

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, 1991, and the Profit and Loss Account of the Bank for the year ended December 31, 1991, are presented in Table 2.1. Total assets/liabilities of the Central Bank as at the end of 1991, stood at Rs. 95,835 million registering an increase of 23.7 per cent over the previous year.

On the assets side, International Reserves of the Bank increased by 79 per cent, and Domestic Assets by 12.9 per cent, while Other Assets and Accounts decreased by 1.3 per cent. Among Domestic Assets, medium and long term advances increased by 55.2 per cent, loans and advances to the Government by 44.4 per cent, contributions to financial institutions by 36.2 per cent and the holdings of Treasury bills by 10.4 per cent over the previous year. However, the short term advances recorded a marked decrease of 70.9 per cent.

On the liabilities side, capital accounts showed an increase of 41.2 per cent due to the transfer of Rs. 250 million to the surplus account from profits of the previous year. Currency in circulation, which is the largest single item of liabilities showed an increase of 15.2 per cent over the previous year. The deposits with the Central Bank showed an increase of 64.5 per cent, of which the deposits of the Government rose by 150.9 per cent, commercial banks by 66.6 per cent and international organisations, foreign governments and foreign banking institutions by 37.1 per cent while the deposits of Government Agencies and Institutions recorded a decrease of 51.5 per cent. The Medium and Long Term Credit Fund recorded an increase of 23.1 per cent. A comparison of the major components of assets and liabilities of the Bank is shown in Table 2.2.

The income of the Bank for the year 1991, at Rs. 8,951 million showed an increase of 15.9 per cent over the preceding year. After making allowances for expenditure and allocations to Reserve Accounts and provisions for depreciation and other charges, the net profit of the Bank amounted to Rs. 1,293 million during the year under review. A sum of Rs. 143 million was earmarked to be transferred to the surplus of the Bank in terms of Section 39 (b) of the Monetary Law Act and the balance sum of Rs. 1,150 million was earmarked to be paid to the Consolidated Fund in terms of Section 39 (c) of the Monetary Law Act.

Foreign Exchange Operations

The Central Bank continued to participate in the spot buying and selling of U.S. Dollars against Sri Lanka Rupees with commercial banks. The Bank introduced a new system of fixing the daily exchange rate for the U.S. Dollar with effect from 10th December, 1991. Under the new system, the Central Bank would quote its buying and selling prices for U.S. Dollar within a range announced in the morning, subject to the following main factors:- (See page V)

COMPARISON OF THE CENTRAL BANK
28th December, 1990 and

28th December, 1990		LIABILITIES	31st December, 1991		
Rs.	Rs.		Rs.	Rs.	
15,000,000	607,000,000	Capital Accounts	15,000,000	857,000,000	
592,000,000		Capital Surplus	842,000,000		
22,869,022,916	23,900,533,812	Currency in Circulation	26,411,240,020	27,522,593,970	
1,031,510,896		Notes	1,111,353,950		
3,593,301,872	21,423,375,571	Deposits	9,016,971,676	35,248,905,963	
220,749,507		Government	107,140,735		
7,457,546,661		Government Agencies and Institutions	12,426,154,793		
9,481,396,781		Commercial Banks	12,994,279,929		
133,632		International Organisations, Foreign Government and Foreign Banking Institutions	346,094		
670,247,118		Compulsory Savings Fund excluding Rs. 19,443,650/= invested in Treasury Bills	704,012,736		
		Others			
		999,397	Borrowings Abroad		-
		3,250,000,000	Medium and Long Term Credit Fund		4,000,000,000
		372,750,000	Capital Contribution Account		507,750,000
	27,907,282,093	Other Liabilities and Accounts	27,698,765,231		
	77,461,940,873		95,835,015,164		

Profit and Loss Account for the

28th December, 1990			31st December, 1991	
Rs.	Rs.		Rs.	Rs.
	6,976,653,959	To General Charges (including Salaries, Expenditure on Currency Notes & Coins and Depreciation on Land & Buildings and Office Furniture) and Allocations made in terms of Section 38 of the Monetary Law Act.		7,658,214,373
250,000,000		Net Profit for the Year ended 31st December, 1991		
		Carried to Surplus in terms of section 39(b) of the Monetary Law Act.	143,000,000	
500,000,000	750,000,000	To Part Liquidation of Outstanding Government Obligations to the Central Bank in terms of Section 39(c) of the Monetary Law Act.	1,150,000,000	1,293,000,000
	7,726,653,959			8,951,214,373

Note of the Auditor-General

The accounts of the Central Bank of Sri Lanka for the year ended 31st December, 1991 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, No. 58 of 1949.

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

Auditor-General's Department,
Colombo 7.
15th April, 1992.

S. M. Sabry
Acting Auditor-General

OF SRI LANKA GENERAL BALANCE SHEET
31st December, 1991.

28th December, 1990		ASSETS	31st December, 1991	
Rs.	Rs.		Rs.	Rs.
8,460,710,058		International Reserves		
7,533,610,210		Cash and Balances Abroad	21,318,200,937	
16,337,923	16,010,658,191	*Foreign Securities and Treasury Bills	7,331,728,788	28,659,933,511
		Holdings of Special Drawing Rights	10,003,786	
		Domestic Assets		
11,161,696,884		Loans and Advances to Government	16,117,313,293	
2,545,258,079		Others – Medium and Long Term	3,949,828,378	
4,785,005,960		Short Term	1,394,248,551	
27,044,307,233		Government and Government	29,863,952,320	
		Guaranteed Securities		
372,750,000	45,909,018,156	Contributions to Financial and	507,750,000	51,833,092,542
	15,542,264,526	other Institutions		
		Other Assets and Accounts		15,341,989,111
		* Including Securities acquired from		
		Government Institutions on 01st		
		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 value of these		
		Securities were Rs. 2,933,697/= and		
		Rs. 34,340/= respectively as on		
		these dates).		
	77,461,940,873			95,835,015,164

year ended 31st December, 1991

28th December, 1990			31st December, 1991	
Rs.	Rs.		Rs.	Rs.
	7,726,653,959	By Interest, etc., Earned		8,951,214,373
	7,726,653,959			8,951,214,373

H.N.S. Karunatilake
Governor

M. B. Dissanayake
Chief Accountant

TABLE 2.2

Comparison of Major Components of Assets and Liabilities of the Central Bank as at the end of 1990 and 1991

LIABILITIES					ASSETS				
Item	1990		1991		Item	1990		1991	
	Rs. Mn.	%	Rs. Mn.	%		Rs. Mn.	%	Rs. Mn.	%
Capital Account	607.6	0.8	857.0	0.9	International Reserve	16,010.6	20.7	28,659.9	29.9
Currency in Circulation	23,900.5	30.9	27,522.6	28.7	Domestic Assets	45,909.0	59.2	51,833.1	54.1
Deposits	21,423.3	27.6	35,248.9	36.8					
Borrowings Abroad	1.0	-	-	-	Other Assets	15,542.3	20.1	15,342.0	16.0
Medium and Long Term Credit	3,250.0	4.2	4,000.0	4.2					
Capital Contribution A/c	372.8	0.5	507.7	0.5					
Other Liabilities	27,907.3	36.0	27,698.8	28.9					
Total	77,461.9	100.0	95,835.0	100.0	Total	77,461.9	100.0	95,835.0	100.0

Source : Central Bank of Sri Lanka

- (a) the demand and supply conditions for the foreign currencies in the local foreign exchange market;
- (b) the overall liquidity position in the banking system and the behaviour of the call money market;
- (c) movement of foreign cross exchange rates in major financial centres; and
- (d) overall position of the country's international reserves.

These changes were made in order to develop further the local foreign exchange market.

The Bank continued to operate in the U.S. Dollar Forward Purchases Market on a regular basis with commercial banks. The period of such cover was up to six months.

Sale of Gold

In the year under review, the Central Bank opened its third gold sales outlet at the Head Office. This was in addition to the two gold sales outlets at the Colombo International Airport, Katunayake. The Gold Sales outlet opened in March, 1991, at the Head Office premises, sold gold only for designated foreign currencies till August, 1991, when it commenced such sales for Sri Lanka Rupees and withdrew the sale of gold for foreign currencies. Gold could now be purchased at a concessionary rate of duty without restrictions from this outlet.

Asian Clearing Union

The total value of the transactions routed through the Asian Clearing Union (ACU) Facility in 1991, amounted to Rs. 23,906 million as compared with Rs. 11,442 million during the previous year. The rupee value of net settlements made in foreign currency in 1991, amounted to Rs. 8,756 million as compared with Rs. 4,401 million in 1990. The Swap facility introduced in 1989 continued to be operative during the year and Sri Lanka contributed Rs. 61 million in 1991 towards this facility.

ACU member countries have given their consent to the proposal made by the South Asian Association for Regional Cooperation (SAARC) for the utilisation of the ACU mechanism for settlement of accounts under the SAARC Travel Voucher Scheme.

Bank Rate

The Central Bank's rate of interest (Bank Rate) on short-term advances to commercial banks secured by the pledge of Government guaranteed securities and against the pledge of usance promissory notes relating to commercial and production loans was increased from 15 per centum per annum to 17 per centum per annum as from January 04, 1991.

Short Term Credit

The Central Bank continued to provide facilities to commercial banks under the Export Credit Refinance Scheme (ECRS). During the year, the rates of interest under the scheme were revised upwards on three occasions as follows :

TABLE 2.3
Revised Rates of Interest on Export Credit Refinance Loans

(per centum per annum)

Effective Date	Category I		Category II	
	Revised Rate	Margin for com. banks	Revised Rate	Margin for com. banks
04.01.91	13	3	8	3.8
15.08.91	15	3	10	3.8
23.12.91	17	3	12	3.8

The Bank continued to refund 4 percentage points of the interest charged under the ECRS so that the lending banks could pass on the benefit to the customers on export transactions, provided the export proceeds are received in Sri Lanka within the time limits stipulated by the Controller of Exchange.

Several changes were introduced with respect to the coverage and extent of refinance provided under the above two categories. Refinance facilities provided under Category I were withdrawn for tea in bulk and ready made garments with effect from March 31, and April 02, 1991, respectively. The extent of refinance for remaining items in this category was reduced from 100 per cent to 50 per cent of the relevant packing credit granted by commercial banks with effect from April 02, 1991.

As from September 04, 1991, extent of refinance available under Category II was restricted to 75 per cent of the loan granted by the commercial bank to the exporter, but with effect from October 17, 1991, it was revised to 60 per cent of the f.o.b. value of the firm export order or Letter of Credit but not more than the amount of loan granted by the commercial bank. With the objective of rationalising the provision of refinance facilities for exports under Category II, the scheme was further reviewed and with effect from September 04, 1991, it was restricted to pioneering and high value added products and a maximum ceiling of Rs. 10 million was imposed on each individual exporter in respect of each item of export. For specified products which were considered high value added but traditional or well established, refinance facilities were made available under Category I subject to the limits allocated to individual banks.

With effect from April 02, 1991, a new scheme of refinance was introduced for the benefit of export oriented Geuda Industrialists for the heat treatment of geuda stones. Under this scheme, a limit of Rs. 25 million was allocated to each selected bank. The rate of interest was fixed at 13 per cent per annum with an on lending margin of 4 per cent per annum.

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 crops and for the purchase and storage of commodities under the Guaranteed Price Scheme (GPS) and the Floor Price Scheme was increased during the year as follows:

TABLE 2.4
Revision of Short Term Rates – New Comprehensive Rural Credit Scheme (NCRCS) & Marketing

per centum per annum		
Effective Date	NCRCS	Marketing
04.01.91	6.5	5.0
15.08.91	8.5	7.0
23.12.91	8.5	9.0

Medium and Long Term Credit

The Medium and Long Term Credit Fund (MLCF) which stood at Rs. 3,250 million as at end of 1990 was raised to Rs. 4,000 million by the end of 1991.

The interest rates on all categories under the MLCF were raised by 2 percentage points on January 04, 1991, and by another 2 percentage points on August 15, 1991. During the year, margins permitted to participating credit institutions remained unchanged at 7 per cent per annum in respect of Category I and 4 per cent per annum for the other three categories. The revised interest rates are as follows:

TABLE 2.5

	Total cost of the Project Rs. 5 Mn. & below	Total cost of the Project Above Rs. 5 Mn.	Margin Permitted to the Credit Institutions % per annum
Category I	11%	11%	7%
Category II	9%	10%	4%
Category III	12%	12%	4%
Category IV	14%	14%	4%

The grant of refinance under the scheme was suspended with effect from December 23, 1991.

Accommodation to Finance Companies

The Central Bank continued to grant financial accommodation to commercial banks in terms of Section 20 (4) (a) and 21 (1) of the Finance Companies Act No. 78 of 1988 in respect of their lending operations with non-bank financial institutions facing temporary liquidity problems and/or whose administration and management have been taken over by the Monetary Board. The total amount disbursed on this account upto end 1991, amounted to Rs. 900 million.

Reserve Requirements

The Statutory Reserve Ratio on demand, time and savings deposits liabilities of commercial banks was fixed at 13 per cent with effect from January 11, 1991. As on that date the facility granted to commercial banks to hold Treasury bills as part of their required reserves was withdrawn.

Secondary Market Operations in Treasury Bills

The sales turnover of Treasury Bills in the Secondary market increased from Rs. 67,907 million in 1990 to Rs. 78,254 million in 1991. The purchase turnover also increased from Rs. 21,355 million to Rs. 37,486 million during the year. The net sales turnover to the non-banking sector increased from Rs. 8,132 million in 1990 to Rs. 9,658 million in 1991.

The discount rates applicable to Secondary Market Operations in Treasury Bills varied between 12 per cent per annum and 15.25 per cent per annum during the year.

Subsidy and 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. 556.5 million was reimbursed during 1991.

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. 0.1 million (inclusive of interest) on 16 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 boards. The number of operational accounts at the end of December, 1991 was 187.

CURRENCY ISSUE

During 1991, the Bank continued to perform the function of issuing legal tender currency in Sri Lanka for use in domestic transactions. Several changes were made to the currency management and operations by the Bank during the year.

In order to upgrade the quality of currency notes in circulation in the country, the Bank launched a clean currency note operation with the help of commercial banks. Over the years, the Bank had found that the quality of the currency notes in circulation was far below the normally accepted standards. Hence, it was necessary to raise the shroffing standards so as to ensure the issue of better quality currency notes to the public. The Bank with the co-operation of commercial banks, commenced issuing new currency notes from its Head Office and the Regional Offices at Matara and Anuradhapura. In the districts of Matara, Matale and Kandy, two clean currency note operation schemes were launched by the Bank by issuing new currency notes to commercial banks in the respective districts. A public awareness campaign was also launched in these Districts to coincide with the event.

During 1991, the Bank took action to change the design of the currency notes in circulation in the country. The new currency notes were designed to depict historical and archaeological themes so as to highlight the country's rich heritage. In keeping with the international standards and to ensure convenience to the using public and longer durability of currency notes, the new design currency notes were made slightly smaller than the existing currency notes of the respective denominations. The currency notes in the denominations of Rs. 1,000, Rs. 500 and Rs. 100 were issued for circulation in 1991, while the other denominations were scheduled to be issued in early 1992.

During 1991, the Bank made arrangements to issue three commemorative coins, two coins to mark the Fifth South Asian Federation Games held in Colombo in December 1991 and the other to commemorate the third anniversary of the induction of His Excellency the President, Ranasinghe Premadasa. The SAF Games commemorative coins were in the denominations of Rs. 500 and Rs. 100. The Rs. 500 coin was struck in 12 carat gold, while Rs. 100 coin was in silver. The Rs. 500 gold coin was round in shape and designed similar to the ancient Sri Lankan coin "Kalanda" or "Aka". The Rs. 100 silver coin was square in shape with a carved edge and was similar to the ancient silver coin "Masuran" or "Purana" that was in use in the 5th century B.C.

The Bank made arrangements to commemorate the third anniversary of the induction of His Excellency the President, Ranasinghe Premadasa by issuing a Rs. 1/- commemorative coin struck in silver. The coin depicted the portrait of His Excellency on one side and the Presidential flag on the obverse. Arrangements were also made by the Bank to issue a

general circulation coin of the same design struck in cupro-nickel for use by the general public. The coins were scheduled to be issued in early January, 1992.

With the increase in the volume of currency issued by the Bank, it was necessary for the Bank to expedite the processing of currency notes so as to provide a more efficient service to the public. Currency processing involving the following distinctive operations had so far been handled by the Bank entirely manually:

1. Counting of currency notes deposited in the Bank by commercial banks and government departments;
2. Verification of these notes to detect counterfeit currency notes;
3. Sorting of currency notes into serviceable and unserviceable categories so that serviceable notes could be reissued for a further cycle;
4. Bundling and strapping of serviceable notes for reissue;
5. Destruction of unserviceable currency notes under security conditions.

The Bank had long felt that manual handling of these operations resulted in long delays, accumulation of currency notes in the Bank and a tremendous increase in the cost of processing of currency notes. This interfered with the Bank's prime responsibility of supplying clean and serviceable currency notes to the economy in adequate numbers. In view of these considerations, the Bank decided to automate its currency processing activities so as to gain capability of providing a better service to the public. Accordingly, arrangements were made by the Bank to install two Currency Verification, Counting and Sorting Systems known as "CVCS Systems" in the Bank. These systems were capable of handling all the above currency processing operations at a high speed with a few operators. These machines are scheduled to be commissioned in the Bank in early 1992.

BANKING DEVELOPMENT

Institutional Network

The year 1991 witnessed a considerable expansion in the banking network in the country. Emphasis on the promotion of rural banking continued during 1991. Accordingly, three new Regional Rural Development Banks (RRDBs) were established during the year raising the total number of RRDBs operating in the country to 15. The number of local commercial banks remained unchanged at 6 while the number of foreign banks dropped to 17 in 1991 with the merger of the Algemene Bank Nederland N.V. (ABN) and the Amsterdam-Rotterdam N.V. (Amro Bank) in September 1991. Accordingly, the total number of commercial banks operating in the country reduced to 23 in 1991. A noteworthy feature observed during the year was the manner in which Sri Lanka managed to handle the banking crisis experienced world-wide with the collapse of the Bank of Credit and Commerce International Ltd. (BCCI) which shook the international banking industry. The Central Bank took immediate steps to take over the control of the

BCCI branches operating in Sri Lanka and subsequently domestic banking business of the BCCI was vested in the Seylan Bank Ltd.

A substantial expansion in the bank branch network was observed during the year. Consequent to these changes the total number of RRDB branches increased from 101 to 124 at the end of the year. Increasing the total number of commercial bank branches to 763 the number of domestic bank branches increased to 738 while the number of foreign bank branches rose to 25. However, branch expansion of the two state banks recorded a slowing down during the year. The People's Bank opened two new branches raising its number of branches to 308 while Bank of Ceylon increased its branch network including extension offices and pay offices from 323 to 328 by the end of the year. Meanwhile, private domestic banks continued to expand their business to outstations. Consequently, Hatton National Bank Ltd., Commercial Bank of Ceylon Ltd. and the Seylan Bank Ltd. opened 3, 2 and 9 new branches respectively increasing the number of domestic private bank branches to 102. The National Savings Bank expanded its branch network to 81, and the State Mortgage and Investment Bank opened its second branch during 1991. The Development Finance Corporation of Ceylon (DFCC) upgraded its representative office to the status of a branch during the year.

Mobile Banking Services

The RRDBs continued their mobile banking services in order to provide banking facilities to under-banked and unbanked areas in their respective areas of operation. The Seylan Bank also conducted Mobile Banking Centres at Alubomulla and Sarikkamulla in the Kalutara district; at Yakkala in the Gampaha district; and at Attidiya, Boralesgamuwa, Kalubowila and Kottawa in the Colombo district.

Installation of Automated Teller Machines (ATMs)

The People's Bank, Bank of Ceylon and the Hatton National Bank Ltd. also introduced ATMs, in 1991, increasing the number of banks operating ATMs in the country to 7. The People's Bank named its ATM 'PET' (People's Electronic Teller) and installed them at five of its branches while the bank of Ceylon installed ATMs with the name 'Ceybank Cash Points' at six branches. The Bank of Ceylon also installed two off-site ATMs at the premises of the Merchant Bank of Sri Lanka Ltd. Colombo 3 and at the Ceylon Tobacco Company Ltd. in Colombo 13. The Hongkong and Shanghai Banking Corporation Ltd. installed two off-site ATMs at the Liberty Plaza building, Colombo 3.

BANK SUPERVISION

The Bank Supervision Department undertook the examination of 10 commercial banks and 3 Regional Rural Development Banks (RRDBs) in 1991 and concluded 7 of these examinations during the year. In addition, the Department also finalised the examination of 5 commercial banks which had been commenced in 1990. The scope of supervision was widened in the year under review, when for the first time, the Department conducted examinations of two Merchant Banks.

The Department continued to monitor the financial condition of commercial banks and RRDBs on the basis of monthly statement of Assets and Liabilities furnished by them. Similarly, monitoring of the transactions of Foreign Currency Units (FCBUs) established by commercial banks under the Foreign Currency Banking Scheme (FCBS) too was carried out by the Department on a monthly basis while the profitability of commercial banks including FCBUs was analysed on the basis of annual returns.

As a part of supervision activities, the Department also monitored the compliance of commercial banks with credit ceilings imposed in June, 1989 on non-priority sectors and cash margin requirements on Letters of Credit for specified non-essential imports. The Department was responsible for ensuring the adherence of commercial banks to the directives and guidelines issued under the Banking Act. These included the stipulation of minimum capital funds and liquidity ratios, limits on lendings to a single borrower, directors and directors' interests and restrictions on shareholdings. In the case of violation of such directives and regulations, action was initiated by the Department against offenders.

During the year 1991, the continuous supervision of commercial banks was further strengthened by examining the periodical returns to liquidity under the directives issued in terms of the Banking Act and other statements furnished periodically. With the implementation of Part V of the Banking Act, "the Accounts Formats for Banks" which was introduced in September, 1990 came into operation in 1991 when all commercial banks presented their accounts for 1990 under an uniform system.

In order to establish a common standard in income recognition and loan loss provisioning the Department issued a set of guidelines in February, 1991. These guidelines set out the minimum requirements that commercial banks should observe in respect of interest in suspense, classification of advances as non-performing and provision for bad and doubtful advances. All commercial banks were required to set up interest in suspense where necessary by 1st April, 1991 and to comply with the other requirements by 1st April, 1992.

During 1991 too the Department continued to administer the operation of the Deposit Insurance Scheme which came into operation in 1987. Under this Scheme which extends its cover to commercial banks, RRDBs and Co-operative Rural Banks on an optional basis, a total number of 13 institutions comprising 2 commercial banks, 3 RRDBs and 8 CRRBs had been registered at the end of 1991. The premium payable under the Deposit Insurance Scheme was revised and the new rate applicable was to be 3.75 cents for every Rs. 100 per quarter (i.e. 15 cents for every Rs. 100 per annum) effective 1st January, 1992.

During the second half of the year under review, the Department was directly involved in handling several issues connected with the affairs of the Bank of Credit and Commerce International (Overseas) Limited (BCCI). Following the global suspension of the operations of BCCI the Monetary Board in terms of Section 30 (1) of the Monetary Law Act suspended the operations of the Sri Lanka branches of the BCCI from 7th July, 1991. Under a management agreement, entered into with Seylan Bank Limited the Monetary Board delegated the management of the BCCI branches to Seylan Bank Ltd. and banking operations were resumed on 29th July, 1991. In December, 1991 the Monetary

Board approved the vesting of the Domestic Banking business of the BCCI in the Seylan Bank Limited under the Emergency (Banking Special Provisions) Regulations No. 2 of 1991, which became effective on 1st January, 1992. As a measure of affording relief to the NRFC and RNNFC account holders of the former BCCI, the Central Bank initiated a Relief Scheme for the payment of these holders. Under this relief scheme, approximately 85 per cent of the deposit holders would be able to receive the full amount of their deposit in Rupees.

NON-BANK FINANCIAL INSTITUTIONS

Under the provisions of the Finance Companies Act No. 78 of 1988, 24 companies were registered and granted licences to conduct finance business during 1991. Of these, 20 companies were registered in December, 1990 and 4 during the first few months of 1991. As at end of 1991 total deposit liabilities of these companies amounted to Rs. 5,647.9 million, an increase of Rs. 29.7 million or 0.5 per cent over the deposit liabilities as at 31.12.1990. This increase in deposits has to be viewed in the context of several unregistered finance companies divesting their finance business and commencing to settle deposits on a Directive issued by the Monetary Board on 17th December, 1990.

The supervisory and regulatory role of the Central Bank over finance companies was further strengthened through amendments which were enacted to Sections 5, 9, 12, 25, 33, 38 and 46 of the Finance Companies Act No. 78 of 1988 by the enactment of the Finance Companies (Amendment) Act No. 23 of 1991. The amendments to Sections 12, 25 and 46 were earlier promulgated by the President under Section 5 of the Public Security Ordinance (Chapter 40) as Emergency (Finance Companies) Regulations No. 2 of 1990, No. 1 of 1990 and No. 1 of 1991, respectively. As a preliminary to the licensing of finance companies for the year 1992, comprehensive on-site examinations were conducted in respect of the companies which had made applications for licences. Two registered finance companies that pleaded having liquidity problems were subject to investigative audits by independent Auditors.

Registration of Companies

The finance companies which were not registered by 18th December, 1990, had been directed to divest their finance business and settle their liabilities to depositors in terms of Direction No. 2 of 1990 issued by the Monetary Board on 17th December, 1990. In terms of this Direction, the financial institutions to which the Direction was applicable had to settle their deposit liabilities in the following manner -

- (i) Those institutions which had deposit liabilities exceeding Rs. 40 million as at 19th December, 1990, shall pay up their deposit liabilities by not less than 5 per cent per month, and
- (ii) Those institutions which had deposit liabilities not exceeding Rs. 40 million as at 19th December, 1990 shall pay up their deposit liabilities by not less than 8.5 per cent per month.

Financial Assistance from the Central Bank

The Depositor Relief Scheme formulated by the Monetary Board was continued to be implemented in finance companies whose administration and management had been taken over by the Monetary Board. The progress of the relief payments to depositors of all these companies is shown in Table 2.6.

TABLE 2.6
Progress of Relief Payments to Depositors as at 31.12.1991

Name of Finance Company	Total No. of Deposits	No. of Deposits Paid	No. of Deposits Paid as a percentage of total Deposits	Amount Paid (Rs. '000)
Union Trust & Investments Ltd.	18,331	16,047	87.5	202,258
Hideki Finance & Investments Ltd.	4,487	4,190	93.4	44,896
Home Finance Ltd.	12,585	7,746	61.5	73,447
Saraboomi Investments Co. (Pvt) Ltd.	401	368	91.8	3,796
Castle Finance Ltd.	2,756	2,698	97.9	33,223
The Sevana Finance & Investments Co. Ltd.	541	260	48.1	2,039
The United Motor Finance Co. (Ceylon) Ltd.	1,343	945	70.4	9,830
The Travel Bag Investments (Pvt) Ltd.	146	41	28.1	481
Total	40,590	32,295	79.6	369,970

During 1991, a registered finance company which was experiencing liquidity problems was also granted financial assistance by the Central Bank. As at end of December 31, 1991 a total sum of Rs. 798 million had been disbursed to 13 finance companies under the provisions of Section 20(4) and Section 21 of the Finance Companies Act No. 78 of 1988. Of this amount Rs. 214.9 million was disbursed during 1991.

Winding up the Affairs of Vested Companies

During 1991, the Monetary Board decided to wind up the affairs of three failed companies, the administration and management of which were vested in the Monetary Board as the relief payments on deposits had been completed and these companies could

not be rehabilitated. Thus, petitions for the winding up of the affairs of Hideki Finance and Investments Ltd, Castle Finance Ltd. and Saraboomi Investments Co. (Pvt) Ltd. were filed in the District Court of Colombo.

Directions and Rules

The Monetary Board decided to issue a new series of Directions and Rules under the Finance Companies Act No. 78 of 1988 to provide an updated regulatory framework for finance companies. Together sixteen Directions were issued under Section 9 of the Act during 1991. The Direction numbers and the subject to which they refer are as follows :

- Direction No.01 - Provision for Bad & Doubtful Debts
- Direction No.02 - Provision for Bad & Doubtful Debts
- Direction No.03 - Writing Off of Loans & Advances
- Direction No.04 - Transfer of Assets
- Direction No.05 - Business Transactions with Relatives
- Direction No.06 - Deposits
- Direction No.07 - Liquid Assets
- Direction No.08 - Lending
- Direction No.09 - Capital Funds
- Direction No.10 - Register of Written Off Loans
- Direction No.11 - Fixed Assets
- Direction No.12 - Investments
- Direction No.13 - Interest
- Direction No.14 - Closure of Business
- Direction No.15 - Accrued Interest
- Direction No.16 - Audited Accounts

The Rule No. 1 of 1991 on Advertising was made on 11th September, 1991 by the Monetary Board under Section 33(2) (c) of the Finance Companies Act No. 78 of 1988 as amended by the Finance Companies (Amendment) Act No. 23 of 1991. This Rule is cited as "Finance Companies (Advertising) Rule" and is intended to regulate the information that have to be included in advertisements by finance companies.

Legal Action Instituted in Courts

During 1991, the Director, Department of Supervision of Non-Bank Financial Institutions caused 69 prosecutions to be instituted in the appropriate Magistrates' Courts against Directors of 6 finance companies for violations of Directions issued by the Monetary Board. Details of such actions taken against Directors are given in the Table 2.7.

Legal action instituted in 1990 and 1991 were concluded in 1991 in respect of 38 prosecutions against Directors of six finance companies. Convictions were obtained in 13 cases filed and action was compounded in 25 cases.

TABLE 2.7
Prosecutions Instituted for Offences
under the Finance Companies Act, No. 78 OF 1988
during the year ending 31.12.1991

Nature of Offences	No. of Companies	No. of Directors Prosecuted	No. of cases	Remarks	
				Conviction	Pending
Failure to furnish information disclosing the personal assets of directors under Section 25 (2)(a)	01	01	01	-	01
Failure to furnish audited annual financial statements	01	05	05	-	05
Failure to settle deposit liabilities	04	16	63*	-	61

Note : * Some directors were prosecuted more than once for the offence that was repeated.

During the period under review, the Monetary Board decided to make application to wind up the affairs of one unregistered finance company under the provisions of Section 18 of the Finance Companies Act No. 78 of 1988. Accordingly, the Director, Department of Supervision of Non-Bank Financial Institutions made an application on 18th June, 1991 to the District Court of Colombo for the winding up of House & Property Trades Ltd.

Other Activities

The Department of Supervision of Non-Bank Financial Institutions has during the year published notices in the newspapers with a view to educating the public on finance company business particularly, regarding the risks involved and the need for depositors to exercise vigilance in making investments in finance companies. Notices were published giving guidelines to depositors and setting out the form of a Fixed Deposit Certificate and the minimum information that should be included in such certificates.

The Department of Supervision of Non-Bank Financial Institutions also published in the form of a booklet the Directions and Rules made under the Finance Companies Act No. 78 of 1988 by the Monetary Board.

DEVELOPMENT FINANCE

During 1991 the administration of the Medium and Long-Term Credit Fund (MLCF) and the operation of the Credit Guarantee Schemes for Small and Medium Scale Industries (SMI) continued to be the responsibility of the Development Finance Department.

Medium and Long-Term Credit Fund

The Central Bank adopted a more selective and restrictive policy during the year 1991 in providing refinance on account of monetary stabilization policies pursued by the Bank. Accordingly, the approvals of refinance under Category II, III and IV of the Medium and Long Term Credit Fund registered a sharp decline from Rs. 908 million in 1990 to Rs. 237 million in 1991, a decline of 74 per cent. The decline in refinance approvals was in respect of Category III and IV while refinance approvals under Category II increased from Rs. 23 million in 1990 to Rs. 73 million in 1991 (Table 2.8). In December, 1991 the Central Bank suspended the refinance facilities under the Medium and Long Term Credit Fund until further notice.

TABLE 2.8
Medium & Long Term Credit Fund
(Approvals of Refinance under Categories II, III & IV) 1989-1991

(Rs. million)

Category	1989		1990		1991	
	Loan Amount	Amount Refinanced	Loan Amount	Amount Refinanced	Loan Amount	Amount Refinanced
II Export Sector	46.2	32.3	32.7	22.9	103.7	72.6
III & IV						
1. Agriculture	14.7	8.8 ^a	—	—	—	—
2. Industry	35.4	21.2	72.6	71.6	—	—
3. Hotels	—	—	—	—	79.2	47.5
(a) Refurbishing	—	—	—	—	75.0	45.0
(b) Coaches	—	—	—	—	4.2	2.5
4. Other	80.0	80.0	43.5	26.1	15.0	9.0
Assistance to sick industries	463.1	298.2 ^b	787.4	787.4	108.0	108.0
	639.4	440.5	936.2	908.0	305.9	237.1

Source : Central Bank of Sri Lanka

- (a) Includes a loan granted in 1989 to Bank of Ceylon for Tree Crop Project under the Medium-Term Investment Programme.
- (b) Includes refinance granted to 27 hotel projects in respect of capitalization of interest in arrears.

Credit Guarantee Operations

A summary of credit guarantee operations under the four credit guarantee schemes administered by the Central Bank as at 31.12.1991 is given in Table 2.9.

TABLE 2.9

Summary of the Central Bank Credit Guarantee Schemes as at 31.12.1991

(Value Rs. Mn.)

Schemes and Years	SMALL SCALE INDUSTRIES (SSI)				SMALL AND MEDIUM SCALE INDUSTRIES (SMI)											
	1990		1991		SMI - 1		SMI - 2		SMI - 3							
	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value		
1.1 Loans granted	767	31.20	767	31.20	1,670	286.10	1,670	286.10	2,531	1,392.54	2,531	1,392.54	2,340 (a)	1,383.23	3,683	2,373.20
1.2 Loans guaranteed	767	23.40 (b)	767	23.40 (b)	1,670	157.50 (c)	1,670	157.50 (c)	2,531	713.83 (d)	2,531	713.83 (d)	2,340	855.88 (e)	3,683	1,860.85 (e)
2.1 Loans fully repaid	593	22.90	597	22.98	1,189	168.69	1,204	174.40	487	149.90	707	232.78	12	7.81	48	17.50
2.2 Guarantees withdrawn or lapsed	71	4.04	86	4.84	85	24.51	109	29.93	238	129.96	276	142.24	97	74.91	208	101.70
Claims																
3.1 Total claims received	88	4.32 (f)	88	4.32 (f)	327	73.30 (f)	329	74.22 (f)	144	66.25 (f)	180	80.55 (f)	3	1.35 (f)	11	5.02 (f)
3.2 Central Bank liability		2.42		2.42		31.73		32.00		36.17		45.71		0.89		3.22
3.3 Settlement of claims																
3.3.1 Fully settled	63	1.68	63	1.68	220	17.62	224	17.84	76	18.73	99	23.26	1	0.01	6	1.60
3.3.2 Partly settled	1	0.00 (g)	1	0.00 (g)	28	2.11	27 (h)	2.11	8	0.82	5 (h)	0.71				
3.3.3 Claims rejected	7	0.22	7	0.22	26	4.72	26	4.78	32	7.61	39	9.08	1	0.56	1	0.56
3.3.4 Loans fully paid after submission of claims (k)	16	0.24	16	0.24	37	2.03	37	2.03	2	0.58	2	0.58				
3.3.5 Claims deferred (l)	1	0.27	1	0.27	12	3.04	12	3.04	22	6.54	25	7.12	1	0.32	2	0.46
3.3.6 Claims pending (l)					4	0.09	1	0.18	4	1.07	5	1.69			2	0.59
3.3.7 Claims withdrawn (l)											5	2.26				
4.1 Loans outstanding	32	1.14 (l)	13	0.61 (l)	122	17.76 (l)	78	11.69 (l)	1690	604.61 (l)	1405	422.71 (l)	1883 (a)	975.58 (l)	3620	1825.42 (l)
4.2 (of which in arrears)	32	1.14 (l)	13	0.61 (l)	117	17.02 (l)	78	11.69 (l)	739	192.51 (l)	897	184.05 (l)	181	18.02 (l)	395	36.37 (l)
4.3 Central Bank liability on guarantees outstanding	32	0.86 (b)	13	0.46 (b)	122	10.32 (c)	78	7.01 (c)	1690	337.69 (d)	1405	265.49 (d)	1883	604.70 (e)	3620	1284.42 (e)
5. Premia collection		0.92		1.00		11.84		11.98		22.69		25.42		6.32		18.79
6. Post Claim Recoveries		0.36		0.52		2.75		4.58		0.67		3.11		-	1	0.00 (j)

(a) Inclusive of 346 loans amounting to Rs. 220.8 mn. which are not reported as having been disbursed as at end of 1990.

(b) 75% of loans outstanding.

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

(d) 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.

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

(f) Amount in default including interest accrued therein.

(g) Amount of Rs. 4,504.75 has been settled.

(h) Full settlement of cases which were partly settled earlier.

(i) Excluding instalments recovered.

(j) Amount of Rs. 7,200.00 has been recovered.

(k) Included under 2.1

(l) Included under 4.1

Source : Central Bank of Sri Lanka

Small Scale Industries (SSI) Scheme

Out of a total of 767 loans guaranteed under the SSI Scheme during 1978-81, 597 loans amounting to Rs. 23 million were fully repaid while 86 guarantees amounting to Rs. 5 million were either withdrawn or lapsed as at end of 1991 due to non-compliance with the Central Bank's Operating Instructions by the Participating Credit Institutions (PCII). Altogether 88 claims with a liability of Rs. 4.3 million were received as at end of 1991, of which 63 claims amounting to Rs. 1.7 million were settled.

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

Under the SMI-I Scheme, 1670 guarantees were issued during 1979-82 to cover loans amounting to Rs. 286 million. Of these, 1204 loans were fully repaid and 109 guarantees amounting to Rs. 30 million were either withdrawn or lapsed as at end of 1991 due to non-compliance with Central Bank's Operating Instructions by the PCII. At the end of 1991, 329 claims with a liability amounting to Rs. 32 million were received, of which 224 claims amounting to Rs. 18 million were settled while interim payments not exceeding 50 per cent of liability of the Central Bank amounting to Rs. 2.1 million were made in respect of 27 claims.

The total premium collected under this scheme as at 31.12.1991 was Rs. 12 million, while post claim recoveries by the Central Bank amounted to Rs. 4.6 million as at the same date.

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

Under the SMI-II Scheme, 2531 loans were guaranteed during 1982-1989 to cover loans amounting to Rs. 1,392 million. Out of these, 707 loans to the value of Rs. 233 million were fully repaid while 276 guarantees amounting to Rs. 142 million were either withdrawn or lapsed due to non-compliance with Central Bank's Operating Instructions by the PCII.

Meanwhile, 180 claims with a liability amounting to Rs. 45.7 million were received as at 31.12.1991 of which 99 claims to the value of Rs. 23.3 million were settled while interim payments not exceeding 50 per cent of the total liability of the Central Bank amounting to Rs. 0.7 million were made in respect of 5 claims from North and Eastern provinces.

The total premium collection under this scheme amounted to Rs. 25.4 million as at 31.12.1991, while the post-claim recoveries by the Central Bank amounted to Rs. 3.1 million as at same date.

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

As at end of 1991, 3883 loans amounting to Rs. 2,373 million has been guaranteed under the SMI III Scheme, which commenced operations in July, 1988. Of these, 48 loans amounting to Rs. 17.5 million were fully repaid while guarantees relating to 208 loans amounting to Rs. 102 million were either withdrawn or lapsed due to

non-compliance with Central Bank's Operating Instructions by the PCII. Altogether 11 claims with the Central Bank liability amounting to Rs. 3.2 million were received as at 31.12.1991 of which 6 claims amounting to Rs. 1.6 million were settled. The total premium collected under this Scheme was Rs. 18.8 million as at 31.12.1991.

During the year, Kandy Regional Rural Development Bank (RRDB) concluded a participation agreement with the National Development Bank and became eligible to grant SMI loans under the Central Bank Credit Guarantee Scheme in addition to the existing PCII, namely Bank of Ceylon, People's Bank, Kurunegala and Kegalle RRDBs, Development Finance Corporation of Ceylon, Hatton National Bank Ltd., Commercial Bank of Ceylon Ltd., Sampath Bank Ltd., and Seylan Bank Ltd.

An industry-wise classification of projects financed under SMI-II and III Schemes is given at Table 2.10.

Bus Purchase Loan (BPL) Scheme

At the request of the Treasury, the Central Bank introduced in November, 1990 a Credit Guarantee Scheme to cover loans granted by PCII to private bus operators to purchase buses with a seating capacity of not less than 30. Under this scheme, 1,511 loans amounting to Rs. 848 million were guaranteed as at 31.12.1991. Of these, 2 loans amounting to Rs. 0.96 million were fully repaid while 16 guarantees amounting to Rs. 7.3 million have lapsed as at 31.12.1991 due to non-compliance with the Central Bank's Operating Instructions by the PCII (Table 2.11).

The total premium collection under the scheme amounted to Rs.3.1 million as at 31.12.1991.

Follow-up and Inspection of Projects

During the year 1991, 246 projects under the SMI loan schemes were inspected with a view to taking corrective action where necessary and to settling claims lodged by PCII. Most of these projects were situated in the districts of Colombo, Gampaha, Kandy, Kegalle, Puttalam and Galle.

Small and Medium Scale Industries Project - IV (SMI-IV)

The Monetary Board approved in November, 1991 the institution of a Credit Guarantee Scheme for the Fourth Small and Medium Scale Industry Scheme refinanced by the National Development Bank (NDB) with the rupee proceeds of loans amounting to US\$ 75 million jointly funded by International Development Association (IDA) and Asian Development Bank (ADB) to the Government of Sri Lanka. Under this Credit Guarantee Scheme, the Central Bank will provide credit guarantees to every commercial bank and credit institution who has concluded a participation agreement with the NDB.

TABLE 2.10

SMI - II and III Credit Guarantee Scheme - Industry-wise Classification as at 31.12.1991

(Rs. '000)

SCHEME	SMI-II AND III 1982-1991						SMI - III 1988-1991						SMI-III - 1991					
	Loans Granted	%	Loan Amount Rs.	%	Guaran- teed Amount Rs.	%	Loans Granted	%	Loan Amount Rs.	%	Guaran- teed Amount Rs.	%	Loans Granted	%	Loan Amount Rs.	%	Guaran- teed Amount Rs.	%
01. Food Processing	1,688	26.3	1,024,798	27.2	607,393	25.6	850	21.9	571,661	24.1	376,160	22.7	359	23.3	250,447	25.3	170,372	24.2
02. Other Agro-Industries	154	2.4	71,536	1.9	47,631	2.0	105	2.7	48,513	2.0	35,898	2.2	34	2.2	15,174	1.5	11,539	1.6
03. Rubber Products	173	2.7	154,494	4.1	93,001	3.9	100	2.6	99,423	4.2	65,739	4.0	38	2.5	33,002	3.3	24,102	3.4
04. Metal Products	572	8.9	267,513	7.1	167,021	7.0	329	8.5	150,858	6.4	108,279	6.5	118	7.6	54,311	5.5	38,706	5.5
05. Construction Materials	499	7.8	258,280	6.9	179,310	7.6	338	8.7	168,280	7.1	129,805	7.8	89	5.8	49,150	5.0	37,220	5.3
06. Construction Contracting	66	1.0	56,726	1.5	33,281	1.4	38	1.0	22,526	0.9	15,821	1.0	7	0.5	10,616	1.1	6,293	0.9
07. Wood Products	423	6.6	165,353	4.4	111,779	4.7	256	6.6	107,678	4.5	79,729	4.8	83	5.4	36,422	3.7	26,578	3.8
08. Garments	499	7.8	383,226	10.2	247,796	10.4	368	9.5	310,017	13.1	211,408	12.7	150	9.7	130,523	13.2	89,616	12.7
09. Textiles	156	2.4	126,204	3.4	75,833	3.2	101	2.6	80,430	3.4	52,711	3.2	47	3.0	35,101	3.5	24,628	3.5
10. Repair Workshop	236	3.7	101,614	2.7	67,131	2.8	134	3.5	61,137	2.6	44,472	2.7	47	3.0	25,040	2.5	17,232	2.4
11. Others	1,948	30.4	1,155,992	30.7	744,100	31.3	1,264	32.6	752,673	31.7	540,624	32.6	571	37.0	350,177	35.4	258,482	36.7
Total	6,414	100.0	3,765,736	100.0	2,374,276	100.0	3,883	100.0	2,373,196	100.0	1,660,646	100.0	1,543	100.0	989,963	100.0	704,768	100.0

Source : Central Bank of Sri Lanka

TABLE 2.11**Summary of the Bus Purchase Loan Scheme as at 31.12.1991**

(Value – Rs. Million)

	No.	1991 Value
1.1 Loans granted	1,511	347.94
1.2 Loans guaranteed	1,511	674.82 (a)
2.1 Loans fully repaid	2	0.96
2.2 Guarantees withdrawn or lapsed	16	7.35
3.1 Loans outstanding	1,493	679.36 (b)
3.2 Central Bank liability on guarantees outstanding	1,493	541.17
5 Premia collection		3.08

Source : Central Bank of Sri Lanka

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

(b) Excluding instalments recovered.

The terms and conditions of the guarantee scheme are similar to the previous SMI Schemes, excepting the following:-

(a) The aggregate value of term loans approved by PCII has been increased to Rs. 8 million from Rs. 4 million under SMI-III.

(b) The extent of the credit guarantee cover will be determined in relation to the size of the sub-loan in the following manner, subject to a maximum cover of Rs. 1.6 million.

Sub-Loan Size	Extent of Guarantee
Below Rs. 500.00	90%
From Rs. 500,000 to below Rs. 1,000,000	80%
From Rs. 1,000,000 to below Rs. 2,000,000	70%
From Rs. 2,000,000 upto Rs. 8,000,000	60%

(c) Premia for the guarantees are payable annually, at the beginning of each year at the rate of 1 per cent of the amount guaranteed and outstanding in the loan account at the end of each immediately preceding year.

Investment of SMI & BPL Guarantee Funds

Investment of SMI and BPL guarantee funds in the primary and secondary Treasury bill markets commenced in July, 1988, and January, 1991 respectively. The total investments on account of both funds as at 31.12.1991 amounted to Rs. 300 million approxi-

mately. Total interest income received during the year from these investments amounted to Rs. 27 million.

Entrepreneur Development Programme

Three entrepreneur development programmes were conducted during the year. The first programme aimed at creating awareness in self-employment opportunities amongst school leavers and Janasaviya recipients was held in the Polonnaruwa District which was attended by 102 participants. The second programme devoted to skill development of existing 130 entrepreneurs selected from the Moneragala District was held in Moneragala. The 3rd programme aimed at upgrading management skills and technology of 35 industrialists engaged in light engineering was organised in the Hambantota District. All these programmes were conducted with the assistance of the Industrial Development Board of Sri Lanka and the Regional Rural Development Banks of Polonnaruwa, Moneragala and Hambantota.

RURAL CREDIT

In 1991 the Central Bank continued its role as a credit executing agency for the implementation of the following credit schemes funded by foreign agencies.

1. International Fund for Agricultural Development (IFAD) funded Badulla District Integrated Rural Development Project.
2. IFAD funded Kegalle District Integrated Rural Development Project.
3. Asian Development Bank (ADB) funded Kirindi Oya Irrigation and Settlement Project (Phase II).
4. ADB funded Small Holder Tea Development Project.
5. ADB funded Mid-Country Perennial Crop Development Project.
6. ADB funded Agriculture Rehabilitation Project.

During 1991 loans amounting to Rs. 26.4 million have been granted under the Integrated Rural Development Projects in the districts of Badulla and Kegalle.

A review of the performance of the branches of the Participating Credit Institutions (PCIs) under Kirindi Oya Irrigation and Settlement Project - Phase II located in the project area was conducted in July 1991 to assess the performance of PCIs in meeting the credit requirements of the new settlers.

During 1991 the Bank continued to play its role as the executing agency for the credit component of the Small Holder Tea Development Project by providing refinance out of loan funds obtained from the Asian Development Bank (ADB) for field development, nursery development and factory rehabilitation purposes through the Bank of Ceylon, People's Bank, Commercial Bank Ltd., Hatton National Bank Ltd., Sampath Bank Ltd., Development Finance Corporation and the Regional Rural Development Banks of Kandy, Kegalle and Kalutara districts. As at the end of 1991, refinance amounting to Rs. 18.9 million had been provided under this scheme.

The Perennial Crop Development Project Credit Scheme is designed to provide credit facilities to farmers with the funds obtained from the ADB for the purpose of increasing the production and improving the commercialization of perennial crops particularly the minor export crops and food crops in the districts of Badulla, Kandy, Matale and Moneragala. The Participating Credit Institutions of the credit scheme are the Bank of Ceylon, People's Bank, Hatton National Bank Ltd., Commercial Bank Ltd., and RRDBs of Kandy, Kegalle and Moneragala districts.

Credit facilities under this project are provided for on-farm crop development, private nursery development and on-farm post-harvest handling and processing activities of perennial crops. As at end 1991 Rs. 5.6 million had been disbursed by the Central Bank as refinance.

A study was undertaken in the three districts of Kandy, Kegalle and Matale in November 1991 in order to review progress and to identify problems connected with the disbursement of funds under ADB - Small Holder Tea Development Project and the Perennial Crop Development Project Credit Schemes.

During the year 1991, the Central Bank approved 11 acceptance credit limits amounting to Rs. 13.7 million under the Central Bank's Inland Bill Scheme. This scheme was introduced in 1989 in order to assist green leaf suppliers and BLF owners in the tea sector. Subsequently this scheme was extended to provide financial assistance to buyers and sellers of milk through the Nuwara Eliya RRDB.

REGIONAL RURAL DEVELOPMENT BANKS (RRDBs)

Following the trend witnessed since the establishment of RRDBs in 1985, the activities of RRDBs, in mobilising savings, extending credit and providing other facilities and services for the development of the rural economy expanded further during 1991 making these a key element in the institutional framework for rural development.

Establishment of RRDBs and Expansion of Branch Network

With the establishment of 3 new RRDBs in the administrative districts of Polonnaruwa, Matale and Ratnapura during the current year, the total number of RRDBs in operation increased from 12 to 15 by the end of 1991. Meanwhile, 23 new RRDB branches were opened during 1991 bringing the total number of branches from 101 in 1990 to 124.

Deposit Mobilisation

Continuing the trend indicated during the past six years, mobilisation of rural savings by RRDBs expanded further both in respect of the number of savings and fixed deposit accounts from 309,616 with a value of Rs. 314 million in 1990 to 423,680 with an aggregate value of Rs. 438 million in 1991. These were increases of 114,064 accounts or 37 per cent and Rs. 124 million or 39 per cent, respectively over the corresponding figures recorded during the previous year. Introduction of new savings schemes, attractive rates of interest on deposits, expansion of the RRDB network, the upsurge witnessed

TABLE 2.12
Branch Network of RRDBs

Name of the RRDB	Date of Establishment of the RRDB	Head Office	Number of Branches Opened							Total by end 1991
			1985	1986	1987	1988	1989	1990	1991	
1. Kalutara	85.07.13	Bulathsinhala	4	3	4	1	-	-	1	13
2. Matara	85.07.28	Matara	5	2	-	1	-	-	-	8
3. Kurunegala	85.08.10	Kuliyapitiya	6	4	2	1	1	1	-	15
4. Anuradhapura	85.08.12	Anuradhapura	2	4	1	-	-	-	3	10
5. Hambantota	86.12.13	Ambalantota		2	2	2	-	1	-	7
6. Kegalle	87.02.08	Kegalle			8	1	2	-1	1	11
7. Puttalam	87.07.11	Chilaw			5	1	-	2	1	9
8. Galle	87.08.17	Elpitiya			1	7	1	-	-	9
9. Kandy	87.10.03	Kandy			6	3	-	2	-	11
10. Nuwara Eliya	88.10.10	Nuwara Eliya				1	3	2	-	6
11. Moneragala	88.10.11	Buttala				1	2	1	2	6
12. Badulla	90.10.13	Badulla						4	2	6
13. Polonnaruwa	91.05.17	Polonnaruwa							4	4
14. Matale	91.06.21	Matale							5	5
15. Ratnapura	91.09.30	Ratnapura							4	4
Total			17	15	29	19	9	12	23	124

Source : Central Bank of Sri Lanka

in rural economic activities and the improved security situation were the contributory factors for this favourable development in 1991. Of the total value of outstanding deposits in 1991 savings deposits amounted to Rs. 388 million while the balance Rs. 50 million was in the form of fixed deposits.

Loan Operations

In response to a long-felt need for improving access to credit in the rural sector, the RRDBs since mid-80s have continuously increased the flow of credit to that sector through several credit schemes. The total value of loans (outstanding) extended by RRDBs for a wide spectrum of economic activities increased from Rs. 517 million in 1990 to Rs. 806 million in 1991 recording an increase of 56 per cent. Loans granted during the current year, benefited the areas of agriculture, small scale industries, trade and commerce and a wide range of self employment ventures. In keeping with the trend observed in the past, of the total value of loans outstanding as at end 1991, the major share amounting to 45 per cent had been extended for agricultural purposes principally for the cultivation of paddy and a variety of subsidiary food crops. However, the percentage share of agricultural credit in the total loan portfolio of RRDBs as at the end of the current year, recorded a decline, from 52 per cent in 1990 to 45 per cent in 1991. The loans outstanding in respect of trade and commerce sectors at Rs. 86 million in 1991 accounted for only 11 per cent of the total reflecting the bias towards production related activities. A noteworthy feature in the loan operations of RRDBs during the past few

years is the progressive annual increase in the amount of loans disbursed against the pledge of gold articles. These loans which were extended for a wide range of activities increased from Rs. 94 million in 1990 to Rs. 154 million in 1991. This has played a significant role in weaning away the rural people from the high cost informal financial sector.

Other Activities

During the current year, RRDBs continued to expand their support extended towards achieving the Government objective of alleviating poverty in the rural sector by providing financial assistance for income generating activities. The RRDBs, during the year under review granted Rs. 112 million to 9,222 borrowers for self employment ventures under the All Island Self Employment Credit Scheme sponsored by the Central Bank. Performance of the RRDBs under this scheme reflects a significant improvement in 1991 in comparison with a total of Rs. 18 million granted in 1990 creating 1,779 job opportunities during that year. At the end of the first round of the Janasaviya Scheme, RRDBs, collectively, in the districts where the scheme and the RRDBs were operative granted 3,197 loans amounting to Rs. 20 million creating 4,102 employment opportunities. As at end of the current year, under the second round of the Janasaviya Scheme, RRDBs had granted Rs. 12 million generating 2,329 job opportunities.

Recognising the need to take effective measures to overcome the marketing problems faced by the farmers, RRDBs during the period under review, have taken several steps to strengthen and improve agricultural marketing strategies. With a view to assist the farmers to sell their produce after harvesting at remunerative prices, storage facilities were provided to store paddy and other subsidiary food crops by 5 RRDBs during 1991. RRDBs obtained 8 stores from the Paddy Marketing Board at Rajanganaya, Meegalewa, Morayaya, Anamaduwa, Sooriya-Ara, Hingurakgoda, Galewela and Weerawila for providing storage facilities to their clients. RRDBs also provided opportunities and facilities to borrowers to sell their produce and extended short-term credit against the produce stored to enable farmers meet their urgent cash requirements. Supply of agricultural inputs at reasonable costs to farmers was another facility extended by the RRDBs in 1991. As at end of the current year, RRDBs distributed seed paddy, fertilizers, agro chemicals and agricultural implements to the value of Rs. 4.2 million.

With a view to popularising a new instrument in the rural sector and also to finance the working capital requirements of the dairy sector, the Nuwara Eliya RRDB in March, 1991 joined the Inland Bill Scheme. During the 9 month period the scheme was in operation, 1299 inland bills amounting to approximately Rs. 1 million to finance the processing of 246,538 litres of milk have been issued by the RRDB.

The RRDBs during 1991 continued its role in educating the rural masses on banking facilities offered by RRDBs, savings habits etc. through Janahamuwas.

Sri Lanka Small Farmers and Landless Credit Project

The Small Farmers and Landless Credit (SFLC) Project took off the ground in 1990, with the goal of raising the general welfare of approximately 32,870 impoverished rural

households through the provision of a cost effective credit delivery system and other support services and to aid economic development in general, in the districts of Kandy, Puttalam, Galle and Matara.

The Central Bank of Sri Lanka is the Executing Agency for the Project funded by the International Fund for Agricultural Development (IFAD) and the Canadian International Development Agency (CIDA). The Project provides a sum of Rs. 754 million (US\$ 17.8 million) approximately of which the Government contribution is 23 per cent of total Project cost. A further 3 per cent comes from beneficiary savings.

The Project objectives are to develop an effective credit delivery mechanism for channelling institutional credit to the rural poor, who are below the abject poverty line to meet their short and medium term credit requirements. The Project also aims at providing collateral free loans whilst infusing credit discipline into the scheme and also encourages women's participation to the extent of not less than 40 per cent of the targets. Another broad objective is to bring about greater mobilisation of rural savings for reinvestment at the regional level.

The Project is managed through a Project Central Office (PCO) established in the Banking Development Department (BDD) of the Central Bank of Sri Lanka. It is linked to the District Offices which are located in close proximity to Regional Rural Development Banks (RRDBs) in the four districts. The Project District Offices were opened and the credit scheme inaugurated in Puttalam and Kandy in May, 1990 and in Galle and Matara in December, 1990.

The estimated number of beneficiaries in the Puttalam and Kandy districts was in the region of 18,770 and in Galle and Matara 14,100. In terms of loans granted to the project beneficiaries the total number and the amount disbursed in the two districts of Kandy and Puttalam increased considerably during the year under review. Likewise savings mobilisation from among the beneficiaries increased from Rs. .524 million as at 31st December, 1990 to Rs. 2.7 million at the end of 31st December, 1991.

The aggregate of loans disbursed in Kandy and Puttalam districts upto 31st December, 1990 was Rs.3.9 million and as at end 1991 it was Rs. 20.2 million bringing the cumulative total of loans disbursed to Rs. 24.1 million.

In the two districts of Galle and Matara the progress in credit operations has also been satisfactory. Total loans granted during the year 1991 was Rs. 6.9 million.

The loan recovery rates achieved so far have been satisfactory and averaged 91 per cent and 99 per cent on all payments falling due in the IFAD and CIDA districts, respectively.

A total of Rs. 31.0 million has been approved by way of Short and Medium Term Loans upto 31st December, 1991 to an aggregate of 5,372 beneficiaries in the four districts with an average loan size of about Rs. 5,800. Savings mobilisation activities also gathered momentum during the period under review and the group savings fund had increased to Rs. 3.4 million as at 31st December, 1991.

The Participating Agencies play an important role in the preparation of potential beneficiary profiles by undertaking socio-economic surveys, formation of groups, mobilisation of rural savings, providing training in beneficiary skills development, granting or recommending and assisting in the recovery of loans through peer pressure.

Training has been an integral part of project implementation and a sum of Rs. 35.7 million has been set apart for staff and beneficiary training. The group credit delivery mechanism through which funds are channelled to beneficiaries has not been widely attempted or tested by banks in Sri Lanka and effective staff and beneficiary training is therefore crucial to the success of the Project. Necessary steps have been taken to Participating Agencies and entrepreneurial and management skills development and transfer of new technologies to the rural areas in order to improve production and productivity.

Non-Governmental Organisations such as District Thrift and Credit Co-operative Societies (DTCCS), Women's Bureau, Lanka Mahila Samithi, Dharma Vijaya Foundation and Foreign Agencies such as CARE International & UNICEF are participating in the implementation of the Project. RRDBs in the four districts have been assigned the key role of channelling credit to Project beneficiaries as the Participating Credit Institution of the Project.

RURAL BANKING & STAFF TRAINING COLLEGE

The Rural Banking and Staff Training College (RB & STC) of the Central Bank conducted 97 training courses for 2,385 persons during 1991. This was a significant increase over the 50 courses conducted for 1,608 persons in 1990. Out of the 97 training courses, 63 courses were conducted in the outstations and were attended by 1,700 small-scale entrepreneurs and self-employed persons. Of these participants, 1,198 were beneficiaries of Regional Rural Développement Banks (RRDBs). The balance 34 training courses were conducted for officers engaged in banking and allied sectors, and were attended by 685 persons. Out of these participants, 272 were from the Central Bank of Sri Lanka, 266 from commercial banks, 74 from RRDBs and 68 from Multi Purpose Co-operative Societies and other financial institutions and agencies such as finance companies, National Savings Bank and the 'Small Farmers and Landless Credit (IFAD) Project'.

Rural banking, project-oriented development, commercial banking, international trade, foreign exchange operations, hire purchase and lease financing, management, training of trainers, monitoring and evaluation of projects, communication and small-scale entrepreneurs development were the main areas of training provided in 1991. In addition to the courses scheduled for 1991, the RB & STC conducted several special training courses on request, for the beneficiaries of the National Savings Bank's Rural Credit Pilot Project in the Matara District, officers attached to the Small Farmers and Landless Credit Project and new recruits to the Ratnapura Regional Rural Development Bank.

During the year, a committee was appointed to review the training courses conducted by the RB & STC and their relevance in the context of current developments. The report of the committee was submitted in October, 1991 and its recommendations were followed in designing and planning the programmes to be conducted in 1992.

EMPLOYEES' PROVIDENT FUND

In terms of the E.P.F. Act, the Monetary Board of the Central Bank of Sri Lanka 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 and also effecting refund of benefits to its members. These activities of Employees' Provident Fund Department of the Central Bank were carried out 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 E.P.F. Act.

Contributions

The contributions received by the Fund during the year 1991 amounted to Rs. 4,421.3 million as against Rs. 3,909.5 million in 1990. This represents an increase of Rs. 511.8 million or 13 per cent over the level of contributions received during the previous year.

Members' Balances

Members' balances as at 31st December 1991, before allocation of interest for the year under review stood at Rs. 43,768.7 million which is an increase of Rs. 7,471.0 million or 20.5 per cent over that of 1990.

Investments

During the year under review, the Fund invested a sum of Rs. 16,014.4 million in Government Securities, Treasury bills and Inter Bank Call Money market (since October 21st, 1991), as against a sum of Rs. 11,044.7 million in 1990. This is an increase of Rs. 4,967.7 million over the level of investments in 1990. The total investments held by the Fund as at 31st December, 1991 amounted to Rs. 46,246.3 million which is an increase of Rs. 7,779.6 million over the level of 1990. This includes a sum of Rs. 20.0 million invested in the Call Money Market.

Income Received from Investments

In terms of an amendment to the Inland Revenue Act in 1989, the exemption from income tax granted to EPF was withdrawn. Accordingly, all income earned on investment with effect from 1989.04.01 is subject to a Withholding Tax of 10 per cent. The total Withholding Tax deducted from the investment income for the year 1991 was Rs. 564.8 million.

In 1991, the income received from investments amounted to Rs. 5,091.7 million as against Rs. 4,187.6 million in 1990, recording an increase of Rs. 904.1 million.

Refunds

The total sum paid out by way of refund of E.P.F. benefits to members during the year 1991, amounted to Rs. 1,344.2 million as against Rs. 1,209.3 million in 1990. This

records a increase of Rs. 134.9 million or 11.1 per cent. During the year under review 38,910 claims for refund of benefits were paid out, as against 44,813 claims disposed of in 1990.

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 1991 was 11.5 per cent per annum.

Interest is paid on the cumulative balance standing to the credit of members at the end of the year. All contributions received during the year irrespective of the date of receipt of such monies qualify for the payment of the interest for the entire year - e.g. contributions received in December attracts interest for the full year in the same way as contributions received in January of that year. Therefore, the effective rate of interest is somewhat higher.

EPF Housing Loan Scheme

The E.P.F. Act was amended by Act No.42 of 1988 to enable the members to obtain a loan of upto 75 per cent of the balance standing to their credit from certain lending institutions for housing purposes. The participating lending institutions in this scheme are Housing Development Finance Corporation, National Housing Development Authority, State Mortgage and Investment Bank, People's Bank, Bank of Ceylon, National Savings Bank and the Multipurpose Co-operative Societies spread out in the country.

TABLE 2.13

A Comparative Statement of the Operations of the Fund on Data Presently Available is Given Below: EPF Statistics - 1990 to 1991 (Rs. Million)

	1990	1991
1. Contributions received	3,909.5 (a)	4,421.3 (a)
2. Investments	11,044.7 (b)	16,014.4 (b)
3. Income received from investments	4,187.7	5,091.7
4. Refund payments	1,209.4	1,344.2
5. Number of refunds	44,813	38,910
6. Rate of interest (per cent)	11 1/2%	11 1/2%
7. Interest provision on members' balances	4,174.2	5,041.2

(a) Excludes contributions credited to Suspense Accounts.

(b) Includes maturity proceeds re-invested in Government Securities, Short Term & Primary Market Treasury Bills and Call Money Market.

As of December 31, 1991 the E.P.F. Department processed and despatched a total of 38,761 applications for certification of balances to the respective Labour Offices.

EXCHANGE CONTROL

The following changes were effected by the Central Bank in exchange control procedures during 1991:

1. Imports

(a) Import of Raw Materials under the Manufacture-in-Bond Scheme

The scheme implemented originally on a trial basis to enable export oriented garment manufacturers to import their raw materials on 120 days deferred payment terms (D/A) and documents on payment terms (D/P) without establishing Letters of Credit (Operating Instructions No.EC/4/90(B) of 23.01.90) was extended periodically. The same concession which was extended to the import of rough gemstones excluding diamonds by the export oriented calibrated gemstone industry with a reduced tenure of 90 days (Operating Instructions No.EC/5/90(B) of 26.01.90) was allowed to lapse at the end of March, 1991 as no industrialist had utilised this facility during the period this scheme was in operation. However, on representations made by the export oriented diamond industry the scheme has been revised and the import of diamonds too has been brought within its scope (Operating Instructions No.EC/113/91(B) dated 1991.12.11).

(b) Establishment of Letters of Credit for imports on Deferred Payment Terms (D/A)

Grant of deferred payment facilities for the import of goods in respect of high priority areas (eg. export and development oriented industries and agriculture) and for very essential items (eg. infant milk powder, pharmaceuticals and education) has been delegated to Authorised Dealers. (Operating Instructions No.EC/112/91(B) dated 11th December, 1991). However, this facility is not extended to foreign controlled companies i.e., where more than 50 per cent of equity is held by non-residents, for the importation of capital goods although such imports may fall within the categories of imports referred to above.

(c) Establishment of Letters of Credit on F.O.B. and C & I terms

Authorised Dealers are permitted to establish Letters of Credit on f.o.b. or C & I terms without the prior approval of the Exchange Control Department permitting the carriage of goods on any vessel or aircraft (Operating Instructions No.EC/33/91 (B) dated 1991.05.23). This amendment no longer requires the carriage of goods being confined only to the national carrier or the necessity of obtaining a waiver from the national carrier permitting the transport of goods on any vessel belonging to other carriers.

(d) Tractors

The condition requiring that four wheeled tractors imported 'should not be more than 5 years old' which was operative for a period of one year ending 30th November, 1990 has been extended upto the end of 30th November, 1991. (Operating Instructions No.EC/04/91(B) dated 1991.05.31).

(e) Protective Helmets

Consequent on the formulation of regulations by the Ministry of Transport & Highways, protective helmets now imported should conform to the specifications

stipulated in the Sri Lanka Standard 517:1981 "Specifications for protective helmets for vehicle users". (Operating Instructions No.EC/34/91(B) dated 1991.05.31).

(f) Import of goods for personal use of the importer

The ceiling on the import of goods for personal use of the importer and for raw materials for industry and for spare parts for machinery (not in commercial quantities) has been enhanced from US\$ 500 to US\$ 1,000 CIF Colombo. (Operating Instructions No.EC/47/91(B) dated 1991.07.12).

2. Exports

(a) Following activities were delegated to Authorised Dealers:

- i. Export of coffee and scrap metals. (EC/108/91(H) dated 1991.11.28).
- ii. Remittance of repair charges, developing and printing of films and colour separation (EC/100/91(H) dated 1991.11.25).
- iii. Export of personal jewellery, personal effects, items sent for repairs and return, export of cinematic film for developing and printing abroad (EC/104/91(H) dated 1991.11.28).
- iv. Non-commercial exports against foreign remittances received, funds brought in on International Credit Cards (EC/105/91(H) dated 1991.11.28).
- v. Gifts and trade samples upto US \$ 3,500 (EC/106/91(H) dated 1991.11.28).
- vi. Remittances on claims on exports (short weight & quality) (EC/107/91 (H) dated 1991.11.28).

(b) Re-export of personal items brought in by passengers

The Director General of Customs was informed on the re-export of personal items (eg. Lap Top Computers and electronic equipment) brought into Sri Lanka by passengers arriving from abroad to be allowed without reference to Exchange Control Department.

(c) Foreign Currency Loans to Exporters

Consequent to the restrictions of Rupee refinance facilities to exporters, commercial banks were permitted to grant foreign currency loans from their FCBUs to exporters for financing the import of inputs required for the purpose of executing export orders. This facility is limited to 70 per cent of the total value of the confirmed export order (Operating Instructions No.EC/66/91 (C&F) dated 1991.09.20).

In August 1991, the foreign currency borrowing facility was also granted to tea exporters to finance their pre-shipment credit requirements upto 75 per cent of

the invoice value. This facility expired on 31.12.1991 (Operating Instructions No.EC/70/91 (C&F) dated 1991.09.26).

3. Travel

- (a) In March 1991 the frequency of travel of Indian region was relaxed from once in two years to once a year (Operating Instructions No.EC/22/91(K) dated 91.03.28). In June, 1991 travel to the Non-Indian region was further relaxed from once a year to any number of times within a year provided the basic exchange entitlement is not exceeded and travel arrangements are made through the National Carrier with one trip only on any other airline (Operating Instructions No.EC/40/01(K) dated 1991.06.14). The basic ration to Non-Indian region was increased to US\$ 2,500 from 1st November, 1991 (Operating Instructions No.EC/91/91 (K&E) dated 1991.10.31). A special allowance of US\$ 150 per day in respect of the Indian region countries and US\$ 225 per day in respect of the Non-Indian region countries for a maximum period of 14 days was permitted in addition to basic rations to resident Sri Lankan professionals who pay income tax of Rs.200,000. (Operating Instructions No.EC/15/91(K) dated 1991.03.20).
- (b) Special allowance of US\$ 600 per person was permitted to pilgrims proceeding to India and Nepal on group travel. This facility was permitted to all religious denominations (Operating Instructions No.EC/22/91(K) dated 1991.03.28).
- (c) The requirement of continuous residence period of six months for the eligibility of the basic allowance was withdrawn (Operating Instructions No.EC/19/91(K) dated 1991.03.27).
- (d) The per diem allowance for business travel was increased (Operating Instructions No.EC/42/91(K) dated 1991.06.24).

(e) Relaxation in the declaration of foreign exchange to Customs

Foreign passport holders who visit Sri Lanka need not declare the foreign currency-brought into the country upto an amount of US\$ 5,000 or its equivalent in other designated currencies (Operating Instructions No.EC/29/91(D) dated 1991.05.02). Sri Lankan residents are also permitted to import/export in person foreign currency upto US\$ 5,000 or its equivalent in other designated currencies, without a declaration irrespective of the number of trips they make abroad (Letter addressed to Customs). They are also permitted to import in person any amount of non-convertible foreign currency in addition to convertible foreign currency on a declaration made to Customs (EC/18/91(D) dated 1991.03.27).

(f) Reconversion

Foreign passport holders were permitted to reconvert any unexpended Sri Lanka Rupees equivalent upto US\$ 5,000 or its equivalent currencies brought in or received during the six months preceding the reconversion irrespective of whether the foreign currency was declared or not at the exit point provided the original encashment receipt is produced (EC/62/91(D) dated 1991.08.28). Such amounts

received through banking channels are permitted to be encashed into drafts, telegraphic transfers and travellers cheques at all branches of the Authorised Dealers in addition to the exist point. Reconversion of amounts exceeding US\$ 5,000 or its equivalent are permitted only on production of evidence of receipt of the foreign currency brought in or remitted (EC/111/91(D) dated 1991.11.12).

4. Education

Living allowances to students proceeding to UK have been increased with effect from 20.03.1991 from Stg. Pounds 3,120 to Stg. Pounds 4,800 per annum in respect of undergraduate, professional and technical studies, and from Stg. Pounds 3,840 per annum to Stg. Pounds 5,400 per annum in respect of postgraduate studies (EC/16/91(E) dated 1991.03.20). For students proceeding to Russia currency notes upto US\$ 200 was permitted (EC/79/91(E) dated 1991.10.17).

5. Investments

- (a) Non-Resident Foreign Currency Account (NRFC) holders were permitted to invest NRFC funds in enterprises approved by the GCEC and credit sale proceeds of such investments received in foreign currency to NRFC accounts (EC/17/91(D) dated 1991.11.25).

Rupee loan facilities for third parties against NRFC balances were also permitted subject to the banks confirming to overall credit ceiling and qualitative credit control (EC/115/91(D) dated 1991.12.12).

- (b) **Resident Foreign Currency Accounts (RFCAs)**

Sri Lankan residents and non-residents who are in a position to deposit US\$ 500 or its equivalent in other designated currencies were allowed to hold foreign currency accounts. The monies are permitted to be accepted by authorised dealers irrespective of the source of such foreign exchange. However, foreign exchange released to residents on accountable basis is not permitted to be credited to this account. RFCA facilities are also available to companies which have increased their export earnings during the current year over the previous year. Five per cent (5%) of the annual increase in their export earnings is permitted to be credited to RFC accounts (Operating Instructions Nos.EC/52/91(D) dated 1991.08.01 and EC/60/91(D) dated 1991.08.13).

- (c) **Investments in Securities**

Companies incorporated abroad have been permitted with effect from 1991.05.08 to invest in securities traded at the Colombo Stock Exchange subject to the same terms and conditions applicable to investments by approved country funds, approved regional funds and non-resident individuals including Sri Lankans resident abroad (Operating Instructions No.EC/44/91(C&F) dated 1991.07.03).

6. Freight Forwarding

The service of freight forwarding was made a prescribed service by the Hon. Minister of Finance by an order published in Gazette Extra-ordinary No.615/15 dated 20th June, 1990. Acting in terms of Section 29B of the Exchange Control Act, the Controller of Exchange has laid down certain conditions and requirements on persons in or resident in Sri Lanka, performing the service of freight forwarding. In terms of these requirements gazetted in Gazette Extra-ordinary No.641/15 dated 20th December 1990 all persons performing the service of freight forwarding for or on behalf of a person resident outside Sri Lanka have to be registered in connection with the performance of this service within 30 days of the date of shipment and furnish statement of accounts supported by Master Airway Bills, House Airway Bills/Master Bills of Lading and House Bills of Lading together with Bank Memos confirming the receipt of inward remittances.

7. Resident Guest Scheme

Exchange control permission was granted to authorised dealers to open Resident Guest Foreign Currency Accounts (RGFCA) for Resident Guests approved by the Implementing Agency of the scheme for the purpose of depositing foreign currency remitted to Sri Lanka for investment and maintenance expenses (Operating Instructions No.EC/08/91(C&F) dated 1991.02.20).

8. Block Funds

Block funds standing to the credit of non-resident foreign citizens and foreign companies excluding Sri Lankan citizens who have emigrated or acquired foreign citizenship and Indian and Pakistani repatriates were released (Operating Instructions No.EC/24/91(C&F) dated 1991.02.20).

9. Money Changers

Money Changers were appointed for the first time in Sri Lanka and they are authorised to purchase and exchange foreign currency notes and coins against Sri Lanka Rupees or against other foreign currencies (Operating Instructions No.EC/07/91(INV) dated 1991.02.18).

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 major instruments used by the Public Debt Department were Government Securities/Loans, Treasury bills, Debentures and Treasury Certificates of Deposit. The department also handled the management and servicing of foreign debt of the Government. Further, the maintenance of a data base and formulation of policies in respect of Public Debt were also undertaken by the Department.

The total outstanding gross Government Debt as at end of 1991 stood at Rs. 375,140.7 million indicating an increase of Rs. 59,608.1 million. The outstanding external debt amounted to Rs. 214,348.7 million. The outstanding external debt liabilities during the year increased by Rs. 37,466.0 million, of which a sum of Rs. 15,902.9 million was on account of exchange rate depreciation. The outstanding foreign debt accounted for 57.2 per cent of the total, while the share of the domestic debt was 42.8 per cent.

In order to meet the budgetary requirements Rs. 26,004.2 million worth of Government Rupee Securities were floated during the year. The total repayment of rupee loans and the interest paid during 1991 amounted to Rs. 13,857.3 million and Rs. 7,695.5 million, respectively. The amount outstanding as at the end of the year was Rs. 71,355.6 million of which Rs. 4,532.4 million comprised of Defence Bonds. The Employees' Provident Fund continued to be the major subscriber to the rupee loan programme in 1991, accounting for 51.39 per cent of the total. The National Savings Bank made substantial contribution by providing Rs. 9,794 million or 37.66 per cent of the total in 1991.

The authorised limit on Treasury Bills which was increased from Rs. 65,000 million to Rs. 90,000 million on 29th October, 1990 remained unchanged during 1991. The Bank continued to issue Treasury Bills to the public with maturity periods of 3, 6 and 12 months. In the months of February, March, November and December 1991, Treasury Bills with maturity periods shorter than 3 months were also issued to the Central Bank along with the issues of 3, 6 and 12 months Treasury Bills. In addition to the Regional Offices, the Central Bank continued the sale of Treasury Bills to the public, under the tap issue in Colombo through authorised Commercial Banks and Money Brokers. The popularization of Treasury Bills among the public was continued during the year under review. The share held by the Bank in the primary market increased from 45 per cent at the end of 1990 to 48 per cent at the end of 1991. The amount of Treasury Bills outstanding as at the end of the year was Rs. 72,968 million. The total interest paid during the year amounted to Rs. 10,419.5 million. The new issues purchased by the Central Bank stood at Rs. 5,000 million.

The Bank continued the issue of Government Treasury Certificates of Deposit which commenced from 23rd May, 1990, with the maturity periods of 6, 12 and 24 months. The amount outstanding as at the end of 1991 was Rs. 152.5 million.

Total disbursement on medium and long term external Public Debt during 1991 amounted to Rs. 25,740.8 million and repayments amounted to Rs. 4,912.3 million. The project loan component of the foreign debt was 77.4 per cent while the balance amount represented non project loans. Total interest payments and other charges on external public debt in 1991 amounted to Rs. 4,122.2 million.

REGIONAL OFFICES - MATARA, ANURADHAPURA & MATALE

During the year 1991, the three Regional Offices of the Central Bank at Matara, Anuradhapura and Matale continued their development activities in addition to performing traditional Central Banking functions assigned to them in their respective regions.

Development work performed by the Regional Offices included identification, appraisal, and recommendation of viable projects to credit institutions for financing, post supervision of such projects, monitoring rural credit schemes refinanced by the Central Bank, conducting beneficiary training programmes and seminars, identification of resources in the regions and coordination of the activities of government departments and agencies and organisations involved in development work in the respective regions.

In regard to development banking activities, the emphasis of the Regional Offices was centered on the implementation of the All Island Self-Employment Credit Scheme under which the Matara Regional Office recommended 575 projects with a total value of Rs. 5.6 million to credit institutions participating in the scheme, for financing during 1991. The Matara Regional Office also continued to provide its services under other refinance loan schemes, i.e. in the preparation of farm budgets and cash flow statements, the provision of guidance to participating banks, other agencies and the public. These schemes comprised the Small Holder Tea Development Project and the Perennial Crop Development Project. A seminar was also held at the Matara Regional Office to enhance the knowledge of the officers of the implementing agencies on matters relating to the Small Holder Tea Development Project in collaboration with the Regional Office of the Tea Small Holder Development Authority.

The Anuradhapura Regional Office recommended 217 small scale development project loans valued at Rs. 4 million under the All Island Self-Employment Credit Scheme. In respect of the Livestock Development Scheme and the All Island Farm Machinery Scheme the Regional Office recommended 68 and 8 loans, respectively, for bank financing during the year 1991. The Regional Office also encouraged the promotion of big onion cultivation and upgrading the breed of cattle.

During the year under review, the Matale Regional Office recommended 690 self-employment project loans under the All Island Self-Employment Credit Scheme aggregating to Rs. 10.1 million. Under the Livestock Development Scheme, 168 projects aggregating Rs. 2.6 million were recommended to the lending banks for funding. Further, the Regional Office recommended 59 loans to the value of Rs. 1.1 million under the All Island Farm Machinery Credit Scheme during the year under review. They have also carried out 143 inspections in respect of the Small Holder Tea Development Project and directed such projects to the respective banks for financing. A pilot project on potato cultivation was undertaken during the 1991/92 Maha season and training and credit facilities were provided to 31 farmers. As in the previous year, the Matale Regional Office assisted in the marketing of products of small scale industrialists who were identified by the Regional Office for financing by banks in the region. Three exhibition-cum-sales were organised successfully during the year.

The Regional Offices also continued to hold credit camps for the disbursal and recovery of agricultural loans under the New Comprehensive Rural Credit Scheme. The Anuradhapura and the Matale Regional Offices conducted 9 and 17 such camps, respectively in their regions during the year 1991. The Regional Offices also organised a number of beneficiary training programmes and seminars for farmers, unemployed youths and Janasaviya recipients. The Regional Offices also continued to hold village level meetings and "Janahamuwas" in order to identify constraints in the credit delivery system and to provide participants with relevant information regarding the use of banking facilities.

In addition to these activities, the Regional Offices initiated work on resource surveys in their respective regions. These surveys were intended to collect information on the resources available in the region and help plan mobilise them for income generating activities.

Currency units which were opened at the Matara and Anuradhapura Regional Offices in 1990, continued to provide currency exchange facilities to commercial banks, institutions and the general public in the respective areas. These two Regional Offices also provided the commercial banks with cash deposit and withdrawal facilities at their vaults. During the year under review, a "Clean Currency Notes Week" was conducted by the Matara Regional Office in an attempt to educate the public on the need to ensure the cleanliness of the currency notes in circulation. This programme would be expanded to cover the other regions in due course.

The Regional Offices also continued the sale of Treasury Bills during 1991. The Matara Regional Office sold Treasury Bills to the value of Rs. 182 million reflecting an increase of 43 per cent compared to the previous year. Treasury bills amounting to Rs. 142 million and Rs. 102 million were sold by the Anuradhapura and Matale Regional Offices respectively, both recording a decrease in comparison with the corresponding figures for 1990.

The Regional Cheque Clearing facilities offered to commercial banks by the Regional Offices continued during the year 1991. In all 135,314 cheques to the value of Rs. 2020 million had been cleared in the Regional Cheque Clearing House at Matara while the Anuradhapura Cheque Clearing House cleared 89,791 cheques valued at Rs. 550 million. The two clearing houses at Kandy and Matale operating under the Matale Regional Office cleared a total of 387,647 cheques valued at Rs. 8,707 million in 1991.

Among the other activities carried out by the Regional Offices were the supervision of the island-wide data collection system of the Central Bank and assistance in the collection of data in the regional surveys conducted by the Central Bank.

INFORMATION AND PUBLICATIONS

In respect of important data pertaining to the development efforts, development strategies and bank's assistance thereto, the Information Department maintained an on-going effort to be in the forefront in fulfilling its role as collector/disseminator of information both published and hitherto unpublished. It has kept track of the recent trends in socio-economic development and provided material for studies by researchers and students. With this in view, the department printed and provided for the dissemination of the following Central Bank publications to the public.

1. Annual Report for 1990 (Sinhala, Tamil & English)
2. Economic Survey - first half of 1991, (Sinhala, Tamil & English)
3. Staff Studies Vol. 19 Nos. 1 & 2 and Vol. 20 Nos. 1 & 2
4. Monthly Bulletin in Sinhala, Tamil & English
5. The Bi-Monthly Economic Bulletin
6. Economic and Social Statistics of Sri Lanka 1990

7. Socio Economic Data Folder 1991
8. Growth and Social Progress in Sri Lanka
9. Three Years of Sustained Achievements
10. Regulation of Non-Bank Financial Institutions
11. Thesis on the Monetary Transmission Mechanism in Sri Lanka 1977-1985.

The department continued to publish the 'Satahana', 'News Survey', 'Banku Puvath' and put out a pamphlet giving details to the public, of facets of Sri Lanka's Liberalised Economy.

The Library, the main data and information base of the department, added 858 books and pamphlets and has subscribed to 244 periodical titles. It also received 153 books and pamphlets by way of gifts and exchange from the Asia Foundation, Banks and other institutions. This enabled it to enhance its data base further during the course of the year.

A close rapport with the mass media was maintained and in this regard several press conferences and a number of press releases were issued during the course of the year.

Advertisements, which also formed an avenue for dissemination of information were developed in the department without resort to expertise from outside sources and the visuals produced were upto professional standards.

Video coverage of important events, most of which were passed on to the Rupavahini Corporation to be included in their news cast, helped to increase the portfolio of visuals in storage.

During the year the Department launched educational programmes via radio and Rupavahini. A programme to highlight the economic liberalisation process, its effectiveness and impact was conducted both over Radio and Rupavahini. The participants at these programmes, which were bi-lingual, comprised 27 senior officials of the Bank, and took the form of panel discussions.

The Bank Press undertook around 75 per cent of the printing, and aforementioned publications were part of its work. Considering the market prices in relation to the actual cost incurred by the Bank for the printing assignments handled during 1991 there had been a minimum net saving of approximately Rs. 1.5 million on account of printing for the year 1991. First phase of the expansion programme has been completed. With the installation of new machinery it has been able to handle 4 colour printing as well.

The Department continued to maintain its network of sales outlets, and we were able to reach a wider sphere of readership through sale by RRDBs which were opened during the course of the year.

RESEARCH ACTIVITIES

The officers of the Bank undertook a number of research studies both on their own initiative and also to meet the demands made by the other organisations. They included policy oriented research as well as studies with largely of academic interest. Eight of these studies have been published in the Central Bank's Staff Studies, Volumes 20 & 21.

MANAGEMENT AUDIT

During the year 1991, the Management Audit Department, in accordance with its programme of work, carried out the audit of various Departments in the Bank including the Regional Offices at Anuradhapura, Matara and Matale. During this period, the Department also undertook a comprehensive audit of the activities of the Regional Rural Development Bank - Galle and RRDB - Anuradhapura.

In the course of audit, emphasis was laid to highlight shortcomings relating to compliance with the procedures laid down in the Bank's rules and regulations.

Apart from audit functions, during the period under review, the Management Services Division of the Department conducted several important studies and surveys on subjects pertaining to the management of the Bank. These studies included Manpower Utilization in the Central Bank, the Study on Telephones installed in the Bank, Time and Motion Study of Minor Employees, Reduction of Overtime, Improvement in Punctuality as a result of installing Time Recorder Machines.

SURVEYS, DATA COLLECTION AND SPECIAL PUBLICATIONS

National Accounts

In 1991, the Bank continued to improve the quality of national account estimates both from the product side as well as the expenditure side. In addition to the secondary sources, data from primary sources were increasingly used for arriving at these estimates. Data collection from primary sources was further intensified in order to capture information on various sectors as well as emerging economic activities. Data on a quarterly basis were collected, where possible, with a view to improving the data base for national accounts and deriving indicators of economic trends during the course of the year.

Country-wide Data Collection System

The Country-wide Data Collection System which was launched in 1978, continued to operate in 1991 as well. Data on retail prices of consumer goods, producer prices of major agricultural commodities, wage rates in the unorganised tea, rubber and coconut cultivation sectors and the construction sector and prices of major agricultural inputs were collected on a regular basis from about 100 selected centres spread throughout the country.

The information under this system is collected by Government School teachers. In view of the changes that have occurred in the structure of the economy and in the relative importance of commodities, a complete revision of the items of data collected under the System was undertaken in 1991.

Consumer Finance and Socio-Economic Survey 1986/87

Part II of the Report of the Consumer Finance and Socio-Economic Survey 1986/87 was released in 1991. This report, which provides material for analysis on a wide range of subjects, contains 1126 detailed statistical tables on Demographic Features,

Socio-Economic Conditions, Employment and Unemployment, Income, Expenditure, Savings, Investments and Loans.

The printing of Part I of the Report, which contains an analysis of the data, is in progress.

Survey of Income Generating Activities and the Praja Naya Niyamaka Scheme

The Central Bank conducted a field investigation in 1990 to study the impact of the Praja Naya Niyamaka (PNN) Scheme. The field investigation was carried out in the districts of Matale, Kandy, Nuwara-Eliya and Kegalle. A report of the above investigation was compiled and presented in 1991.

Monitoring of Imports

The Statistics Department continued to monitor imports through the data collected from commercial banks on Letters of Credit and Bills received against Letters of Credit, with the objective of providing an advance indicator of total imports and its composition.

Special Publication

A publication designed to provide a comprehensive account of growth achievements in Sri Lanka's economy and changes in social conditions since Independence, titled "Growth and Social Progress in Sri Lanka", was released in November, 1991. This volume was a sequel to two earlier publications in a series that the Statistics Department has started with the objective of increasing public awareness on Sri Lanka's recent developments on the economic and social fronts.

It consisted of descriptive accounts on topics of importance such as Economic Growth, Improvements in Living Standards, Savings and Investments, Employment Generation, External Trade, Balance of Payments, Public Finance and the Central Banks' Catalytic Role in Economic Development.

TRAINING

During the year under review, the Bank continued its policy of training officers in academic as well as in non-academic fields. Academic training was in post-graduate studies in Economics and related fields, arranged at recognized universities abroad. These covered courses leading to Masters and Ph.D. Degrees. A total of 10 officers proceeded on post-graduate studies during the year 1991.

Non-academic training covered short-term Courses, Seminars, Workshops and Study tours both local and foreign relating to specific fields of importance to the Bank. During the year under review, a total of 49 officers proceeded abroad on short-term training. At the same time, 117 officers participated in local training courses at various Institutions in Sri Lanka, while 246 officers participated in courses conducted by the Rural Banking and Staff Training College.

The Bank also conducted classes in Economics and Mathematics for those officers intending to proceed abroad on post-graduate training. Arrangements were also made with the University of Colombo, to repeat the course on "English for studies abroad".

The Training Department also continued the Seminar Series on topics related to current economic issues for the benefit of those officers intending to proceed abroad on post-graduate studies and the newly recruited staff officers, while a special three day training course on the "Functions and Operations of the Bank" was conducted for the benefit of the newly recruited staff officers.

A specialized Course "Elements of Corporate Finance", designed to provide training in Accounts and Financial Management also commenced in 1991, as a part of the Bank's in-service training programme.

The Department continued its usual functions of holding promotional examinations for technical grades and the Efficiency Bar Examinations for the staff class and non-staff class.

PREMISES

In addition to its normal maintenance and up-keeping of Central Bank officers activities, special projects undertaken are as follows:

1. Construction of an Extension to the present Bank Building

The tenders that were received from the contractors in respect of this project were evaluated by the Evaluation Committee and its report was handed over to the Tender Board which was appointed by the Cabinet. The Tender Board was expected to submit its recommendation to the Cabinet during the first quarter of 1992.

2. Construction of Stage I of the Office Complex at Kandy

The designs of Stage I of the Kandy Complex were finalized during the first half of 1991 and the construction work which commenced in August 1991 progressed satisfactorily during 1991. It is expected to complete Stage I by the end of May 1992. During 1991 designs of Stage II were also drawn up and submitted for approval.

3. Multi-Storeyed Car Park

The construction work on the Multi-Storeyed Car Park with a number of stalls as sales outlets for the products of the self-employed assisted by RRDB's which commenced in December, 1990 progressed satisfactorily during the year 1991 as well. The project was expected to be completed during the first quarter of 1992.

4. Circuit Bungalow and Holiday Home at Nuwara-Eliya

The construction of the Circuit Bungalow which commenced in 1990 was completed in June 1991 and immediately thereafter construction work on a Holiday Home

containing 15 compartments was commenced. At the end of December, 1991 the construction work had progressed up to the second floor.

5. Twin-Bungalow, Nuwara-Eliya

The designs of the Twin-Bungalow were prepared in August 1991 and in October, 1991 the construction work commenced and the entire construction work was completed in December, 1991 i.e. within 3 months.

6. Manager's Quarters at Matara

Construction of an official residence for the Regional Manager which commenced at the beginning of 1991 was completed before the end of the year as scheduled.

7. A new Building Complex and a Workshop at Rajagiriya

An additional plot of land was obtained from UDA at Rajagiriya to construct a new Building Complex and a fully equipped workshop. Preliminary designs were prepared and finalized during 1991. The construction work on the workshop which commenced in October, 1991 was completed in December, 1991.

WELFARE

The Welfare Department is responsible for administering the following welfare facilities of employees of the Central Bank.

1. Housing Loan Scheme
2. Staff benefit Scheme
3. Vehicle Loan Scheme
4. Medical Benefit Scheme
5. Provident Fund Loan Scheme

The grant of loans under any welfare scheme is subject to the minimum of 40 per cent take-home pay rule, from December, 1991.

The Bank clinic has a Doctor in full attendance during office hours on all working days. The pharmacy is stocked with prescriptions and patent drugs. The clinic is also provided with facilities to obtain Electro-Cardio-Gram Test and Fasting Blood Sugar and Random Blood Sugar tests.

PERSONNEL

The Governor, Dr. H.N.S. Karunatilake, attended the following Conferences and Meetings during the year, 1991.

- (1) The 26th Conference of the SEACEN Governors held in Indonesia.
- (2) The Meeting of the Board of Governors of the Asian Clearing Union held in Pakistan.
- (3) The World Conference of the Society for International Development held in Netherlands.
- (4) The Annual Meeting of the Central Bank Governors of the Commonwealth Countries held in London.
- (5) The Meeting of the Commonwealth Finance Ministers and Senior Finance Officials and the Annual Meetings of the Board of Governors of the International Monetary Fund/World Bank respectively held in Malaysia and Thailand.
- (6) The 19th Meeting of the Council of SEANZA Central bank Governors held in Japan.

Dr. S.T.G. Fernando, Deputy Governor was designated as Senior Deputy Governor and acted as the Chief Executive Officer of the Bank and the Chairman of the Monetary Board in the absence from Sri Lanka of the Governor.

Mr. H.B. Dissanayake, Deputy Secretary to the Treasury attended meetings of the Monetary Board as the Alternate to the Secretary to the Ministry of Finance in the absence of the latter.

Appointments

Mr. S. Easparathan, Adviser, was appointed Executive Director with effect from 1st January, 1991.

Mr. H.M.R. Ellepola who resumed duties in the Bank was appointed Executive Director with effect from 1st January, 1991.

Mr. N.A. Dharmabandu, Chief Accountant was appointed Executive Director with effect from 1st January, 1991.

Mr. P. Amarasinghe, Controller of Exchange was appointed Executive Director with effect from 1st January, 1991.

Mr. G.M.P.D. De Silva, Director of Rural Credit was appointed Adviser with effect from 1st January, 1991.

Mr.S.Pattividana was appointed Director of Welfare with effect from 1st January, 1991.

Miss. C. Abeynayake, Director of Welfare was appointed Director of Rural Credit with effect from 1st January, 1991.

Mr. M.I.F. Hamid, Additional Director of Data Processing was appointed Director of Management Audit with effect from 1st January, 1991.

Mr. M.R. Fernando, Director of Management Audit was appointed Controller of Exchange with effect from 1st January, 1991.

Dr. S.S. Colombage, Additional Director of Statistics was appointed Director of Data Processing with effect from 1st January, 1991.

Mr. M.B. Dissanayake, Additional Chief Accountant was appointed Chief Accountant with effect from 1st January, 1991.

Mr. G.A. Perera, Additional Director of Premises was appointed Director of Premises with effect from 1st January, 1991.

Mr. K.C.M. Gunasekera, Acting Additional Superintendent of Employees' Provident Fund was appointed Superintendent of Employees Provident fund with effect from 1st January, 1991.

Mr. C.E. Jayasuriya, Acting Additional Director of Banking Development was appointed Acting Director of Banking Development with effect from 10th September, 1991.

Mr. W.A. Wijewardena, Deputy Head of Department was appointed Acting Additional Superintendent of Currency with effect from 10th September, 1991.

Mr. R.G. Jayaratne, Deputy Chief Accountant was appointed Acting Additional Chief Accountant with effect from 10th September, 1991.

Mr. H.A.G. Hettiarachchi, Deputy Controller of Exchange was appointed Acting Additional Secretary with effect from 10th September, 1991.

Mr. T.H.D. Peiris, Deputy Director of Welfare was appointed Acting Additional Director of Welfare with effect from 10th September, 1991.

Miss C.I. Fernando, Deputy Director was appointed Acting Additional Director of Bank Supervision with effect from 1st October, 1991.

Mr. D.L. Jayamanne, Additional Controller of Exchange was appointed Additional Director of Rural Credit with effect from 8th October, 1991.

Mr. J.E.D. Karunaratne, Deputy Director of Rural Banking and Staff Training College was appointed Acting Additional Director of Rural Banking and Staff Training College with effect from 30th October, 1991.

Officers on Release (as at 31st December, 1991)

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 Science and Technology as Secretary.

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

Mr. P.M. Nagahawatte to the Ministry of Housing and Construction to function as Director, Policy & Planning - Ministry of Housing & Construction.

Dr. (Mrs) R. Jayamaha to Presidential Commission on Finance and Banking as Secretary

Mr. M. Ramanathan to the Ministry of Policy Planning and Implementation.

Messrs. C.De S. Jayawardena, C. Liyanage, W.A.D.E. Weerasinghe, N.M. Dayaratne and Miss. K. Sarawanamuttu to the Ministry of Finance.

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

Messrs. G.H. Fernando and N.M. Jayasekera to the Credit Information Bureau of Sri Lanka.

Retirements/Resignations

Mr. P.Wattegama, Executive Director retired from the Central Bank service with effect from 10th January, 1991.

Mr. V. Sivasubramaniam, Additional Superintendent of Public Debt retired from the Central Bank service with effect from 14th March, 1991.

Mr. W.M.W. Wanigasinghe, Superintendent of Currency retired from the Central Bank service with effect from 29th October, 1991.

Mr. V.N.D. Nanayakkara, Adviser, retired from the Central Bank service with effect from 11th November, 1991.