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#### Home » FINANCIAL SYSTEM » Financial Markets » Development Finance & Access to Finance

# Development Finance & Access to Finance

The Central Bank of Sri Lanka (CBSL) on behalf of the Government of Sri Lanka (GOSL), contributes to enhance Access to Finance with the intention of achieving balanced growth and financial inclusiveness in the country. To achieve these objectives, the CBSL coordinates, facilitates and implements various refinance schemes, interest subsidy schemes and credit guarantee schemes while delivering credit supplementary services through Regional Development Department (RDD) of the CBSL.

The strategic objectives of the RDD include the enhancement of regional growth, reduction of poverty, creation of income generating activities and employment opportunities, provision of skills development and training, facilitation of formal financial services, strengthening economic activities in the lagging regions and enhancement of production of essential food items including organic food to ensure food security and food safety.

#### Services

## Financial Assistance

The RDD provides affordable finance for beneficiaries in the Agriculture, Animal Husbandry and Micro, Small and Medium scale Enterprises (MSMEs) in the country through a network of Participating Financial Institutions (PFIs) which are mainly Licensed Commercial Banks and Licensed specialized Banks. The funds are made available to the needy people and business ventures at concessionary terms and conditions through PFIs with a view to ensuring those beneficiaries are well geared to meet the challenges ahead. These schemes are funded by the GOSL, the CBSL, Donor Agencies and PFIs. Through these schemes, RDD serves the beneficiaries in a wide spectrum of sectors including Agriculture and Animal Husbandry, Microfinance and Micro, Small and Medium Enterprise (MSME) sectors, by providing affordable finance facilities.

### Implementation of GOSL funded Schemes

At present, RDD has been implementing 07 schemes funded by the GOSL including 4 refinance loan schemes and 3 interest subsidy schemes. "Sarusara"- New Comprehensive Rural Credit Scheme (NCRCS) which is funded by the GOSL, serves as an interest subsidy scheme and a credit guarantee scheme as well.

# Implementation of CBSL funded Schemes

In view of the strategic importance of regional development for balance and inclusive economic growth of the country, CBSL continues to fund 04 main schemes of RDD, namely, the Saubagya Loan Scheme, Credit guarantee scheme for MSME rice mill owners in Sri Lanka, Domestic Agriculture Development Programme - pilot phase and Refinance Scheme for Covid 19 affected SOEs.

#### Implementation of Donor funded Schemes

International Fund for Agriculture Development (IFAD) serves as the main Donor Agency by contributing millions of rupees towards refinance loan components under Smallholder Agri-business Partnership Programmes (SAPP) which has been implemented in mid 2018. SAPP is introduced in lieu of the National Agribusiness Development Programme (NADeP), another IFAD funded project which was successfully concluded at the end of 2017. RDD manages the Credit Component of SAPP which includes issuing Operating Instructions to the PFIs and providing refinance to them.

## Credit Guarantee

The RDD implements Credit Guarantee schemes with a view to mitigate credit risk of the loans granted by the PFIs for specific sectors. Under these schemes, loans granted by the PFIs are guaranteed in case of defaults, to a certain extent. To implement this process which supports PFIs to lower their credit risk, RDD issues Operating Instructions to the PFIs, specifying the terms and conditions applicable under each scheme, including issuance of guarantees and indemnity payments, etc. To be eligible under the scheme, PFIs are expected to pay a premium, specified in the Operating Instructions of the particular scheme.

# Interest Subsidy

Under the Interest Subsidy Schemes implemented by the RDD, PFIs are eligible to receive interest subsidy for the loans granted by them through a relevant interest subsidy scheme. These schemes are implemented to compensate the cost of funds of PFIs while encouraging them to grant loans to the specific priority sectors of the economy.

## **Public Awareness**

CBSL conducts a series of awareness building and skill development programmes, especially for those who are have not accessed the formal financial sector, through RDD. These programmes mainly focus on financial management, entrepreneurship development, Training of Trainers (TOT) and workshops on entrepreneurs, mainly to promote financial inclusiveness of the country. In addition, RDD take efforts to enhance public awareness on Access to Finance and Financial Inclusiveness, using print and electronic media. Moreover, RDD takes necessary policy measures in line with the contemporary developments in the economy.

# Salient Features of Concessionary Lending Programmes implement by the Regional Development Department

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