

1950-1975

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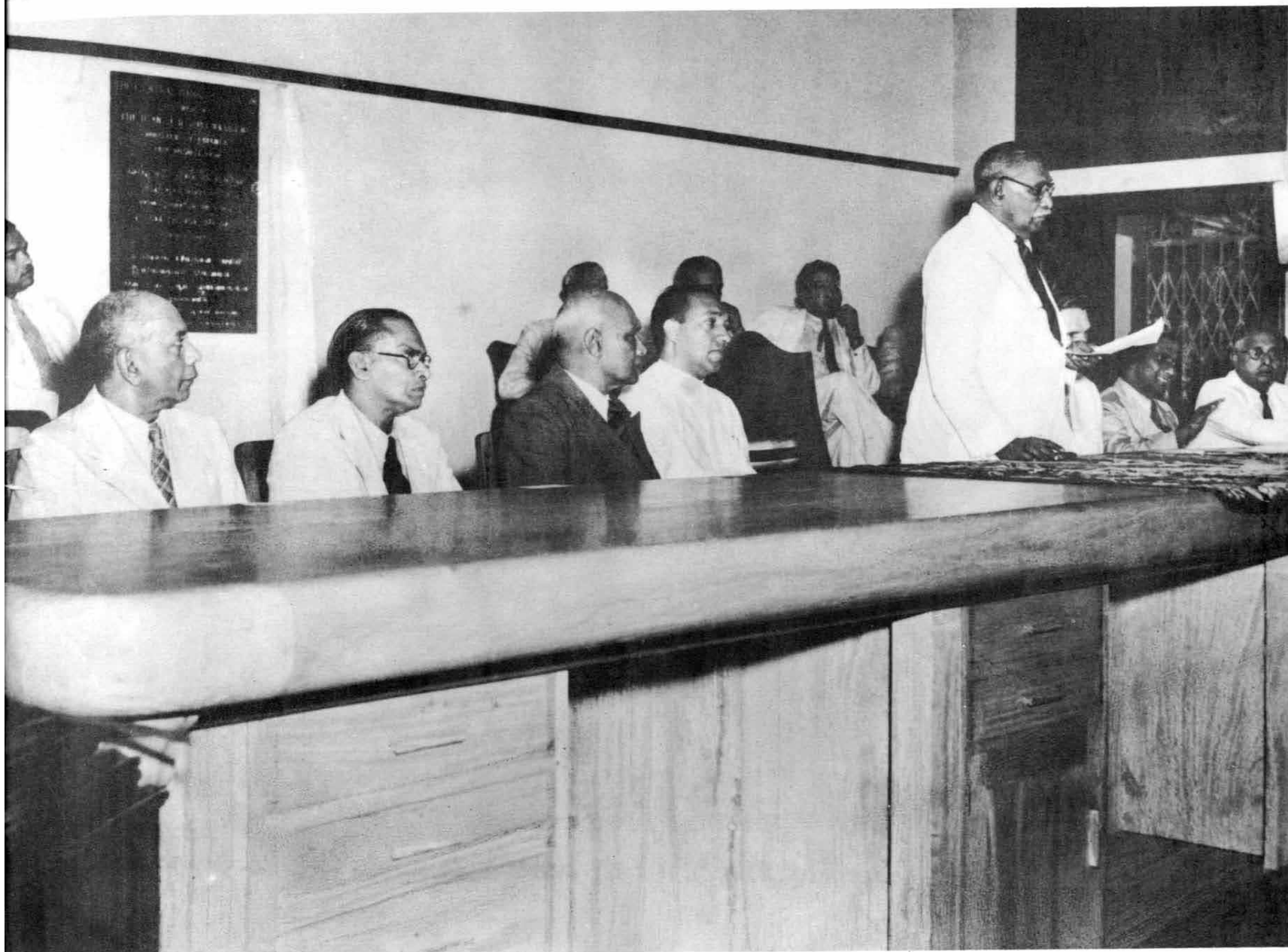
CENTRAL BANK OF CEYLON

1950 - 1975



Published by the
Central Bank of Ceylon
on the occasion of its 25th anniversary

OPENING OF THE CENTRAL BANK OF CEYLON BY HON. J. R. JAYEWARDENE (MINISTER OF FINANCE) ON 28th AUG. 1950



Left to right — Hon. M. D. Banda, M. P., Minister of Labour and Social Services; J. Tyagaraja, Esq., Appointed Member of the Monetary Board of the Central Bank of Ceylon; Hon. S. W. R. D. Bandaranaike, M.P., Minister of Health and Local Government; Hon. E. G. P. Jayetilleke, K. C., Chief Justice (later, Sir Edward Jayetilleke); Hon. J. R. Jayewardene, M.P., Minister of Finance; Hon. Dudley Senanayake, M.P., Minister of Agriculture & Lands; the Rt. Hon. D. S. Senanayake, P.C., M.P., Prime Minister; John Exter, Esq., Governor of the Central Bank of Ceylon; Senator the Hon. Dr. L. A. Rajapakse, K.C., (later, Sir Lalitha Rajapakse). Hon. Col. Sir John Kotelawala, K.B.E., M.C., Minister of Transport & Works (later, the Rt. Hon. Sir John Kotelawala, P.C., K.B.E., M.C.).





President - Sri Lanka

Message

I am pleased to send this Message on the occasion of the Silver Jubilee of the Central Bank, which falls on the 28th of August, 1975. During this period of 25 years as the chief financial institution of the country the Bank has played its proper role in maintaining a stable currency. It has performed satisfactorily its proper function as an adviser to the Government towards maintaining the steady development of the economy. It has provided valuable information through its research sections. It has been a source from which the Governments have been able to draw well-equipped personnel for manning the key positions in various public institutions.

The Central Bank can be proud of its record during this 25 year period of its existence. It has seen many changes in the economic and social structure of the country and it has helped to carry through these changes with a reasonable degree of smoothness. It is a matter for gratification that a comparatively young institution like the Central Bank should have been able to respond to the pressing needs of these changes with a minimum amount of dislocation to the institution as well as to the country. Every young institution has to face teething troubles. The Central Bank has now overcome these and it can look forward to a period of useful service to this country.

I wish the Central Bank of Ceylon all success in its endeavours.

W. Gopallawa
President

26th August, 1975.





Prime Minister - Sri Lanka

Message

I am glad to send this message of felicitation to the Central Bank of Ceylon on the occasion of its 25th Anniversary. The people of Sri Lanka generally associate the Central Bank with money, because the Bank is the source of currency notes and coins used in everyday payments. But the role of the Central Bank in national economic development is little known. As banker and financial adviser to the Government, the Central Bank has made a very useful contribution to the efforts of the Government towards the economic development of Sri Lanka. The management of money and credit, and of the country's foreign exchange, which has a vital bearing in the stabilization and development of the national economy, is the major responsibility of the Central Bank.

The Central Bank has always played an active role in fostering economic growth and has taken the initiative in the introduction of a number of progressive measures. In this respect special mention may be made about the initiative taken by the Central Bank in the spread of the banking habit in the rural areas. One of its outstanding contributions to the national economic development of Sri Lanka was its recommendation to the Government in 1958 to establish the People's Bank primarily to look after the banking and credit needs of rural areas. The spread of the banking habit has also enabled the rural people to save a larger part of their increased incomes. The inability of the Ceylon Savings Bank and the Post Office Savings Bank to mobilize savings in a rapidly changing economy led to the establishment of the National Savings Bank.

I might also on this occasion refer to the considerable and unique research that is being done by the Bank into numerous aspects of our economy. This research has enhanced our knowledge of the working of our economy.

The services performed by the Central Bank as banker and financial adviser to the Government are too numerous to be enumerated. Nevertheless, I wish to say that I am aware of the many useful contributions the Central Bank has made to the national effort to develop Sri Lanka with the objective of bringing economic freedom to her people. I, therefore, have great pleasure in taking this opportunity to express my appreciation of the Central Bank for the services rendered to the Government and the Nation.

Sirima R. D. Bandaranaike

Sirima R. D. Bandaranaike
Prime Minister

25th August, 1975.





Minister of Finance - Sri Lanka

Message

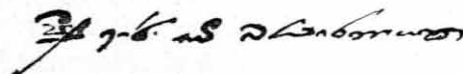
It gives me particular pleasure to send on this message for publication in the Commemorative Volume that marks the Twenty Fifth Anniversary of the Central Bank. Not only have I had, on a previous occasion as Finance Minister, intimate contact with the working and functioning of the Central Bank, but I can claim to be responsible for authorising on that occasion the construction of the Central Bank building in which the Central Bank is now housed and which is one of the more prominent landmarks of the city of Colombo.

An Anniversary such as this is naturally an occasion for taking stock of both the functions of the Central Bank in the past and for pointing to opportunities and challenges that are likely to confront the institution in the particular period that lies ahead for Sri Lanka.

So far as the past is concerned, I can myself claim a responsibility for the nationalisation of the largest indigenous bank during my past tenure as Finance Minister, although the full fruits of that nationalisation have yet to be reaped. This is not to say that positive developments have not occurred. In regard to agriculture, a fundamental problem confronted by the Government was that of making available the mobilized resources to the rural sector for use in productive activity. An important contribution of the Central Bank in this field was the fashioning of new development banking institutions and new credit instruments to make available financial resources to the farmers of this land. Before the establishment of the Central Bank, banking was essentially urban oriented while the real need for production credit was in the rural areas. The Central Bank's awareness of this fundamental problem led to its proposal to establish the People's Bank in replacement of the Co-operative Federal Bank, to make credit available to farmers and other rural folk through the co-operative network as well as directly, by branches of the People's Bank established in rural areas. A subsequent development was the use of the network of branches of the People's Bank and also of the Bank of Ceylon, to provide loans to farmers on an Island-wide basis for cultivation purposes with refinance provided by the Central Bank. There can be no doubt that the provision of credit to the rural sector through the banking system has been a major factor that has made possible the radical changes that have been brought about in the rural economy of Sri Lanka.

In the future I would expect both institutions to take a prominent part in moving into long-term lending on suitable quick-yielding projects which will have the effect of diffusing prosperity throughout the countryside. This would imply the elimination of the traditional distinction between a commercial bank as a short-term lending institution and a development bank as a long-term lending institution, by fusing both functions in the same set of institutions. The banking system in the future will be expected to initiate project development instead of passively awaiting the receipt of applications to invest.

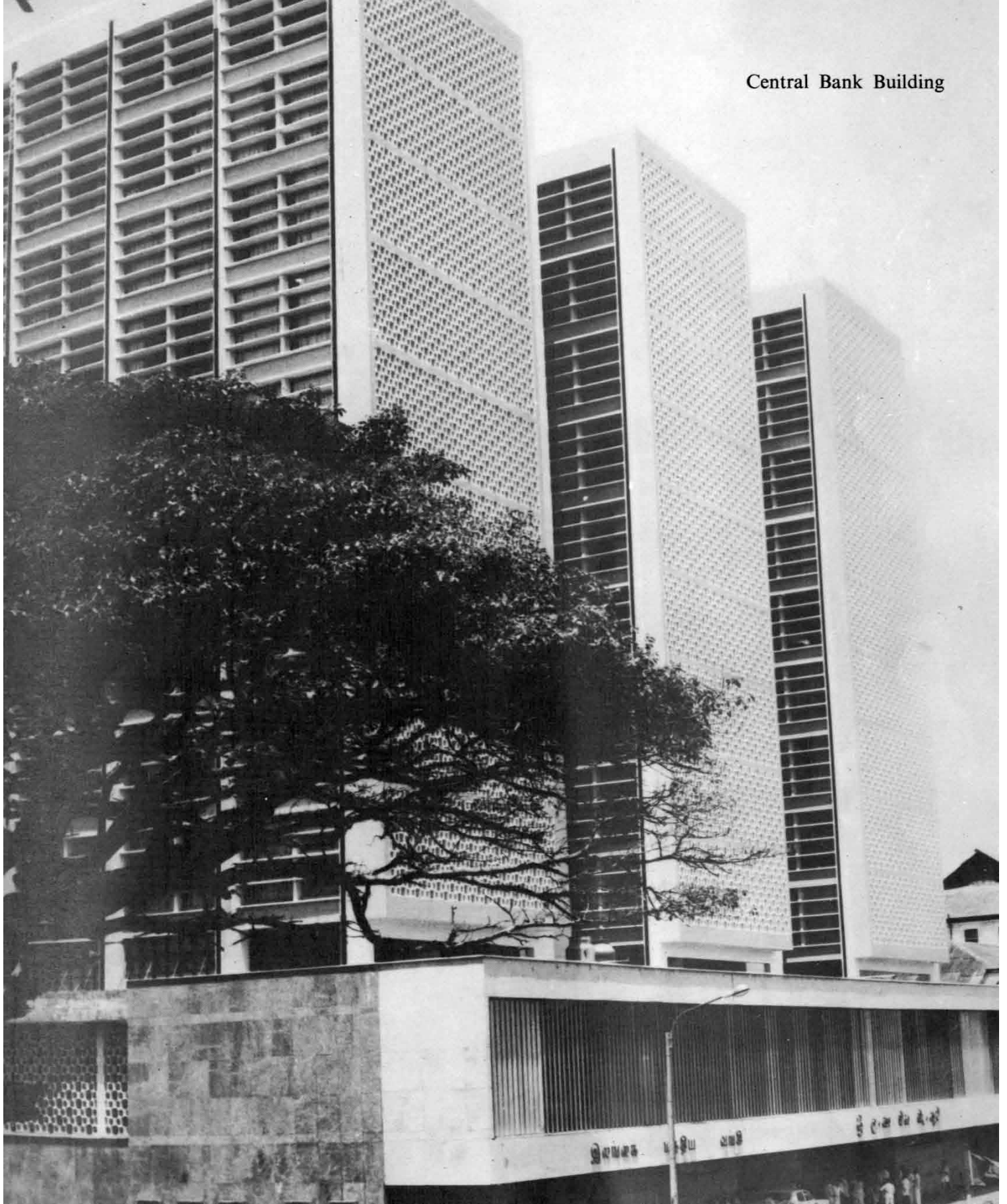
A word in conclusion on the role of the Central Bank in tendering policy advice to the Government. In the past, the Central Bank has functioned as a kind of nursery for the provision of talent to numerous institutions of the Government such as the Planning Ministry, the Treasury and other Ministries and Departments of Government on a basis of secondment of trained personnel. The Research Department of the Central Bank, however, has tended, through no fault of its own, to devote itself increasingly to the pursuit of pure research. In contrast, in many other countries, the comparable institution has functioned as an important agent for the conducting of policy oriented research and directed towards having an immediate impact on policy formulation and implementation. It is this function that I propose to lay stress upon during my tenure as Finance Minister so that the expertise of the Central Bank is drawn into the main stream of Governmental decision-making and I look forward to working in full co-operation on this and other matters with the Central Bank.



Felix R. D. Bandaranaike
Minister of Finance

18th September, 1975.

Central Bank Building





H. E. TENNEKOON
GOVERNOR (June 1, 1971—Present)



Message

The Twenty Fifth Anniversary of the Central Bank of Ceylon falls at a time when a combination of internal and external factors has brought about the most serious balance of payments crisis that the country has had to face since the Central Bank was established. The resilience of the economy in the face of the restrictive measures that have had to be adopted to meet this crisis is in large measure a reflection of the successful economic policies pursued by successive governments to reduce reliance on imports of foodstuffs and manufactures. While the economic policies of the Government designed to achieve this end have received much public attention, the role of credit in bringing about the development of import substituting agriculture and industry has not been appreciated as much by the public. One of the most significant institutional changes that has taken place in the country in these twenty-five years is the rapid expansion of the banking system. This expansion has been most marked in the field of commercial banking and has helped to generate a high degree of dynamic force.

The Central Bank's role in making this expansion of the banking system possible has not received much publicity. It is with pride that I wish to mention that much of the thinking behind the changes brought about in the banking structure was initiated in the Central Bank. The Monetary Law Act entrusted the Central Bank with the responsibility of continuous supervision and periodical examination of all banking institutions in Sri Lanka not only to provide the public with confidence in the banking system, but also to appraise their credit policies in the light of the objectives of national policy. In discharging this responsibility, the Central Bank was aware of the gaps in the institutional framework for channelling credit, and the inadequacy of many of the credit instruments inherited with an outworn credit structure. It was the awareness of these shortcomings that prompted the Central Bank to propose the establishment of the People's Bank, in replacement of the Co-operative Federal Bank, as the apex credit institution of the co-operative credit network and to serve the needs of the rural people of Sri Lanka. The establishment of two new banks in 1969/1970, on the basis of the recommendation of the Central Bank — one owned jointly by three government corporations, a foreign bank and the public and the other jointly by a local company, a foreign bank and the public — was a further institutional change made to meet the needs of a changing economy. The Central Bank has always been alive to the need for promotion of savings and investment in the country and the creation of necessary institutions for the purpose.

The Central Bank's contribution to the adjustment of the credit structure to meet the changing needs of the economy has not merely been restricted to the thinking which led to the establishment of the new banking and savings institutions like the State Mortgage and Investment Bank and the National Savings Bank. The Central Bank has indeed actively collaborated and co-operated with banking institutions, both in Sri Lanka and abroad, to find solutions to problems that have arisen in meeting the demand for credit for development purposes. The use of the refinance facilities of the Central Bank is an illustration of the constructive spirit and action which guided the Bank in its relations with banking institutions. For example, in the nineteen-fifties, a major bottleneck to the increased purchase of paddy by the Department of Agrarian Services under the Government's Guaranteed Price Scheme (GPS), was the lack of a suitable method of financing of purchases by the multi-purpose co-operatives which were approved agencies under the GPS. The People's Bank agreed to the discount of the goods receipts issued by the government to the co-operatives on delivery of paddy at the go-downs, while the Central Bank in turn agreed to provide refinance facilities in respect of these goods receipts to the People's Bank at a preferential rate of interest. Thereby it was possible to make the GPS a more effective instrument because previously co-operatives were not in a position to purchase paddy offered by farmers because of the lack of funds. Again, in illustration, I would point out the establishment in 1964 of the Medium and Long-Term Credit Fund to which the Central Bank has channelled part of its profits from time to time. This Fund was established to encourage commercial banks and other credit institutions to lend for development purposes over longer periods of time than they would have been prepared to consider in the absence of the facilities of this Fund. Commercial banks and other approved credit institutions are entitled to obtain refinance against loans given to their customers for development purposes upto a maximum repayment period of 15 years. The banking system has therefore been better able to meet the demand for medium and long-term credit arising from the inducements provided by government to invest in import substituting agriculture and industry.

The refinance facilities of the Central Bank have been used to increase the flow of credit to the priority sectors of the economy identified in the government's development plans. These sectors include domestic agriculture, fisheries, small industries, tourism and tea. In channelling credit to these sectors, the Central Bank has been closely associated with agencies of Government in specific projects, the foreign exchange costs of which were financed from lines of credit provided by international lending institutions — tea factory modernization financed with two lines of credit from the Asian Development Bank, fisheries development again financed by the Asian Development Bank and dairy development financed with a loan from the International Development Association. With the increasing emphasis placed by international lending agencies on the development of the small sector both in agriculture and industry, the institutional arrangements to provide credit to this sector takes on added significance. Hence, the Central Bank can be expected to play an increasingly important role in devising satisfactory institutional arrangements to channel credit to small farmers and small entrepreneurs.

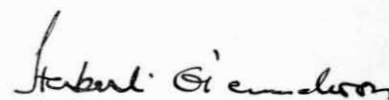
The Central Bank's contribution to national economic development has not been restricted to the field of money and credit. In managing the country's external reserves, the Central Bank has been entrusted with the onerous task of preserving and stabilising the value of the Sri Lanka rupee. In the last two decades the country has been faced with a

secular decline in its export earnings because of the continued decline in the prices of its major agricultural exports. Thereby the country's capacity to import its requirements of investment and intermediate goods to further its economic development, as well as to provide essential consumer goods for daily living, has been progressively reduced. It is against this background that the Central Bank has had to fashion its exchange policies. Hence, basically, exchange policy has been geared to help the Government in its efforts to increase domestic production on a wide front.

** The Central Bank has a responsibility to gather economic and financial information relating to the different sectors of the economy for the guidance of the Bank in fashioning its monetary policy, as well as for the guidance of the Government in the overall economic management of the country. The Bank is also expected to undertake research using this information as well as information available from other sources. Information gathered by the Bank, as well as much of the research studies undertaken have been made available to the Government to help it in its day to day decision making as well as in long-term planning.*

With the expansion of banking facilities consequent on the establishment of the People's Bank and the nationalisation of the Bank of Ceylon, there was an increased demand for trained bank personnel. In April 1963, the Central Bank, together with the Bank of Ceylon, the People's Bank and the Commercial Banks' Association, established the Bankers' Training Institute. This Institute offers training to bank employees, facilities for discussion of matters of interest to banks, and generally encourages and promotes the study of banking and allied subjects.

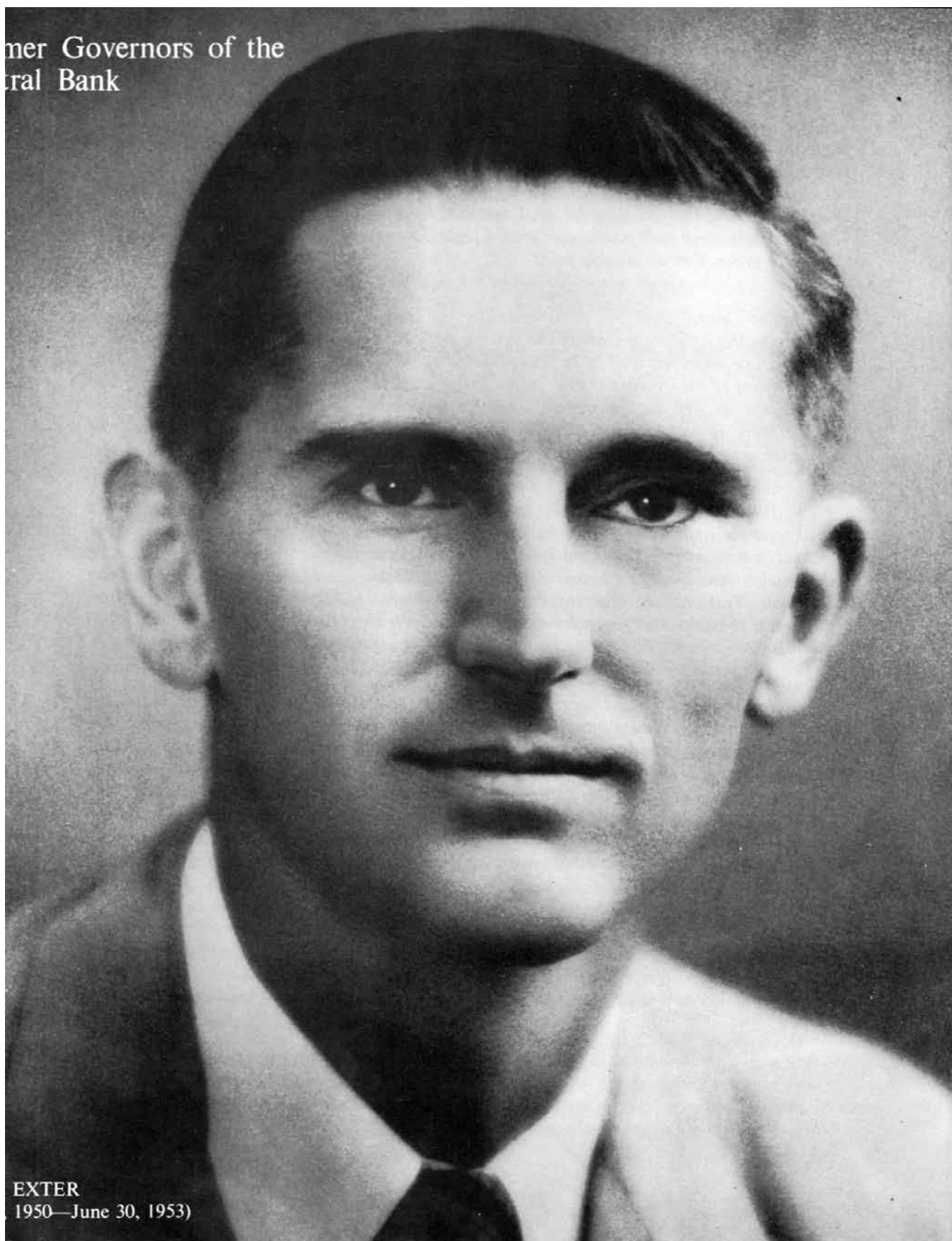
In conclusion, I wish to observe that it was the foresight of the Central Bank in training its officers that has enabled it to fulfil its role as banker and adviser to the Government. The Central Bank recognized quite early the need to have trained officers if it was to fulfil the important function of information gathering and research, as a basis for proffering advice to the Government. To meet this need, the Bank embarked on a planned programme for training its staff in different specialized fields. Besides proffering advice, the Central Bank readily shared the services of this trained staff as well as their knowledge with the Government. Co-operation with the Government has been the underlying basis of the Central Bank's achievements.



H. E. Tennekoon
Governor
Central Bank of Ceylon

28th August, 1975

mer Governors of the
tral Bank



EXTER
(1950—June 30, 1953)

Message

May I extend warmest congratulations to you, Mr. Governor, to the Monetary Board, and to the officers and staff of the Central Bank of Ceylon on this the Twenty-Fifth Anniversary of the inauguration of the Bank.

The monetary history of the last twenty-five years both in Sri Lanka and abroad has been eventful, even turbulent, so the Bank has had challenges that were unforeseen in 1949 and 1950. But it can be proud of its part in that history. It can be especially proud of the leaders it has produced. Many have distinguished themselves inside the country. Others were first recruited and trained in the Central Bank and then went overseas where they had to compete with leaders from countries around the world. Whether at home or abroad they have done outstanding jobs and have brought great credit to themselves, to the Central Bank, and to Sri Lanka. Of those abroad I am reminded particularly of those who have gone to such organizations as the International Monetary Fund, the International Bank for Reconstruction and Development, the Asian Development Bank, the United Nations and its agencies, such as the United Nations Conference on Trade and Development, and the Economic and Social Commission for Asia and the Pacific. You will undoubtedly know of many others. They and the Bank are to be congratulated on jobs well done.

It would be disingenuous of me to pretend that back in 1949 when I helped draft the original Central Bank legislation with H. N. G. Fernando, then Legal Draftsman, I foresaw the kind of monetary world we have today. Far from it. Although I wrote, "It would be foolhardy to assume, with the record of the war—and depression-induced economic crises of the last 30 years plainly before us, that the Ceylon economy will somehow escape such crises in the future," I had no idea monetary conditions would become so disorderly as they are now. The world has already entered the most serious monetary crisis since central banks first came into being in the latter part of the seventeenth century. World trade is shrinking, standards of living falling, unemployment increasing, costs and prices rising. In particular, the cost of energy required to fuel the wheels of progress has soared. Worst of all the international monetary system, as conceived when the International Monetary Fund was established at Bretton Woods in 1944, has broken down.

The Monetary Law Act was drafted in the expectation of more, not less, stable money. In my report I wrote, "Stable money is essential to performance under contract and to the equitable liquidation of debt; it is the lifeblood of foreign trade." The Bretton Woods Agreement was then only five years old. I was a strong believer in its underlying philosophy: that central banks should provide stable money by accepting the discipline of the gold standard, maintaining free convertibility of their currencies into gold at a fixed price, and avoiding exchange and other restrictions that shackle trade and capital. The dollar was then the only major currency that was freely convertible, but the Fund and the international community in general had as its goal the elimination of existing exchange restrictions and the achievement of convertibility of all the major currencies.

In conformity with the Bretton Woods Agreement the Monetary Law Act defined the rupee in gold and emphasized the importance of gold or currencies freely convertible into gold in the international reserve. Sterling was a problem because it was the largest part of the international reserve and inconvertible. Major currencies, including sterling, became convertible in 1958, however, so the world achieved the kind of monetary system that the Monetary Law Act envisioned. Even the Canadian dollar, which had been floating since 1950, dropped its float in May, 1962, and joined the fixed exchange rate system.

Then came the tragedy. Most of the central banks of the world, even the major ones, did not accept the discipline of the freely convertible fixed exchange rate system that they had worked so hard to achieve. Sterling continued from crisis to crisis. In November, 1967, it was devalued from \$2.80 to \$2.40. In 1972 the sterling area broke up. Today the rate of inflation in the British economy is about 25% per annum and the pound has floated down to the \$2.10 level.

It was the dollar, however, that was the kingpin of the Bretton Woods system. The life of the system depended upon the capability of the United States authorities to maintain free convertibility of the dollar into gold at \$35 an ounce. Unfortunately that capability slowly eroded through the sixties and the early seventies. In March, 1968 the gold pool countries meeting in Washington closed the gold window to private people and set up the two-tier system. On August 15, 1971 President Nixon had to close the gold window even to central banks.

That was a watershed date. Overnight we went from the post-war gold standard world of redeemable paper money into one of irredeemable paper money. Since then no currency anywhere is redeemable in gold at a fixed price, a situation unprecedented in history. Many paper currencies have for a time, even a long time, been irredeemable, never before all of them at once.

So today paper money is unstable everywhere. All currencies are losing value in terms of the goods and services that they can buy in their homelands. In the outside world money is also unstable from currency to currency. Closing the gold window threw us into a world of floating exchange rates in which the major currencies fluctuate in value one against the other, minute by minute, hour by hour, throughout each day. Clearly such a world does not foster performance under contracts and the equitable liquidation of debt. Instead it is producing defaults and bankruptcies : Penn Central, Rolls Royce, Franklin National Bank, to name but a few.

The Monetary Law Act was not designed for a floating exchange rate system. It was intended for a system in which the preservation of the par value of the Ceylon rupee was one of the principal objects of the Central Bank and in which an international reserve was set up to maintain that object. In today's world that object is impossible to achieve.

It will be many years before we can return to a stable monetary system. That system broke down for a very simple reason. Central banks acquired paper assets in grossly excessive amounts, both domestic and foreign. In effect, they ran the printing presses. Our Federal Reserve, for example, held less than \$20 billion of U. S. Government securities as domestic paper assets in 1949 and now holds more than \$80 billion worth, most acquired

since 1960. The Bundesbank holds about \$23 billion of U. S. Government securities as foreign paper assets, all acquired since the end of 1969. To return to monetary stability and restore the free convertibility of paper money into gold at a fixed price the central bank practice of acquiring grossly excessive paper assets must stop. It is likely to take years of economic pain and hardship before the world learns that simple truth. But people will learn ; they have done so many times before.

The power of governments and central banks to print money is an awesome power. History has shown that, once the process starts on a significant scale, it is most difficult to stop, at least deliberately. Even now we read of reflationary programs being adopted in country after country around the world—Germany, France, Japan, and the Netherlands, to name a few—with the object of restimulating economic activity and reducing unemployment. In my own country we are headed for what may be a record Federal government budget deficit. Authorities are administering more of the same medicine that has already made the world economy ill.

The key problem is that monetary expansion creates an ever-growing debt burden. Each new piece of paper, whether a currency note or an account on the ledger or in the computer of a bank, is a debt obligation, a promise to pay, an IOU. Debtors go into debt at different rates, but in some currencies they have been more imprudent and gone deeper into debt than in others. The most imprudent are those who have become illiquid by borrowing short term and lending or investing long term, particularly across today's floating exchange rates. There are far more illiquid debtors in the dollar than in any other currency, partly because the dollar is the preeminent world currency, so has been lent all over the world, but also because Americans have been less alive to the dangers of becoming illiquid than have holders of other currencies.

It will be more difficult, therefore, for the Federal Reserve to reflate the dollar than for other central banks to reflate their currencies. In fact the Federal Reserve may fail to reflate, at least temporarily, and the dollar may slip into a period of deflation, actually falling prices and costs.

Dollars are already getting scarce in the world. Interest rates in dollars are rising and the dollar is emerging as the strongest of all major currencies.

I have written at such length to show how very different our monetary world is today from the one in which the Central Bank was inaugurated. It is, I regret to say, a far more difficult world in which to be a central banker. I wish I could assure everyone in the Bank including especially you, Mr. Governor, for whom I have such high regard, that the next twenty-five years are going to be easier, but I do not think they will be.

290 Boulevard
Mountain Lakes,
New Jersey, 07046
U. S. A.



John Exter

16th September, 1975.



N. U. JAYAWARDENA
(July 1, 1953—October 13, 1954)

Message

The Twenty Fifth Anniversary is a relatively short span in the story of a Central Bank; yet it offers a convenient occasion to reflect on the aims and ideals of the Central Bank of Ceylon as conceived by its founders and expressed in the enacting statute and to compare these with what the Central Bank has, in fact, achieved over the period.

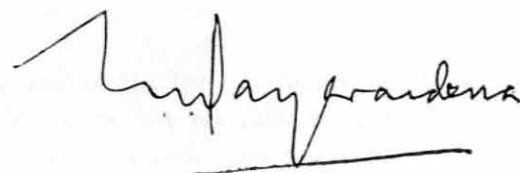
As I happened to be closely associated with Mr. John Exter, the American expert who was responsible for the legislation incorporating the form and content of the Central Bank, and as I also served in the Central Bank in the first few years of its establishment and, during the rest of the period, was able to view its functioning from the arena of the market place where the impact of its activities should be felt operationally most, I have been privileged, even in a small way, to judge how the Central Bank of Ceylon has fared in relation to its founding aims and ideals.

It was expected that the Central Bank of Ceylon would :—

- (i) organise the infrastructure of necessary institutional forms and legal instruments and, on the basis of this, develop a superstructure of an integrated banking and financial system, providing a comprehensive and a competitive service.*
- (ii) establish and develop the necessary linkages between banking and finance, on the one hand, and savings and investment, on the other, through an organised and active stock exchange — which Sri Lanka still lacks — and through other institutional forms so designed as to encourage share-ownership on the widest possible scale and investment participation on the broadest possible basis both individually and by community groups.*
- (iii) assume responsibility for acquiring reliable and comprehensive knowledge of the basic facts of the national economy, analysing and interpreting these facts objectively and meaningfully, communicating these facts to Government agencies and the public.*

The instrument devised for undertaking these responsible tasks was the Department of Economic Research which was specially constituted by the enacting statute. It was empowered to train, and subvent training of, personnel for the purpose both within and without the Bank, equip itself with a team of highly competent talent in economics, statistics, sociology and other behavioural sciences so that it would develop into a forceful engine of original thought, of reflection and knowledge, of communication and advice on the economic and social aspects of community life.

I have said enough to outline the aims and ideals of the Central Bank of Ceylon, when it was founded. There is no doubt that notable progress has been made in certain areas in achieving these goals; in other areas, progress has been slow, yet in others a beginning has still to be made. A period of twenty five years, to repeat, is a short span in the life of a Central Bank. As I salute the Central Bank of Ceylon on the occasion of its Twenty Fifth Anniversary on what it has accomplished, I am confident that in the years to come it will be able to realise more fully the aims and ideals I have endeavoured to outline briefly and make the Golden Jubilee of the Central Bank a still more unique occasion for the celebration of its accomplishments.

A handwritten signature in black ink, appearing to read 'N. U. Jayawardena', with a horizontal line drawn underneath the signature.

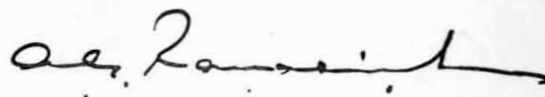
N. U. Jayawardena

26th August, 1975.

Message

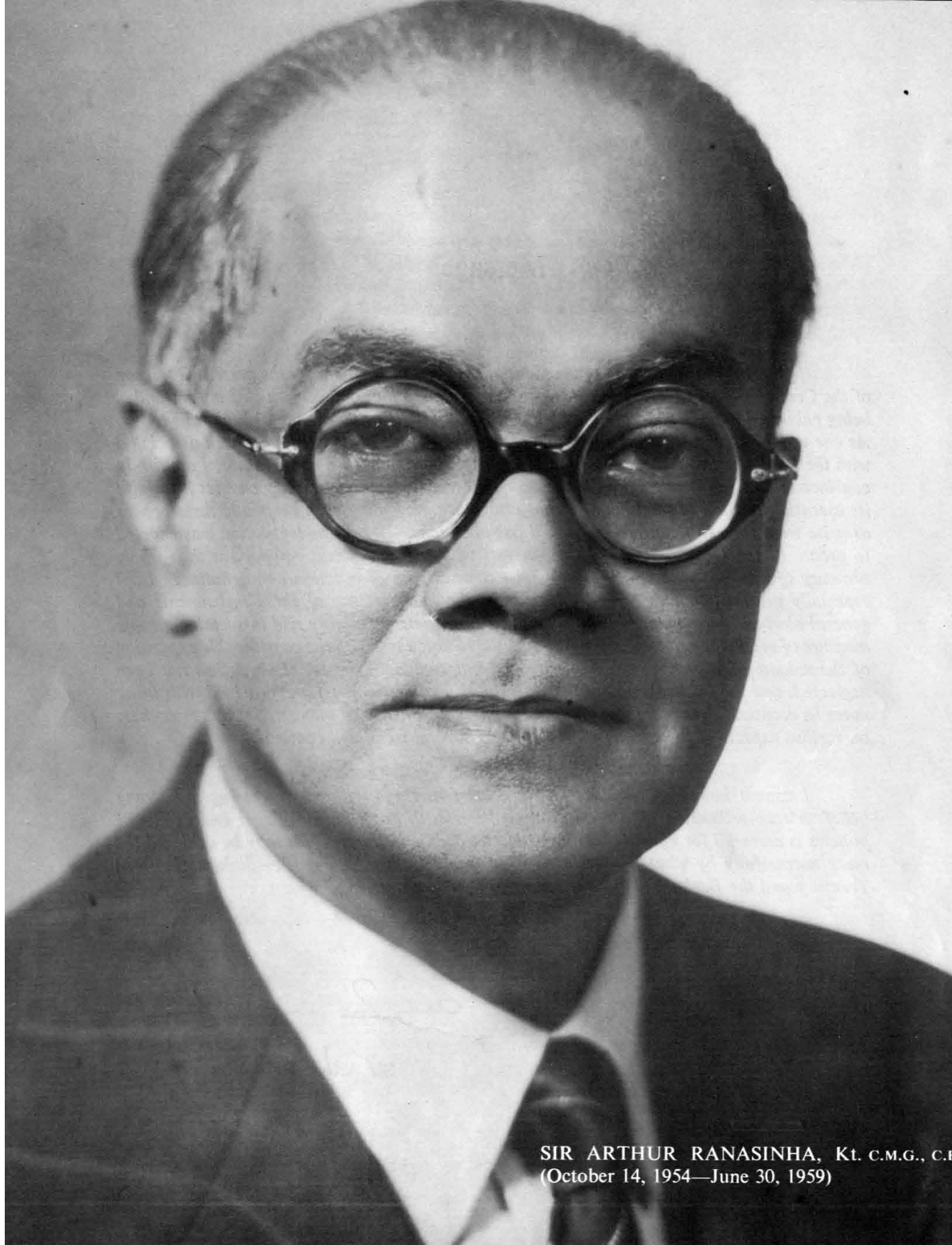
It gives me much pleasure to accede to the request made to me by the present Governor of the Central Bank of Ceylon to contribute a message to the Souvenir which I understand is being published to commemorate the 25th anniversary of its establishment, which falls today. As one who had, almost during the whole of the first decade of its existence, been associated with the Bank, first as a member of the Monetary Board, and then as Governor, I am firmly convinced that its central position in the economic structure of our country enables it to fulfil its essential function of moderating if not altogether preventing such economic disturbances as arise from time to time through global complications. When the legislation was enacted to create it, the Central Bank of Ceylon was with far-sightedness equipped with a whole armoury of weapons with which to combat extremes both of inflation and deflation. I am especially gratified that in these difficult days the judicious use of these instruments and general alertness have helped in the promotion of monetary stability and in sustaining some measure of economic growth. I am also pleased to note that, with the considerable expansion of the volume of work, in both domestic and international spheres, research has not been neglected, and the public, (and not merely professional economists) are provided with fuller notes on economic events in the monthly bulletin, and with special monographs by researchers on various aspects of the economy. I wish this hopeful trend will continue.

I cannot however conclude this very brief message without expressing my strong belief that co-ordination of central bank policies with governmental fiscal and economic policies is essential for effectiveness in promoting public welfare. This may be achieved the more successfully by what is now being fashionably termed 'dialogue',—dialogue between Treasury and the Bank—than by the exchange of documents.



Sir Arthur Ranasinha

28th August, 1975.



SIR ARTHUR RANASINHA, Kt. C.M.G., C.B.
(October 14, 1954—June 30, 1959)



D. W. RAJAPATIRANA
(July 1, 1959—August 30, 1987)



W. TENNEKOON
(August 31, 1967—May 31,

Message

It gives me great pleasure to send a message for inclusion in the Central Bank's Commemorative Volume since I was associated with the Bank from its inception. I left the Bank of Ceylon in August, 1950 to join the Central Bank and the task of setting up its Banking and Currency Department was assigned to me. I was the Central Bank's first Chief Accountant and its first Director of Bank Supervision, in charge of the two departments in the Bank whose duties and functions pertain to the field of banking in which, I am glad to say, the Central Bank has over the years brought about several changes of importance. After nearly 21 years of service, I left the Central Bank in 1971 to accept the post of Executive Director of the Asian Development Bank.

Looking back over the quarter century, I can say with confidence that the Central Bank has performed, very commendably, the functions assigned to it under the Monetary Law Act. In discharging these functions the Bank took certain promotional measures in the field of banking, some of which deserve special mention. One of the earliest of such measures was the establishment of the Development Finance Corporation of Ceylon in the setting up of which the Bank played an important role. I recall that, in 1955, agreement was reached with the World Bank on the constitution of the Corporation and the then Governor persuaded foreign banks and insurance companies to invest in the equity of the Corporation along with Ceylonese investors and was able to raise eight million rupees as paid-up capital.

Another promotional measure was the setting up of the People's Bank. Following an examination of the Co-operative Federal Bank of Ceylon Limited by the Central Bank, recommendations were made to Government by the Bank for the establishment of a full-fledged commercial bank to take the place of the Co-operative Federal Bank with special responsibility for the development of the co-operative and agricultural sectors of the country. A memorandum for legislation was first prepared in 1957, after a series of discussions between the Central Bank and the Ministry of Agriculture and Food which at that time was in charge of the co-operative movement. The Bill was passed by Parliament in 1961.

There are other instances, to which I should make reference, where the Central Bank was responsible for institutional changes in the field of banking. One was the creation of the National Savings Bank. The Central Bank recommended to Government that there should be a single savings organisation which could effectively discharge the task of mobilising personal savings for productive investment. Another instance was the establishment of the Commercial Bank of Ceylon Limited and the Hatton National Bank Limited. The Central Bank was able to secure the collaboration of British banking interests to set up locally incorporated banking companies which would take over part of their business in this country.

There were some other proposals which originated in the Central Bank but have as yet not been implemented. One such proposal was the establishment of a National Development Bank as a subsidiary of the Central Bank. This Bank was intended to

grant medium and long-term credit to industrial and agricultural projects, which the DFCC would not have been interested in owing to higher risks and other reasons which a private corporation may not find attractive. Although a memorandum for legislation was prepared in the late nineteen sixties, steps have not been taken to implement it.

Another proposal was for the Central Bank to exercise a measure of control and supervision over non-bank financial institutions. The Central Bank has also formulated proposals to insure deposits in banks up to certain limits. Another matter that was examined by the Central Bank was the setting up of an Export-Import bank. However, this proposal was not pursued.

I feel privileged to have been associated with an institution which, during the twenty five years of its existence, has contributed much to the development of banking and to the economic advancement of the country. May the Central Bank grow from strength to strength in its service to the Nation.

A handwritten signature in black ink, appearing to read 'W. Tennekoon', with a large, stylized initial 'W'.

W. Tennekoon

28th August, 1975.

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THE MONETARY BOARD

1950 - 1975

- July 1, 1950 — July 9, 1950 : John Exter, Governor
Chairman
Sir Charles Jones, C.M.G.
Permanent Secretary to the
Ministry of Finance
J. Tyagaraja
Appointed Member
- July 10, 1950 — Dec. 12, 1950 : John Exter, Governor
Chairman
T. D. Perera, C.M.G.
Permanent Secretary to the
Ministry of Finance
J. Tyagaraja
Appointed Member
- Dec. 13, 1950 — June 30, 1953 : John Exter, Governor
Chairman
Sir Arthur Ranasingha, Kt. C.M.G., C.B.E.
Permanent Secretary to the
Ministry of Finance
J. Tyagaraja
Appointed Member
- July 1, 1953 — Oct. 13, 1954 : N. U. Jayawardena, Governor
Chairman
Sir Arthur Ranasingha, Kt. C.M.G., C.B.E.
Permanent Secretary to the
Ministry of Finance
J. Tyagaraja
Appointed Member
- Oct. 14, 1954 — Aug. 23, 1956 : Sir Arthur Ranasingha, Kt. C.M.G., C.B.E.
Governor
Chairman
L. J. de S. Seneviratne
Permanent Secretary to the
Ministry of Finance
J. Tyagaraja
Appointed Member

Aug. 24, 1956 — June 30, 1959 : Sir Arthur Ranasinha, Kt. C.M.G., C.B.E.
Governor

Chairman

S. F. Amerasinghe, O.B.E.
Permanent Secretary to the
Ministry of Finance

J. Tyagaraja
Appointed Member

July 1, 1959 — May 31, 1961 : D. W. Rajapatirana, O.B.E. Governor
Chairman

S. F. Amerasinghe, O.B.E.
Permanent Secretary to the
Ministry of Finance

J. Tyagaraja
Appointed Member

June 1, 1961 — June 10, 1963 : D. W. Rajapatirana, O.B.E. Governor
Chairman

H. S. Amerasinghe
Permanent Secretary to the
Ministry of Finance

J. Tyagaraja
Appointed Member

June 11, 1963 — Dec. 18, 1963 : D. W. Rajapatirana, O.B.E. Governor
Chairman

H. E. Tennekoon
Permanent Secretary to the
Ministry of Finance

J. Tyagaraja
Appointed Member

Dec. 19, 1963 — Aug. 30, 1967 : D. W. Rajapatirana, O.B.E. Governor
Chairman

H. J. Samarakkody
Permanent Secretary to the
Ministry of Finance

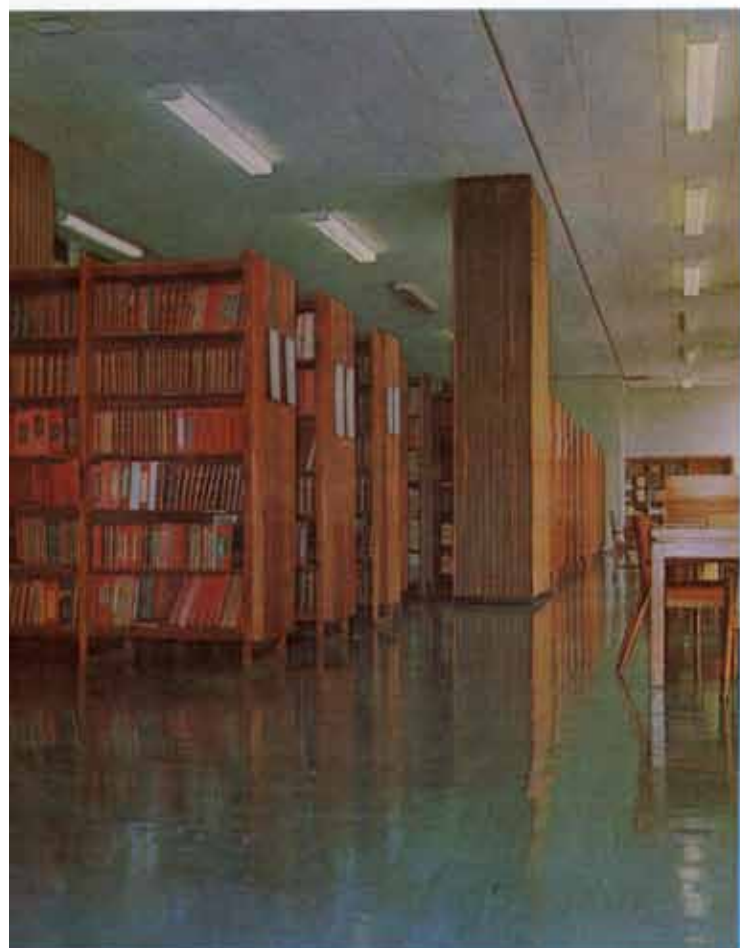
J. Tyagaraja
Appointed Member

Aug. 31, 1967 — Nov. 14, 1968 : W. Tennekoon, Governor
Chairman

H. J. Samarakkody
Permanent Secretary to the
Ministry of Finance

J. Tyagaraja
Appointed Member

- Nov. 15, 1968 — May 6, 1971 : W. Tennekoon, Governor
Chairman
M. Rajendra
Permanent Secretary to the
Ministry of Finance
J. Tyagaraja
Appointed Member
- May 7, 1971 — May 31, 1971 : W. Tennekoon, Governor
Chairman
C. A. Coorey
Permanent Secretary to the
Ministry of Finance
J. Tyagaraja
Appointed Member
- June 1, 1971 — Oct. 27, 1974 : H. E. Tennekoon, Governor
Chairman
C. A. Coorey
Permanent Secretary to the
Ministry of Finance
J. Tyagaraja
Appointed Member
(Ceased to be a member
July 1, 1971)
M. Rajendra
Appointed Member
(Appointed July 16, 1971)
- Oct. 28, 1974 — Present : H. E. Tennekoon, Governor
Chairman
C. A. Coorey
Secretary to the Ministry of Finance
(Ceased to be a member
July 1, 1975)
Dr. L. R. Jayawardena
Secretary to the Ministry
of Finance
(Appointed July 16, 1975)
Dr. H. A. de S. Gunasekera
Secretary to the Ministry of Plan-
ning and Economic Affairs
M. Rajendra
Appointed Member



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Deputy Governors of the Central Bank of Ceylon 1950 — 1975

N. U. Jayawardena

Dr. Theodore Morgan

D. W. Rajapatirana O.B.E.

Dr. B. B. Das Gupta

W. Tennekoon

D. C. Gunasekera

S. E. P. Jansz

Dr. Gamani Corea

Dr. W. M. Tilakaratna

P. V. M. Fernando

Dr. W. Rasaputram

H. L. D. Selvaratnam