

## 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

Total assets/liabilities of the Central Bank as at the end of 1994, stood at Rs.155,957 million registering an increase of 16.7 per cent over the previous year. The increase in assets and liabilities of the Bank in 1993 over 1992 was 32 per cent. The Balance Sheet of the Central Bank as at 31 December 1994, and the Profit and Loss Account of the Bank for the year ended 31 December 1994 are presented in Table 2.1.

On the assets side, the International Reserve of the Bank rose by 25.5 per cent from Rs.75,896 million to Rs.95,282 million. The International Reserve has become the largest asset category, accounting for 61.1 per cent of the total assets compared to 56.8 per cent at the end of 1993. Domestic Assets and Other Assets and Accounts recorded modest increases. Domestic Assets increased by 4.9 per cent, from Rs.30,273 million to Rs.31,755 million, while Other Assets and Accounts increased by 5.3 per cent, from Rs.27,465 million to Rs.28,921 million.

Among Domestic Assets, loans and advances to the Government and government guaranteed securities rose by 8.9 per cent and 29.0 per cent respectively. Medium and long term credit facilities to commercial banks and other credit institutions declined by 20.4 per cent due to net repayments and provisions on account of non-performing loans. Short term advances to commercial banks declined by 90.4 per cent following the withdrawal of short term refinance schemes during the course of the year.

On the liabilities side, currency in circulation increased by 19.8 per cent from Rs.35,949 million to Rs. 43,081 million. A comparison of the major components of assets and liabilities of the Bank is shown in Table 2.2. Total deposits with the Central Bank registered an increase of 18.6 per cent from Rs. 51,461 million to Rs. 61,023 million. Deposits constituted the largest category of liabilities and accounted for 39.1 per cent of total liabilities. Within the category, deposits of commercial banks increased by 21.3 per cent. Deposits of international organisations, foreign governments and foreign banking institutions rose by 14.6 per cent.

The income of the Bank for the year 1994, at Rs.25,680 million, showed an increase of 112.3 per cent over the preceding year. The high level of growth in income of the Bank was largely contributed by increased interest earnings on foreign investment. However, interest earned on domestic transactions declined, reflecting the reduced share of domestic assets. After making allowances for expenditure and allocations to reserve accounts and provisions for depreciation and other charges, the balance net profit of the Bank, amounting to Rs.1,400 million, was earmarked to be paid to the Consolidated Fund of the Government in terms of Section 39(c) of the Monetary Law Act.

## Accounting Policies

### 1. General

The accompanying Balance Sheet and Profit and Loss Account have been prepared on the historical cost basis and in conformity with generally accepted accounting principles.

**COMPARISON OF THE CENTRAL BANK  
as at 31st December, 1993 and**

31st December, 1993		LIABILITIES	31st December, 1994	
Rs.	Rs.		Rs.	Rs.
15,000,000	1,000,000,000	<b>Capital Accounts</b>	15,000,000	1,000,000,000
985,000,000		Capital Surplus	985,000,000	
		<b>Currency in Circulation</b>		
34,579,420,385	35,949,277,305	Notes	41,496,102,836	43,081,062,504
1,369,856,920		Coins	1,584,959,668	
		<b>Deposits</b>		
1,800,560,301	51,461,483,911	Government	2,812,322,857	61,022,694,446
52,469,885		Government Agencies and Institutions	141,639,414	
20,466,190,194		Commercial Banks	24,832,127,774	
		International Organisations, Foreign Government and Foreign Banking Institutions	32,430,115,310	
28,291,350,601		Compulsory Savings Fund excluding Rs. 31,606,400/= invested in Treasury Bills	1,199,835	
182,897		Others	805,289,256	
850,730,033				
		Medium and Long Term Credit Fund		
		Capital Contribution Account		
		Central Bank Securities		
	4,925,000,000	Other Liabilities and Accounts		41,628,492,604
	560,250,000			155,957,499,554
	2,155,000,000			
	37,583,269,681			
	133,634,280,897			

**Profit and Loss Account for the**

31st December, 1993		31st December, 1994
Rs.		Rs.
11,097,761,934	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.	24,279,878,851
	<b>Net Profit for the Year</b>	
1,000,000,000	To Part Liquidation of Outstanding Government Obligations to the Central Bank in terms of Section 39(c) of the Monetary Law Act.	1,400,000,000
12,097,761,934		25,679,878,851

**Note of the Auditor-General**

The accounts of the Central Bank of Sri Lanka for the year ended 31 December, 1994, 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.  
24th April, 1995.

**S. M. Sabry**  
Auditor-General

**OF SRI LANKA GENERAL BALANCE SHEET**  
**31st December, 1994.**

**Table 2.1**

31st December, 1993		ASSETS	31st December, 1994	
Rs.	Rs.		Rs.	Rs.
17,603,300,568	75,895,712,980	<b>International Reserve</b>	12,617,630,949	95,281,755,395
58,273,522,029 *		Cash and Balances Abroad	82,647,583,119 *	
18,890,383		Foreign Securities and Treasury Bills	16,541,327	
		Holdings of Special Drawing Rights		
20,855,499,947	30,273,172,514	<b>Domestic Assets</b>	22,718,899,947	31,755,115,600
4,150,604,897 **		Loans and Advances to Government	3,304,188,300 **	
752,605,641		Others – Medium and Long Term	72,230,621	
		Short Term		
3,954,212,029		Government and Government Guaranteed Securities	5,099,546,732	
560,250,000	27,465,395,403	Contributions to Financial and other Institutions	560,250,000	28,920,628,559
		Other Assets and Accounts		
		* Including Securities acquired from Government Institutions on 1 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).		
		** Includes the amount outstanding on the special loan of Rs. 100.0 Mn. The amount outstanding is net of provisions for loan losses.		
	133,634,280,897			155,957,499,554

**year ended 31st December, 1994**

31st December, 1993		31st December, 1994
Rs.		Rs.
12,097,761,934	By Interest, etc., Earned	25,679,878,851
12,097,761,934		25,679,878,851

## 2. Foreign Currency Conversion

Assets and liabilities denominated in foreign currencies have been converted at the middle rate of exchange prevailing at the date of the Balance Sheet.

## 3. Investments

All investments are valued at cost.

## 4. Advances

Advances shown in the Balance Sheet are net of provisions for non-performing loans due from Finance Companies.

## 5. Fixed Assets

Fixed Assets are shown at cost less depreciation. Depreciation is charged on the reducing balance method, at the following rates :-

Buildings	2 per cent
Fixtures & Fittings	10 per cent
Office Furniture & Equipment	10 per cent
Motor Vehicles	10 per cent
Personal Computers	25 per cent

Depreciation is provided on fixed assets for the full year in which such assets are purchased and no depreciation is provided for the year in which the fixed assets are sold or disposed of.

## 6. Stocks

The total cost incurred during the year on Stationery and Engineering Stores have been charged to the Profit and Loss Account and no adjustments have been made in respect of closing stocks.

## 7. Income Recognition

Interest and other income are recognised in the books on an accrual basis except interest on non performing loans which is recognised on a cash basis.

## 8. Discounts and Premiums on Central Bank Securities

Discounts allowed and premiums received on Central Bank Securities issued during the year are accounted for in the Profit and Loss Account for the year, irrespective of the date of maturity of these securities.

## 9. Net Profit

The net profit disclosed in the Profit and Loss Account is after charging all expenses and making the following provisions :-

- i. Provision for non performing loans,
- ii. Provision for depreciation of fixed assets, and
- iii. Other necessary provisions and allocations to reserves in terms of Section 38 of the Monetary Law Act.

TABLE 2.2

**Comparison of the Major Components of Assets and Liabilities of the Central Bank  
as at the end of 1993 and 1994**

L I A B I L I T I E S					A S S E T S				
I T E M	1993		1994		I T E M	1993		1994	
	Rs. Mn.	%	Rs. Mn.	%		Rs. Mn.	%	Rs. Mn.	%
Capital and Surplus	1,000.0	0.8	1,000.0	0.6	International Reserve	75,895.7	56.8	95,281.8	61.1
Currency in Circulation	35,949.3	26.9	43,081.1	27.6					
Deposits	51,461.5	38.5	61,022.7	39.1	Domestic Assets	30,273.2	22.7	31,755.1	20.4
Medium & Long Term Credit Fund	4,925.0	3.7	4,925.0	3.2	Other Assets	27,465.4	20.5	28,920.6	18.5
Capital Contribution Account	560.2	0.4	560.2	0.4					
Central Bank Securities	2,155.0	1.6	3,740.0	2.4					
Other Liabilities	37,583.3	28.1	41,628.5	26.7					
TOTAL	133,634.3	100.0	155,957.5	100.0	TOTAL	133,634.3	100.0	155,957.5	100.0

Source : Central Bank of Sri Lanka

**TABLE 2.3**  
**Foreign Exchange Transactions in 1994**

(In Rupees)

Month	Spot Purchase	Spot Sales	Forward Purchases
January	4,960,714,637.50	172,803,750.00	788,120,000.00
February	4,110,982,600.00		
March	4,754,428,150.00		
April	2,522,965,162.50		
May	7,408,875.00		
June	1,655,345,625.00		
July	2,610,237,350.00		
August	1,921,872,837.50		
September	2,908,911,000.00	442,249,000.00	
October	3,707,891,750.00		
November	268,432,500.00		
December	1,234,345,000.00		
	30,663,535,487.50	615,052,750.00	788,120,000.00

Source : Central Bank of Sri Lanka

Total		
Purchases	-	31,451,655,487.50
Sales	-	615,052,750.00

### Foreign Exchange Operations

The Central Bank continued to engage in foreign exchange operations by way of spot purchases and sales and forward purchases of US Dollars against Sri Lanka Rupees.

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

The total value of foreign currency purchases by the Central Bank from commercial banks in Sri Lanka amounted to Rs.31,451.7 million, while foreign currency sales to commercial banks amounted to Rs.615.1 million in 1994, compared to Rs.31,332.4 million and Rs.914.6 million, respectively, in 1993.

### Sale of Gold and Silver

The Central Bank continued its gold and silver sales at the Head Office premises. The total value of gold sales at the Head Office Counter amounted to Rs.12.1 million in 1994, compared to Rs.9.5 million in 1993, while the total sale of silver amounted to Rs.0.2 million in 1994 compared to Rs.2.7 million in 1993.

### Asian Clearing Union

The total value of transactions routed through the Asian Clearing Union (ACU) in 1994 amounted to Rs.37,195.2 million compared with Rs.22,735 million during the previous year. The rupee value of net settlements made in foreign currency in 1994 amounted to Rs.13,833.7 million, compared with Rs.7,424 million in 1993. Permission was granted in May 1994 to all exporters and importers to transact business with Iran outside the ACU settlement system.



## Bank Rate

The Central Bank's rate of interest (Bank Rate) on short term advances to commercial banks under Section 87 of the Monetary Law Act remained unchanged at 17 per cent per annum.

## Short Term Credit

Refinance facilities provided to the commercial banks under the New Comprehensive Rural Credit Scheme (NCRCS) and the Export Credit Refinance Scheme (ECRS) were terminated with effect from 1st April and 31st May, 1994 respectively. However, banks which provided the roll over facility to farmer borrowers prior to the termination of the NCRCS were granted a refinance facility on the roll over amount. The outstanding amount under this facility as at end 1994 amounted to Rs.72.2 million. The amount of short term refinance granted and outstanding under various short term refinance schemes as at end 1993 and 1994 was as follows.

**TABLE 2.4**  
**Outstanding Amounts of Refinance Loans (Short -Term)**

Scheme	Rs. Mn.	
	1993	1994
New Comprehensive Rural Credit Scheme	582.9	72.2
Export Credit Refinance Scheme		
Category I	33.2	Nil
Category II	107.2	Nil
Scheme for storage of paddy and other crops	26.2	Nil
Special Refinance Facility for tea factory owners	3.1	Nil
Total	752.6	72.2

Source : Central Bank of Sri Lanka

## Medium and Long Term Credit

The Medium and Long Term Credit Fund (MLCF) remained unchanged at Rs.4,925 million during 1994. The amount repaid, net of disbursements, during the year amounted to Rs.562 million.

## Accommodation to Finance Companies

The Central Bank continued to grant financial accommodation to finance companies in terms of Section 20 (4) (a) and 21 (1) of the Finance Companies Act No.78 of 1988. The total amount disbursed under this facility in 1994 amounted to Rs.254 million and the total amount outstanding was Rs. 2,304 million at the end of 1994.

## Reserve Requirements

The Statutory Reserve Requirements (SRR) against deposit liabilities of commercial banks were revised with effect from 18 February 1994.

The SRR on commercial banks' Rupee deposits remained constant at 15 per cent throughout the year. However, the SRR on commercial banks' foreign currency deposits invested outside Sri Lanka was reduced from 15 per cent to 5 per cent with effect from 18 February 1994. The SRR on all other deposits on commercial banks denominated in foreign currency remained constant at 15 per cent during the year.

### **Open Market Operations**

#### **Secondary Treasury Bill Market**

The sales of Treasury bills in the Secondary Market decreased from Rs.94.8 billion in 1993 to Rs.21.2 billion in 1994. The purchases also decreased, from Rs.46.9 billion to Rs.18.9 billion, during the same period. The decline in sales was mainly attributed to the shifting of short term investments from the Secondary Market to the repurchase market for Treasury bills and the sales of Central Bank securities.

The yield rates applicable on investments in three month Treasury Bills in the Secondary Market varied between 17.26 per cent and 20.07 per cent per annum during the year.

#### **Repurchase Market for Treasury Bills**

The Central Bank continued the sale of Treasury bills under Repurchase Agreements (Repos) during the year. Under this scheme, the total value of Treasury bills sold in 1994 amounted to Rs.230.9 billion. The overnight Repo yield rate which was 16.5 per cent at the beginning of the year, was gradually reduced to 7 per cent by mid October. However, with gradual tightening of liquidity conditions towards the end of the year, the overnight Repo yield rate was increased to 20 per cent at the end of December 1994.

#### **Subsidy and Ex-gratia Payment to Indian Repatriates**

The Bank continued to operate the payment schemes relating to the repatriation of estate workers of Indian origin covered under the Indo-Ceylon Agreement of 1964, on behalf of the Government. Total subsidy payments under this scheme amounted to Rs.112,785.72 in 1994, compared to Rs.276,609.24 in 1993. Ex-gratia payments amounted to Rs.32,175 in 1994 compared to Rs.38,775 in 1993.

#### **Import Duty Rebate to Exporters**

The Bank continued to reimburse claims made by commercial banks in respect of import duty rebates paid to exporters on behalf of the Government. A total sum of Rs.839.7 million was reimbursed in 1994, compared with Rs.784.6 million in 1993.

#### **Compulsory Savings Fund**

The Central Bank continued to be the custodian of the monies collected under the Compulsory Savings Act No.6 of 1971 and the Ceiling on Income and Compulsory Savings Law No.15 of 1972 and continued to administer the Compulsory Savings Fund on behalf of the Government. During the year, the Bank paid out Rs. 0.05 million (inclusive of interest) on applications made by 8 contributors.

#### **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 1994 was 178 compared to 184 at the end of 1993.

## **Foreign Finance**

During the year under review, the Bank continued to receive disbursements made available under various foreign loans and grants while repayments of foreign loans were effected on behalf of the Government.

## **CURRENCY ISSUE**

During 1994, the Bank as the sole currency issuing authority, continued to perform the function of issuing legal tender currency in Sri Lanka for use in domestic transactions. The volume of currency in circulation as at end 1994 stood at Rs.43,081 million. Notes in circulation comprised 96 per cent of the total currency in circulation.

The Bank made arrangements to issue a commemorative standard general circulation coin in the denomination of two rupees. The coin will be issued to the public in mid 1995 to coincide with the 50th Anniversary of the Food and Agriculture Organisation (FAO).

In view of the public concern regarding the similarity of the colour scheme of the Rs.100 note and the Rs.500 note, steps were taken to change the colour scheme on the reverse of the Sri Lanka Heritage Series Rs.100 note presently in circulation. The new note was issued in December 1994 for general circulation.

The currency processing system, which was automated in 1992, continued to operate in 1994. This system had to be re-tuned to process the new design Sri Lanka Heritage Series currency notes and steps were taken to accomplish the re-tuning process.

The mobile currency exhibition of the Bank, which was launched in 1992, continued to function during 1994. Specimen currency notes of almost all countries of the world, as well as counterfeit notes and defectively printed Sri Lanka notes were displayed in the mobile exhibition during 1994.

## **BANKING DEVELOPMENT**

### **Branch Expansion**

The total number of banking institutions including development banks and savings banks remained unchanged at 44 during the year 1994. As at the end of 1994, the banking system comprised 23 commercial banks (6 domestic commercial banks and 17 foreign commercial banks), 17 Regional Rural Development Banks (RRDBs), three Development Banks and a National Savings Bank. During 1994 the ownership of the Colombo branch of the Middle East Bank (MEB) was taken over by the Muslim Commercial Bank (MCB).

The branch network of commercial banks, the RRDBs and the National Savings Bank (NSB) continued to expand during 1994. A total of 45 new bank branches came into operation during the current year, bringing the number of branches to 1,147. This represented an increase of 3.9 per cent in comparison with 1993.

Bank of Ceylon opened a new branch in 1994, named the "Taprobane branch" and government accounts hitherto held at the York Street branch were placed in the new branch. The Agrarian Services Centre (ASC) branches in Wariyapola, and Padavi (Parakramapura) were upgraded to "C" grade status. Bank of Ceylon also opened two extension offices at the Development Lottery Centre, and at the Moratuwa University and established an Information Centre at the Department of

Immigration and Emigration. Meanwhile, the extension office at the Gem & Jewellery Exchange was closed during the year. As a result of these changes, by the end of the year the number of branches of Bank of Ceylon stood at 337 including 262 main branches, 27 ASC branches, 23 Kachcheri branches, 23 extension offices and two overseas branches.

People's Bank opened three new branches in Kurunegala (Etugalpura), Nugegoda (town branch) and Mt. Lavinia, in addition to reopening the Karaitivu branch. People's Bank also opened two Pawning Centres at Nugegoda and Matale, but closed its Inner-Harbour branch in Trincomalee

**TABLE 2.5**  
**Composition of Banking Institutions and Distribution**  
**of Bank Branches 1990 – 1994**

Category	1990	1991	1992	1993	1994
<b>1. No. of Institutions</b>	40	42	43	44	44
1.1 Commercial Banks	24	23	23	23	23
1.1.1 Domestic Commercial Banks	6	6	6	6	6
1.1.2 Foreign Banks	18	17	17	17	17
1.2 RRDBs (a)	12	15	16	17	17
1.3 Savings Banks	1	1	1	1	1
1.4 Development Banking Institutions (DBIs)	3	3	3	3	3
<b>2. No. of Bank Branches (b)</b>	924	973	1,058	1,102	1,147
2.1 Commercial Bank Branches	747	768	818	854	888
2.1.1 Branches of Domestic Banks	724	743	789	821	853
(i) Main Branches	638	656	699	733	763
(ii) ASC Branches	38	36	34	29	27
(iii) Kachcheri Branches	23	24	24	24	23
(iv) Extension/Pay Offices/ Pawning Centres*	23	25	30	33	38
(v) Overseas Branches (c)	2	2	2	2	2
2.1.2 Foreign Bank Branches	23	25	29(d)	33(d)	35(d)
2.2 RRDB Branches	101	124	156	163	169
2.3 National Savings Bank Branches	76	81	84	85	90
<b>3. No. of Branches/Offices of DBIs (e)</b>	6	7	7	6	7
3.1 Development Finance Corp. of Ceylon (DFCC)	3	3	3	3	4
3.2 State Mortgage & Investment Bank (SMIB)	2	3	3	2	2
3.3 National Development Bank (NDB)	1	1	1	1	1

Source : Central Bank of Sri Lanka

- (a) Regional Rural Development Banks established under the RRDB Act No. 15 of 1985
- (b) Excluding Co-operative Rural Banks.
- (c) Two overseas branches of the Bank of Ceylon (London & Male Branches).
- (d) Including sub-branches of the Hong Kong and Shanghai Banking Corporation.
- (e) Including Head Offices and Branches of the DBIs.

\* Revised to include all extension/pay offices and pawning centres of People's Bank, Bank of Ceylon, Hatton National Bank and Sampath Bank.

in 1994. Accordingly, as at the end of the current year, the number of main branches of People's Bank increased to 323 and Pawning Centres to six while the number of extension offices remained unchanged at three during 1994.

Hatton National Bank Ltd. expanded its branch network to 54 by opening three branches in Moneragala, Kiribathgoda and Borella. The number of mobile banks (3) and Extension and Pay Offices (2) of Hatton National Bank remained unchanged during the year. Commercial Bank of Ceylon Ltd. opened three new branches in Minuwangoda, Panadura and Colombo, increasing the total number of branches to 34 as at the end of 1994. Sampath Bank Ltd. opened three branches, in Ratmalana, Piliyandala and Eheliyagoda, increasing the total number of its branches to 18 as at the end of 1994. The total number of branches of Seylan Bank Ltd. increased to 72 in 1994 with the opening of eight new branches in Welimada, Kochchikade, Pettah, Beliatta, Malambe, Matugama, Colombo South and Warakapola and the upgrading of its Mobile Banking Centres located in Raddolugama (Gampaha), Ganemulla, Weliveriya, Kotagala (N' Eliya) and Bogawantalawa to the status of fully fledged branches. Seylan Bank Ltd. also opened a Cash Deposit Centre in Moratuwa and an Extension Office in the Arpico Mall, Maharagama during the current year.

ANZ Grindlays Bank plc. expanded its branch network by opening a branch in Kandy in 1994. The Hongkong & Shanghai Banking Corporation also opened a branch at Borella while Habib Bank AG Zurich Ltd. upgraded its Money Changing Unit in Kollupitiya to the status of a full fledged branch during 1994. With these additions, the total number of foreign bank branches increased to 35 as at the end of 1994.

The Regional Rural Development Banks (RRDBs) continued to expand their branch network during 1994. The RRDB Badulla increased its number of branches to 13 by opening four branches in Meegahakivula, Lunugala, Haldummulla and Girandurukotte. The RRDBs in Gampaha and Kegalle also established a branch each during 1994. The total number of branches of RRDBs increased from 163 in 1993 to 169 in 1994.

The National Savings Bank (NSB) opened five new branches in Kotahena, Vavuniya, Trincomalee, Balangoda and Kamburupitiya, bringing its operational branches to 90 by the end of 1994. The branch network of the National Development Bank (NDB) and the State Mortgage & Investment Bank (SMIB) remained unchanged while Development Finance Corporation Ceylon (DFCC) opened a branch in Kurunegala in 1994.

### **Mobile Banking Centres**

With a view to catering to the banking needs of the people in areas without banking facilities or with poor facilities, RRDBs and a few commercial banks, including the two state banks, continued to provide mobile banking services.

### **Installation of Automated Teller Machines (ATMS)**

The installation of Automated Teller Machines (ATMs) by People's Bank, Bank of Ceylon and Commercial Bank of Ceylon Ltd. expanded further during the year 1994. People's Bank installed eight ATMs at its branches in Nuwara Eliya, Ratnapura, Gampaha, Negombo, Borella, Matara, Anuradhapura and at the Fort Railway Station. Meanwhile, Bank of Ceylon opened six ATMs at its branches in Peliyagoda, Idama, Kalutara, Negombo, Gampaha and at the Kandy Super Grade branch. Commercial Bank of Ceylon Ltd. installed three ATMs at its branches in Minuwangoda and at Keyzer Street and in the City Office. Seylan Bank Ltd. installed six ATMs at its branches in Kollupitiya, Nugegoda, Panadura, Cinnamon Gardens and Wellawatte, as well as at their Head Office.

## **BANK SUPERVISION**

The Bank Supervision Department is responsible for the continuous supervision and periodic examination of all banking institutions in the country. The basic objective underlying the role of supervision is to ensure public confidence in the banking system and safeguard the interests of the depositors.

The Department carries out these responsibilities through on-site examinations and off-site surveillance. With regard to on-site examinations, the Department commenced the examinations of 12 commercial banks and one Regional Rural Development Bank (RRDB) in 1994. Of these, examinations of the RRDB and five commercial banks, were completed in the year under review. The examination of six commercial banks which had commenced in 1993 was also concluded during 1994. In addition, spot examinations of four RRDBs covering certain specific aspects of their operations were carried out as a prelude to on-site examinations.

With regard to the off-site surveillance of commercial banks, the Department continued to monitor the financial condition of commercial banks and RRDBs on the basis of monthly Statements of Assets and Liabilities forwarded to the Department. Monitoring the operations of the FCBUs established under the Foreign Currency Banking Scheme too was carried out on a monthly basis. The profitability and financial strength of each commercial bank, as well as the industry as a whole, were computed and evaluated on the basis of annual statements on income and expenditure furnished by the banks.

In October 1994, the Department initiated action to computerise the off-site surveillance system with a view to enhancing the accuracy and effectiveness of off-site surveillance. In this regard a new format for the reporting of assets and liabilities of commercial banks was introduced.

The Department continued to exercise its responsibility in ensuring strict compliance by the bank with the regulatory requirements under the Banking Act and other guidelines issued by the Department on prudential requirements. These included maintenance of a minimum level of liquid assets and capital, adherence to the single borrower limits, restrictions on accommodation to directors and their interests, submission of annual financial statements in the prescribed accounting formats within the statutory period, transferring interest on non-performing advances to a suspense account and making adequate provisions for bad debts.

During the year under review, the Department continued to administer the Deposit Insurance Scheme which has been in operation since 1987. The premium payable is 3.75 cents per quarter for every Rs.100. The Department was also actively involved in formulating several amendments to the Banking Act which were necessitated by the reforms in Sri Lanka's financial sector. The proposed amendments to the Banking Act have now been gazetted, pending necessary legislation being passed by the Parliament. These amendments are intended to have the effect of levelling the playing field for all licensed commercial banks in Sri Lanka, broadening the scope of supervision by bringing the hitherto unregulated financial operations such as off-shore operations of commercial banks within the supervisory ambit of the Central Bank and strengthening the regulatory powers of the Central Bank. The proposed amendments would also make prudential regulations currently in force applicable to development finance institutions and savings banks whose operations have not been subject to such regulations in the Banking Act.

## **NON-BANK FINANCIAL INSTITUTIONS**

The Bank continued to monitor and supervise the finance companies registered with it. During the year, the Department of Supervision of Non-Bank Financial Institutions placed greater empha-

**TABLE 2.6**  
**Consolidated Balance Sheets of Operational Finance Companies**

(Rs. '000)

	As at 31.03.93	As at 31.03.94	Percentage Change Over Previous Year
<b>1. LIABILITIES</b>			
1.1 Capital Funds			
Issued Share Capital	170,012	270,819	
Capital Reserve	455,065	571,541	
General Reserve	246,525	335,542	
Reserve Fund	175,368	204,293	
Other Reserves	45,930	213,812	
Profit & Loss A/c.	17,625	41,994	
<b>Gross Capital Funds</b>	<b>1,110,525</b>	<b>1,638,001</b>	
Less: Deferred Expenditure	107	124	
<b>Net Capital Funds</b>	<b>1,110,418</b>	<b>1,637,877</b>	<b>+ 47.50</b>
1.2 Provision for Bad Debts	258,903	702,791	+171.45
1.3 Public Deposits	4,986,693	5,907,935	+ 18.47
1.4 Borrowings			
Banks	718,553	610,530	
Others	29,724	170,899	
<b>Total Borrowings</b>	<b>748,277</b>	<b>781,429</b>	<b>+ 4.43</b>
1.5 Other Liabilities	951,104	1,150,360	+ 20.95
<b>1.6 GRAND TOTAL</b>	<b>8,055,395</b>	<b>10,180,392</b>	<b>+ 26.38</b>
<b>2. ASSETS</b>			
2.1 Liquid Assets			
Cash and Due from Banks	168,216	167,097	
Fixed Deposits	325,207	290,061	
Government Treasury Bills	501,915	682,848	
<b>Total Liquid Assets</b>	<b>995,338</b>	<b>1,140,006</b>	<b>+ 14.53</b>
2.2 Investments			
Shares in Subsidiaries & Associates	119,347	188,043	
Shares in Other Companies	428,298	802,539	
Shares in related Companies	500	500	
Debentures	-	200	
<b>Total Investments</b>	<b>548,146</b>	<b>991,282</b>	<b>+ 80.84</b>
2.3 Advances			
Loans	577,968	604,318	
Hire Purchase	1,991,550	2,349,637	
Leasing	472,892	2,098,211	
Lease Finance	1,633,504	524,644	
Real Estate	200,614	263,528	
Other Advances	275,738	279,952	
<b>Total Advances</b>	<b>5,152,266</b>	<b>6,120,290</b>	<b>+ 18.79</b>
2.4 Due from Subsidiaries & Associates	9,538	1,844	- 80.66
2.5 Fixed Assets			
Freehold Land & Buildings	591,429	777,723	
Furniture, Fittings, Fixtures & Office Equipment	92,246	161,652	
Motor Vehicles	68,912	66,222	
Machinery	33,993	12,460	
Others	11,419	1,808	
<b>Total Fixed Assets</b>	<b>797,999</b>	<b>1,019,871</b>	<b>+ 27.80</b>
2.6 Other Assets	552,109	907,099	+ 64.30
<b>GRAND TOTAL</b>	<b>8,055,395</b>	<b>10,180,392</b>	<b>+ 26.38</b>

Number of Companies Reported

24

24

Source : Central Bank of Sri Lanka

sis on on-site examination of finance companies, while continuing with the off-site surveillance through the Early Warning System (EWS).

The consolidated balance sheets of finance companies of the 24 finance companies registered with the Central Bank indicated an 18.5 per cent growth in deposit liabilities during the financial year ending 31.03.94. The borrowings of these companies increased by 4.4 per cent. The provision for bad and doubtful debts increased by 171 per cent during the financial year following the 106 per cent increase in the previous year. The primary reason for these increases in provisioning for bad and doubtful debts was the Finance Companies (Provision for Bad and Doubtful Debts) Direction No.2 issued by the Monetary Board in 1991. On the asset side, total liquid assets increased by 14.5 per cent during the financial year, while the advances, which amounted to 64 per cent of the total assets as at 31.03.93, increased by 18.8 per cent. Details are given in Table 2.6.

Under the provisions of the Finance Companies Act No.78 of 1988, 24 finance companies have been granted licences by the Monetary Board of the Central Bank. The licence granted to Translanka Investment Ltd. was withdrawn for continuous violation of the Directions issued by the Monetary Board. The relief scheme to depositors of failed finance companies which became operational in 1989, continued to be implemented during the year. The relief payments made to depositors of seven distressed finance companies during the year amounted to Rs.37.7 million. The total value of relief payments made to depositors up to the end of 1994 amounted to Rs.511.5 million. These relief payments were financed largely through loans granted by the Central Bank. One registered finance company, the administration and management of which was taken over by the Monetary Board in February 1992, was granted loans amounting to Rs.220 million during the year to meet its deposit liabilities. As at end December 1994, the total outstanding value of Central Bank loans that have been granted to this company amounted to Rs.1,315.7 million.

The Department was also involved in formulating several amendments to the Finance Companies Act No.78 of 1988.

## **DEVELOPMENT FINANCE**

During 1994, the Development Finance Department continued the operation of the Credit Guarantee Schemes for Small & Medium Scale Industries (SMI), the Bus Purchase Loan (BPL) and the Entrepreneur Development Programme in addition to the Refinance Scheme for Low Income Housing under the United States Agency for International Development (USAID), Housing Guarantee Low Income Shelter Programme (HGLISP) Phase IV. The administration of the Medium and Long Term Credit Fund (MLCF) was limited mainly to following up on the performance of projects (excluding refinance provided to finance companies) which had been refinanced prior to the suspension of the MLCF facility.

### **Credit Guarantee Operations**

A summary of credit guarantee operations under the credit guarantee schemes administered by the Central Bank as at 31st December 1994, i.e., the Small Scale Industries (SSI) Scheme, SMI I, II, III and IV Schemes and BPL Scheme is given in Tables 2.7 and 2.9 respectively. Table 2.8 shows an industry-wise classification of projects financed under the SMI II, III and IV Schemes.

### **Small Scale Industries (SSI) Scheme**

The SSI Scheme which commenced in 1978 was superseded by the SMI I Scheme in 1979. The issue of credit guarantees under the SSI Scheme was completed in 1981. Out of a total of 767



TABLE 2.7

## Summary of the Central Bank Credit Guarantee Schemes as at 31 December, 1994

(Value Rs. Mn.)

SCHEMES AND YEARS	SMALL SCALE INDUSTRIES (SSI)		SMALL AND MEDIUM SCALE INDUSTRIES (SMI)													
			SMI - I		SMI - II				SMI - III				SMI - IV			
	1994		1994		1993		1994		1993		1994		1993		1994	
Items	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value
1.1 Loans granted	767	31.20	1,670	286.10	2,531	1,392.54	2,531	1,392.54	3,130	1,955.59 (a)	3,130	1,955.59 (a)	4,899	3,477.03	6,270	4,735.90
1.2 Loans guaranteed	767	23.40 (b)	1,670	157.50 (c)	2,531	713.63 (d)	2,531	713.63 (d)	3,130	1,312.62 (e)	3,130	1,312.62 (e)	4,899	2,102.03 (f)	6,270	2,855.77 (f)
2.1 Loans fully repaid	598	23.06	1,230	183.93	1,368	575.58	1,497	677.84	505	183.85	1,000	439.89	19	13.74	253	125.52
2.2 Guarantees withdrawn or lapsed	90	4.89	113	31.38	340	167.37	341	167.90	252	195.19	267	202.09	52	32.69	169	103.76
CLAIMS																
3.1 Total claims received	88	4.32 (g)	338	75.89 (g)	216	87.21 (g)	225	115.51 (g)	90	37.18 (g)	124	61.55 (g)	13	6.50 (g)	40	25.54 (g)
3.2 Central Bank liability		2.42		33.89		55.76		58.63		30.98		43.80		6.39		20.42
3.3 Settlement of claims																
3.3.1 Fully settled	63	1.68	230	19.07	117	29.44	124	30.33	50	15.39	69	19.90	5	1.08	16	3.64
3.3.2 Partly settled	1	0.00 (h)	27	2.11	4	0.67	4	0.67								
3.3.3 Claims rejected	7	0.22	30	5.50	40	9.41	44	11.67	16	5.49	24	7.43	1	0.16	3	0.43
3.3.4 Loans fully paid after submission of claims (j)	16	0.24	37	2.03	5	1.10	5	1.10								
3.3.5 Claims deferred (k)	1	0.27	11	2.64	24	7.51	26	8.17	5	2.57	4	4.63	1	1.11	2	1.64
3.3.6 Claims pending (k)	-	-	3	0.51	19	2.99	15	4.80	19	8.44	25	10.83	6	4.06	18	12.86
3.3.7 Claims withdrawn (k)					7	3.62	7	3.62			2	1.70			1	1.63
4.1 Loans outstanding	8	0.42 (i)	40	4.56 (i)	662	203.51 (i)	520	146.31 (i)	2,307	872.88 (i)	1,770	585.85 (i)	4,822	1,801.26 (i)	5,829	2,999.54 (i)
4.2 (of which in arrears)	8	0.42	40	4.56	427	55.72	394	68.17	748	80.89	567	108.00			509	51.47
4.3 Central Bank liability on guarantees outstanding	8	0.30 (b)	40	2.92 (c)	662	117.05 (d)	520	84.31 (d)	2,307	577.04 (e)	1,770	386.81 (e)	4,822	1,220.18 (f)	5,829	1,951.68 (f)
5. Premia collected		1.00		12.22		28.38		29.21		34.68		39.59		17.93		61.78
6. Post Claim Recoveries		0.61		8.39		11.86		13.99		3.25		5.64		0.09		0.26

(a) Excluding loans transferred to SMI-IV by National Development Bank.

(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. - Rs. 3.0 mn. and Rs. 3.0 mn. - Rs. 4.0 mn. subject to maximum of Rs. 1.6 mn. per project.

(f) 90%, 80%, 70% and 60% respectively for upto Rs. 0.5 mn., Rs. 0.5 mn. - Rs. 1.0 mn., Rs. 1.0 mn. - Rs. 2.0 mn. and Rs. 2.0 mn. - Rs. 8.0 mn., subject to maximum of Rs. 1.6 mn. per project.

(g) Amount in default including interest accrued therein.

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

(i) Excluding instalments recovered.

(j) Included under 2.1.

(k) Included under 4.1.

Source: Central Bank of Sri Lanka

loans guaranteed under this scheme, only eight loans amounting to Rs.0.42 million and involving a total guarantee commitment to the Central Bank of Rs.0.3 million were still in operation as at the end of 1994. Claims under this scheme will be met by the Treasury which has already paid Rs.1.7 million. In the event that claims in respect of all eight loans outstanding are submitted, this will involve a further payment of Rs.0.3 million by the Treasury.

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

The SMI-I Scheme came into operation in 1979. Under this scheme 1,670 guarantees covering loans amounting to Rs.286 million were issued during 1979 - 1982. A total of 1,230 loans were fully repaid upto 1994. At the end of 1994, 113 guarantees amounting to Rs.31.4 million had been either withdrawn or had lapsed due to non compliance by the Participating Credit Institutions (PCIs) with the Central Bank's operating instructions. The total liability in respect of 338 claims received was Rs.33.9 million, of which 230 claims amounting to Rs.19.1 million were fully settled. In terms of a decision taken, 50 per cent of the liability on 27 loans granted for projects located in the Northern and Eastern Provinces of the country, which were declared either in default or as failures, were paid as interim settlements amounting Rs.2.1 million. Loans relating to 37 claims amounting to Rs.2.0 million were repaid by the borrowers after submission of the claims, while 30 claims with a total value of Rs.5.5 million were rejected on account of non compliance by the PCIs with the operating instructions. Consideration of 11 claims amounting to Rs.2.6 million was deferred on account of either rehabilitation programmes undertaken by the PCIs or re-commencement of repayment of the loan by the borrowers after submission of claims. At the end of December 1994, only 40 loans amounting to Rs.4.6 million with a maximum guarantee liability of Rs.2.9 million were reported to be operational. Premia collected under this scheme and post-claim recoveries by the Central Bank amounted to Rs.12.2 million and Rs.8.4 million, respectively. Available resources made up of premia inflows and post claim recoveries amounting to Rs.20.6 million were not sufficient to meet liabilities under the scheme and a sum of Rs.0.6 million had to be met by the Central Bank.

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

The SMI - II Scheme came into effect in 1982 and guarantees under this scheme were issued upto 1989. During the period 1982 to 1989, 2,531 guarantees were issued on loans totalling Rs.1,393 million and involving a maximum guarantee liability of Rs.714 million. Of these 1,497 loans amounting to Rs.678 million were fully repaid, while 341 guarantees to the value of Rs.168 million were either withdrawn or had lapsed due to non compliance by the PCIs with the Central Bank's operating instructions. A total of 225 claims with a liability of Rs.59 million had been received as at the end of 1994, of which 124 claims amounting to Rs.30 million were fully settled. Interim payments not exceeding 50 per cent of the liability of the Central Bank amounting to Rs.0.7 million were made in respect of four claims from the Northern and Eastern Provinces in terms of a decision taken in that regard, while 44 claims amounting to Rs.12 million were rejected on account of non compliance by the PCIs with operating instructions. Loans relating to five claims were repaid by the borrowers after submission of claims to the Central Bank, while PCIs have withdrawn seven claims amounting to Rs.3.6 million. At the end of 1994, consideration of 26 claims amounting to Rs.8.2 million had been deferred on account of either rehabilitation programmes undertaken by the PCIs or recommencement of repayment of the loans by the borrowers after the submission of such claims. At the end of 1994, 520 loans amounting to Rs.147 million and with a total Central Bank guarantee liability of Rs.84 million were operational. Of these, 394 loans with a liability of Rs.68.2 million were reported to be in arrears.

Premia collected under this scheme amounted to Rs.29.2 million as at the end of 1994, while post-claim recoveries by the Central Bank amounted to Rs.14.0 million making a total inflow of resources amounting to Rs.43.2 million.

TABLE 2.8

SMI - II, SMI - III and SMI - IV Credit Guarantee Schemes – Industry-wise Classification as at 31 December, 1994

(Value Rs. '000)

Industry	SMI - II, III & IV 1982 - 1994						SMI - IV 1994					
	No. of Loans Granted	%	Loan Amount	%	Guaranteed Amount	%	No. of Loans Granted	%	Loan Amount	%	Guaranteed Amount	%
01. Food Processing	2,822	23.7	1,810,284	22.4	1,051,372	21.5	234	17.1	152,746	12.2	94,396	12.6
02. Other Agro-Industries	271	2.3	128,917	1.6	82,064	1.7	13	0.9	17,710	1.4	9,819	1.3
03. Rubber Products	241	2.0	243,393	3.0	135,113	2.8	19	1.4	21,949	1.8	12,155	1.6
04. Metal Products	1,028	8.6	531,579	6.6	324,953	6.7	139	10.1	93,638	7.5	54,149	7.2
05. Construction Materials	739	6.2	421,588	5.2	279,615	5.7	58	4.2	57,101	4.6	31,711	4.2
06. Construction Contracting	164	1.4	236,021	2.9	115,449	2.4	22	1.6	31,800	2.5	18,230	2.4
07. Wood Products	722	6.1	329,467	4.1	225,481	4.6	79	5.8	53,907	4.3	35,538	4.7
08. Garments	760	6.4	659,272	8.2	369,200	7.6	52	3.8	62,790	5.0	32,231	4.3
09. Textiles	273	2.3	277,597	3.4	149,014	3.1	39	2.8	35,085	2.8	20,829	2.8
10. Repair Workshop	441	3.7	229,480	2.8	151,445	3.1	42	3.1	47,026	3.8	24,988	3.3
11. Others	4,470	37.5	3,216,573	39.8	1,998,242	40.9	674	49.2	677,686	54.2	415,893	55.5
T O T A L	11,931	100.0	8,084,171	100.0	4,881,948	100.0	1,371	100.0	1,251,438	100.0	749,940	100.0

Source : Central Bank of Sri Lanka.

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

The SMI - III Scheme came into operation in 1988. Under this scheme, 3,130 loans amounting to Rs.1,956 million have been guaranteed. In terms of a decision taken in 1991, 754 loans originally approved under SMI III were transferred to the SMI - IV Scheme.

Of the 3,130 loans under SMI - III, 1000 loans amounting to Rs.439.9 million were fully repaid, while guarantees relating to 267 loans amounting to Rs.202.1 million had either been withdrawn or had lapsed due to non compliance by the PCIs with the operating instructions. A total of 124 claims with a Central Bank guarantee liability of Rs.43.8 million was received as at the end of 1994. Of these, 69 claims totalling RS.19.9 million were settled, while 24 claims totalling Rs.7.4 million were rejected. Consideration of four claims was deferred due to regularisation of the respective loan accounts by the borrowers after the submission of such claims. By the end of December 1994, 1,770 loans amounting to Rs.585.8 million with a maximum guarantee liability of Rs.386.8 million were operational. Of these, 567 loans with a potential liability of Rs.108 million have been reported to be in arrears.

The total premia collected under this scheme as at 31 December 1994 was Rs. 39.6 million, while Rs.5.6 million was recovered by the Central Bank as post-claim recoveries.

### **Small & Medium Scale Industries - IV (SMI - IV) Scheme**

The SMI IV Scheme commenced in March 1992 and is currently operational. By the end of 1994, 6,270 loans amounting to Rs.4,736 million had been guaranteed. The Central Bank's liability in respect of these loans amounted to Rs.2,856 million. During the year, 253 loans amounting to Rs.125.5 million had been fully settled, while 169 guarantees had been either withdrawn or had lapsed due to non compliance with the Central Bank's operating instructions by the PCIs. At the end of 1994, 5,829 loans totalling Rs.2,999 million were operational. Guarantees issued on these loans amounted to Rs.1,952 million. At the end of December, 1994, 40 claims amounting to Rs.25.5 million were received, of which 16 claims amounting to Rs. 3.5 million were settled. The total amount collected as guarantee premia at end of 1994 was Rs. 61.8 million. By the end of the year, a sum of Rs.0.3 million had been received as post-claim recoveries.

### **Bus Purchase Loan (BPL) Scheme**

This Scheme was inaugurated in November 1990 by the Central Bank to cover loans granted by the PCIs to private bus operators to purchase buses for public transport. Under this scheme, 1,932 loans amounting to Rs.1,099 million were guaranteed. The Central Bank's liability on account of these guarantees amounted to Rs.871 million. The scheme ceased to operate at the end of 1992 as the resources available to the National Development Bank (NDB) to provide refinance were fully committed by that date.

Under the BPL Scheme, 1,911 new buses were introduced to the public transport fleet by 1,816 borrowers, indicating the high proportion of single bus owners who made use of this scheme.

At the end of 1994, 251 loans amounting to Rs.140.8 million had been fully repaid, while 116 guarantees to the value of Rs.68.5 million had either lapsed or been withdrawn due to non compliance with the Central Bank's operating instructions by the PCIs.

A total of 13 claims amounting to Rs. 7.6 million had been received by the end of 1994, where the Central Bank's liability was Rs.6.3 million. Of these, six claims were paid a total of Rs.1.4 million, being the eligible interim settlement of 50 per cent. At the end of 1994, four claims amounting to Rs.2.5 million were outstanding. Two claims for Rs.1.0 million were rejected.

**TABLE 2.9**  
**Summary of the Bus Purchase Loan Scheme**

(Value – Rs. Million)

Item	As at 31 December 1993		As at 31 December 1994	
	No.	Value	No.	Value
1.1 Loans granted	1,932	1,098.58	1,932	1,098.58
1.2 Loans guaranteed	1,932	871.18 (a)	1,932	871.18 (a)
2.1 Loans fully repaid	51	27.75	251	140.81
2.2 Guarantees withdrawn or lapsed	114	66.45	116	68.47
<b>Claims</b>				
3.1 Total claims received	6	3.71 (b)	13	7.59 (b)
3.2 Central Bank liability	-	2.33	-	6.33
3.3 Settlement of claims				
3.3.1 Partly settled	3	0.69 (c)	6	1.44
3.3.2 Claims rejected	1	0.60	2	1.00
3.3.3 Claims deferred (e)	-	-	-	-
3.3.4 Claims pending (e)	2	0.81	4	2.53
3.3.5 Loans fully paid after submission of claims (f)	-	-	1	0.42
4.1 Loans outstanding	1,763	725.71 (d)	1,557	420.53 (d)
4.2 Central Bank liability on guarantees outstanding	1,763	574.60 (a)	1,557	333.19 (a)
5.0 Premia collected	-	12.61	-	19.22
6.0 Post Claim Recoveries	-	-	-	0.52

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) Amount in default including interest accrued therein.
- (c) 2 cases amounting to Rs. 0.39 million indicated against fully settled has been since classified as partly settled.
- (d) Excluding instalments recovered.
- (e) Included under 4.1.
- (f) Included under 2.1.

The total premia collected under the scheme upto the end of 1994 amounted to Rs.19.2 million, while a sum of Rs.0.5 million had been recovered as post-claim recoveries. Table 2.9 summarises the performance of the scheme.

### **Housing Guarantee Low Income Shelter Programme (HGLISP)**

#### **Phase IV**

The refinance scheme under the Housing Guarantee Low Income Shelter Programme (HGLISP) - Phase IV, which commenced in July, 1992, continued to operate through 1994. The Central Bank functions as the Apex Lender under this scheme. Refinance facilities are granted by the Central Bank from funds loaned to the Government of Sri Lanka under the United States Government Housing Loan Guarantee Programme - Phase IV. These funds are made available to the participating credit institutions designated as Sub Apex Lenders (SALs)/Direct Primary Lenders (DPLs) who have entered into an agreement with the Central Bank under the HGLISP Programme. At present, Bank of Ceylon, People's Bank, Hatton National Bank Ltd., State Mortgage & Invest-

**TABLE 2.10**  
**Housing Guarantee Low Income Shelter Programme – Phase IV**  
**Refinance Approvals and Disbursements**

(Rs. '000)

Sub-Apex Lender	Refinance Approvals		Refinance Disbursements	
	1994	1992-1994	1994	1992-1994
1. Bank of Ceylon	134,811	309,562	89,106	188,564
2. Commercial Bank of Ceylon Ltd.	510	1,357	687	903
3. Hatton National Bank Ltd.	585	5,284	887	3,806
4. Housing Development Finance Corporation	62,627	72,977	21,248	24,649
5. People's Bank	99,086	134,877	87,762	110,662
6. Regional Rural Development Banks	19,094	24,436	12,634	14,835
7. Seylan Bank Ltd.	2,735	4,335	1,440	2,355
8. State Mortgage & Investment Bank	18,843	31,606	10,137	14,630
<b>T O T A L</b>	<b>338,291</b>	<b>584,434</b>	<b>223,901</b>	<b>360,404</b>

Source : Central Bank of Sri Lanka

**TABLE 2.11**  
**Summary of Performance of the HGLISP – Phase IV**  
**Loans Approved by Purpose, Maturity and Size**

(Rs. '000)

Category	Approvals					
	1994			1992 - 1994		
	Urban	Rural	Total	Urban	Rural	Total
1. Construction	23,850	124,845	148,695	48,608	242,434	291,042
2. Improvements	25,142	82,441	107,583	40,650	145,283	185,933
3. Land Acquisition	20,089	60,781	80,870	24,782	80,842	105,624
4. Infrastructure Development	200	944	1,144	310	1,526	1,836
<b>T O T A L</b>	<b>69,281</b>	<b>269,010</b>	<b>338,291</b>	<b>114,349</b>	<b>470,085</b>	<b>584,434</b>
<b>Loans by Maturity</b>						
Less than 5 years	25,660	120,491	146,151	36,690	180,987	217,677
6 to 10 years	18,349	76,744	95,093	35,853	176,112	211,964
11 to 15 years	25,181	71,166	96,347	41,507	111,927	153,434
16 to 20 years	90	610	700	299	1,059	1,358
<b>Size of Loans Rs.</b>						
0 - 2,500	21	2,079	2,100	120	9,188	9,308
2,501 - 5,000	1,522	9,775	11,297	2,872	29,786	32,658
5,001 - 7,500	2,004	22,005	24,009	4,660	53,190	57,850
7,501 - 10,000	5,772	50,629	56,401	11,541	135,580	147,121
10,001 - 15,000	15,653	36,221	51,874	41,239	41,267	82,505
15,001 - 20,000	6,780	17,570	24,350	8,345	25,431	33,776
20,001 - 25,000	10,457	21,258	31,715	11,724	30,043	41,768
25,001 - 30,000	1,704	7,905	9,610	2,239	12,037	14,277
30,001 - 35,000	1,473	6,818	8,291	1,951	9,030	10,981
35,001 - 40,000	2,385	8,571	10,956	2,926	12,490	15,416
40,001 - 45,000	1,952	4,951	6,903	2,391	7,261	9,652
45,001 - 50,000	5,509	33,271	38,780	7,049	44,580	51,628
50,001 - 100,000	14,049	47,831	61,881	17,292	60,077	77,369
100,000 >	0	125	125	0	125	125
<b>T O T A L</b>	<b>69,281</b>	<b>269,010</b>	<b>338,291</b>	<b>114,349</b>	<b>470,085</b>	<b>584,434</b>

Source : Central Bank of Sri Lanka

**TABLE 2.12**  
**Housing Guarantee Low Income Shelter Programme - Phase IV**  
**Loan Approvals by Province**

Province	1994		1992 - 1994	
	Amount (Rs. '000)	Percentage	Amount (Rs. '000)	Percentage
1. Central	48,656	14.4	80,475	13.8
2. Eastern	8,084	2.4	16,105	2.8
3. North Central	56,737	16.8	143,350	24.5
4. North Western	29,180	8.6	48,150	8.2
5. Northern	2,887	0.9	3,831	0.7
6. Sabaragamuwa	27,461	8.1	45,382	7.8
7. Southern	45,593	13.5	66,203	11.3
8. Uva	7,221	2.1	16,623	2.8
9. Western	112,471	33.2	164,315	28.1
<b>T O T A L</b>	<b>338,291</b>	<b>100.0</b>	<b>584,434</b>	<b>100.0</b>

Source : Central Bank of Sri Lanka.

**TABLE 2.13**  
**Housing Guarantee Low Income Shelter Programme**  
**Loan Approvals Sectorwise/Genderwise**

(Value in Rupees)

Year	Total		Rural Sector				Urban Sector			
			Male		Female		Male		Female	
	No. of Loans	Amount	No. of Loans	Amount	No. of Loans	Amount	No. of Loans	Amount	No. of Loans	Amount
1992	4,273	27,380,550	2,977	19,204,900	1,244	7,445,050	39	523,000	13	207,600
1993	23,718	218,762,075	13,865	123,027,075	6,193	51,397,300	2,321	28,841,000	1,339	15,496,700
1994	22,733	338,290,991	13,317	195,544,106	5,669	73,466,359	2,600	50,223,135	1,147	19,057,391
<b>Total</b>	<b>50,724</b>	<b>584,433,616</b>	<b>30,159</b>	<b>337,776,081</b>	<b>13,106</b>	<b>132,308,709</b>	<b>4,960</b>	<b>79,587,135</b>	<b>2,499</b>	<b>34,761,691</b>

Source : Central Bank of Sri Lanka.

ment Bank, Seylan Bank Ltd., Commercial Bank Ltd., the Housing Development Finance Corporation (HDFC) and the Regional Rural Development Banks (RRDBs) of Kurunegala, Kandy, Kegalle, Puttalam, Galle and Badulla participate as Sub Apex Lenders under this scheme. In December 1994, three other RRDBs, namely Gampaha, Matale and Matara, signed agreements to participate in this programme. The National Housing Development Authority (NHDA) participates in this scheme, through the Bank of Ceylon. Loans are granted under this scheme for any purpose related to owner occupied housing, including acquisition of land for house construction, additions/improvements and renovation to existing houses. Households earning a monthly income of Rs.4,600 or less are eligible to obtain loans under this scheme. However the upward revision of median income to Rs. 5,700/= per month was under consideration.

The HGLISP scheme operated upto 1994, on the basis of an advance of Rs.150 million provided by the Treasury. In October 1994, a borrowing of US\$ 10 million, being the first tranche of a loan of US\$ 25 million under the Housing Guarantee agreement, was made. The proceeds of this loan were made available for disbursement of refinance under this programme.

A statistical profile of the performance of HGLISP IV is given in Tables 2.10, 2.11, 2.12 and 2.13.

In 1994, Rs.338 million had been approved under this programme and Rs.224 million disbursed. The cumulative figures from 1992 to 1994 show that Rs.584 million had been approved and Rs.360 million disbursed.

A very high proportion of borrowers under this scheme has been from the rural sector. Thus, in 1993, and in 1994, 80 per cent of approvals were for rural sector housing. The breakdown of borrowers by gender showed that in 1994, 30 per cent of borrowers in the rural sector and 31 per cent in the urban sector were female. According to the purpose-wise classification of loans, about 44 per cent of loans in 1994 were for construction of new houses, 32 per cent for improvements to or extensions of existing houses and 24 per cent for land acquisition. The share of loans for land acquisition, at 24 per cent, showed a large increase when compared with 10 per cent in both 1992 and 1993.

In 1994, over quarter of the loans under this scheme were for amounts of Rs.10,000 or less, while over 30 per cent were for amounts ranging from Rs.10,000 to Rs.25,000. A further 30 per cent of loans were for amounts from Rs.45,000 to Rs.100,000. The proportion of loans approved by the HDFC, People's Bank and the RRDBs showed a substantial increase from the previous year, while the share of the NHDA declined. Nevertheless, the NHDA which grants small loans below Rs.25,000, still accounted for 40 per cent of loans granted under this scheme indicating the strong bias of the scheme towards the very low income groups. A feature of the performance of this programme in 1994 has been that there has been a more even participation by the financial institutions in this scheme.

The maturity pattern of loans under this scheme indicated that 35 per cent of loans have been for upto 5 years, a further 35 per cent for periods from 5 to 10 years and 25 per cent for periods from 10 to 15 years.

#### **Investment of SMI & BPL Guarantee Fund Resources**

Investment of SMI and BPL Guarantee Fund Resources in the Primary Treasury bill market, which commenced in July 1988, continued during 1994. Investments of fund resources and premia collected at the end of 1994 amounted to Rs.561 million. Interest income from investments in 1994 amounted to Rs.88 million.

#### **Entrepreneurship Development Programme (EDP)**

The EDP aims at upgrading technical and management skills of existing small industrialists through specially designed training programmes which are held in various districts. Training programmes have been organised to benefit industry sub-groups such as electroplating, iron and steel product manufacture and food processing, operating at village level. Funds necessary for this purpose were approved by the World Bank in late 1993. A training programme was held in Pothupitiya in the Kalutara District for 40 self-employed workers engaged in coir and fibre based products. The programme covered management and skill upgrading and placed special emphasis on meeting export market demand. Six programmes have been scheduled for 1995.

#### **Follow-up and Inspection of Projects**

During 1994, inspection of SMI projects continued in order to monitor their viability and operation. A total of 131 projects was inspected with a view to recommending corrective action where necessary and to settling claims lodged by the PCIs. The majority of projects were located in the districts of Colombo, Puttalam, Gampaha, Anuradhapura, Ratnapura and Nuwara Eliya.



## **RURAL CREDIT**

In 1994, the Bank continued to function as the credit executing agency for the following foreign funded projects for the upliftment of agriculture and the rural sector.

1. Kegalle District Integrated Rural Development Project funded by the International Fund for Agricultural Development (IFAD).
2. Small Holder Tea Development Project funded by the Asian Development Bank (ADB).
3. Mid Country Perennial Crops Development Project funded by the ADB.
4. Agriculture Rehabilitation Project funded by the ADB.
5. Small Farmers and Landless Credit Project funded by the IFAD and the Canadian International Development Agency (CIDA).
6. Southern Province Rural Development Project funded by the ADB.
7. North Western Province Water Resources Development Project funded by the ADB.

### **Kegalle District Integrated Rural Development Project**

The Integrated Rural Development Project in the Kegalle District, which has a credit component of SDR 1.55 million and commenced its operations on 15 October 1987, was scheduled to be terminated on 31 December 1994. However, it was subsequently extended up to the end of 1995. The amount disbursed under all categories of the project stood at Rs.75 million as at the end of 1994 against a total allocation of Rs.90 million (SDR 1.55 million). Loans were granted for short term cultivation as well as medium term agricultural and industrial purposes. During 1994, a sum of Rs.11.2 million was disbursed under the project for banana cultivation, dairy development and self-employment projects. The total number of beneficiaries under the project was 499.

### **Small Holder Tea Development Project**

The Small Holder Tea Development Project commenced its operations in 1989 with financial assistance from the ADB. The activities financed under the credit component of the project include field development, nursery development and factory rehabilitation. The amount of loans disbursed by the Participating Credit Institutions (PCIs) in 1994 was Rs.47.2 million, of which loans granted for field development (replanting and new planting) amounted to Rs.24.7 million. The amounts granted for nursery development and factory rehabilitation were Rs.7.8 million and Rs.14.7 million, respectively. Refinance provided by the Bank for all categories in 1994 stood at Rs.29 million. The credit awareness campaign which was launched by the Bank in 1993, was further strengthened in 1994 by conducting seminars and credit camps covering all the districts in the project area. During the year, several revisions were effected to the credit scheme, such as recommending minimum grace periods applicable for field development loans as recommended by the Tea Research Institute (TRI), upward revision of the loan amount to cover the proportion of the project cost not covered by the subsidy for field development.

### **Mid-Country Perennial Crop Development Project**

The Perennial Crop Development Project Credit Scheme, which was in its sixth year of implementation, is designed to provide credit facilities to farmers for the purpose of increasing production and improving commercialisation of perennial crops, particularly minor export crops and food crops. After the reformulation of the project in mid 1993 the demand for credit accelerated in 1994. In order to provide the farmers with greater access to credit, the DFCC and RRDBs at Kalutara, Galle, Matara, Hambantota and Ratnapura were also admitted as new Participating Credit Institutions (PCIs). 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 1994, a cumulative total Rs.75 million had been disbursed by the Central Bank as refinance. The amount disbursed during the year was Rs.40 million.

### **Agriculture Rehabilitation Project**

The main objective of the Agriculture Rehabilitation Project (ARP) is the provision of credit facilities for financing the capital requirements of projects for the rehabilitation of persons and property affected by the civil disturbances in the Northern and Eastern Provinces and the five bordering districts of Puttalam, Anuradhapura, Polonnaruwa, Moneragala and Hambantota. The project aims at revitalising the agriculture, livestock, fisheries and agri-business sectors, which can complement and encourage farm production and expand employment and income generation. The Project Management Unit (PMU), which was set up in the Bank in 1991 to implement the credit component, had provided refinance facilities totalling Rs.146 million in respect of 2,597 loans granted by them at the end of 1994. A total of Rs.646 million, in respect of 13,163 loans granted, had received refinance as at the end of 1994. As a result of a steady demand for credit during the past two years, the cumulative disbursements amounted to 94 per cent of the total credit allocation. The recovery of loans commenced during the year and the PMU has directed the PCIs to re-lend the recovery proceeds to the applicants who were not provided with financial assistance in the first round of loans.

### **Small Farmers and Landless Credit (SFLC) Project**

The Bank continued to function as the implementing agency for the SFLC project. For the project, IFAD has provided a loan of SDR 4.8 million and CIDA has provided a grant of SDR 4.7 million. The project is in operation in the districts of Galle, Matara, Puttalam and Kandy. Operations in the Kandy and Puttalam districts are funded by IFAD, while operations in the districts of Galle and Matara are funded by CIDA. The project, introduced in 1990, continued its operation into the fifth year in 1994 with the Central Bank functioning as the main implementing agency.

The number of loans approved as at end December 1994 in the Kandy and Puttalam (IFAD) districts was 17,540, amounting to Rs.141 million, while 7,256 loans amounting to Rs. 56.5 million had been approved in the Galle and Matara (CIDA) districts. Satisfactory rates of recoveries of 85 per cent and 91 per cent have been achieved in IFAD and CIDA districts, respectively.

### **Southern Province Rural Development Project (SPRDP)**

The main objective of the Southern Province Rural Development Project which began operations in 1992 and is funded by the ADB, is to raise the income and quality of life of people in the Southern Province through the creation of income and employment generating opportunities in the project area. For this purpose, financial assistance is made available for persons to initiate industrial and self-employment projects in the Southern Province.

The Bank functions as the executing agency for the credit component of the project which has a total credit allocation of SDR 6.4 million (approximately Rs.450 million). The Development Finance Corporation of Ceylon (DFCC) and the three RRDBs at Galle, Matara and Hambantota have been admitted as PCIs. Under the project, refinance is provided by the Bank for financing small/medium scale industries located at Charley Mount Industrial Estate in Weligama and other small/medium scale rural enterprises in the Southern Province. The Thrift and Credit Co-operative Societies (TCCSs) in the districts of Galle, Matara and Hambantota were admitted as junior partners of the credit scheme during the year.

Provision of refinance to RRDBs commenced in 1994 and amounted to Rs. 31.5 million in respect of 2,129 loans granted.

### **North-Western Province Water Resources Development Project**

The credit scheme of the North-Western Province (NWP) Water Resources Development Project completed its first full year of operations in 1994. Under the credit scheme, refinance is provided to the participating banks for on-lending to farmers for the construction of agro-wells and lift irrigation schemes and to rural women for self-employment projects. The credit scheme is being

implemented in the Kurunegala and Puttalam districts with the RRDBs at Kurunegala, Puttalam and the Hatton National Bank. The total funds available from the ADB for the credit scheme amounted to SDR 1.6 million (approximately Rs. 90 million). The Government of Sri Lanka's contribution takes the form of a subsidy granted to farmers for the construction of agro-wells.

As at end 1994, 265 loans for self-employment were approved and a sum of Rs.5.1 million had been disbursed by the participating banks.

### Special Financing Facility for Tea Traders and Exporters

A special financing facility for tea traders and exporters was introduced by the Government in May 1994 as a relief measure in response to rapidly declining tea prices, partly caused by over supply conditions prevailing in the first half of 1994. Under this facility, commercial banks were requested to grant loans to tea traders and exporters out of their own funds upto a total of Rs.680 million, at the rate of 15 per cent per annum for a period of six months, for the purchase of excess teas at 10 tea auctions commencing from 16 May 1994. The Government agreed to pay an interest subsidy of 3.5 per cent per annum to commercial banks for funds provided under this facility. As at 31st December 1994, a total of Rs.287 million had been granted as loans by commercial banks to 18 tea traders and exporters for the purchase of excess teas. This involved the payment of an interest subsidy amounting to Rs.1 million.

### REGIONAL RURAL DEVELOPMENT BANKS (RRDBs)

During 1994 the RRDBs expanded their activities significantly, thus continuing their efforts towards developing the rural economy.

#### Branch Network of RRDBs

The total number of RRDBs in operation stood at 17 at the end of the year 1994. The RRDBs

TABLE 2.14

#### Branch Network of RRDBs

Name of the RRDB	Date of Establishment of the RRDB	Head Office	Number of Branches Opened										Total at the end 1994
			1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	
1. Kalutara	85.07.13	Bulathsinhala	4	3	4	1	-	-	1	2	-	-	15
2. Matara	85.07.28	Matara	5	2	-	1	-	-	-	4	-	-	12
3. Kurunegala	85.08.10	Kuliyapitiya	6	4	2	1	1	1	-	2	-	-	17
4. Anuradhapura	85.08.12	Anuradhapura	2	4	1	-	-	-	3	1	-	-	11
5. Hambantota	86.12.13	Ambalantota		2	2	2	-	1	-	1	-	-	8
6. Kegalle	87.02.08	Kegalle			8	1	2	1	(1)	1	1	1	14
7. Puttalam	87.07.11	Chilaw			5	1	-	2	1	1	-	-	10
8. Galle	87.08.17	Elpitiya			1	7	1	-	-	3	-	-	12
9. Kandy	87.10.13	Kandy			6	3	-	2	-	2	-	-	13
10. Nuwara Eliya	88.10.10	Nuwara Eliya				1	3	2	-	2	-	-	8
11. Moneragala	88.10.11	Buttala				1	2	1	2	-	-	-	6
12. Badulla	90.10.13	Badulla						4	2	3	-	4	13
13. Polonnaruwa	91.05.17	Polonnaruwa							4	2	1	-	7
14. Matale	91.06.21	Matale							5	1	-	-	6
15. Ratnapura	91.09.30	Ratnapura							4	2	1	-	7
16. Ampara	92.02.24	Ampara								5	2	-	7
17. Gampaha	93.06.07	Gampaha									2	1	3
T O T A L			17	15	29	19	9	14	21	32	7	6	169

Source : Central Bank of Sri Lanka.

of Badulla, Kegalle and Gampaha opened six branches, bringing the number of RRDB branches to a total of 169. Details of the branch network of RRDBs are given in Table 2.14.

### **Deposit Mobilization**

The total value of deposits mobilised by RRDBs at the end of 1994 stood at Rs.1,481 million in respect of a total of 833,858 accounts, indicating an increase of 34 per cent in the value of deposits and 17 per cent in the number of accounts when compared with 1993. Of the total value of deposits, savings deposits amounted to Rs.1,254 million, while the value of fixed deposits amounted to Rs.228 million indicating an increase of 28 per cent and 90 per cent, respectively, over 1993. The average amount in a savings account increased from Rs.1,381 in 1993 to Rs.1,157 in 1994, while the average value of a fixed deposit rose from Rs.26,549 in 1993 to Rs.30,366 in 1994. The introduction of attractive savings schemes, the expansion of branches, the provision of mobile banking facilities in unbanked and underbanked areas and the expansion of rural economic activities are among the main reasons that contributed to the increase in deposit mobilisation by the RRDBs.

### **Delivery of Credit**

In 1994, RRDBs disbursed Rs.1,118 million in respect of 88,187 loans as against Rs.966 million disbursed in respect of 72,176 loans in 1993. The number of loans increased by 16 per cent, whereas the amount of loans increased by 22 per cent. The average size of a loan decreased from Rs.13,390 in 1993 to Rs.12,680 in 1994.

The agriculture sector received 34 per cent of the total value of loans granted in 1994. The amount of loans granted for commerce and business, small industries and various other sectors accounted for 19 per cent, 9 per cent and 38 per cent, respectively. Advances granted against the pledge of gold and gold articles recorded a significant expansion to Rs.395 million in 1994 from Rs.172 million in 1993.

### **Other Activities**

During 1994, the RRDBs continued to grant loans under the Janasaviya Scheme. By the end of 1994, 20,029 loans amounting to Rs.118.8 million had been granted by RRDBs to Janasaviya recipients.

The RRDBs continued their activities as participating credit institutions in several special credit schemes namely, the Small Holder Tea Development Project, Perennial Crop Development Project, Agricultural Rehabilitation Project, USAID Housing Guarantee Low Income Shelter Project, Southern Province Rural Development Project, North-Western Province Water Resource Development Project, Small and Medium Scale Industry Loan Project, and the Isuru Project. The value of total loans disbursed by all RRDBs under these special projects amounted to Rs.223 million during the year 1994.

In addition, RRDBs through their training programmes, as well as 'Janahamuwas', continued to educate the rural sector on banking habits and the banking facilities available for potential projects. RRDBs also continued to provide assistance to their clients in the marketing and storage of their produce.

### **RURAL BANKING & STAFF TRAINING COLLEGE**

The Rural Banking and Staff Training College (RB & STC) of the Central Bank conducted 50 training courses for 1,074 persons during 1994 when compared with 51 training courses conducted for 1,111 persons during 1993.

Out of the 50 training courses conducted in 1994, 46 were conducted at the College and the balance were conducted at outstation venues. The participants at training courses conducted in the outstations were mainly small scale entrepreneurs and self-employed persons who were either already receiving credit facilities provided largely by the Regional Rural Development Banks (RRDBs) or those who anticipated receiving institutional credit facilities made available by the RRDBs. A total of 1,074 persons consisting of 442 participants from the Central Bank, 260 from commercial banks, 199 from RRDBs, 79 from other institutions and 94 from the small entrepreneurs and self-employed youth projects attended the training courses conducted by the College in 1994.

Rural banking, project-oriented development, commercial banking, international trade, foreign exchange operations, management, training of trainers and the use of computer were the main areas of training provided by the RB & STC in 1994. In addition to the scheduled training courses conducted in 1994, the RB & STC conducted several special training courses in the areas of investment banking, stock market operations and financial sector developments during the year.

The RB & STC conducted its first international training course on "Management Development" for middle/senior level managers of the Asia Pacific Rural and Agricultural Credit Association's (APRACA) member institutions. The RB & STC also assisted in conducting the SEACEN Seminar on the Management of International Reserves.

The English Language Laboratory with the Self Access Centre (SAC) was commissioned at the College on 28 April 1994 and provided facilities for 358 Central Bank employees.

The RB & STC held the 13th anniversary lecture on the topic "Development Perspectives" which was delivered by Dr. Gamani Corea a former Senior Deputy Governor of the Central Bank and Secretary General of the United Nations Conference on Trade and Development (UNCTAD).

## **EMPLOYEES' PROVIDENT FUND**

In terms of the Employees' Provident Fund Act No.15 of 1958, 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 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 1994 amounted to Rs. 7,405.7 million against Rs. 6,610.9 million in 1993. This represents an increase of Rs.794.8 million or 12 per cent over the level of contributions received during the previous year.

### **Members' Balances**

Members' balances as at 31 December 1994, before allocation of interest for the year under review stood at Rs. 75,731.2 million, which is an increase of Rs. 13,306.2 million or 21.3 per cent over that at the end of 1993.

## **Investments**

During the year under review, the Fund invested a sum of Rs. 37,609.2 million in Government Securities, Treasury bills, the Inter-Bank Call Money Market, Plantation Company Debentures and Re-purchase agreements as against a sum of Rs. 30,430.5 million in 1993. This is an increase of Rs. 7,178.7 million over the level of investments in 1993. The total investments held by the Fund as at 31 December 1994 amounted to Rs. 81,053.4 million which is an increase of Rs. 14,521.1 million over the level at the end of 1993.

## **Income Received from Investments**

In terms of an amendment to the Inland Revenue Act in 1989, the exemption from income tax granted to the EPF was withdrawn. Accordingly, all income earned on investments after 01 April 1989 is subject to a Withholding Tax of 10 per cent on investment income and a 15 per cent surcharge on income tax. The total Withholding Tax deducted from the investment income for the year 1994 was Rs. 1,139 million and the surcharge on income tax was Rs. 170.8 million.

In 1994, the income received from investments amounted to Rs. 11,390.7 million as against Rs. 9,159.6 million in 1993, recording an increase of Rs. 2,231.1 million.

## **Refunds**

The total sum paid out by way of refund of E.P.F. benefits to members during the year 1994 amounted to Rs. 2,630.1 million as against Rs. 2,377.3 million in 1993. This records an increase of Rs. 252.8 million or 10.6 per cent. During the year under review 49,986 claims for refund of benefits were paid out, as against 51,343 claims disposed of in 1993.

## **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 1994 was 12.75 per cent per annum. This is a decrease of .75 per cent over the level of interest in 1993.

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 earn 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 members to obtain a loan of upto 75 per cent of the balance standing to their credit for housing purposes from certain lending institutions. The participating lending institutions in this scheme are the Housing Development Finance Corporation, the National Housing Development Authority, the State Mortgage and Investment Bank, People's Bank, Bank of Ceylon, the National Savings Bank and the Multipurpose Co-operative Societies spread out in the country.

As at 31 December 1994, the E.P.F. Department processed and despatched a total of 53,540 applications for certification of balances to the respective Labour Offices.

The comparative data for 1993 and 1994 on the operations of the Fund are given in Table 2.15.

**TABLE 2.15**  
**EPF Statistics 1993 – 1994**

	1993	1994
1. Contributions received (Rs. million)	6,610.0	7,405.7
2. Investments (a) "	30,430.5	37,609.2
3. Income received from investments "	9,159.6	11,390.7
4. Refund payments "	2,377.3	2,630.1
5. Number of refunds (No.)	51,343	49,986
6. Rate of interest (per cent)	13.5	12.75
7. Interest provision on members' balances (Rs. million)	8,427.3	9,655.7
8. Withholding tax on Investment income "	922.4	1,139.0
9. Surcharge on Income tax "	138.3	170.8

*Source : Central Bank of Sri Lanka*

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

## EXCHANGE CONTROL

Measures were taken to remove restrictions consequent to the acceptance of the obligations of Article VIII, Sections 2, 3 and 4 of the IMF Articles of the Agreement by Sri Lanka on 15 March 1994. Authorised Dealers were permitted to release foreign exchange without restrictions for all current (non-capital) account transactions, by operating instructions dated 18 March 1994.

### Exports

The repatriation requirements imposed on exporters in terms of Section 22(4) of the Exchange Control Act No.24 of 1953 were removed. Exporters were also exempted from the requirements of surrendering export proceeds to an authorised dealer as required under Section 6 (2)(a) of the Exchange Control Act. Accordingly, exporters may now either repatriate export proceeds and have these in rupee or foreign currency accounts in Sri Lanka or retain them in foreign currency accounts in a commercial bank abroad.

The requirement for exporters to obtain licenses for the export of goods from the Controller of Exchange was withdrawn by Gazette Extraordinary No.183/14 published on 7 April 1994.

Balances held in convertible rupee accounts were permitted to be designated as Rupee Current Accounts with effect from 8 March 1994, in view of the fact that remittances now be made freely for current (non-capital) payments.

With effect from 16 June 1994 the shiphandling trade was permitted to obtain foreign currency notes from commercial banks for the purpose of effecting gratuity payment to masters of vessels/ship personnel.

### Imports

Importers were permitted to import goods in commercial quantities upto the value of US\$ 7,500 on 90 days on documents against payments (D/A) terms without the establishment of Letters of Credit, with effect from 18 November 1994.

## 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. As in previous years, this function was carried out by the Public Debt Department (PDD). The main debt instruments used by the PDD were Government Securities (Rupee Loans), Treasury bills and Treasury Certificates of Deposit. In addition, the issue of Central Bank Securities was also undertaken by the PDD. The PDD also handled the management and servicing of foreign debt of the Government. The database on foreign and domestic debt was further developed to expand its coverage and improve its quality. Studies were undertaken by the PDD to assist in the formulation of policies relating to the management of the public debt. During 1994, action was initiated to amend legislation relating to Government Securities and Treasury bills, with a view to developing the market for these instruments.

The total outstanding gross government debt as at end 1994 was Rs.562,716.3 million. This figure included Government Guaranteed General Service Manual (GSM) Loans serviced by Bank of Ceylon. This was an increase of Rs.64,109.3 million over the end 1993 value. The outstanding external debt liabilities as at end 1994 amounted to Rs.303,245 million, indicating an increase of Rs.28,676.6 million, of which Rs.18,125.4 million was on account of exchange rate depreciation. Of the total outstanding government debt, foreign debt accounted for 53.9 per cent while the balance 46.1 per cent represented domestic debt.

Government Rupee Loans amounting to Rs.46,877.8 million were issued during 1994. Total repayments of Rupee Loans and interest payments during the year amounted to Rs.14,955.5 million and Rs.16,678.8 million, respectively. The amount outstanding of Rupee Loans (Gross) as at end 1994 was Rs.137,553.8 million and this included Rs.24,088.0 million of long term bonds issued by the Government in 1993 in connection with the restructuring of Bank of Ceylon and People's Bank. The Employees' Provident Fund (EPF) continued to be the major subscriber to the Rupee Loan Programme in 1994 and held 56.4 per cent of the total Rupee Loans outstanding as at end 1994. The National Savings Bank (NSB), the second largest subscriber, held 22.4 per cent of the total Rupee Loans outstanding as at end of 1994.

The authorised limit on Treasury bills (TBs), which was increased from Rs.90,000 million to Rs.125,000 million on 16 December 1992, remained unchanged during 1994. The Primary Dealer System which was introduced on 24 July 1992 was formalised in 1994, in order to activate and develop the primary and secondary market for TBs. Accordingly, 17 of the 18 Accredited Primary Dealers (APDs) were re-designated as Primary Dealers (PDs). In addition, five new PDs, namely, Deutsche Bank, Mashreq Bank PSC, Habib Bank AG Zurich, Ceylinco Securities and Financial Services Ltd. and Vanik Incorporation Ltd. were appointed during the year. As a result, the number of PDs increased from 18 to 22 and This number included sixteen commercial banks and six non-commercial bank institutions. Moreover, the Statement of Responsibilities and Privileges for Primary Dealers approved by the Monetary Board was implemented with effect from 1 November 1994. Along with this statement, a reporting format was issued to the PDs. A database was established with the information provided by the PDs. The acceptance of non-competitive bids from "captive investors" such as the National Savings Bank (NSB), Employees' Provident Fund (EPF), Employees' Trust Fund (ETF) Board and other funds authorised by the CBSL. These bids were accepted at the weighted average rates at each auction. The withholding tax on interest on Treasury bills was removed with effect from 1 July 1994.

The Department continued to issue TBs with maturity periods of 3, 6 and 12 months. In addition, short dated bills, which were less than 3 month maturities were also issued to the CBSL for sale in the secondary market. Meanwhile, the PDD conducted weekly meetings with the PDs with a view to maintaining a continuous dialogue with market players on current developments in the money market, especially, the government debt securities market. As a part of monetary man-



agement strategy, the Monetary Operations Unit (MOU) continued to make decisions with regard to auctions of TBs, such as the amounts to be offered and maturity structure of Central Bank allocations etc., on a weekly basis.

The value of TBs issued in the primary market and held by the Central Bank rose from Rs.5,978.0 million or 6.2 per cent as at end 1993 to Rs.8,979.1 million or 9.1 per cent of the total outstanding as at end December 1994. Consequently, the non-Central Bank sector holdings decreased from Rs.91,217.7 million or 93.8 per cent of the total outstanding at the end of 1993 to Rs.89,916.6 million or 90.9 per cent of total outstanding as at the end of 1994. Meanwhile, total TBs outstanding as at end 1994 was Rs.98,895.7 million compared with Rs.97,195.7 million at the end of the previous year, showing an increase of Rs.1,700.0 million. This increase resulted from new issues of TBs amounting to Rs.5,500 million and retirements of TBs worth Rs.3,800 million during 1994. The total interest paid on account of TBs during the year was Rs.17,915.2 million.

The weighted average yield rates for 3, 6 and 12 month TBs fluctuated between 11.58-18.73, 11.71-19.29 and 12.20-19.43 per cent per annum, respectively, during the year under review. There was a declining trend in the rate structure upto October, 1994. This was reversed in November and December, 1994.

The CBSL continued the issue of Treasury Certificates of Deposit (TCDs) which commenced during 1990. The TCDs were issued for 6, 12 and 24 months maturity periods and the per annum rates of interest remained unchanged at 17.15 per cent, 18.06 per cent and 19.83 per cent, respectively, during the period under review. The face value of the TCDs sold by the NSB and the Currency Department of the CBSL amounted to Rs.71.9 million and Rs.65.9 million, respectively. The repayments in respect of these two sources were Rs.63.5 million and Rs.43.0 million, respectively. These repayments included Rs.17.0 million of interest payments. The amount outstanding of TCDs as at the end of 1994 was Rs.144.9 million.

The PDD also continued the issue of Central Bank Securities (CBS), which commenced on 19 October 1993, in order to absorb excess liquidity in the market. CBS, amounting to Rs.2,990 million and Rs.3,435 million for maturity periods of 3 months and 6 months, respectively, were issued to the PDs during the year 1994. The outstanding CBS amounted to Rs. 3,740 million as at the end of the year. The coupon rate on CBS, which was 18 per cent per annum at the end of December 1993, was reduced to 16 per cent per annum in January 1994 and to 15 per cent per annum by the end of February 1994. The rate was further revised downward to 13 per cent per annum in March 1994 and remained unchanged during the rest of the year. The weighted annual average rates of these issues ranged from 12.06 per cent to 14.70 per cent and from 13.67 per cent to 18.37 per cent for maturities of 3 months and 6 months, respectively.

Total disbursements on medium and long term external government debt during 1994 amounted to Rs.18,620.0 million. Project loans accounted for 70.2 per cent of the total amount utilized while the balance was in respect of non-project loans. The total interest payment and other charges on external government debt (excluding interest payments on administrative borrowings) in 1994 was Rs.5,584.3 million.

## **REGIONAL OFFICES - MATARA, ANURADHAPURA & MATALE**

During 1994, the three Regional Offices of the Central Bank at Matara, Anuradhapura and Matale continued to carry out their development activities in addition to pursuing the traditional Central Banking functions assigned to them. The main activities of the Regional Offices included currency operations, cheque clearing, data collection, conducting beneficiary training programmes, inspection of the activities of the RRDBs and coordination with Government departments, agencies and organisations involved in development work in their respective regions.

The Matara Regional Office handled activities relating to the implementation of the Small Holder Tea Development (SHTD) Project, Inland Bill Scheme, All Island Self-employment Credit Scheme, New Comprehensive Rural Credit Scheme (NCRCS) and the Southern Province Rural Development (SPRD) Project. It also carried out a inspection of three bank branches of the Matara and Hambantota RRDBs.

The Anuradhapura Regional Office, in association with other government institutions conducted 43 beneficiary training programmes for over 1,400 prospective borrowers on a variety of subjects including farming, dairy development and rice processing. It also conducted the inspection of 9 branches of the Kurunegala, Puttalam, Polonnaruwa and Anuradhapura RRDBs.

During 1994, the Matale Regional Office conducted 20 training programmes for 1,362 prospective borrowers on a variety of subjects including small scale production, marketing and dairy development. A number of "Janahamuwa" meetings were organised among potential borrowers in remote areas in order to create an awareness of credit schemes. The Regional Office continued its activities in respect of the Small Holder Tea Development (SHTD) Project Credit Scheme and the Perennial Crop Development Project Credit Scheme (PCDPS). This office also carried out the inspection of branches of Matale and Nuwara Eliya RRDBs.

In carrying out Central Banking functions, the Regional Offices at Matara and Anuradhapura continued to provide currency exchange facilities. Further, the Regional Offices provided Regional Cheque Clearing facilities a total of 156,950 cheques with a total value of Rs.1,989 million, were cleared through the Regional Cheque Clearing House at Matara, 123,913 cheques amounting to Rs.1,447 million were cleared through the Anuradhapura Cheque Clearing House and 602,604 cheques valued at Rs.16,505 million were cleared through the Cheque Clearing Houses of the Matale Regional Office in Kandy and Matale.

## **SECRETARIAT**

The Secretariat Department continued to provide all administrative services of the Bank in the fields of finance, legal services, supplies, travel and other services.

The Legal Division was actively engaged in the preparation of legislation for the amendments to the Monetary Law Act, the Banking Act, the Treasury Bills Ordinance, the Registered Stocks and Securities Ordinance and the Credit Information Bureau.

## **INFORMATION AND PUBLICATIONS**

The Information Department continued to play a major role in the Central Bank's functions as a collector and disseminator of information. In the process of information collection it made every effort to cover socio-economic developments domestically and worldwide, and provided both published and unpublished material to students, teachers, bankers, researchers and others who were interested in studying economic development. The following Central Bank publications were released through the Information Department:

1. Annual Report 1993 (Sinhala, Tamil and English)
2. Economic Survey - First Half of 1994 (Sinhala, Tamil and English)
3. Bi-monthly Economic Bulletins in English
4. Monthly Bulletins (Sinhala, Tamil and English)
5. Socio-Economic Data Folder 1994 (Sinhala, Tamil and English)
6. Satahana Composite Volume 7 & 8 in Sinhala
7. Occasional Papers 23 and 24
8. Growth and Social Progress in Sri Lanka (Sinhala)

In addition, the Department continued to publish its own journals Satahana, News Survey and Banku Puvath.

The Department also continued to use audio-visual media, press releases, seminars and book exhibitions for disseminating information to the public.

The Library further strengthened its information base with the addition of new books, journals, pamphlets etc. During the year, the Library added 287 books and 121 pamphlets and subscribed to 236 periodical titles. It also received 244 books and pamphlets as gifts and exchanges from banks, other libraries and institutions. The Department organised an exhibition of rare books on Sri Lanka in 1994.

The Video Unit of the Department produced documentaries relating to the activities of the Employees' Provident Fund and Information Departments. It also covered 16 seminars and important events of the Central Bank. The Art Work Visual Section continued to design cover pages, brochures and posters. The Department completed the designing of a new Rs.2/- coin to be released in connection with the 50th Anniversary of the Food and Agriculture Organisation.

The Department's educational programmes continued to attract a large number of students and teachers. An attendance of over 1,902 students and 141 teachers was recorded at 31 in-house programmes conducted by the Department, while a total of 3,120 students from 60 schools in the Gampaha, Negombo, Biyagama, Minuwangoda, Piliyandala and Homagama educational divisions participated in the outstation programmes.

Over 90 per cent of the printing work of the Central Bank was handled by the Central Bank Press. During the year, the Press successfully completed 348 printing assignments.

## **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 other organisations. They included policy oriented research as well as studies which are largely of academic interest.

## **SURVEYS AND DATA COLLECTION**

### **Survey of Credit Needs with Special Emphasis on the Poor - 1992/1993**

The field work and the tabulation of data collected from the Survey of Credit Needs with Special Emphasis on the Poor, which was conducted in 1992/93, was completed during the year. The main objective of this Survey was to ascertain the credit needs in the country, with special emphasis on the economically disadvantaged sectors, with a view to formulating a national credit policy for formal lending. In addition, obtaining information on the extent to which institutional credit had reached the families of different income levels, and the manner in which such credit had been utilized for income generating activities were the other objectives of the Survey.

With these objectives in view, information that has a direct bearing on credit, credit usage, credit needs, entrepreneurship, income generating activities and loan repayment was collected from a sample of 33,000 households. Information on demographic characteristics, housing conditions, land use, labour force, employment and unemployment, household income, savings and investments were also collected from the households in order to provide a comprehensive socio-economic profile of families surveyed.

The Department prepared a series of interim reports based on provisional data for the use of the Credit Co-ordinating and Monitoring Committee for policy making purposes. The analysis of data and the preparation of the final Report of the survey is in progress.

### **Country-wide Data Collection Scheme**

The Country-wide Data Collection Scheme which was launched in 1978, continued in 1994, thereby completing its sixteenth year of operation. Information on retail prices of consumer goods, producer prices of a large number of commodities, costs of major agricultural inputs and daily wage rates for activities in paddy, tea, rubber and coconut cultivation in the non-formal sector and in small scale construction continued to be collected from selected centres on a regular basis. The information under this scheme is collected with the help of government school teachers selected from centres spread throughout the country, except in the Northern province. The data collected under this scheme, are presented in a publication, Price and Wage Statistics.

With a view to fulfilling its original objective to function as an early warning system, the scope of the scheme was extended in 1994 to collect information on the likely production trends in the near future and the underlying reasons for fluctuations in producer prices.

### **National Accounts**

The activities in connection with the estimation of National Accounts continued. These included the collection and compilation of primary and secondary data. Wherever possible, data were collected on a quarterly basis. Quarterly estimates of National Accounts were prepared for 1993 and 1994. Preliminary work has been commenced to institute a revision of the estimation procedures, which will include the move to a national income accounts series with a more current base year, i.e. 1993. Substantial progress has been achieved in the revision based on the guidelines given in the revised System of National Accounts published by the United Nations Statistical Office in 1993.

### **Monitoring of Imports**

The Statistics Department continued to monitor imports through data collected from commercial banks on Letters of Credit (LCs), for the purpose of import forecasting.

### **Employment Statistics**

The Department continued to conduct the annual survey of Employment in the Public Sector. The objective of this Survey is to ascertain the trends in employment in Government Departments, Ministries, Provincial Councils, Local Authorities and in the Corporation Sector. In addition, data were also collected from administrative records such as the Employees' Provident Fund and other Provident Funds to ascertain the trends in employment in the Formal Private Sector.

## **DATA PROCESSING**

The Central Bank is modernizing its operations to meet the emerging needs in the financial system. A new information technology framework and standards have been identified with a view to improving the efficiency, effectiveness and productivity of the Bank, by using current developments in information technology. The main feature envisaged in the new scheme will be a shift from the existing centralized system to a more distributed system based on a client/server model.

Preliminary steps were taken during 1994 to implement the new system. The training needs of Bank employees to suit the new environment were identified as an initial priority requirement. Hence, a Personal Computer based network system was set up at the Rural Bank and Staff Training College at Rajagiriya. Further, steps were taken to purchase 100 Personal Computers for use in the Bank. The necessary planning is in progress to link up the PCs to form Local Area Networks (LANs). The Department has continued to enhance and improve the existing computerised applications. Preliminary studies in some areas of the personnel information system and information retrieval system for the Library have been carried out by officers of the Department.

### **Activities of the Sri Lanka Automated Clearing House (SLACH)**

#### **(i) Upgrading of the Sri Lanka Automated Clearing House (SLACH)**

The existing equipment at SLACH, originally designed to handle an average of 50,000 cheques with a peak volume of 75,000 items per day, now handles an average daily volume of over 100,000 with peak volumes reaching even 200,000. Peak volumes of 125,000 have now become a common occurrence. Demands of this magnitude on the existing system, which is now over seven years old, are considered unsafe, in view of the difficulties and losses to banks and customers which would occur in the event of a breakdown of SLACH operations.

Hence, during the year under review several steps were taken by the Central Bank to upgrade the equipment of the Sri Lanka Automated Clearing House. Under the proposed upgrade, a modern automated system would be established at the primary site (Colombo) to replace the existing installation. The new equipment would have an average daily capacity of 150,000 cheques with peak volumes not less than 100 per cent above the average volume of 150,000. The proposed upgrade would also involve the removal of the existing equipment from its present site and its re-installation in Kandy as the first regional centre. This would also serve as the back-up facility.

#### **(ii) Sri Lanka Inter-bank Payments Systems (SLIPS)**

The SLACH also expanded the scope of its off-line inter-bank payment system during the year under review.

The SLIPS, which started with only six banks and 20 transactions a day in 1993, presently involves all commercial banks and has about 1,000 transactions going through the system each day.

During the year 1994, the SLIPS facility was expanded to include a wide variety of transactions such as:

- (a) Payment of salaries;
- (b) Purchase of foreign currency notes;
- (c) Cover Payment for high value (over by one million rupees) customer transfers; and
- (d) Settlement of Foreign Drafts realization.

Presently discussions are underway with Billing Organisations and computer programmes have been developed to accommodate direct debit payments such as standing orders, insurance premia, water bills, telephone bills, electricity bills etc. Direct debit payments will be the final stage of the SLIPS programme. When the system is fully developed, billing companies could collect dues from their clients much faster than is possible under the present system.

## **TRAINING**

During the year 1994, the Training Department continued its function of arranging training programmes for officers of the Bank in academic and non-academic fields both in Sri Lanka and abroad. Academic training was related to post-graduate studies in Economics and allied fields at recognised universities. Officers were enrolled for Masters and Ph.D. degrees. During the year eleven (11) officers proceeded abroad to follow Masters courses and two officers entered Ph.D. programmes.

Non-academic training, comprising of short-term courses, seminars, workshops etc., both local and foreign, were related to specific fields relevant to the Bank. During 1994, a total of 111 officers proceeded abroad on short-term training, while 464 officers participated in training courses conducted by the Rural Banking & Staff Training College. Another 160 officers participated in training courses, seminars etc. held at other local institutions.

The Department continued its function of holding examinations under the scheme of promotion for certain categories of employees and the Scholarship Examination for the Staff Class. The Efficiency Bar Examination for the Staff Class was also held in December 1994.

## **MANAGEMENT AUDIT**

During the year 1994, the Management Audit Department in accordance with its programme of work, carried out the audit of various departments in the Bank. In the course of these audits, emphasis was laid on systems audits and highlighting shortcomings in internal controls.

Apart from audit functions, the Management Services Division of the Department conducted several Studies and Surveys pertaining to the management of the Bank. These Studies included the following :

1. Review of cadres of several categories and grades of employees in the Bank.
2. A report on the absorption of casual and contractual employees to the permanent cadre.
3. Defining the functions and duties of certain categories of employees.
4. A work flow study of the Employees' Provident Fund.
5. Study on the promotional prospects of certain categories of employees.

## **PREMISES**

In addition to routine maintenance work and upkeep of the Central Bank premises, the Department handled the following construction projects during the year 1994 :

### **1. Extension to the Head Office**

Construction of the extension to the Head Office building, which was suspended in March 1992 on a Cabinet Decision, was commenced in August 1994. This building will consist of nine floors in addition to three basements and four mezzanine floors and will have a total floor area of approximately 28,000 square metres. The extension is expected to be ready for occupation by August 1997.

### **2. Nuwara Eliya**

The Holiday Home, consisting of 15 apartments, was completed and ceremonially opened by the Governor in December 1994.

### **3. Rajagiriya**

Over 90 per cent of the construction work in respect of a new two-storeyed building adjacent to the Workshop was completed by the end of 1994 and is expected to be ready for occupation in April 1995.

### **4. Kataragama**

The Pilgrim Rest, consisting of three units with two double rooms and an office building, was completed in August 1994 and made available for officers going on pilgrimage to Kataragama.

## **WELFARE**

During the period under review, the Welfare Department continued the following welfare facilities for 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
6. Central Bank Canteen
7. Central Bank Medical Clinic

During the year, most of the above welfare facilities were enhanced to a considerable extent.

In accordance with a government Directive, casual and contractual employees attached to the Canteen and Medical Clinic were absorbed into the Central Bank's permanent service.

The Central Bank Canteen has continued to make breakfast and lunch available to employees at cost. Tea is served in the morning and evening to all the officers of the Bank, free of charge. The Canteen continued to provide catering services at official functions of the Bank.

The Bank Clinic has a Doctor in attendance during office hours on all working days. Clinic staff includes a qualified nurse and a Medical Laboratory Technologist. Essential diagnostic tests are being done at the Central Bank Medical Laboratory. The Central Bank pharmacy is stocked with many essential drugs. The Clinic was provided with some modern diagnostic equipment to enlarge the scope of its services to Bank employees in 1994.

## **SECURITY SERVICES**

During the year 1994, the Security Services Department provided security services to the main Central Bank Building, the RB & STC building at Rajagiriya and the departments housed at Cargo Boat Development Co. Ltd., Ceylinco and Shalimar buildings. In addition, the security network covered the Regional Offices at Anuradhapura, Matara and Matale while looking after the stores at Kelaniya and Layards Broadway, the Kataragama Circuit Bungalow, the Nuwara Eliya Holiday resort and the Kandy site. Security was also provided for the residences of the Governor and the Senior Deputy Governor.

In addition, the Department provided security escort for the transport of currency and gold to and from the Bank and provided personal security to the Governor and Foreign Delegates (VIP) who visited the Central Bank.

The Department assisted the RB & STC in conducting several training programmes on security during the year, with a view to enhancing the efficiency and knowledge of the security personnel attached to the department.

## **PERSONNEL**

**The Governor, Mr. H. B. Disanayaka attended the following meetings during the year 1994:**

- (1) 30th APRACA Executive Committee Meeting in Bangkok, Thailand.
- (2) 6th ADB Round Table on Development Strategies in Manila, Philippines.
- (3) 27th Annual Meeting of the Board of Governors of the Asian Development Bank in France.
- (4) The Bank of England Tercentenary Meeting in London and the 64th Annual General Meeting of the Bank for International Settlements (BIS) in Basle, Switzerland.
- (5) APRACA Executive Committee Meeting Preparatory Discussion in Bangkok, Thailand and the IMF/World Bank Group Annual Meetings 1994 in Madrid, Spain.
- (6) 31st APRACA Executive Committee Meeting in Kathmandu, Nepal.

## **Appointments**

- (1) Dr. S.S. Colombage, Director of Data Processing was appointed as Director of Statistics w.e.f. 10 January 1994.
- (2) Dr. L.L. Gunaratne, Director of Statistics was appointed as Director of Economic Research w.e.f. 10 January 1994.
- (3) Mrs. S.N. Fernando, Deputy Director of Data Processing was appointed as Acting Director of Data Processing w.e.f. 10 January 1994.
- (4) Mr. J.M.T.B. Jayasundara, Deputy Director of Banking Development was appointed as Acting Additional Superintendent of Public Debt w.e.f. 1 April 1994.
- (5) Mr. M.S. Siripala, Deputy Superintendent of Employees' Provident Fund was appointed as Acting Additional Director of Establishments w.e.f. 1 April 1994.
- (6) Mr. M. Ramanathan, Deputy Director of Rural Credit was appointed as Acting Additional Director of Bank Supervision w.e.f. 1 April 1994.
- (7) Mr. C.K. Paranavithana, Additional Superintendent of Currency was appointed as Additional Secretary w.e.f. 24 June 1994.
- (8) Mr. Y.A. Piyatissa, was designated as Special Officer (Capital & Financial Market Development) attached to the Department of Public Debt w.e.f. 2 August 1994.



- (9) Mr. J.E.D. Karunaratne, Additional Chief Accountant was appointed as Additional Director of Supervision of Non-Bank Financial Institutions w.e.f. 1 December 1994.
- (10) Mr. M. Ramanathan, Acting Additional Director of Bank Supervision was appointed as Acting Additional Chief Accountant w.e.f. 1 December 1994.

**Officers on Release (as at 31 December 1994)**

The following officers of the Central 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 Finance, Planning, Ethnic Affairs and National Integration 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.

Dr. (Mrs.) R. Jayamaha to the Ministry of Finance, Planning, Ethnic Affairs and National Integration.

Dr. D.J.G. Fernando to the Ministry of Finance, Planning, Ethnic Affairs and National Integration as Chairman and Director of People's Bank.

M/s. C. Liyanage, W.A.D.E. Weerasinghe, N.M. Dayaratne, C. De S. Jayawardena to the Ministry of Finance, Planning, Ethnic Affairs and National Integration.

**Retirements/Resignations**

Mrs. Z. Lokuge, Additional Superintendent of Employees' Provident Fund retired from Central Bank Service w.e.f. 31 July 1994.

Mr. P.M. Lakdawalla, Additional Director of Establishments retired from Central Bank Service w.e.f. 7 October 1994.