agricultural Development (IFAD) continued to take necessary steps in this direction. The Project Central Office was established in March 1989 in the Rural Credit Department of the Bank to implement the project. The appointment of the staff, training of same both in Sri Lanka and abroad, identification of participating institutions were completed during 1989.

The Bank with a view to ensuring that the commercial banks provide adequate credit and undertake post-credit supervision of the credit granted to the rural sector continued to inspect the agricultural loan portfolio of selected branches of commercial banks. During 1989, inspection was confined to few branches in view of the security situation which disrupted the operation of the banks in certain districts. Consequently, the Rural Credit Department of the Bank conducted inspection of agricultural loan portfolio of 4 branches each of the People's Bank and the Bank of Ceylon, one Co-operative Rural Bank and Regional Rural Development Bank. The reports of inspection carried out were forwarded

TABLE 2.7

SMI-II and III Credit Guarantee Schemes - Industry-wise Classification as at 31st December 1989

(Rs. '000)

Scheme	SMI-II and III 1982-1989			SMI-II 1989			SMI-III 1989		
Industry	No.	Loan Amount	Guaranteed Amount	No.	Loan Amount	Guaranteed Amount	No.	Loan Amount	Guaranteed Amount
Food Processing	1,052	604,228	327,173	01	700	420	159	117,828	72,403
Other Agro Industries	73	31,544	17,918	—	—	—	19	7,506	5,372
Rubber Products	115	98,238	54,726	01	200	120	34	35,592	22,203
Metal Products	334	163,110	90,641	04	3,820	2,012	60	37,041	24,368
Construction Materials	262	140,348	87,564	01	2,835	1,600	80	38,242	28,375
Construction Contracting	40	40,261	22,309	02	2,000	1,200	09	4,411	3,529
Wood Products	241	94,086	59,363	02	2,450	1,070	51	22,261	16,689
Garments	206	124,171	71,258	02	3,020	1,560	56	40,586	28,169
Textiles	78	63,241	35,296	—	—	—	19	11,086	8,669
Repair Workshop	147	56,655	35,201	01	300	180	32	9,071	6,857
Miscellaneous	1,030	616,720	353,289	07	6,475	3,185	265	158,330	113,140
Total	3,578	2,032,602	1,154,738	21	21,800	11,347	784	481,954	329,774

Source: Central Bank of Sri Lanka.

to the head offices of the respective banks and their branch offices for rectifying the deficiencies that were highlighted in the reports.

The Bank introduced the Inland Bill Scheme during the first half of 1989 to popularise a new instrument in the domestic market for financing the working capital requirements of the Bought Leaf Factories and solving the problem of inadequacy of short-term capital requirements. The two banks, viz., the Bank of Ceylon and the People's bank each have identified five factories for implementation of this scheme. The two state plantation organisations, viz., Janatha Estate Development Board and the State Plantation Corporation, have expressed their willingness to implement this Scheme. An advertising campaign on the radio and in newspapers has been initiated to popularise this scheme and it is expected to produce positive results in the future.

The Rural Credit Advisory Board of the Bank held five meetings during 1989. During these meetings, the Board discussed some vital issues such as unrecovered bank loans, the Revolving Credit Scheme, the introduction of Inland Bill Scheme and the proposal to make the Board a statutory body. The Board arrived at important decisions in regard to recovery of unrecovered loans and the proposal to make the Board a statutory body so that it could play a more effective role by enforcing its decisions. Accordingly, moves are under way to implement these decisions.

REGIONAL RURAL DEVELOPMENT BANKS (RRDBs)

Expansion of Branch Network

As at the end of 1989, there were 11 RRDBs in the island with a network of 89 branches. During the year, only 9 RRDB branches were opened and the slow rate of branch expansion was the result of the unsettled conditions that prevailed in the country during 1989. Table 2.8 shows the branch expansion of RRDBs from 1985 to the end of 1989.

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 1989
			1985	1986	1987	1988	1989	
Kalutara	85.07.13	Bulathsinhala	4	3	4	1	—	12
Matara	85.07.28	Yatiyana	5	2	—	1	—	8
Kurunegala	85.08.10	Kuliyaipitiya	6	4	2	1	1	14
Anuradhapura	85.08.12	Mihintale	2	4	1	—	—	7
Hambantota	86.12.13	Ambalantota	—	2	2	2	—	6
Kegalle	87.02.08	Hettimulla	—	—	8	1	2	11
Puttalam	87.07.11	Chilaw	—	—	5	1	—	6
Galle	87.08.17	Elpitiya	—	—	1	7	1	9
Mahanuwara	87.10.03	Gampola	—	—	6	3	—	9
Nuwara Eliya	88.10.10	Nuwara Eliya	—	—	—	1	3	4
Monaragala	88.10.11	Buttala	—	—	—	1	2	3
Total			17	15	29	19	9	89

Source: Central Bank of Sri Lanka.

Deposit Mobilisation

A considerable progress was made by RRDBs in the mobilisation of deposits in 1988, and this trend continued in 1989. According to the estimated data, total deposits mobilised by all RRDBs rose from Rs. 108 million on 144,552 accounts as at the end of 1988 to Rs. 172 million on 199,519 accounts as at the end of 1989. Approximately 84 per cent of the total deposits was accounted for by the ordinary savings accounts, while the balance by fixed deposits. This indicated that the RRDBs continued to serve mainly the relatively poor segments in rural areas. The average deposit per account (both savings and fixed) increased from Rs. 744 million in 1988 to Rs. 863 million in 1989. Detailed data on deposits mobilisation are presented in Table 2.9

RRDBs introduced several new deposit schemes to mobilize savings in the rural areas. Development Deposit Scheme, Group Deposit Scheme and Minor/School Children Savings Deposit Scheme were the most popular among them. Development Deposit Scheme and Group Deposit Scheme were especially designed to help the future borrowers of the RRDBs to familiarise themselves with banking transactions and to judge their savings capacity in relation to their current income. The objective of Minor/School Children Savings Deposit Scheme was solely to inculcate savings habit among them. The scheme has become very popular among rural parents who have an innate liking to save for the future of their children.

Loan Operations

Details on loans disbursed from 1985 to 1989 by each RRDB are given in Table 2.10. The value of loans disbursed increased from Rs. 113 million in 1988 to Rs. 155 million in 1989. At the same time the total number of loans approved rose from 17,657 in 1988 to 20,720 in 1989. The average size of a loan which stood at Rs. 6,386 in 1988 rose to Rs. 7,463 in 1989 indicating a marginal increase.

It is evident from the size of the loans disbursed by RRDBs that they have advanced loans mostly to small-scale borrowers. Moreover, creation of self-employment opportunities among rural unemployed youth continued to be an important objective of RRDBs. The RRDBs are required to identify economic activities which can be managed by a small borrower, provide timely credit and ensure proper utilisation of such credit which would increase borrowers' income.

In keeping with the above objectives, RRDBs have provided loans for a wide spectrum of activities including agricultural operations, livestock activities, fisheries, garment making, packeting of tea and food items, manufacture of bricks and retail trade etc.

Table 2.11 reveals that the RRDBs have assigned a high priority to agriculture. Accordingly, loan disbursements in respect of agriculture amounted to Rs. 87 million (56 per cent of total loans) during 1989. Loans disbursed in respect of small industries and commerce and business accounted for 11 per cent and 15 per cent, respectively.

Other Activities

Deviating from traditional commercial banks, the RRDBs have introduced certain innovative banking practices. One such scheme is the 'Group Lending System' where loans are granted to members of a group which consists of 5 to 6 people who are like minded and have similar socio-economic status. On the first occasion, loans are given to two members of the group and on the performance of these two members, others will also be considered for granting of loans. The group savings account provide sufficient collateral in addition to collective responsibility of a group towards the repayment of loans to the bank.

TABLE 2.9
A District-wise Breakdown of Deposits as at end of 1988 and 1989

(Amount in Rs.'000)

Name of the RRDB	Savings				Fixed				Total			
	1988		1989*		1988		1989*		1988		1989*	
	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount
Kalutara	27,949	14,038	31,291	17,111	115	1,681	164	2,593	28,064	15,719	31,455	19,704
Matara	21,574	20,636	24,237	24,805	251	2,680	259	2,872	21,825	23,316	24,496	27,677
Kurunegala	23,951	15,444	28,412	22,381	232	2,585	294	4,318	24,183	18,029	28,706	26,699
Anuradhapura	16,561	7,080	25,585	15,107	27	958	42	2,372	16,588	8,038	25,627	17,479
Hambantota	10,758	7,260	15,324	10,877	137	1,316	181	1,833	10,895	8,576	15,505	12,710
Kegalle	17,562	8,450	24,355	15,020	116	1,654	184	4,108	17,678	10,104	24,539	19,128
Puttlam	10,289	6,223	16,481	9,825	40	366	58	705	10,329	6,589	16,539	10,530
Galle	5,881	5,852	11,329	14,671	158	1,662	220	2,776	6,039	7,514	11,549	17,447
Mahanuwara	8,071	4,270	12,347	10,865	101	5,134	117	5,655	8,172	9,404	12,464	16,520
Nuwara Eliya	544	193	4,331	2,158	1	25	27	411	545	218	4,358	2,569
Moneragala	234	75	4,272	1,646	-	-	9	154	234	75	4,281	1,800
Total	143,374	89,521	197,964	144,466	1,178	18,061	1,555	27,797	144,552	107,582	199,519	172,263

* Provisional

Source: Central Bank of Sri Lanka.

TABLE 2.10

District-wise Breakdown of Loans Disbursed between 1985 to 1989

(Amount in Rs.'000)

Name of the RRDB	During 1985 to 1987		During 1988		During 1989*		Total 1985-1989	
	No	Amount	No	Amount	No	Amount	No	Amount
Kalutara	4,834	19,681	2,492	19,983	991	9,199	8,317	48,863
Matara	8,883	33,555	4,787	22,555	2,416	17,706	16,086	73,816
Kurunegala	3,241	27,330	1,483	11,588	1,511	15,757	6,235	54,675
Anuradhapura	3,378	72,335	1,505	10,508	4,155	26,821	9,038	109,664
Hambantota	1,609	5,752	3,053	15,120	3,898	25,501	8,560	46,373
Kegalle	900	5,929	1,920	14,440	1,421	11,683	4,241	32,052
Puttlam	109	828	1,051	10,613	1,717	16,727	2,877	28,168
Galle	80	509	508	3,204	1,291	9,564	1,879	13,277
Mahanuwara	114	280	857	4,736	2,270	12,910	3,241	17,926
Nuwara Eliya	-	-	1	6	603	6,044	604	6,050
Moneragala	-	-	-	-	447	2,716	447	2,716
Total	23,148	166,199	17,657	112,753	20,720	154,628	61,525	433,580

* Provisional

Source: Central Bank of Sri Lanka.

TABLE 2.11

A Purpose-wise comparison of Loans Disbursed between 1985 to 1989

(Amount in Rs.'000)

Purpose	1985 to 1987			1988			1989*			Total		
	No	Amount Rs.'000	%	No	Amount Rs.'000	%	No	Amount Rs.'000	%	No	Amount Rs.'000	%
Agriculture	11,445	60,365	36.32	8,649	47,273	41.93	12,631	86,854	56.17	32,725	194,492	44.86
Fisheries	-	-	-	75	3,727	3.31	134	4,006	2.59	209	7,733	1.78
Livestock	1,662	11,812	7.11	873	5,995	5.32	862	6,800	4.40	3,397	24,607	5.68
Small Industries	4,061	24,532	14.76	3,435	23,846	21.15	2,536	17,728	11.46	10,032	66,106	15.25
Trade & Commerce	3,909	59,405	35.74	2,520	19,756	17.52	2,437	22,595	14.61	8,863	101,756	23.47
Other	2,071	10,085	6.07	2,105	12,156	10.78	2,120	16,645	10.76	6,296	38,886	8.97
Total	23,148	166,199	100.00	17,657	112,753	100.00	20,720	154,628	100.00	61,525	433,580	100.00

* Provisional

Source: Central Bank of Sri Lanka.

'Janahamuwa' is another popular method by which RRDBs communicate with the rural sector. This is more in the nature of a mobile bank where the RRDBs explain to the rural community, the credit facilities and other services offered by them. 'Janahamuwa' provides the rural people the opportunity to express their needs, problems, skills, and capabilities. Such meetings provide them with the motivation to start viable projects. Accepting deposits, repayment of loan instalments and transactions concerning loan applications may also take place at the 'Janahamuwa'.

RURAL BANKING AND STAFF TRAINING COLLEGE

Rural Banking and Staff Training College (RB & STC) of the Bank continued to expand its training activities in 1989. During the year, RB & STC conducted 39 training courses for 853 persons engaged in banking, banking operations and related fields to update their knowledge, enhance skills and change attitudes so as to enable them to discharge their duties efficiently. Of these participants, 250 were from commercial banks, 78 from RRDBs and 288 from the Central Bank. The remaining 237 participants were officials of the government departments/agencies and small-scale entrepreneurs.

RB & STC training programmes included courses on commercial banking, rural banking, project-oriented development (i.e., small-scale agriculture and animal husbandry), export promotion, hire purchase and lease financing, management development, computer training and entrepreneur development. In response to special requests made by other government departments and organisations, RB & STC conducted special training courses. These included the courses conducted in collaboration with United States Agency for the International Development (USAID) on 'Statistical Methods and Techniques', International Fund for Agricultural Development (IFAD) on "Small Farmers and Landless Credit Project" and the course on "Central Banking and Commercial Banking" for the benefit of the commerce teachers of the Education Department.

In response to the rising demand for 'human resource development', RB & STC started publishing training reports on selected training courses. These reports were expected to provide necessary guidelines to the emerging trainers, and training organisations/institutes to conduct training courses more efficiently. To further complement its promotional role in training, RB & STC started a series of bi-annual publications, the first of which was on 'Promotion of Small-scale Industries'.

EMPLOYEES' PROVIDENT FUND

In terms of the Employees' Provident Fund (EPF) Act, the Monetary Board is charged with the responsibility of receiving contributions, surcharges and income from the investment of the monies of the Fund, maintaining proper accounts of registered employers and the individual members of the Fund also effecting refund of benefits to its members.

Contributions

The contributions received by the Fund during 1989 amounted to Rs. 3,021.7 million as against Rs. 2,680.1 million in 1988. This represents an increase of Rs. 341.6 million or 12.8 per cent over the level of contributions received during the previous year.

Members' Balances

Members' balances as at 31st December 1989, before allocation of interest for the year under review, stood at Rs. 30,357.6 million which is an increase of Rs. 5,599.3 million or 18.45 per cent over that of 1988.

Investments

During the year under review, the Fund invested a sum of Rs. 8,897.2 million in Government and Government Guaranteed Securities against a sum of Rs. 6,957.4 million invested in 1988. The total investments held by the Fund as at 31st December 1989 amounted to Rs. 32,274.0 million recording an increase of Rs. 5,781.9 million during the year.

Income Received from Investments

In terms of amendment made to the Inland Revenue Act in 1989, the exemption from income tax granted to EPF has been withdrawn. Accordingly, all income earned on investment with effect from April 1st 1989 was subject to a Withholding Tax of 10%. The total Withholding Tax deducted from the investment income for the year 1989 amounted to Rs. 145.1 million.

In 1989, the income received from investments amounted to Rs. 3,425.8 million, recording an increase of Rs. 540.9 million during the year.

Refunds

The total sum paid out by way of refund of E.P.F. benefits to members during 1989, amounted to Rs. 632.7 million as against Rs. 600.4 million in 1988. During the year under review, 26,287 claims for refund of benefits were paid out which included 191 claims from repatriates of Indian origin.

Interest on Members' Balances

The Employees' Provident Fund is required to pay interest on members' balances as at the 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 the end of 1989 was 11 per cent per annum.

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.

EPF Housing Loan Scheme

The E.P.F. Act was amended during the year 1988 to enable the members to obtain a loan of upto 75% of the balance standing to their credit from lending institutions for housing purposes, which included purchase of house/property and redemption of mortgages etc., on production of a certificate of balance standing to their credit. This obviated the need for mortgaging immovable property or providing guarantors to obtain a loan.

A comparative statement of the operations of the Fund is given in Table 2.12

TABLE 2.12
EPF STATISTICS - 1988 - 1989 (In Rupees Million)

	1988	1989
1) Contributions received	2,680.1	3,021.7(a)
2) Investments	6,957.4	8,897.2(b)
3) Income received from investments	2,884.9	3,425.8
4) Refund payments	600.4	632.7
5) Number of refunds	30,661.0	26,287.0
6) Rate of interest (per cent)	13	11
7) Interest provision on members' balances	3,218.6	3,339.3

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 Short Term Treasury Bills.

EXCHANGE CONTROL

The following changes were effected by the Central Bank in exchange control procedures during 1989:

1. Imports

- (a) All imports of Motor Vehicles including Motor Cycles (whether on commercial or non-commercial basis and whether exchange is involved or not) were to be made against Letters of Credit. (Operating Instructions No. EC/10/89(B) of 29th May, 1989).
- (b) With effect from 24.08.1989, all Letters of Credit established for the import of motor cycles were to be permitted only against Proforma Invoices indicating the make, the model, the year of first registration and the cylinder capacity. The final commercial invoices should contain the identical information. (Operating Instructions No. EC/17/89(B) of 24th August, 1989 and EC/21/89(B) of 3rd October, 1989).
- (c) With effect from November, 1989 the import of sugar has been allowed against allocations given to the C.W.E. and Sugar Importers Association of Sri Lanka. In order to facilitate the implementation of this scheme, the import of sugar was brought under prior approval and terms of payment being Letters of Credit drawn at sight basis. (Operating Instructions Nos. EC/22/89(B) of 18.10.89 and EC/26/89(B) of 30.11.89)
- (d) With effect from 24.07.1989, the import of raw materials for industry and spare parts for machinery (not in commercial quantities) where the value of the full consignment did not exceed US\$ 500/ c.i.f. Colombo or its equivalent in any foreign currency was exempted from the requirement of establishing Letters of Credit. (Operating Instructions No. EC/14/89(B) of 1989.07.24).

2. Travel

(a) Foreign Credit Cards

A scheme to issue foreign credit cards to businessmen to obtain whole or part of their business exchange allowance was introduced on 27.01.1989. The businessmen who utilise these cards should give an undertaking that the foreign exchange in excess of the per diem entitlement would not be utilised, and the foreign credit card would be returned to the Authorised Dealer within one week of return to the country. Authorised Dealers were in turn requested to inform the Exchange Control Department of the Bank within 21 days after the return of the applicant whether the applicant had complied with the undertakings given to the Department. (Operating Instructions No. EC/5/89(K) of 27th January 1989).

(b) From 05.04.1989, only a sum of £100/= was permitted to be released to persons travelling abroad for employment irrespective of their destination against their basic exchange allowance. (Operating Instructions No. EC/07/89(K) of 6th April, 1989).

3. Inward Remittances

Authorised Dealers were informed that inward remittances made to firms and individuals resident in Sri Lanka if recalled by the remitter could be returned without the prior approval of the Controller of Exchange provided:

- (i) the remittance was returned within a period of 6 months from the date of receipt of such remittance.
- (ii) the funds realised and credited to an account have not been utilised for any purpose.
- (iii) the inward remittance so recalled had not been effected in respect of any payments that were legitimately due to any resident in Sri Lanka for services rendered or goods supplied to a non-resident or otherwise and that no foreign exchange facilities had earlier been granted on the basis of the remittance. (Operating Instructions No. EC/09/89(K) of 18th May, 1989).

4. Special Accounts

Fresh instructions have been issued regarding the opening and the maintenance of Special Accounts permitting such accounts to be opened against inward remittances and interest and income on investment of their capital fund to be exempt from income tax and should not be recredited to the account. (Operating Instructions No. EC/4/89(D) of 19th January, 1989).

5. Exports

(a) Authorised Dealers were informed that they could approve applications on Form EC/EXP1 for the export of cut and polished diamonds provided the export invoice in respect of each shipment has been endorsed by the State Gem Corporation and the Sri Lanka Customs certifying the export value of the diamonds. (Operating Instructions bearing Nos. EC/3/89(H) and EC/6/89(H) of 1989.01.19 and 1989.03.28 respectively).

PUBLIC DEBT

The Bank continued to manage the Public debt on behalf of the Government in terms of Section 113 of the Monetary Law Act. The main functions in this respect included the servicing of Government's external debt and mobilising and servicing of domestic debt comprising of Government Securities/Loans, Treasury Bills and Tax Reserve Certificates.

The total outstanding gross Public Debt as at end of 1989 stood at Rs. 274,972.6 million indicating an increase of Rs. 49,452.0 million during the year. However, of this increase, Rs. 23,188.5 million was on account of exchange rate depreciation. The outstanding foreign debt accounted for 57 per cent of the total while the balance was in the form of domestic debt.

In the mobilisation of domestic resources, Rs. 8,671.8 million worth of Government Rupee Securities were floated during 1989, while the total repayment of rupee loans amounted to Rs. 4,252.4 million. The amount of rupee loans outstanding as at the end of 1989 was Rs. 54,216.5 million. The Employees' Provident Fund was the major subscriber to the rupee loan programme in 1989 accounting for about 97 per cent of the total.

The authorised limit on Treasury Bills issued by the Government was increased from Rs. 55,000 million to Rs. 65,000 million in April, 1989 and since then it remained unchanged during the rest of the year. The amount of Treasury Bills outstanding as at the end of the year was Rs. 57,246 million. The total interest commitment for issues made during the period under review amounted to Rs. 10,220.6 million. The Central Bank commenced issuing Treasury Bills with maturity periods of 6 and 12 months in addition to 3 months and the weekly issues continued. The Central Bank extended the sale of Treasury Bills to the public, under the tap issue in Colombo through authorised Commercial Banks and Money Brokers in October 1989, upto now, this facility was available only through the regional officer of a Bank. As at end of 1989, 8 Commercial Banks and 3 Money Brokers had been registered for the sale of Treasury Bills under the tap issue in Colombo. The popularisation of Treasury Bills among the public was continued during the year under review. Consequently, the share held by public in the primary market increased from 24 per cent at the beginning of the year to 40 per cent at the end of the year.

Total disbursement on medium and long term external borrowings by the Government during 1989 amounted to Rs. 12,635.4 million and repayments amounted to Rs. 5,729.7 million. Project loans component of the foreign debt was 72 per cent, while the balance represented non project loans. Total interest payments and other charges on external public debt in 1989 amounted to Rs. 3,358.5 million.

REGIONAL OFFICES - MATARA, ANURADHAPURA & MATALE

Despite the unsettled conditions that prevailed in the areas, the Regional Offices of the Bank at Matara, Anuradhapura and Matale continued their development oriented activities during 1989. Their activities under the self-employment and village adoption loan schemes showed a remarkable improvement during the year under review.

The Matara Regional Office recommended 239 projects valued at Rs. 2.6 million in 1989. Of the recommended projects, 179 projects valued at Rs. 2.2 million were under the self-employment and village adoption loan schemes. The loans recommended under Tea and Coconut Fertilizer Loan Schemes increased considerably from one loan valued at Rs. 23,500 during 1988, to 60 loans valued at Rs. 0.4 million during 1989. The Model Yaya Cultivation Scheme which was successfully implemented during the past seven years, and

TABLE 2.13
Matara Regional Office
Refinance Credit Operations - 1988/1989

(Amounts in Rs.'000)

SCHEME	Project Recommended to Banks				Projects Approved by Banks				Cumulative (at end 1989)			
	No. of Projects		Amt.		No. of Projects		Amt.		Recommended Projects		Approved Projects	
	1988	1989	1988	1989	1988	1989	1988	1989	No.	Amt.	No.	Amt.
1. New Comprehensive Rural Credit Scheme	137	n.a	304.9	n.a	137	n.a	304.9	n.a	2,275	5,269.5	2,275	5,269.5
2. Fertilizer Credit Schemes												
a. Tea	01	25	23.5	122.3	01	25	23.5	122.3	209	1,412.0	209	1,412.0
b. Coconut	-	35	-	272.5	-	35	-	272.5	405	3,499.4	405	3,499.4
c. Other	-	-	-	-	-	-	-	-	-	-	-	-
3. Self-employment & Village Adoption Schemes	116	179	1,522.1	2,235.5	92	97	1,051.4	1,178.5	1,799	16,320.9	1,308	11,843.1
4. Fisheries related Schemes	-	-	-	-	-	-	-	-	-	-	-	-
5. Livestock Development Schemes	-	-	-	-	-	-	-	-	-	-	-	-
6. All Island Farm Machinery Schemes	-	-	-	-	-	-	-	-	04	155.9	04	155.9
7. Credit Scheme for Cultivation of Sugar Cane	-	-	-	-	-	-	-	-	-	-	-	-
8. Other	-	-	-	-	-	-	-	-	-	-	-	-
Total	254	239	1,850.5	2,630.3	230	157	1,379.8	1,573.3	4,892	26,657.7	4,201	22,179.9

Source: Central Bank of Sri Lanka.

TABLE 2.14

Anuradhapura Regional Office

Refinance Credit Operations - 1988/1989

(Amounts in Rs.'000)

SCHEME	Project Recommended to Banks				Projects Approved by Banks				Cumulative (at the end 1989)			
	No. of Projects		Amount		No. of Projects		Amount		Recommended Projects		Approved Projects	
	1988	1989	1988	1989	1988	1989	1988	1989	No.	Amt.	No.	Amt.
1. Self-employment & Village Adoption Schemes *	245	297	3,248	4,347	186	131	3,073	1,984	2,702	27,827	1,123	12,790
Total	245	297	3,248	4,347	186	131	3,073	1,984	2,702	27,827	1,123	12,790

Source: Central Bank of Sri Lanka.

* Loans By Sector (Rs. '000)

Agriculture
Livestock
Industry
Services

1988		1989	
No.	Amt.	No.	Amt.
198	2,793	283	4,356
16	106	15	75
24	269	09	145
07	308	04	87

(Including 14 projects financed by Inter-Co-operation of Switzerland.)

the Highland Farming activities in Moneragala and Hambantota districts, could not be continued mainly due to the civil disturbances that prevailed in the area. (Table 2.13)

During 1989, the Anuradhapura Regional Office recommended 297 projects valued at Rs. 4.3 million. All projects recommended to the banks by this Regional Office during 1989 were under the self-employment and village adoption loan schemes. The activities under the other refinance loan schemes were severely restricted by the unsettled conditions in the area. (Table 2.14)

The Matale Regional Office recorded a considerable progress in the activities under the self-employment and livestock development refinance loan schemes during 1989. Under the self-employment and village adoption loan scheme, it recommended 259 projects valued at Rs. 2.9 million. Under the livestock development credit schemes, 61 projects to the value of Rs. 0.8 million were recommended to the lending banks during 1989 as against 47 projects valued at Rs. 0.5 million recommended during 1988. Further, the Regional Office recommended 2 loans to the value of Rs. 21,000/= under the all-island farm machinery loan scheme during the year under review. (Table 2.15)

In addition to the activities which are directly involved in the expansion of credit facilities to priority sectors, the Regional Offices conducted training programmes and seminars particularly in agriculture development and self-employment promotion. Due to the adverse security situation in the country, the activities in this regard could not be continued in Matara region during 1989. The Matale Regional Office was able to organise five entrepreneurship development training programmes in which nearly 225 entrepreneurs participated, one self-employment training programme in which 52 Tamil speaking youths participated and three other seminars. The Anuradhapura Regional Office conducted 15 agricultural training classes to provide the farmer-borrowers with the know-how required and 13 village level meetings to educate rural population on the availability of banking facilities.

Regional cheque clearing among commercial banks in the three regions was also handled by the Regional Offices. The Matara Regional Office cleared 76,144 cheques to the value of Rs. 1,229.3 million, while Matale Regional Office cleared 272,032 cheques to the value of Rs. 4,660.2 million in 1989. The Anuradhapura Regional Office cleared cheques valued at Rs. 316.2 million during the year 1989.

INFORMATION AND PUBLICATIONS

The Bank continued to provide information and material to the general public to enlighten them on Sri Lanka's Socio-Economic trends, development strategies, opportunities available and bank assistance. Books and periodicals published regularly by the Bank helped to impart knowledge to the public and the media. The following publications were put out by the Bank during 1989:

1. Annual Report for the year 1988 was published and presented to the Minister of Finance in terms of Section 35(1) of the Monetary Law Act.
2. Review of the Economy - 1988
3. The Economic Survey for the 1st half of 1989
4. Socio-Economic Data Folder - 1989

TABLE 2.15

Matale Regional Office

Refinance Credit Operations - 1988/1989

(Amounts in Rs.'000)

SCHEME	Project Recommended to Banks				Projects Approved by Banks				Cumulative (at end 1989)			
	No. of Projects		Amount		No. of Projects		Amount		Recommended Projects		Approved Projects	
	1988	1989	1988	1989	1988	1989	1988	1989	No.	Amt.	No.	Amt.
1.New Comprehensive Rural Credit Scheme	1,493	1,400	6,516	6,199	1,493	1,400	6,516	6,199	4,999	21,847	4,999	21,847
2.Fertilizer Credit Schemes	-	-	-	-	-	-	-	-	-	-	-	-
a.Tea	-	-	-	-	-	-	-	-	-	-	-	-
b.Coconut	-	-	-	-	-	-	-	-	-	-	-	-
c.Other	-	-	-	-	-	-	-	-	-	-	-	-
3.Self-employment & Village Adoption Schemes	203	259	1,811	2,896	241	106	1,787	1,216	843	7,221	336	2,871
4.Fisheries related Schemes	-	-	-	-	-	-	-	-	-	-	-	-
5.Livestock Development Schemes	47	61	499	829	40	18	349	197	191	1,305	58	546
6.All Island Farm Machinery Schemes	06	02	189	21	23	04	200	106	52	1,494	27	306
7.Credit Scheme for Cultivation of Sugar Cane	-	-	-	-	-	-	-	-	-	-	-	-
8.Other	-	-	-	-	-	-	-	-	-	-	-	-
Total	1,749	1,722	9,015	9,945	1,797	1,528	8,852	7,718	6,085	31,867	5,420	25,570

Source: Central Bank of Sri Lanka.

5. Price and Wage Statistics of Sri Lanka - 1987
6. Staff Studies Vol.15 Nos. 1 & 2 (April/Sept. 1985)
7. Staff Studies Vol.16 Nos.1 & 2 (April/Sept. 1986)
8. Report on the Survey of Business Activities and Planned Investment in Sri Lanka 1985/86, 1986/87
9. Socio-Economic Trends and Patterns - 1989
10. The monthly Bulletin of the Bank
11. Economic Bulletin of the Central Bank
(First issue in November/December, 1989)
12. The Central Bank News Survey and Satahana (in Sinhala)

RESEARCH ACTIVITIES

The following research studies were completed by Central Bank officers during 1989:

1. Modelling Consumer Behaviour and Aggregate Consumption in Sri Lanka
2. A Cross-Section Analysis of Nutritional Status and Poverty
3. Estimation of Engle's Curves in Sri Lanka
4. Under-employment and its Trend : Sectoral Analysis with Special Attention to the Estate Sector
5. The Effects of Terms of Trade on Real National Income 1970 - 1983.
6. Sri Lanka Revisited : Income Distribution and Poverty
7. The Impact of Export Oriented Industrialisation Policies on Growth in the Sri Lankan Economy since 1977.
8. A Study of the Elasticity of the Tax System in Sri Lanka - 1978 - 1988
9. The Generation of Gainful Employment : An Overview of Unemployment in Sri Lanka
10. The Impact of Central Bank Securities on Selected Economic Variables
11. Poverty Alleviation Measures in Rural Sri Lanka : A Critical Review of the Experience since 1930
12. External Debt Management Strategies : The Case of Sri Lanka
13. The Transmission of Monetary Policy in Sri Lanka
14. An Analysis of Impact of Oil Price Changes Through a Macro-econometric Mode: The Sri Lankan Case.

In addition, a number of Central Bank officers continued to serve on several governmental committees in an advisory capacity during the year.

SRI LANKA AUTOMATED CLEARING HOUSE

The Sri Lanka Automated Clearing House (SLACH) which commenced operations on March 2, 1988 continued its operations according to schedule during the year 1989.

With more banks computerising, enhancing of courier services and many banks in the city opting to increase banking hours upto 3.30 p.m. customers were able to obtain more benefits due to automation. All cheques received upto 3.30 p.m. in the city banks/branches are sent to the Clearing House on the same day and are processed and returned to the drawee banks by 6.00 a.m. the following day.

With the widening of courier services, significant changes were observed in the clearing time schedule, especially in the outstation branches. Around 10 branches came in from a 2 day clearing to 1 day clearing, 30 branches came in from a 7 day clearing to a 2 day clearing and 174 branches from a 7 day clearing to a 5 day clearing.

Computerised banks continued to gain advantages from the automation of cheque clearing. On request from the People's Bank and the Bank of Ceylon their branch summary data were provided on magnetic media. This enables them to load the clearing data for their branches directly on to their computer system. Some banks which have the account number encoded on the cheque are being provided their inward items sorted down to account number, serial number level. The number of branches obtaining data on diskettes also increased during the year under review.

MANAGEMENT AUDIT

During 1989, the Management Audit Department of the Bank, in accordance with its programme, carried out its audit functions in respect of activities of various departments of the Bank particularly the Secretariat, Premises, Welfare, Banking, Currency, Rural Banking and Staff Training College and three regional offices at Matara, Anuradhapura and Matale. In the course of audit, more emphasis was paid to highlight shortcomings relating to compliance with the procedures laid down in the Bank rules and regulations than in checking the arithmetical accuracy of accounts.

In 1989, the Department entered into new areas of activities such as the auditing of printing and supply of currency notes to the Central Bank, checking and verification of assets of finance companies whose activities have been taken over by the Central Bank, checking of purchase and delivery of items required by the Central Bank.

SURVEYS AND DATA COLLECTION

Social Accounts

In view of the importance of improving the estimates of National Accounts in Sri Lanka which have been traditionally based on the value-added approach by industries, action was taken by the Bank to compute the GDP/GNP using the sectoral approach, i.e., Business Sector, Household Sector, Government and Foreign Sector and to expand the GDP estimation procedure to include income estimates as well. Also, apart from collecting data from secondary sources, the Bank started collecting data from primary sources as well.

Furthermore, the Bank commenced work to develop the capital stock estimates in Sri Lanka. Data from 1975 to 1988 on import of capital goods were collected during 1989, while the work relating to estimating the Capital Stock is to commence in 1990.

Country-Wide Data Collection System

The Bank continued to collect data under the Country-Wide Data Collection System which has been in operation since 1978. Under this scheme, retail prices of consumer goods, producer prices of a wide range of items, daily wages in several agricultural and small-scale construction activities in the unorganised sector, and retail prices of agricultural inputs are collected on a regular basis from selected centres spread throughout the Island. Data so collected were used in the analysis of the trends in prices and wages and the estimation of national accounts and were published in the annual publication "Prices and Wages Statistics".

Monitoring of Imports

The Bank continued to monitor imports by obtaining monthly data on Letters of Credit and Bills received against Letters of Credit. These data are used in the preparation of the monthly forecast of imports to assist the projection of the Balance of Payments. The data together with analytical notes are made available to the relevant authorities on a regular basis.

Consumer Finances and Socio-Economic Survey - 1986/87

Report of the Consumer Finances and Socio-Economic Survey - 1986/87 was finalised in 1989 and is in the process of being printed.

TRAINING

The Bank continued to train its officers in academic and non-academic fields, both in Sri Lanka and abroad. Academic courses, which consisted of post-graduate studies in Economic and allied fields leading to Masters and Ph.D. Degrees were arranged at recognised universities abroad as well as in Sri Lanka. A total of eight officers proceeded abroad on post-graduate studies to follow Masters Degree courses during 1989. One officer was sent to complete the Ph.D. Degree. Two officers followed Masters Degree courses and three officers followed Diploma courses in Sri Lanka. One officer attended a Certificate course at the Institute of Printing.

Non-academic training covered short-term training courses, seminars, workshops, study tours, visits etc., mainly in the areas of Rural Development, Agricultural and Rural Credit, Small Industry, Project Appraisal, Statistics, Banking and Computer Studies. In all seventy-nine officers proceeded abroad on short-term training during the year 1989. A total of 90 officers participated in training programmes conducted at various institutions locally, while 290 officers participated in courses conducted at the Rural Banking & Staff Training College. These were supplemented by in-service training in commercial banking for Central Bank officers at the Bank of Ceylon.

PERSONNEL

The Governor, Dr. H.N.S. Karunatilake attended the following Conferences and Meetings during the year 1989.

1. The 24th Conference of the Governors of South East Asian Central Banks held in Bangkok, Thailand.
2. The 17th Board Meeting of the Asian Clearing Union held in Bombay, India.
3. Annual Programme Strategy Meeting organised by the South Asia Regional Office of the International Development Research Centre, New Delhi, India.
4. Preliminary discussions with the I.M.F. and the World Bank held in Washington DC, USA.
5. Commonwealth Central Bank Governors' Meeting held in London, U.K.
6. Meeting of the Commonwealth Finance Ministers in Kingston, Jamaica and the Annual Meetings of the Boards of Governors of the International Monetary Fund/World Bank held in Washington DC, USA.
7. XVIIIth Meeting of the Council of the SEANZA Central Bank Governors held in Bombay, India.

Mr. A.S. Jayawardena, 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. 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 as from 12th April, 1989.

Mr. G. Cumararatunga, Deputy Secretary to the Treasury and Mr. H. B. Dissanayake who succeeded Mr. Cumararatunga as Deputy Secretary to the Treasury attended Meetings of the Monetary Board as the alternate of the Secretary to the Ministry of Finance in the absence of the Secretary to the Ministry of Finance.

Mr. L.S. Jayawardena was appointed as a Member of the Monetary Board with effect from 1st March, 1989, in place of Mr. D.S. Jayasundera to serve the balance term of office of the latter. Mr. L.S. Jayawardena was reappointed as a Member of the Monetary Board with effect from 25th September, 1989.

Appointments

Mr. D. Boyagoda, Regional Manager, Anuradhapura was appointed Director of Information with effect from 1st January, 1989.

Dr. A.C. Randeni who was on release to the Ministry of Finance was appointed Acting Additional Director of Economic Research with effect from 2nd January, 1989.

Mr. V.N.D. Nanayakkara, Adviser, Development Finance was appointed Director of Data Processing with effect from 5th January, 1989.

Mr. P. Amarasinghe, Director of Data Processing was appointed Controller of Exchange with effect from 5th January, 1989.

Mr. P.M. Nagahawatte, Controller of Exchange was appointed Superintendent of Employees' Provident Fund with effect from 5th January, 1989.

Dr. M.U.A. Tennakoon who resumed duties in the Bank was appointed Director of Rural Banking and Staff Training College on 5th January, 1989.

Mr. S. Pattividana, Director of Rural Banking and Staff Training College was appointed Director of Premises with effect from 5th January, 1989.

Mr. T.S.N. Fernando, Superintendent of Public Debt and Registrar of Public Debt was appointed Director of Establishments with effect from 5th January, 1989.

Mr. Y.A. Piyatissa, Director of Bank Supervision was appointed Director of Development Finance with effect from 5th January, 1989.

Miss. C. Abeynayake, Director of Banking Development was appointed Director of Welfare with effect from 5th January, 1989.

Mr. T.G.Savundranayagam, Director of Statistics was appointed Director of Training with effect from 5th January, 1989.

Mr. P.T. Sirisena, Additional Director of Bank Supervision was appointed Director of Bank Supervision with effect from 5th January, 1989.

Dr. L.L. Gunaratne, Acting Director of Data Processing was appointed Director of Statistics with effect from 5th January, 1989.

Mr. E.W.E. Wijetunge, Acting Superintendent of Employees' Provident Fund was appointed Additional Superintendent of Currency with effect from 5th January, 1989.

Mr. A.J.M. Zuhair, Director of Establishments was appointed Superintendent of Public Debt and Registrar of Public Debt with effect from 5th January, 1989.

Mr. S. Easparathan who resumed duties in the Bank with effect from 23rd January, 1989 was appointed as Adviser.

Mr. M.R. Fernando, Deputy Director of Statistics was appointed Acting Director of Management Audit with effect from 16th May, 1989.

Dr. S.S. Colombage, Deputy Director of Statistics was appointed Acting Additional Director of Statistics with effect from 16th May, 1989.

Mr. M.B. Dissanayake, Deputy Chief Accountant was appointed Acting Additional Chief Accountant with effect from 16th May, 1989.

Dr(Mrs) R.Jayamaha, Deputy Director of Economic Research was appointed Acting Additional Director of Banking Development with effect from 16th May, 1989.

Mr. M.I.F. Hamid, Deputy Director of Supervision of Non-Bank Financial Institutions was appointed Acting Additional Director of Supervision of Non-Bank Financial Institutions with effect from 16th May 1989. He was appointed Acting Additional Director of Data Processing with effect from 13th November, 1989.

Mr. W.M.W. Wanigasinghe, Comptroller of Security was appointed Acting Additional Superintendent of Currency with effect from 15th August, 1989.

Mr. G.A. Perera, Deputy Director of Premises was appointed Acting Additional Director of Premises with effect from 16th October, 1989.

Officers on Release (as at 31st December 1989) –

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:-

Mr. A.S. Jayawardena to the Ministry of Industries as Secretary.

Dr. N.E.H. Sanderatne to the Ministry of Finance.

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 Labour and Social Welfare to function as Secretary, Ministry of Labour and Social Welfare.

Mr. K.B. Dodangollagama to the Ministry of Industries to function as Chairman of Plywood Corporation.

Messrs D.S.I.A. Ariyadasa, C. Liyanage, W.A.D.E. Weerasinghe, N.M. Dayaratna and Miss. K. Sarawanamuttu to the Ministry of Finance.

Mr. S.M.A. Siriwardena to the Puttalam District, Small Farmers and Landless Credit Project to function as Project District Co-ordinator.

Retirement/Resignation

Miss A.M.C. Silva, Director, Information Department retired from the Central Bank's service with effect from 1st January, 1989.

Mr. P. Pattiarachchige, Director, Rural Banking & Staff Training College resigned from the Central Bank's service with effect from 14th January, 1989.

Mr. J.R.J.A.C. Motha, Additional Controller of Exchange, Exchange Control Department retired from the Central Bank's service with effect from 13th May, 1989.

Mr. E.J. Anandappa, Additional Director of Welfare retired from the Central Bank's service with effect from 15th May, 1989.

Mr. S. Ratnapragasam, Director of Management Audit retired from the Central Bank's service with effect from 30th June, 1989.

Mr. M.E. de Abrew's contract of employment as Consultant Engineer in the Central Bank service expired on 30th November, 1989.