





**40TH ANNIVERSARY**

**COMMEMORATIVE VOLUME**

**OF THE**

**CENTRAL BANK OF SRI LANKA**

**1950 - 1990**

Published on the occasion of the Fortieth Anniversary  
of the Central Bank of Sri Lanka, 1990

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**Message from His Excellency,  
R. Premadasa, President of the  
Democratic Socialist Republic of  
Sri Lanka**

*The Central Bank of Sri Lanka commemorates its 40th Anniversary this year. The occasion almost coincides with the years we have been an independent nation. During these four decades, how have we managed the financial, fiscal, monetary and economic affairs of our country? How do we propose to discharge the trust in the future? These are questions all those responsible for the affairs of our nation have to seriously confront on this occasion.*

*The economy of Sri Lanka has had to weather many a storm during these 40 years. Our reserves, balance of payments and trade balances have been subjected to severe fluctuations. The Central Bank was also called upon to*

*contend with the depreciating value of the rupee, the rising cost of living and the poverty that still assails the large mass of our population. To compound the problem, waste, corruption and mismanagement have had an adverse impact on the performance of many of our public enterprises.*

*As we look to the future, specially to the decade before us, all the institutions concerned with our economy have to give deep thought to the steps we should take to charter a course that will restructure and strengthen our economy. The appointment of a Finance and Banking Commission with wide powers and comprehensive Terms of Reference provides an opening for the reforms that are inevitable and urgent. I hope the Commission will make recommendations aimed at making our economy stronger and more resilient. This will undoubtedly be a secure and firm foundation for our economy to face the challenges of externalities which are often beyond our control.*

*I hope the Central Bank as it faces the 5th decade of its establishment will take the initiative to contribute to conditions for growth, savings, investment, risk taking, poverty alleviation and social upliftment to the limit consistent with monetary and financial stability.*

*I wish the 40th Anniversary Celebrations of the Central Bank of Sri Lanka all success.*



**R. Premadasa**  
*President*

*28th August, 1990*



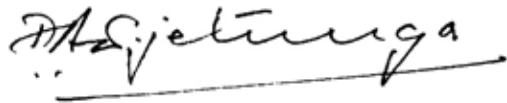


**Message from Hon. D.B. Wijetunge  
Prime Minister and Minister of Finance  
of the Democratic Socialist Republic of  
Sri Lanka**

*I am pleased to send this message on the occasion of the 40th anniversary of the Central Bank of Sri Lanka. During this period of 40 years, the Bank has played a significant role in maintaining economic stability and promoting economic growth in all the major sectors of the economy. It has achieved this by using a multiplicity of unique statutory functions that have made it a very effective catalyst for economic development in Sri Lanka. The Central Bank has performed its role as adviser to the Government exceptionally well and we are appreciative of the services rendered by the Bank to the Ministry of Finance in budgetary and economic management.*

*The Bank has been very cooperative and it has undertaken readily the various additional functions that have been assigned to it by the government, from time to time. In economic analysis and data collection, the Bank has been a pioneer and has always provided valuable information and analyses for policy formulation. The departments in charge of supervising and developing the banking sector have made a major contribution to the progressive expansion of banks and the furtherance of the banking habit. The Central Bank has discharged its agency functions for the Government very efficiently, particularly in regard to exchange control, public debt management and the maintenance of Government accounts.*

*In view of these achievements, the Central Bank can be proud of its record during this 40 year period. I have no doubt that with the growing expertise of its staff, combined with the steadily improving managerial and organisational systems that are being adopted by the Bank, it will continue to provide an exemplary and continuing leadership to the banking sector. Please accept my very best wishes for the future of your institution.*



**D.B. Wijetunge**  
*Prime Minister and Minister of Finance*

*28th August, 1990*



## **Message from Dr. H.N.S. Karunatilake Governor, Central Bank of Sri Lanka**

*The Central Bank is bringing out this well documented commemorative volume on its 40th Anniversary because an adequate record of its work has not been made earlier, although a relatively short commemorative edition was issued for the 25th Anniversary. When the Central Bank was established in 1950, the banking system was in a rudimentary state with one domestic bank and some 10 expatriate banks. In the last four decades, the economy and the banking system have undergone extensive change and it is important to document the role of the Central Bank. None of these banks were lending outside their traditional spheres of activity and the emphasis in their business was largely on financing commerce and trade. In particular, in the last decade, significant qualitative changes have taken place in banking business. Today, the commercial banks, the specialised financial institutions and the network of Regional Rural Development Banks are*

*engaged in a wide range of financing activities with a much greater emphasis on credit for small scale enterprise. The international business of the banking system has risen substantially with the expansion of trade, foreign investment and off-shore banking operations.*

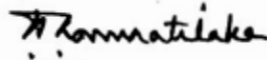
*The Bank has grown in size from the five departments which were operating in 1950 to 21 departments today which reflects the diverse range of activities which it is now engaged in. Clearly one of the most important aspects of central banking activity has been the promotional and development orientation of its work, particularly in institution building and changing the character and objectives of banking operations. The Bank has been responsible for the establishment of not only new commercial banks but also specialised development finance institutions. It has contributed to liberalise banking operations and has motivated financial institutions to be more dynamic and innovative. It has progressively strengthened its supervisory powers over the banking system and in particular, taken a wide range of measures to correct the unsatisfactory trends in the Non Bank Financial Institutions which occurred in the last decade.*

*New Debt Recovery Laws have been enacted to make the banking system more viable. The most recent contribution of the Bank has been the Credit Information Bureau which commenced operations on 1st August, 1990. Recently, the Bank has devoted more time and effort towards developing the rural sector and actively participating in the government's programme of poverty alleviation. Its activities in this area have been facilitated by the three Central Bank branches which are strategically located in different parts of the Island.*

*The Bank has paid considerable attention to the training of bankers and has encouraged other banks to train staff in order to accommodate the increasing need for staff in their fast expanding branch networks. The Central Bank has participated in international activities. Sri Lanka became a member of the IMF and the IBRD one day after the Bank was opened in August 1950. It has been a founder member of SEANZA, SEACEN, the Asian Clearing Union and several other important international groups.*

*Throughout, the Bank has had very healthy and cordial relations with the government and has been actively assisting and advising the government on a wide range of economic and financial issues. It has been the single agency for monetary management and in this, it has had a commendable record.*

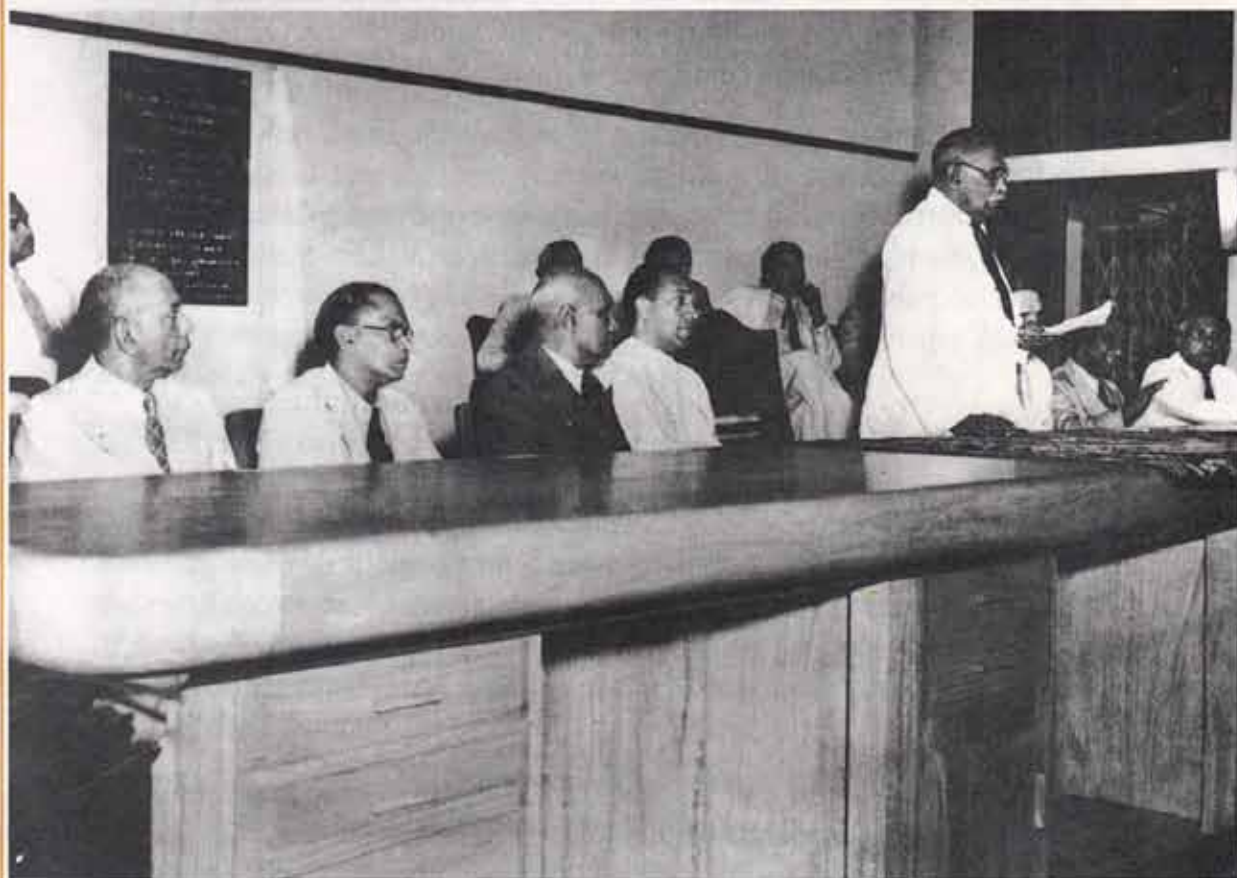
*The 40 year period can be viewed, therefore, as a period of success and achievement in most areas in which the Central Bank has played an active role. In institution building, in promotional activity, in healthy international economic relations, in banking development and monetary management it has had an impressive record of performance which very few central banks in South Asia can claim. It is hoped that this commemorative volume will be useful to those who want to learn more about the contribution of the Bank to the nation and would remain an invaluable concise record of the performance of the banking system and the economy in the preceding four decades.*



**H.N.S. Karunatilake**  
Governor

28th August, 1990

## **Opening of the Central Bank of Ceylon By Hon. J.R.Jayewardene, Minister of Finance on 28th August, 1950**



**Left to right - Hon. M.D. Banda, MP, 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, MP, Minister of Health and Local Government; Hon. E.G.P. Jayetileke, KC, Chief Justice (later, Sir Edward Jayetileke); Hon. J.R. Jayewardene, MP, Minister of Finance; Hon. Dudley Senanayake, MP, Minister of Agriculture and Lands; the Rt. Hon. D.S. Senanayake, PC, MP, Prime Minister; John Exter, Esq., Governor of the Central Bank of Ceylon; Senator the Hon. Dr. L.A. Rajapakse, KC., (later, Sir Lalitha Rajapakse). Hon. Col. Sir John Kotelawala, KBE, MP, Minister of Transport & Works (later, the Rt. Hon. Sir John Kotelawala, PC, KBE, CH);**

# Ceylon Daily News

16 PAGES

LARGEST CIRCULATION IN CEYLON

London Office  
10, Bevis Street, London W. 1.

COLOMBO, TUESDAY, AUGUST 29, 1950

Telephone: "NEWS" 60  
"MORNING" 80  
"EVENING" 80

## Opening of Central Bank



MR. J. S. JAYAWARDENE, Minister of Finance, who declared open the Central Bank yesterday, unveiling a tablet on which was inscribed, in English, Sinhalese and Tamil, the date on which the bank was opened and by whom. The lower picture shows Mr. John Eator, Governor of the Bank, speaking just before it was opened.



## BIRTH OF A GREAT INSTITUTION

### Minister Opens Bankers Bank

WITH the establishment of the Central Bank, we are very frankly taking a step which will enable us to take much more of our financial future into our own hands", declared the Premier, Mr. D. S. Senanayake, speaking after the Minister of Finance, Mr. J. S. Jayawardene, had unveiled a tablet to mark the formal opening of the Central Bank at noon yesterday.

Nearly one hundred guests were present including representatives of the Commercial banks in the city, The Ceylon Ministers, the Chief Justice, Mr. E. G. F. Jasinghe, and the members of the Monetary Board, Messrs. Jagannathan Thevaran and T. D. Perera, who accompanied on a special train.

#### SIMPLE CEREMONY

Mr. John Eator, Governor of the Central Bank who presided, in welcoming the guests said: "We are not trying to belittle the importance of this occasion by making it a simple ceremony."

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**Past Governors**  
**of the**  
**Central Bank of Sri Lanka**

**The First Governor**

**John Exter**

*1st July 1950*

*to*

*30th June 1953*





**N.U. Jayawardena**

*1st July 1953*

*to*

*13th October 1954*

**A.G. Ranasinha**

*14th October 1954*

*to*

*30th June 1959*





**D.W. Rajapatirana**

*1st July 1959*

*to*

*30th August 1967*

**W. Tennekoon**

*31st August 1967*

*to*

*31st May 1971*





**H.E. Tennekoon**

*1st June 1971*

*to*

*22nd January 1979*

**W. Rasaputram**

*15th February 1979*

*to*

*19th November 1988*



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# Foreword

This Volume has been compiled to commemorate the 40th Anniversary of the Central Bank of Sri Lanka,<sup>1</sup> which fell on 28th August, 1990. Its purpose is to provide the public with an insight into the workings of the Central Bank, whose operations exert a pervasive influence on the financial and economic conditions of the country. Perhaps, the general public knows very little about this premier but tight-lipped financial institution in the country.

The Central Bank was established in 1950. It was an important landmark in the country's economic and financial history. The fact that it was formed soon after the country attained political independence was no coincidence. The post-independent leadership realised that the transformation of the country, from a dependent colonial economy to an independent vibrant entity, needed a dynamic banking and financial system capable of meeting the demands of a rapidly expanding and changing economy. The establishment of the Central Bank was one of the important steps taken towards this objective.

Before the establishment of the Central Bank, the monetary system prevailing in the country was the Currency Board System, which was rigid and narrow in scope and outlook. The scope of the powers, duties and responsibilities of the Central Bank was much wider than that of the Currency Board. In terms of the Monetary Law Act which gave the legislative sanction for its establishment, the Central Bank was made "the authority responsible for the administration and regulation of the Monetary and Banking System in Sri Lanka", so as to achieve certain broad objectives such as the stabilisation of domestic monetary values, preservation of the exchange value of the Sri Lankan rupee and the promotion and maintenance of a high level of production, employment

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1 The Bank was called the Central Bank of Ceylon until, by an amendment to the Monetary Law Act, it was renamed the Central Bank of Sri Lanka in December, 1985.

and real income in Sri Lanka. However, the scope of activities of the Bank was not confined to monetary management alone. During the last 40 years it has played a very significant role in the economic life of the country not only directly, by implementing policies within its sphere of authority and undertaking numerous promotional activities, but also indirectly through its influence on the economic policies of successive governments.

Over the years, the Bank had to face many challenges in the performance of its duties in the context of fast moving economic, political and social changes. In economic policies, the country has travelled almost a full circle. The Central Bank was established at a time when the economy was in a free enterprise liberal framework with little direct government involvement in economic activity and with minimum of trade or foreign exchange controls. Soon the country was to witness a period of increased government intervention in economic activity and by the mid-1960s Sri Lanka was basically a semi-planned mixed economy within a highly regimented administrative framework. Then, in 1977 there was a complete turn-around in this policy when trade and exchange controls were liberalised and the economy was once again placed on a market-oriented development path. This was followed in more recent times by a drive towards divesting of government owned economic enterprises to the private sector with a view to reducing government's involvement in economic activity. In the political sphere the Central Bank has to serve governments with vastly divergent economic and social pursuits. Socially, the country has gone through some fundamental structural changes so as to completely obliterate the social fabric that existed at the time of its establishment. The Central Bank not only had to cope with these changes in its operations and policies but also was an active participant in the transition process.

The essays in this Volume were written by senior officers of the Central Bank with specialised knowledge in different areas of the Bank's operations. Chapter 1 sets the stage for the rest of the Volume by giving an overview of the economic and financial conditions of the country at the time of independence and the objectives to be sought by the establishment of a central bank. Chapters 2 and 3 elaborate on the practice and theory of the Central Bank's operations in its day to day activities, including the implementation of monetary policy. Chapter 4 deals with the Bank's relationship with the Government while Chapters



5 and 6 discuss its role as financial intermediary between the Government of Sri Lanka and the rest of the world. Chapter 7, spells out the Bank's role in the delivery of credit to the rural sector. Chapter 8 and Chapter 9 dwell on the supervision of banks and financial institutions and the monitoring and evaluation of economic and social progress, respectively, which are among the most specialised tasks of the Central Bank. Chapters 10 and 11 take a look at the financial system in terms of the institutions of which it is composed. The last section gives a synopsis of the Central Bank's research publications which forms the basis of dissemination of knowledge and information to the public.

It is hoped that the material produced here will provide readers with an insight into the workings of the Central Bank of Sri Lanka in a fashion that is not too technical and devoid of the usual jargon associated with the writings on the subject. The Volume is expected to assist in performing a primary function of the Central Bank, which is to effectively disseminate information on the economic and financial developments in the economy to a large audience, both at home and abroad.

**W. Hettiarachchi**  
Chairman  
Commemorative Volume Publication Committee

28th August, 1990

## Monetary Board of the Central Bank of Sri Lanka 1950 - 1990

Year	Chairman	Secretary to the Ministry of Finance	Appointed Member
1950	J.Exter (from 01.07.50)	C.Jones (01.07.50 - 09.07.50) T.D.Perera (10.07.50 - 12.12.50) A.G.Ranasinha (from 13.12.50)	J.Tyagaraja
1951	J.Exter	A.G.Ranasinha	J.Tyagaraja
1952	J.Exter	A.G.Ranasinha	J.Tyagaraja
1953	J.Exter (to 30.06.53) N.U.Jayawardena (from 01.07.53)	A.G.Ranasinha	J..Tyagaraja
1954	N.U.Jayawardena (to 13.10.54) A.G.Ranasinha (from 14.10.54)	A.G.Ranasinha (to 13.10.54) R.N.Bond (Actg. Secretary) L.J. de S.Seneviratne (from 14.10.54)	J.Tyagaraja
1955	A.G.Ranasinha	L.J.de.S.Seneviratne	J.Tyagaraja
1956	A.G.Ranasinha	L.J. de S.Seneviratne (to 23.08.56) S.F.Amerasinghe (from 24.08.56)	J.Tyagaraja
1957	A.G.Ranasinha	S.F.Amerasinghe	J.Tyagaraja
1958	A.G.Ranasinha	S.F.Amerasinghe	J.Tyagaraja
1959	A.G.Ranasinha (to 30.06.59) D.W.Rajapatirana (from 01.07.59)	S.F.Amerasinghe	J.Tyagaraja

Year	Chairman	Secretary to the Ministry of Finance	Appointed Member
1960	D.W.Rajapatirana	S.F.Amerasinghe	J.Tyagaraja
1961	D.W.Rajapatirana	S.F.Amerasinghe (to 31.05.61) H.S.Amerasinghe (from 01.06.61)	J.Tyagaraja
1962	D.W.Rajapatirana	H.S.Amerasinghe	J.Tyagaraja
1963	D.W.Rajapatirana	H.S.Amerasinghe (to 10.06.63) H.E.Tennekoon (11.06.63 - 18.12.63) H.J.Samarakkody (from 19.12.63)	J.Tyagaraja
1964	D.W.Rajapatirana	H.J.Samarakkody	J.Tyagaraja
1965	D.W.Rajapatirana	H.J.Samarakkody	J.Tyagaraja
1966	D.W.Rajapatirana	H.J.Samarakkody	J.Tyagaraja
1967	D.W.Rajapatirana (to 30.08.67) W.Tennekoon (from 31.08.67)	H.J.Samarakkody	J.Tyagaraja
1968	W.Tennekoon	H.J.Samarakkody (to 14.11.68) M.Rajendra (from 15.11.68)	J.Tyagaraja
1969	W.Tennekoon	M.Rajendra	J.Tyagaraja
1970	W.Tennekoon	M.Rajendra	J.Tyagaraja
1971	W.Tennekoon (to 31.05.71) H.E.Tennekoon (from 01.06.71)	M.Rajendra (to 06.05.71) C.A.Coorey (from 07.05.71)	J.Tyagaraja (to 01.07.71) M.Rajendra (from 16.07.71)
1972	H.E.Tennekoon	C.A.Coorey	M.Rajendra

Year	Chairman	Secretary to the Ministry of Finance	Appointed Member
1973	H.E.Tennekoon	C.A.Coorey	M.Rajendra
1974 <sup>1</sup>	H.E.Tennekoon	C.A.Coorey	M.Rajendra
1975	H.E.Tennekoon	C.A.Coorey (to 01.07.75) L.R.Jayawardena (from 16.07.75)	M.Rajendra
1976	H.E.Tennekoon	L.R.Jayawardena	M.Rajendra
1977	H.E.Tennekoon	LRJayawardena	M.Rajendra (to 1 1.08.77) N.G.P.Panditharatna (from 11.08.77)
1978	H.E.Tennekoon	L.R.Jayawardena (to 08.03.78) W.M.Tilakaratna (from 28.03.78)	N.G.P.Panditharatna
1979	H.E.Tennekoon (to 22.01.79) W.Rasaputram (from 15.02.79)	W.M.Tilakaratna	N.G.P.Panditharatna
1980	W.Rasaputram	W.M.Tilakaratna	N.G.P.Panditharatna
1981	W.Rasaputram	W.M.Tilakaratna	N.G.P.Panditharatna
1982	W.Rasaputram	W.M.Tilakaratna	N.G.P.Panditharatna
1983	W.Rasaputram	W.M.Tilakaratna	N.G.P.Panditharatna

1 In 1974, the Monetary Board was expanded to four members to include the Secretary to the Ministry of Planning and Economic Affairs. However, in 1977, the membership of the Board was once again reduced to three. Thus, during the period November, 1974 to November, 1977, Prof. H.A. de S. Gunasekera, Secretary to the Ministry of Planning and Economic Affairs, served on the Board.

Year	Chairman	Secretary to the Ministry of Finance	Appointed Member
1984	W.Rasaputra	W.M.Tilakaratna	N.G.P.Panditharatna (to 01.12.84) D.S.Jayasundera (from 01.12.84)
1985	W.Rasaputra	W.M.Tilakaratna	D.S.Jayasundera
1986	W.Rasaputra	B.Mahadeva (Actg.Secretary)	D.S.Jayasundera
1987	W.Rasaputra	C.Chanmugam	D.S.Jayasundera
1988	W.Rasaputra (to 19.11.88) H.N.S.Karunatilake (from 19.11.88)	C.Chanmugam	D.S.Jayasundera
1989	H.N.S.Karunatilake	R.Paskaralingam	D.S.Jayasundera (to 01.03.89) L.S.Jayawardena (from 01.03.89)
1990	H.N.S.Karunatilake	R.Paskaralingam	L.S.Jayawardena

## **Deputy Governors of the Central Bank of Sri Lanka 1950 - 1990**

N.U. Jayawardena	(1950 - 1953)
D.W. Rajapatirana	(1952 - 1959)
T. Morgan	(1952 - 1953)
B.B. Das Gupta	(1955 - 1956)
W. Tennekoon	(1956 - 1967)
D.C. Gunasekera	(1962 - 1966)
S.E.P. Jansz	(1967 - 1971)
Gamani Corea	(1970 - 1980)
W.M. Tilakaratna	(1971 - 1978)
P.V.M. Fernando	(1972 - 1975)
W. Rasaputram	(1975 - 1979)
H.L.D. Selvaratnam	(1975 - 1977)
E. Eramudugolla	(1978 - 1980)
H.N.S. Karunatilake	(1978 - 1985)
K. Kanagasabapathy	(1979 - 1982)
D.L. Kannangara	(1981 - 1988)
T.G. Punciappuhamy	(1984 - 1985)
A.S. Jayawardena	(1987 - 1990)
K.S.E. Jayatillake	(1987 - 1990)
S.T.G. Fernando	(1988 - 1990)