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## CENTRAL BANK OF CEYLON



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ANNUAL REPORT

OF THE MONETARY BOARD TO THE  
HON. MINISTER OF FINANCE AND PLANNING

වර්ෂය

FOR THE YEAR

1978







# CENTRAL BANK OF CEYLON



*V. Nithiyarandaw*

*21/5/'79*

## ANNUAL REPORT OF THE MONETARY BOARD TO THE HON. MINISTER OF FINANCE AND PLANNING

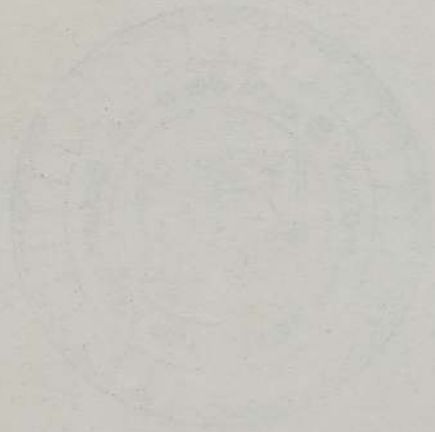
FOR THE YEAR

# 1978

Printed by A. D. Hamsarandana at Swasthi Printers, 341, Oltara Road, Colombo 10.  
and published by Central Bank of Ceylon, P. O. Box 250, Colombo.



CENTRAL BANK OF CEYLON



ANNUAL REPORT  
OF THE MONETARY BOARD  
TO THE MINISTER OF FINANCE AND PLANNING

FOR THE YEAR

1978

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Printed by A. D. Hemachandra at Swadeshi Printers, 341, Olcott Mawatha, Colombo 10,  
and published by Central Bank of Ceylon, P. O. Box 590, Colombo.



CENTRAL BANK OF CEYLON  
THE MONETARY BOARD

HON. RONNIE de MEL, M.P.,  
MINISTER OF FINANCE AND PLANNING,  
COLOMBO.

Dear Sir,

In accordance with the provisions of Section 35 (1) of the Monetary Law Act (Cap. 422), I submit herewith the Twenty-ninth Annual Report of the Monetary Board of the Central Bank of Ceylon.

The report is in four parts. The first is a review of the performance of the Sri Lanka economy in 1978, the problems that were encountered and the policies and measures that were adopted. The second part details the accounts and operations of the Central Bank. Part three gives the major administrative measures adopted by the Monetary Board during 1978; and part four summarizes the major legislative enactments of 1978 relating to the functions and operations of the Central Bank and banking institutions in Sri Lanka.

Since 1975, a more detailed review of the economic trends and developments in the various sectors of the economy has been published separately under the title "Review of the Economy". The Review for 1978 will be published under the same title at an early date.

I am, dear Sir,

Yours faithfully,

WARNASENA RASAPUTRAM  
*Governor.*

Central Bank of Ceylon,  
Colombo,

28th April, 1979.







# CENTRAL BANK OF CEYLON

## THE MONETARY BOARD

(As at December 31, 1978)

H. E. TENNEKOON

*Governor*

W. M. TILAKARATNA

*Secretary to the Ministry of Finance and Planning*

N. G. P. PANDITHARATNE

*Appointed Member*

### Principal Officers as at December 31, 1978

GAMANI COREA	<i>(on release) Deputy Governor</i>
W. RASAPUTRAM	<i>(on release) Deputy Governor</i>
E. ERAMUDUGOLLA	<i>Senior Deputy Governor</i>
H. N. S. KARUNATILAKE	<i>Deputy Governor</i>
K. KANAGASABAPATHY	<i>Senior Assistant to the Governor</i>
J. G. P. JAYASUNDERA	<i>Assistant to the Governor</i>
D. R. SIRIWARDENA	<i>Assistant to the Governor</i>
D. L. KANNANGARA	<i>Adviser</i>
T. CHATCHITHANANTHAN	<i>Adviser</i>
<i>Banking Department:</i>	
A. BANDARANAYAKE	<i>(on leave prior to retirement) Chief Accountant</i>
V. S. SUBRAMANIAM	<i>Chief Accountant</i>
U. A. DE SILVA	<i>Acting Additional Chief Accountant</i>
<i>Bank Supervision Department:</i>	
D. L. KANNANGARA	<i>Director</i>
<i>Currency Department:</i>	
N. KATHIRGAMATHAMBY	<i>Superintendent</i>
<i>Development Finance Department:</i>	
V. K. WICKREMASINGHE	<i>Director</i>
<i>Economic Research Department:</i>	
A. S. JAYAWARDENA	<i>Director</i>
<i>Employees' Provident Fund Department:</i>	
S. W. P. AMARASURIYA	<i>Superintendent</i>
<i>Establishments Department:</i>	
R. M. TENNEKOON	<i>Acting Director</i>
<i>Exchange Control Department:</i>	
A. R. FERNANDO	<i>Controller</i>
<i>Management Audit Department:</i>	
R. D. K. J. ARTHANAYAKE	<i>Acting Director</i>
<i>Public Debt Department:</i>	
S. T. G. FERNANDO	<i>Acting Superintendent</i>
<i>Secretariat Department:</i>	
A. G. A. D. PERERA	<i>Secretary</i>
<i>Statistics Department:</i>	
K. S. E. JAYATILLAKE	<i>Director</i>

### Auditor

P. M. W. WIJAYASURIYA

*Auditor General to the Republic of Sri Lanka,*



# CENTRAL BANK OF CEYLON

## THE MONETARY BOARD

(As at December 31, 1978)

H. E. TANKANON  
Governor

W. B. THIRAKARATNA

Secretary to the Ministry of Finance and Planning

N. C. P. PANDITHANAYAKE  
Appointed Member

### Principal Officers as at December 31, 1978

Deputy Governor	G. S. S. SENEVIRATNE
Deputy Governor	W. B. THIRAKARATNA
Deputy Governor	F. SENEVIRATNE
Deputy Governor	N. C. P. PANDITHANAYAKE
Deputy Assistant to the Governor	F. SENEVIRATNE
Assistant to the Governor	J. D. B. JAYASINGHE
Assistant to the Governor	A. H. SENEVIRATNE
Secretary	E. J. SENEVIRATNE
Secretary	T. SENEVIRATNE
Secretary	Banking Department
Secretary	A. SENEVIRATNE
Secretary	V. S. SENEVIRATNE
Secretary	J. J. SENEVIRATNE
Secretary	Bank Supervision Department
Secretary	G. S. SENEVIRATNE
Secretary	Overseas Department
Secretary	N. SENEVIRATNE
Secretary	Department Finance Department
Secretary	T. S. SENEVIRATNE
Secretary	Economic Research Department
Secretary	A. S. SENEVIRATNE
Secretary	Reserves, Provident Fund Department
Secretary	S. W. SENEVIRATNE
Secretary	Establishment Department
Secretary	R. M. SENEVIRATNE
Secretary	Exchange Control Department
Secretary	A. R. SENEVIRATNE
Secretary	Management Audit Department
Secretary	R. D. K. J. SENEVIRATNE
Secretary	Public Debt Department
Secretary	S. T. G. SENEVIRATNE
Secretary	Statistical Department
Secretary	A. G. A. D. SENEVIRATNE
Secretary	Statistical Department
Secretary	H. S. E. SENEVIRATNE

### Auditor

F. M. W. WIJAYASEKERA

Auditor General to the Republic of Sri Lanka



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## **PREFACE**

THIS, THE TWENTY NINTH ANNUAL REPORT OF THE MONETARY BOARD OF THE CENTRAL BANK OF CEYLON, IS ISSUED IN ACCORDANCE WITH SECTION 35 OF THE MONETARY LAW ACT (CAP. 422).

THE BANK'S FINANCIAL YEAR IS THE CALENDAR YEAR. THE FOLLOWING REPORT IS CONCERNED PRIMARILY WITH THE YEAR 1978.

A DETAILED ANALYSIS OF THE ECONOMIC TRENDS AND DEVELOPMENTS IN THE SRI LANKA ECONOMY DURING 1978 WILL BE PRESENTED IN A SEPARATE "REVIEW OF THE ECONOMY".



NATIONAL PRODUCT AND EXTENT OF TRADE

Value of National Product at Current Prices (Lakhs of Rupees)

TABLE I

Year 1978

PREFACE

THIS, THE TWENTY-NINTH ANNUAL REPORT OF THE MONETARY BOARD OF THE CENTRAL BANK OF CEYLON, IS ISSUED IN ACCORDANCE WITH SECTION 21 OF THE MONETARY LAW ACT (CAP. 481).

THE BANK'S FINANCIAL YEAR IS THE CALENDAR YEAR. THE FOLLOWING REPORT IS CONCERNED PRIMARILY WITH THE YEAR 1978.

A DETAILED ANALYSIS OF THE ECONOMIC TRENDS AND DEVELOPMENTS IN THE SRI LANKA ECONOMY DURING THE YEAR WILL BE PRESENTED IN A SEPARATE REVIEW OF THE ECONOMY.

PRICES AND WAGES

Consumer Price Index (1970=100)  
Wholesale Price Index (1970=100)  
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## PART I

# ECONOMIC PERFORMANCE, PROBLEMS AND POLICIES IN 1978

### INTRODUCTION

In 1978, the Sri Lanka economy registered an impressive growth rate of 8.2 per cent. This was almost twice the growth rate of 4.4 per cent achieved last year; and almost equals the growth rate of 8.4 per cent in 1968, the highest recorded by the country in recent times; and was more than twice the average annual growth during the last decade. Further, unlike in previous years when growth was confined to a few sectors, while some sectors either declined or stagnated, the growth impulses were evident on a broader front in 1978.

Sri Lanka's terms of trade which improved successively in two preceding years, declined marginally in 1978, primarily on account of a fall in tea prices and an increase in import prices. Exports were moderately higher, but imports were substantially higher than in 1977. Thus, the modest trade surplus of 1977 turned, as anticipated, into a substantial deficit in 1978. Consequently, the current account of the balance of payments too turned from a surplus to a deficit. However, substantial capital inflows, together with resources from the International Monetary Fund, went on to create a favourable overall balance in Sri Lanka's payments, augmenting the external assets for the third year in succession, to a level that would normally be adequate to meet four months' imports projected for 1979.

The expansionary effect of the growth of external assets, however, was largely moderated by a contraction induced by the government sector during the year. This development, combined with the stringent monetary policies that were continued during 1978, helped to contain the expansion in money supply to 11 per cent, in contrast to increases of 29 and 35 per cent in the two previous years. These factors, along with the substantial growth in output, helped to contain inflationary pressures in the economy at a level lower than in the previous year. Real wages outside the public sector grew in 1978. Also, the revival of economic activity seems to have made some dent in the growing problem of unemployment.

The impressive revival of the economy and the attendant developments in 1978 could be traced back to the economic reforms initiated in 1977. Fundamental to the new economic policy was the adoption of a realistic exchange rate for the Sri Lanka Rupee, with a view to reducing the price distortions arising from the previous attempts to maintain an overvalued currency by means of stringent trade and payments controls. The then prevailing multiple exchange rate system was unified and the Rupee was allowed to float. This enabled the relaxing of most trade and payments controls; and a shift from quantitative restrictions to tariffs as a means of protecting domestic enterprise.

The resulting trade liberalization was expected to revive domestic industry by freer flows of raw materials, spares and machinery, by higher capacity utilization, and by greater competition, either among local enterprises or



from imports, subject to reasonably protective tariffs. On the export front the new exchange rate was expected to provide better export incentives generally, while inducing the primarily import-substituting industries to expand outwards to export markets. In domestic agriculture, the new exchange rate was expected to eliminate price distortions and provide greater incentives for increased production. Generally, the private sector was to be encouraged and the preferential treatment of the public sector was to be ended. Monopolies, in public or private sector, were to be curtailed. With greater competition, price and other domestic controls were to be eliminated.

Foreign investment was to be encouraged, especially with a view to acquisition of higher technology and development of new export markets. Attractive incentives were offered to foreign entrepreneurs who invest in export oriented industries to be located in "Export Processing Zones" which were to be established in a specified area under the Greater Colombo Economic Commission. Inflationary pressures were to be contained by prudent monetary and fiscal management and by fostering competition rather than by price and other controls. A greater volume of resources was to be mobilized for development by offering positive real interest rates to savers. Inflationary pressures in the short-run were to be contained by a sharp acceleration of short-term interest rates while the long-term rates were generally left unaffected. Foreign banks were to be encouraged primarily as a means of mobilizing more resources for development.

In the fiscal field, budgets were to generate adequate surpluses and resort to expansionary financing was to be avoided. A transfer of resources from consumption to investment was envisaged by limiting general consumer subsidies to a target group of the most needy. The tax system was to be re-organized to restore incentives to save and invest. The investment climate was to be improved by ensuring political and economic stability. The current account deficits that were likely to emerge in the balance of payments during the medium term period of economic transformation, as a result of import liberalization and short-term rigidities in export growth, were to be met by a greater mobilization of external assistance. Generally speaking, these policies envisaged a sweeping departure from a tightly controlled, inward looking, welfare oriented economic strategy to a more liberalized, outward looking and growth oriented one.

The Gross National Product at current prices rose by 24 per cent in 1978. When deflated for price increases, the real growth in the national product was 8.2 per cent. Allowing for the population increase of 1.7 per cent, the real product per capita grew by 6.4 per cent, which is significantly higher than the growth of 2.6 per cent in the previous year. The national product per capita at current market prices rose from Rs. 2095 in 1977 to Rs. 2548 in 1978, an increase of 22 per cent.

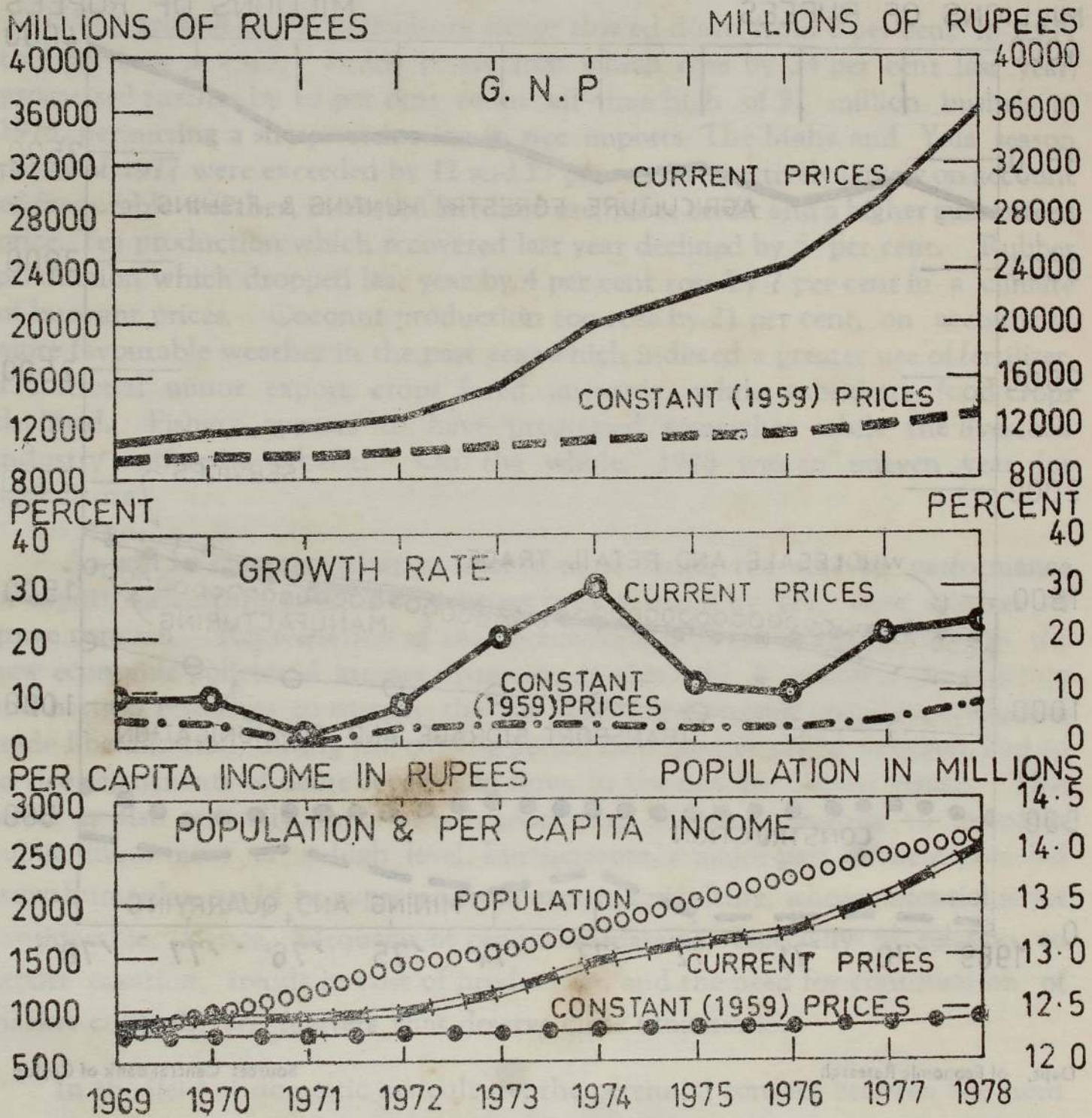
The agriculture sector which accounted for one half of the economic growth in 1977, was responsible for only 17 per cent of the increase in the Gross National Product in 1978. Indicating the growth of several sectors on a broad front in 1978, construction accounted for 16 per cent, trade for 14 per cent, industry for 13 per cent, mining and quarrying for 11 per cent and "other services", for 10 per cent.



# GROSS NATIONAL PRODUCT

AT CURRENT FACTOR COST PRICES

ANNUALLY



Dept. of Economic Research

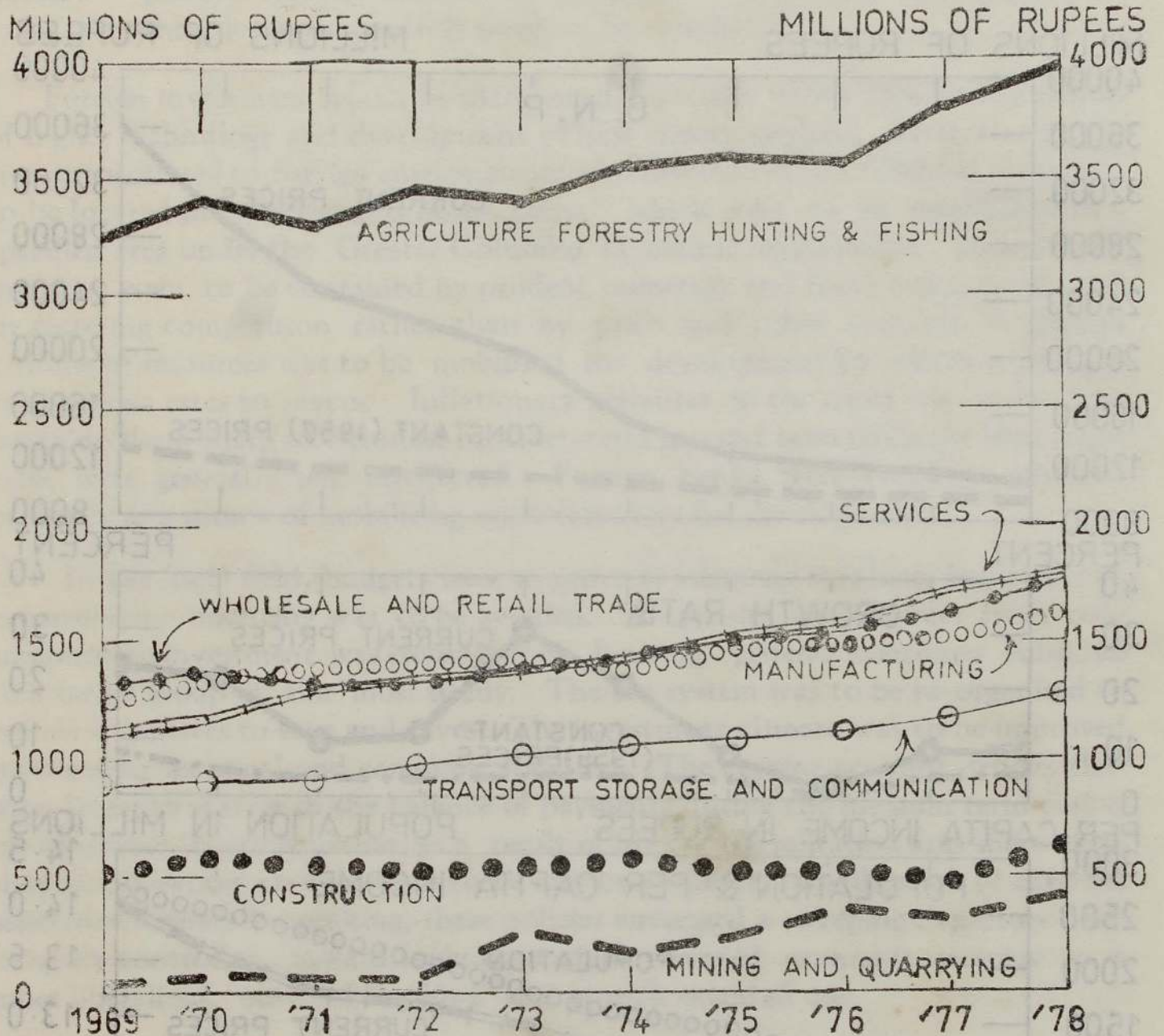
Source: Central Bank of Ceylon



# GROSS DOMESTIC PRODUCT BY INDUSTRIAL ORIGIN

AT CURRENT FACTOR COST PRICES

ANNUALLY



Dept. of Economic Research

Source: Central Bank of Ceylon



The notable growth of all these sectors could be attributed primarily to the new economic policies of 1977. The growth of trade and industry was aided largely by the import liberalization. Growth in agriculture was helped by improved producer margins in rubber and coconut arising partly from the new exchange rate, and by the better prices for paddy. The expansion of construction, mining and quarrying was largely the result of the construction boom that followed the improved investment climate as well as the decontrol of the trade system.

The growth of the agriculture sector slowed down from 7 per cent in 1977 to 4 per cent in 1978. Paddy production which rose by 34 per cent last year, progressed further by 13 per cent to an all-time high of 91 million bushels in 1978, permitting a sharp reduction in rice imports. The Maha and Yala season peaks of 1977 were exceeded by 12 and 13 per cent, respectively largely on account of favourable weather, increased fertilizer use, more credit and a higher guaranteed price. Tea production which recovered last year declined by 5 per cent. Rubber production which dropped last year by 4 per cent rose by 7 per cent in a climate of buoyant prices. Coconut production too rose by 21 per cent, on account of more favourable weather in the past year which induced a greater use of fertilizer. Traditional minor export crops fared unevenly, while subsidiary food crops declined. Fishery appears to have progressed somewhat while the livestock industry suffered a setback. On the whole, 1978 was an uneven year for agriculture.

As will be commented upon later in more detail, the uneven performance of export agriculture, particularly the set back suffered by tea, were matters of grave concern. Rejuvenation of this sector should be given high priority in the new economic policies. A greater dynamism in this field is essential to generate and harness resources to sustain the far reaching economic reforms, including trade liberalization, during the coming period of economic transformation, and to service repayments of debts contracted now, in the not so distant future. This sector is also critically important in generating adequate revenue to maintain public investment at a high level. Furthermore, a major part of the export-led growth impulse could be expected from export agriculture, whose potential is yet considerable. Hence, adequacy of producer margins, especially in relation to export taxation, trends in cost of production, and the need for continuation of market controls, are matters that deserve close examination.

In the field of domestic agriculture, the perennial conflict between the need to assure remunerative margins to the producer while ensuring what were deemed to be "reasonable" prices to the consumer, continued through 1978. It appears that the continued availability of heavily subsidized flour could dampen greater import substitution in subsidiary food crops. Also, if the operation of "buffer stock" schemes, meant essentially to even out seasonal fluctuations in prices, are permitted to overly depress producer prices to uneconomic levels, a similar adverse impact on domestic production could occur. Needless to say, there has to be a trade-off between the conflicting requirements of consumers and producers.



The stagnant industry of Sri Lanka received a boost by the import liberalization. Value of output in the factory and small industry sector has been estimated to have grown by 11 per cent in 1978, the private sector growing marginally higher than the public sector. Basic metals, Textiles, Non-Metallic Minerals, Paper and Chemicals were the main growth sectors. In textiles, the growth of the larger firms appears to have more than compensated a decline in the smaller, but this could have had adverse effects on employment in this sector. More than the import liberalization per se it appears that the pricing policy on textiles, where an attempt is made to keep prices of popular textiles low by government imports at lower tariffs, has caused this problem. Some industries such as food, metal product and machinery appeared to be unable to compete with imports, despite substantial tariff protection. Therefore, time is opportune now for a full reappraisal of industrial policy. There is no economic sense in continuously protecting basically inefficient industries. An export-oriented industrial policy envisaged now would require the active fostering of a highly efficient and internationally competitive industry. On the other hand, there was a dynamic response by the public sector industries at the outset, but this appears to have waned somewhat with the passage of time. It appears that some public industries yet continue to enjoy monopoly power, as in Cement and Ceramics, sometimes even in trading activities, as in the case of import of caustic soda by the Paranthan Chemicals Corporation. The need for continuance of such monopolies may be reviewed, with a view to assessing any gains that could result from increased competition. Also, there appears to be a need for greater autonomy in pricing and production policies in public sector industries.

The transport and communications sector in the country has clearly lagged behind in recent times. In nationalized public road passenger transport, the operated mileage has been 18 per cent lower than the required mileage, and despite an increase in bus fares in 1978, the financial position of the composite organization in charge, does not appear to have improved further. A decentralization of the organization does not seem to have helped to improve the services. The government has contemplated the supplementing of existing services by private transport services in certain selected sub-urban routes. But inadequacy of service has been found mostly in the case of urban commuter traffic, where the service has not kept up to meet a rapidly growing demand. The nationalized service has not been able to meet the growing demand largely because of inadequate investment, due to continuing operational deficits arising from the low fares system that has been operative. On the other hand, available data suggest the continuous deterioration of the railway service. In the context of rising oil prices, and the growing demand for public transport arising from increased economic activity, a much greater investment in public transport, a rationalization of the fares structure, and better management are of vital importance. In road haulage, however, the import liberalization resulted in the registration of 4,874 lorries and vans in 1978, which was more than twice the total addition to the fleet during the 5 years ending 1976. This has cleared a vast pent up demand; and increasing competition appears to have induced a drop in most transport charges by about 10 to 20 per cent in 1978. The national



telecommunications system has got antiquated owing to inadequate past investment. A speedy transport and communications system is a pre-requisite for attracting foreign investment and achieving high rates of economic growth.

As anticipated, the trade and payments position of Sri Lanka was adverse in 1978, largely on account of a 23 per cent growth in imports and a marginal rise in exports, resulting in a trade deficit of Rs. 2,143 million (SDR 133 million). Surplus on services declined on account of higher expenditures on foreign travel for business, education, export promotion and other purposes, but net transfers showed an appreciable rise because of a sharp increase in remittances by Sri Lankans working abroad. Thus, the current account of the balance of payments showed a deficit of Rs. 782 million (SDR 64 million) which compares with the surplus of Rs. 1,266 million (SDR 116 million) last year. However, a large increase in net capital inflows - from Rs. 563 million (SDR 54 million) to Rs. 2,640 million (SDR 135 million) - more than offset the current deficit; and went on to augment external assets by Rs. 1,904 million (SDR 65 million) at the end of the year.

As in the previous year, external banking assets rose, owing to the overall surplus in the balance of payments; but the expansionary impact of this development on the economy was considerably moderated by the contractionary impact of the government sector. As a result, the increase in money supply during 1978 was kept down to a relatively tolerable level of 11 per cent, which was in sharp contrast to increases of 29 and 35 per cent in the two previous years. The stringent monetary policies involving restraint on credit expansion to the private sector and high short-term interest rates were continued during 1978 and were reinforced by a ceiling on lending to public corporations. Thus, had it not been for the monetary and fiscal restraint that was enforced during 1978, restoration of economic stability in the country, which is essential for economic growth, would not have been realized. There were some complaints of the high cost of credit, but the monetary policy adopted should be viewed as a short-term anti-inflationary measure aimed at restoring monetary stability after two successive years of rapid expansion. It is essential for an expanding economy to pay a positive real rate of interest on savings. In other words, if adequate resources for development are to be generated, savers should be paid a return (which is the rate of interest) which is higher than the expected (or at least, the current) rate of inflation. With inflation running at around 15 per cent, a return to the cheap money policies of yesteryear will be clearly counter-productive. The very high demand for credit in 1978 indicated that borrowers have not been baulked by the current level of interest rates. Of course, it is possible that the long-term investor could be discouraged somewhat by high interest rates. It was for this reason that the rates of the long-term lending institutions were left virtually unaffected by the interest rate reform of 1977. It appears that there was an inadequacy of long-term capital. The new National Development Bank, which will commence operations in 1979, is expected to fill this vacuum, largely.



The 1977 economic reforms led to a substantial rise in the revenue and expenditure of the Government. The anticipated surplus, however, could not be generated, there being a deficit of Rs. 701 million in the current account. Fiscal operations in 1978 revealed an expansionary impact of Rs. 173 million, which was quite contrary to the picture presented by the monetary and banking data, of a contractionary impact of Rs. 1,500 million. This was largely due to certain financial transfers effected at the end of the year and an unusually high float of uncleared cheques. When the necessary adjustments are made, the budgetary operations during 1978 would show a contractionary impact of Rs. 893 million. The under-utilization of capital votes declined from 27 per cent in 1977 to 16 per cent in 1978. The contemplated acceleration of government activity from 1979 onwards would necessitate an even better utilization of capital votes.

As mentioned last year, 1977 was a clear watershed in the economic history of Sri Lanka, when the country turned away from a predominantly inward looking, tightly controlled and welfare oriented strategy to one which primarily emphasized export growth, competition and higher capital investment for economic growth and employment generation. The year 1978 was the first full year under the new economic regime, and several problems in adjusting from a controlled regime to a liberalized one were evident. But, the spontaneous and immediate response of the economy to the new economic policy in achieving a high growth rate was the most encouraging feature of 1978. The slow overall growth of exports was partly due to the setback suffered by the tea industry and partly to the normal time lags in the response of exports to the new incentives. Nevertheless, in the traditional sector where price incentives have been reduced to siphon off windfall gains, a review of policies may be necessary to induce a quicker positive response, especially in tea, coconut and minor export crops.

It was a major achievement to contain inflation, after the exchange reform, the withdrawal of some subsidized food rationing, the grant of wage increases and the general increase in prices of imports following inflation all over the world. The tight monetary policy, fiscal discipline, competition induced by liberalization, higher imports and the bumper paddy harvest were helpful in moderating the pressure on prices. A careful watch will have to be kept on the prices front in the future, if Sri Lanka is not to be priced out of world markets.

Clearly, the rapid spurt of the economy in 1978 was the immediate response of a hitherto long stagnant economy to the relaxation of controls and the restoration of price incentives. In the immediate future and in the long-run, the maintenance of such a growth momentum would require a higher level of savings and investment and further policy decisions aimed at fostering economic growth. A difficult trade-off between the interests of consumers and producers would be required. Remaining monopolistic powers and non-productive controls would have to be whittled down. An acceptable balance between growth and equity will have to be worked out. The economy, in its performance in 1978, has clearly shown that, given an appropriate policy climate, it has the potential of moving on to a path of sustained economic development.



## NATIONAL PRODUCT AND INCOME

The Gross National Product at current factor cost prices in 1978 has been provisionally estimated to be Rs. 36,139 million. This indicated an increase of 23.5 per cent over the previous year. Discounting price increases, the Gross National Product at constant (1959) prices has been estimated at Rs. 13,002 million in 1978. This reflects a growth rate of 8.2 per cent, compared with a 4.4 per cent growth in 1977. Sri Lanka's economic growth in 1978 was more than twice the average rate of growth during the last decade; and almost equal the highest growth achieved in recent times of 8.4 per cent in 1968. Also, unlike in previous years, when economic growth came mainly from a few sectors, while the rest of the economy either remained stagnant or declined, the year 1978 was characterized by a high level of activity in all sectors. The most notable growth sectors were mining and quarrying, construction, electricity, finance, manufacturing and trade.

The 1978 mid-year population of Sri Lanka has been provisionally estimated to be 14.2 million, reflecting an annual increase of 1.7 per cent. Thus the Gross National Product per capita in real terms was Rs. 917/- indicating an increase of 6.4 per cent, compared to an increase of 2.6 per cent in the previous year.

Sri Lanka's terms of trade which improved by 35 per cent and 31 per cent in 1976 and 1977, respectively, primarily as a result of a sharp improvement in export prices, declined marginally in 1978. As a result, the real national income, which is obtained by adjusting real gross national product by the changes in terms of trade, grew by 7.8 per cent in 1978, marginally lower than the rate of growth of the real national product.

The Gross National Expenditure at current market prices in 1978 has been estimated at Rs. 38,826 million, an increase of 25 per cent over 1977. Consumption expenditure rose by 29 per cent and gross domestic capital formation increased substantially by 65 per cent. While private and public consumption rose by a uniform 29 per cent each, the major increase in capital formation was accounted for by the public sector. However, these figures should be interpreted with reservation, as they contain the price changes that took place in 1978, especially, the higher import costs arising from the depreciation of the Sri Lanka Rupee.

### Sectoral Developments

A sector-wise disaggregation of the real national product (Gross National Product at constant 1959 prices) during the last 5 years, related to the base year 1959, is shown in Table 1.2.

There have been only marginal changes in the shares of the various sectors in the Gross National Product between 1977 and 1978, reflecting the fact that almost all sectors recorded gains in output in 1978. The drop in the share of agriculture sector from 32 to 31 per cent and the growth of the construction sector from 4 to 5 per cent were noteworthy. The marginal decline in agriculture's share was primarily on account of a decline in tea production and the



TABLE 1.1

## National Product, Income, Expenditure and Population — 1959-1978

Year	GNP at Current Factor Cost Prices		GNE at Current Market Prices		GDP at Constant (1959) Factor Cost Prices		GNP at Constant (1959) Factor Cost Prices		Real National Income		Mid Year Population		GNP Per Capita	
	Amount Rs. Mn.	Growth Rate %	Amount Rs. Mn.	Growth Rate %	Amount Rs. Mn.	Growth Rate %	Amount Rs. Mn.	Growth Rate %	Amount Rs. Mn.	Growth Rate %	Amount 1000	Growth Rate %	Amount Rupees	Growth Rate %
1959	5,893	—	6,433	—	5,930	—	5,893	—	5,893	—	9,625	—	612	—
1960	6,287	6.7	6,667	3.6	6,332	6.8	6,289	6.7	6,278	6.5	9,896	2.8	635	3.8
1961	6,313	0.4	6,835	2.5	6,465	2.1	6,425	2.2	6,274	-0.1	10,168	2.7	632	-0.5
1962	6,503	3.0	6,923	1.3	6,760	4.6	6,710	4.4	6,628	5.6	10,443	2.7	643	1.7
1963	6,797	4.5	7,329	5.9	6,951	2.8	6,900	2.8	6,658	0.5	10,646	1.9	648	0.8
1964	7,291	7.3	7,758	5.9	7,397	6.4	7,363	6.7	7,048	5.9	10,903	2.4	675	4.2
1965	7,484	2.6	8,069	4.0	7,565	2.3	7,551	2.6	7,242	2.8	11,164	2.4	676	—
1966	7,705	3.0	8,301	2.9	7,854	3.8	7,818	3.5	7,513	1.0	11,440	2.5	683	1.0
1967	8,265	7.3	8,984	8.2	8,255	5.1	8,210	5.0	7,543	3.1	11,703	2.3	702	3.8
1968	9,876	19.5	10,664	18.7	8,937	8.3	8,901	8.4	8,117	7.6	11,992	2.5	742	5.7
1969	10,725	8.6	11,586	8.6	9,369	4.8	9,301	4.5	8,487	4.6	12,252	2.2	759	2.3
1970	11,636	8.5	12,640	9.1	9,828	4.9	9,743	4.8	8,828	4.0	12,514	2.1	779	2.0
1971	11,860	1.9	12,587	-0.4	9,836	...	9,769	0.3	8,814	0.2	12,699	1.5	769	-1.0
1972	12,710	7.2	13,497	7.2	10,146	3.2	10,085	3.2	9,115	3.4	12,951	2.0	779	1.2
1973	15,274	20.2	16,630	23.2	10,514	3.6	10,470	3.8	9,300	2.0	13,091	1.1	800	2.7
1974	19,858	30.0	21,469	29.1	10,892	3.6	10,867	3.8	9,724	4.6	13,284	1.5	818	2.3
1975	22,067	11.1	23,934	11.5	11,194	2.8	11,167	2.8	9,798	0.8	13,514	1.7	826	1.0
1976*	24,215	9.7	26,204	9.5	12,542	3.1	12,506	3.0	10,199	4.0	13,730	1.6	838	1.4
1977*	29,271	20.9	31,061	18.5	12,042	4.3	12,016	4.4	11,127	9.1	13,971	1.7	860	2.6
1978*	36,139	23.5	38,668	24.5	13,043	8.3	13,002	8.2	11,943	7.3	14,184	1.7	917	6.4

\* Provisional.

Source: Central Bank of Ceylon



TABLE 1.2  
Sectoral Composition of Gross National Product at Constant (1959) Factor Cost Prices

Sectors	1959		1974		1975		1976		1977		1978		Percentage Increase 1978 over 1977
	Amount Rs. Mn.	Percentage	Amount Rs. Mn.	Percentage	Amount Rs. Mn.	Percentage	Amount Rs. Mn.	Percentage	Amount Rs. Mn.	Percentage	Amount Rs. Mn.	Percentage	
1. Agriculture, Forestry, Hunting & Fishing	2,302	39.1	3,582	32.9	3,596	32.2	3,568	31.0	3,828	31.9	3,990	30.7	4.2
1.1 Agriculture	2,148	36.5	3,328	30.6	3,352	30.0	3,308	28.8	3,568	29.7	3,690	28.4	3.4
1.1.1 Tea	(642)	(10.9)	(699)	(6.4)	(733)	(6.6)	(674)	(5.9)	(715)	(6.0)	(682)	(5.2)	(-4.6)
1.1.2 Rubber	(183)	(3.1)	(259)	(2.4)	(295)	(2.6)	(299)	(2.6)	(296)	(2.5)	(315)	(2.4)	(6.4)
1.1.3 Coconut	(404)	(6.9)	(387)	(3.6)	(419)	(3.7)	(365)	(3.2)	(332)	(2.7)	(385)	(3.0)	(16.0)
1.1.4 Paddy	(312)	(5.3)	(656)	(6.0)	(479)	(4.3)	(513)	(4.4)	(687)	(5.7)	(775)	(6.0)	(12.8)
1.1.5 Other	(453)	(7.7)	(1,327)	(12.2)	(1,426)	(12.8)	(1,457)	(12.7)	(1,538)	(12.8)	(1,533)	(11.8)	(-0.3)
1.2 Forestry	93	1.6	120	1.1	114	1.0	120	1.0	112	0.9	133	1.0	18.8
1.3 Fishing	61	1.0	134	1.2	137	1.2	140	1.2	148	1.2	167	1.3	12.8
2. Mining & Quarrying	31	0.5	191	1.7	248	2.2	354	3.1	311	2.6	411	3.2	32.2
3. Manufacturing	682	11.6	1,420	13.1	1,462	13.1	1,489	12.9	1,505	12.5	1,632	12.6	8.4
3.1 Export processing	373	6.3	546	5.0	460	4.1	432	3.7	435	3.6	446	3.4	2.5
3.2 Factory Industry	263	4.5	770	7.1	832	7.4	871	7.6	881	7.3	987	7.6	12.0
3.3 Small Industry	46	0.8	104	1.0	171	1.5	185	1.6	189	1.6	200	1.5	5.8
4. Construction	283	4.8	553	5.1	503	4.5	531	4.6	480	4.0	629	4.8	31.0
5. Electricity, Gas, Water Sanitary Services	9	0.1	84	0.8	91	0.8	99	0.9	102	0.8	123	0.9	20.6
6. Transport, Storage and Communications	541	9.2	1,054	9.7	1,100	9.8	1,143	9.9	1,198	10.0	1,285	9.9	7.3
7. Wholesale & Retail Trade	801	13.6	1,450	13.3	1,501	13.4	1,545	13.4	1,623	13.5	1,780	13.6	9.7
7.1 Imports	139	2.3	161	1.5	125	1.1	146	1.3	147	1.2	261	2.0	77.5
7.2 Exports	104	1.8	123	1.1	171	1.5	126	1.1	243	2.0	277	2.1	14.0
7.3 Domestic	558	9.5	1,166	10.7	1,205	10.8	1,273	11.0	1,233	10.3	1,242	9.5	0.7
8. Banking, Insurance and Real Estate	51	0.9	166	1.5	184	1.6	191	1.7	229	1.9	263	2.0	14.8
9. Ownership of Dwellings	201	3.4	344	3.2	350	3.1	353	3.1	360	3.0	374	2.9	3.9
10. Public Administration and Defence	301	5.1	609	5.6	646	5.8	676	5.9	703	5.8	760	5.8	8.1
11. Services n.e.s.	728	12.3	1,441	13.3	1,513	13.5	1,593	13.8	1,704	14.2	1,797	13.8	5.5
12. Gross Domestic product	5,930	100.6	10,892	100.2	11,194	100.2	11,543	100.3	12,042	100.2	13,043	100.3	8.3
13. Net factor income from abroad	-37	-0.6	-25	-0.2	-27	-0.2	-37	-0.3	-25	-0.2	-41	-0.3	-
14. Gross National Product	5,893	100.0	10,867	100.0	11,167	100.0	11,506	100.0	12,016	100.0	13,001.9	100.0	8.2

Source: Central Bank of Ceylon.



faster growth of several other sectors. The improvement in the construction sector was the result of enhanced activity arising from a more liberal availability of construction material.

Contrasting the sectoral composition of the national product in 1978 with that of 1959—over a span of 20 years—it is noteworthy that the share of the agriculture sector has dropped from 39 to 31 per cent, while that of industry has risen from 12 to 13 per cent. Excluding the export processing industry associated with tea, rubber and coconut, the share of other industry has actually diminished from 12 per cent in 1959 to 9 per cent in 1978. In constant value terms, agriculture has grown by 73 per cent while industry, starting from a very low base, has grown by 139 per cent. It is quite evident that although industry has grown somewhat faster than agriculture, it has not grown fast enough to assume an important share of the national product. The relatively slow growth of industry during the last twenty years may have been the result of low value-added resulting from high import substituting nature of industry that was nurtured, as well as, of stringent controls and the heavy over-protection that prevailed during the greater part of this period. It is also noteworthy that apart from the decline in share of the agriculture sector and some improvement in the relatively minor sectors such as mining and quarrying, electricity, finance and other services, the structure of the economy seems to have undergone very little change over this period of time.

The agriculture sector (comprising agriculture, forestry and fishing) grew by 4 per cent in 1978, compared with a growth of 7.3 per cent in the previous year. Plantation agriculture (tea, rubber and coconut) grew by 3 per cent owing to increases in production of rubber and coconut, which mitigated a decline in tea. Of domestic agriculture, paddy production aided by favourable weather and higher prices, grew by 13 per cent but the performance of the rest of the sector appears to be uneven. The production of subsidiary food crops has been estimated to have been at the same level as in 1977. Production of important crops such as chillies, onions and potatoes declined in 1978. On the other hand there was an improvement in the production of fruits and vegetables. While the fishing industry improved by about 13 per cent, livestock appears to have received a setback. Generally, the performance of domestic agriculture was uneven in 1978.

Mining and quarrying was a significant growth sector in 1978, its value added in 1978 being one third higher than in 1977. In recent times, the growth of this sector was accounted for by the expansion of the gem industry. This industry, which was once confined to a small area of the island, has laterally expanded to many new areas, providing much gainful employment to a large number. Nevertheless, the records of the Customs indicate that there was a decline in gem exports in 1978. Output of this industry which is measured by the recorded gem exports thus showed a decline in 1978. Hence, the increase in the output of this sector in 1978 came largely from a rapid expansion of the brick and tile industry and in quarrying, an expansion which took place to meet the requirements of the construction boom.



Output of the industrial sector has been estimated to have increased by 9 per cent in 1978. The processing of plantation crops advanced by 2 per cent, reflecting the trends in that sector. Factory industry, on the other hand, is estimated to have grown by 11 per cent in 1978, compared with an insignificant growth of 1 per cent in the previous year. A greater and more liberal availability of raw materials and spares after the import liberalisation of November, 1977 enabled industry to operate at a higher level of capacity utilisation in 1978. The output of state industries which dropped by 3 per cent in 1977, rose by 10 per cent in 1978; while private sector industry grew by nearly 14 per cent. The output of small industries grew by about 6 per cent in 1978. While there is much evidence that a large number of small industries, especially the small handloom textile industry, were faced with serious difficulties owing to their inability to compete with cheaper and superior imports, other cottage industries, especially those which were related to the tourist industry, showed considerable improvement.

After mining and quarrying, the construction sector was the most dynamic sector in 1978. The estimated growth of 31 per cent in this sector could be attributed largely to the freer availability of building materials during the year. Cement sales in 1978 rose phenomenally by 65 per cent; while iron, steel, asbestos and other building materials were available in plenty. According to provisional estimates, public sector construction in roads, bridges, irrigation works and other infrastructure grew by 16 per cent while private sector construction, especially of residential housing and new industries, rose substantially.

The growth in agriculture, industry, mining and construction had its inevitable effects on trade, transport and other services. The transport sector is conservatively estimated to have grown by 7 per cent in 1978. Since the import liberalisation, imports of vans and lorries had grown almost five-fold in 1978, leading to greater competition and a tendency to lower transport fares. However, the full impact of this large increase in transport capacity would be felt in future years. Import liberalisation also gave a considerable fillip to wholesale and retail trade, which has been estimated to have grown by 10 per cent in 1978. Trade in imported goods rose substantially. The value added in the banking and the financial sector increased by the 15 per cent, in keeping with the higher level of activity in the economy. The output of other services, which included hotels, restaurants etc., rose by 6 per cent.

### Resources and Uses

Total resources available to the Sri Lanka economy in 1978 have been estimated at Rs. 53,900 million, an increase of 43 per cent over 1977. It consisted of Gross Domestic Product of Rs. 38,550 million and imports of goods and services of Rs. 15,350 million. As these numbers incorporate price increases during the year, they have been appropriately deflated in the following table.



TABLE 1.3

## Composition and Utilization of Resources 1977-78

Category	1977		1978		1978 at 1977 prices		Percentage increases 1978/77
	Amount Rs. Mn.	%	Amount Rs. Mn.	%	Amount Rs. Mn.	%	
1. Total Resources ..	37,860	100	53,900	100	42,197	100	11.5
1.1 Gross Domestic Product at Market Prices ..	31,352	83	38,850	72	33,954	80	8.3
1.2 Imports of goods and non-factor services ..	6,508	17	15,350	28	8,243	20	26.7
2. Utilization ..	37,860	100	53,900	100	42,197	100	11.5
2.1 Consumption ..	25,306	67	32,381	60	28,084	66	11.0
2.2 Gross Domestic Capital Formation ..	5,035	14	8,280	15	6,233	15	23.8
(a) Government ..	(1,542)	(4)	(3,077)	(6)	(2,049)	(6)	(32.8)
(b) Public Corporations ..	(861)	(3)	(1,815)	(3)	(1,066)	(3)	(23.8)
(c) Private Sector ..	(2,632)	(7)	(3,388)	(6)	(3,158)	(6)	(20.0)
2.3 Stocks ..	159	...	33	...	27	...	—
2.4 Exports of goods and non-factor Services ..	7,360	19	13,207	25	7,853	18	6.7

Source: Central Bank of Ceylon

In real terms, the total resource availability has risen by 12 per cent in 1978. The share of Gross Domestic Product in total resources had dropped from 83 to 80 per cent while that of imports rose from 17 to 20 per cent. The growth of imports was the result of the trade liberalization.

As in the previous year the share of consumption in the use of these resources in 1978 declined marginally from 67 to 66 per cent, although representing an 11 per cent increase in consumption in real terms. On the other hand, the share of exports which rose last year, declined from 19 to 18 per cent. Gross Domestic Capital Formation rose appreciably by 24 per cent; and its share in total resource utilization rose from 14 to 15 per cent. Investment by Government rose by 33 per cent, while that of public corporations and the private sector rose by 24 and 20 per cent, respectively.

Domestic savings in the economy could be estimated as the sum of investment (i.e. Gross Fixed Capital Formation and changes in inventories) less external resources (i.e. net imports of goods and non-factor services).



TABLE 1 . 4  
Domestic Savings

Category	1974*	1975*	1976*	1977*	1978
1. Gross Domestic Product at Market Prices ..	21,701	24,183	26,443	31,352	38,392
2. External Resources (Net imports of goods and non-factor services) ..	1,040	1,203	427	-852	1,867
3. Investment ..	3,139	3,909	4,193	5,194	8,313
4. Domestic Savings (3 - 2) ..	2,099	2,706	3,766	6,046	6,446
5. Savings Ratio (4 as % of 1) ..	9.7	11.2	14.2	19.3	16.8

\* Provisional

Source: Central Bank of Ceylon

The Gross Domestic Product (at Market Prices) rose by 22 per cent in 1978 and domestic savings, as measured above, rose by 7 per cent. Investment increased by Rs. 2,961 million or by 57 per cent, but the turnaround in the Current Account of the Balance of Payments resulted in a net change in imports of goods and services of Rs. 2,719 million. As a result, domestic savings grew by Rs. 400 million. The savings ratio in 1978 amounted to a high 17 per cent of the Gross Domestic Product.

#### AGRICULTURE

The revival of Rubber and Coconut, the decline of Tea, the continued growth of Paddy and the general stagnation of other crops were the notable features on the agricultural front in 1978. Fish production rose, but this was hardly adequate to meet the deficiency in animal protein requirements caused by a slump in the livestock industry. A cyclone devastated the Eastern region in November, damaging much coconut, paddy, cashew and forestry in the area. Altogether, 1978 was an uneven year for the agricultural sector.

At the beginning of the year, there were three Ministries responsible for the development of this sector—the Ministries of Agriculture and Lands, Plantation Industries and Fisheries. By the end of the year, there were six. The Ministry of Agricultural Development and Research was made responsible for paddy, subsidiary food crops, minor export crops and related research and extension. The former Agriculture Ministry functions of land development and alienation were assigned to a new Ministry of Lands and Land Development; and livestock development was handed over to another new Ministry of Rural Industrial Development. The Mahaveli River basin development, encompassing nearly 40 per cent of the country, was considered important enough to be assigned to a new Ministry of Mahaveli Development. In the plantation sector, a new Ministry of Coconut Industries was created, as an adjunct of the main Ministry of Plantation Industries.

An Agricultural Development Authority (ADA) was created to co-ordinate and supervise agricultural development activities on privately owned lands. It organised its activities on an electoral basis, with a view to getting political leaders



involved in its work. A new National Agricultural Diversification and Settlement Authority (NADSA) was set up to take over the crop diversification activities (mostly on uneconomic tea lands at mid elevations) hitherto undertaken by the FAO/UNDP funded Agricultural Diversification Project.

The Land Reform Commission continued to review appeals by former land-owners for redress with regard to lands they were dispossessed of under the land reforms. Meanwhile, the Ministry of Plantation Industries undertook "a rational distribution" of lands between the two large state-owned land management institutions, the Janatha Estates Development Board (Janavasama or JEDB) and the Sri Lanka State Plantations Corporation (SLSPC). The objective of this rationalisation was to reduce operational cost and increase functional efficiency. There is evidence that, wherever the ultimate ownership of land was subject to uncertainty, the necessary development work got deferred. Perhaps, these changes were necessary; but it resulted in a certain amount of dislocation. The regional organisations of the two institutions were finalised, but the emoluments and incentive payments at higher management levels in the plantation sector remained unresolved.

A sharp decline in tea prices tended to squeeze the profit margins in the industry, and the high-growns and the medium-growns appeared to be the most affected. Despite the enhanced subsidies that were payable for re-planting of tea, rubber and coconut, the re-planting achievements continued to be well below the desired levels. The profit squeeze in tea, a shortage of planting material in tea, rubber and coconut, and the continued unattractiveness of re-planting subsidies (which in most cases did not compensate the loss of income of the producer during the gestation period) appeared to dampen the re-planting effort. A more comprehensive subsidy scheme to encourage re-planting and new planting in minor export crops was also introduced. The fertilizer subsidies were revised several times during the year; and ultimately a uniform subsidy of 50 per cent of the import price was introduced in November, 1978. Continuing the import liberalisation policy of the government, the import monopoly of the Fertilizer Corporation was abolished.

The Plantation Industries Ministry engaged certain foreign institutions to prepare "Master Plans" for the development of the tea and rubber industries. Whether such external assistance is really necessary in the case of two crops of which Sri Lanka has developed a considerable expertise over a long time, having even assisted nascent industries in other countries in the past, remains debatable. At the end of the year, the Master Plans were being awaited. A five-year project to rehabilitate tea estates in the Dickoya/Maskeliya area was announced in mid-1978. This project was aimed at reducing cost and improving the quality of tea. In late 1978, the Sri Lanka Tea Board introduced a scheme to pay a guaranteed minimum price for the green tea leaf produced by smallholders.

In late 1978 the new Ministry of Rural Industrial Development brought about a reduction of animal feed prices. It was quite apparent that high animal feed prices and certain controlled prices, such as that of beef and milk had hindered



the development of the livestock industry. At the same time, the National Milk Board's purchase price of milk was raised to enhance producer margins which had remained unattractive in recent years.

There was widespread misuse of agricultural credit which was liberally extended during the Maha 1977/78 season. Recoveries were very low. The inflationary impact of the fivefold increase in credit would have been considerable. For these reasons, the Comprehensive Rural Credit Scheme was considerably tightened for the Yala 1978 season. Only genuine farmers who had re-paid their previous Maha loans were made eligible for future credit. The 75 per cent credit guarantee extended by the Central Bank on behalf of the government was withdrawn, in the hope that this would induce commercial banks to formulate effective schemes of supervision and loan recovery.

The Paddy Marketing Board was able to purchase 35 per cent of the record Maha and Yala paddy crops of 1978. But, the storage capacity of the Board did not increase adequately to meet the higher intake and substantial stocks had to be stored in open-air, under tarpaulin. At the outset, the Board was unable to meet the full requirements of the Food Commissioner owing to milling constraints. Later the Food Commissioner had to curtail his purchases from the Board on account of high stocks. This compounded the storage problems of the Board. From May, it was decided to issue paddy as well on the ration. The paddy issues became quite popular and eased the storage and milling problems of the Board, to some extent. The withdrawal of the rice-subsidy and rationed issues from nearly one half of the population led to the growth of a dynamic private trade in paddy and rice. The outmoded rice milling industry improved during the year due to the import liberalisation, and was able to meet the sudden expansion of the private market for rice.

The reforms of the agrarian structure that were promised in 1977 did not materialise in 1978. The Agricultural Service Centres continued under official management. An attempt was made to revive ancient historic ceremonies in paddy cultivation. It is now contemplated that the former Agrarian Services Department could be reorganised to supervise the entire agrarian structure, including the maintenance of small irrigation reservoirs.

Several important changes were made during 1978 in the Government's agricultural pricing policy. With regard to rationed food items, the Food Commissioner made rice available in the free market through co-operatives at a price of Rs. 1.45 per pound. This price was roughly commensurate with the payment of Rs. 40 per bushel to the farmer and for processing and distribution. Although the consumer preference for this rice was low, the availability of such rice helped to stabilise the price of rice in the free market. The price of flour was raised, in three stages, from 60 cents to Rs. 1.12 per pound. This price was yet well below world prices. The liberal availability of flour at this subsidised price probably discouraged the growth of subsidiary food crops. The price of sugar remained unchanged at Rs. 3 per pound, which was above world prices; nevertheless, it appears to have had adverse effects on the cane and jaggery industry. The Government also built up buffer stocks of certain agricultural produce with



pronounced seasonality in production, with a view to stabilising prices. To the extent that such buffer stocks are built from domestic produce, the producers and consumers would stand to benefit by a moderation of seasonal price fluctuations. But, wherever imports are made to supplement domestic supplies, prices would tend to get stabilised at a lower level, with an adverse impact on production. Among the imports made for stabilisation of prices were onions, chillies, potatoes, fish and chicken. There were also some imports of dhal and green gram. It is quite possible that the drop in domestic production of onions, chillies, potatoes, green gram and cow-pea was, at least partly, due to this import policy. It is noteworthy, however, that the Government allowed a considerable profit margin to the domestic producer in releasing these imports in the market. Hence, it is likely that only those producers who had been accustomed to substantial profit margins would have been discouraged by this policy. It is also possible that some producers shifted back to paddy cultivation because of a more attractive return under very favourable conditions for paddy that existed in 1978. In the coconut industry, a complicated export taxing and profit regulatory measure was introduced in 1978. The aim of this regulation was to keep prices at a reasonable level to the consumer and to assure the producer a price of 65 cents per nut, later enhanced to 85 cents per nut.

Basically, the policy measures adopted in the agricultural sector reflected conflicting objectives of government policy; in the plantation sector, the conflict was between the needs of government revenue and the need to ensure the economic viability of the farmer; in the domestic sector, the conflict was between the need to assure reasonable prices to the consumer and remunerative prices to the farmer. Such conflicts do not lend themselves to easy solutions; but early solutions are necessary for rejuvenation of this vital sector.

Key indicators of performance of the four principal crops—tea, rubber, coconut and paddy—during the last decade are given in Table 1.5.

### Tea

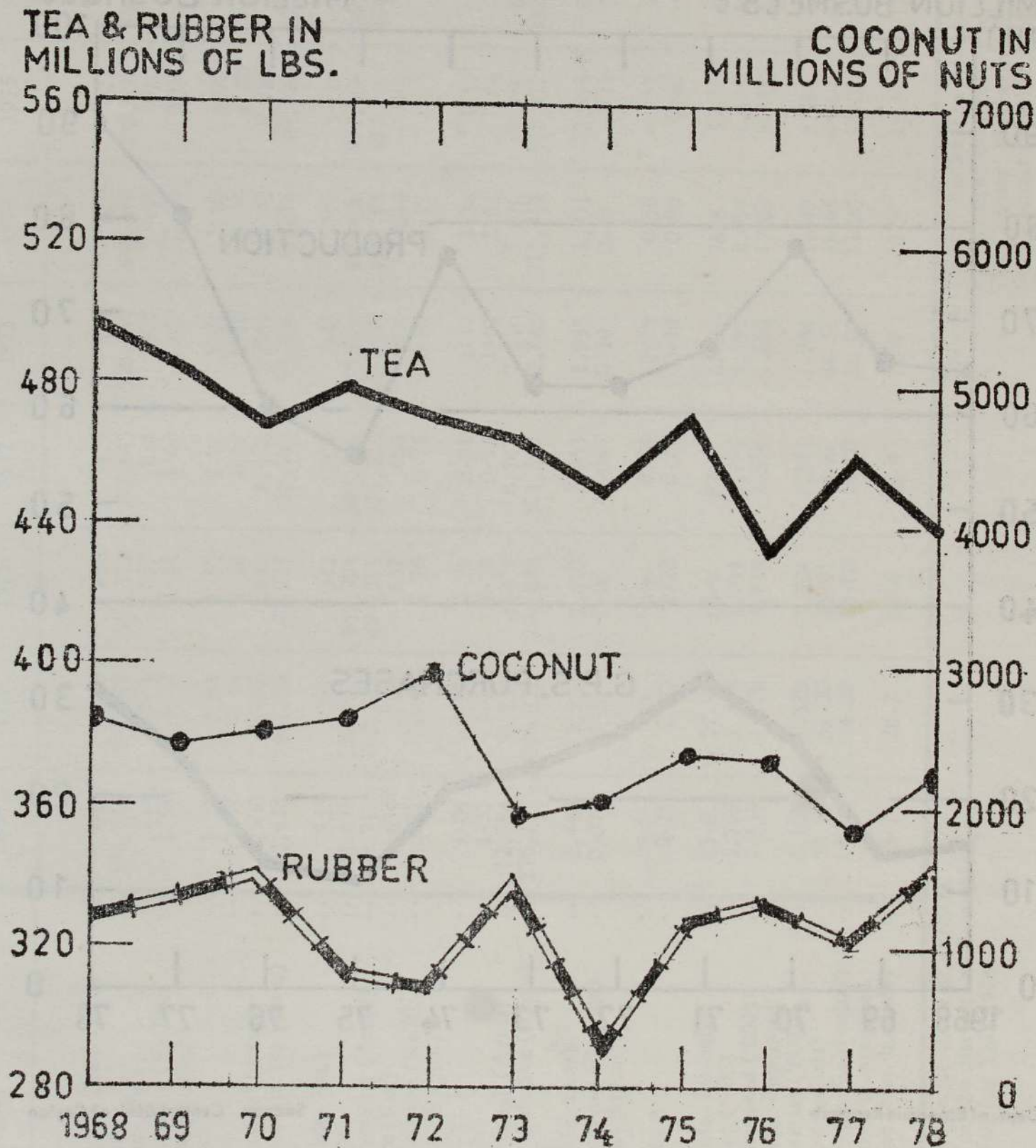
The tea industry, which showed signs of recovery in 1977 from its depressed levels in the previous year, belied expectations in 1978. Production dropped by 5 per cent from 460 million lbs. in 1977 to 439 million lbs. in 1978, keeping barely ahead of the 1976 low (which was the lowest for the decade) and well below the record output of 503 million lbs. in 1965.

This decline of Sri Lanka's major industry was entirely the result of a sharp drop in production at high and medium elevations and a slowing down of growth at low elevations. In fact, low-grown tea production rose by 7 million lbs. or 5 per cent, compared with an increase of 16 million lbs. or 13 per cent in the previous year. High grown production fell by 15 million lbs. or 9 per cent in contrast to a rise of 6 million lbs. or 4 per cent last year; medium grows fell by 13 million lbs. or by 8 per cent, as against a rise of 3 per cent last year.



# PRODUCTION OF MAJOR EXPORT CROPS

ANNUALLY



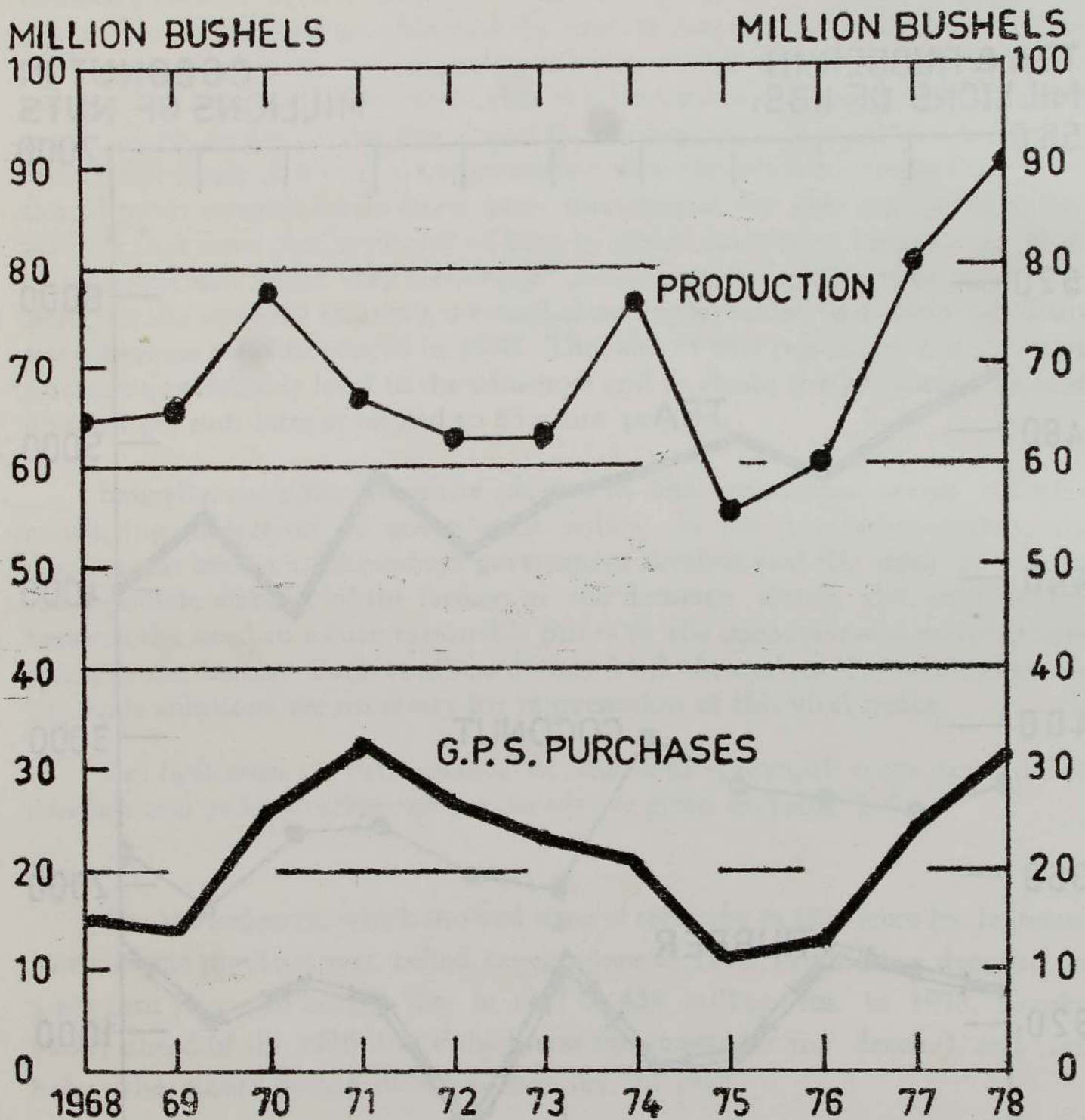
Dept. of Economic Research

Source: Central Bank of Ceylon



# PADDY PRODUCTION AND PURCHASES UNDER G. P. S.

ANNUALLY



Dept. of Economic Research

Source: Central Bank of Ceylon



TABLE 1.5 Key Indicators of Principal Agricultural Crops — 1969-1978

Category	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978 (Provi- sional)
<b>1. Tea</b>										
1.1 Production (Mn. lbs.)	484	468	480	471	466	450	471	433	460	439
1.2 Total Acreage	556,514	597,499	597,171	597,645	598,740	598,466	597,691	594,481	598,024	603,464
1.3 Yield per acre (lbs.)	811	811	833	816	805	882	920	839	899	838
1.4 Cost of Production (Rs./lb.)	1.51	1.52	1.54	1.60	2.03	2.52	3.04	3.37	3.54	4.76
1.5 Average Price (Rs./lb.)										
—Colombo net	1.53	1.63	1.81	1.90	1.92	2.67	2.79	3.54	6.10	5.28
—Export f.o.b.	2.39	2.44	2.50	2.77	2.78	3.52	4.12	4.76	8.55	15.07
1.6 Replanted annual (acres)	6,500	6,857	6,640	6,418	5,953	4,282	4,356	2,756	3,067	5,811
1.7 Replanted cumulative (acres)	33,428	40,285	46,925	53,343	59,296	63,578	67,934	70,690	73,757	79,568
<b>2. Rubber</b>										
2.1 Production (Mn. lbs.)	333	351	312	309	341	291	328	335	322	343
2.2 Total Acreage	563,633	568,900	567,994	567,060	565,000	563,406	562,494	560,872	559,850	559,257
2.3 Area under tapping (Acres)	493,712	496,210	494,355	491,324	475,529	475,165	477,110	474,626	466,401	456,434
2.4 Yield per acre (lbs.)	674	707	657	658	694	634	691	705	690	753
2.5 Cost of Production (Rs./lb.)	0.71	0.69	0.76	0.75	0.85	1.12	1.25	1.49	1.70	2.20
2.6 Average Price (Rs./lb.)										
—Colombo RSS. I	1.04	0.91	0.79	0.81	1.17	1.28	1.13	1.97	2.05	3.14
—Export f.o.b.	1.37	1.24	1.08	0.93	1.67	2.61	1.84	2.95	3.11	6.76
2.7 Replanted annual (Acres)	12,084	10,239	8,477	8,742	7,276	7,076	7,980	6,299	6,464	7,968
2.8 Replanted cumulative (Acres)	276,132	286,371	294,848	303,590	310,866	317,942	325,922	332,221	338,685	346,653
<b>3. Coconut</b>										
3.1 Production (Mn. nuts)	2,440	2,510	2,610	2,963	1,935	2,031	2,398	2,330	1,821	2,207
3.2 Cost of Production (Rs./nut)	0.07	0.08	0.08	0.08	0.10	0.10	0.11	0.16	0.21	0.25
3.3 Average Price (Rs./nut)										
—Colombo	n.a.	n.a.	n.a.	0.14	0.25	0.56	0.32	0.45	0.92	0.85
—Export f.o.b. *	0.25	0.27	0.27	0.21	0.34	0.86	0.46	0.47	1.19	1.85
<b>4. Paddy</b>										
4.1 Production (Mn. bushels)	65.8	77.5	66.9	62.9	62.9	76.8	55.3	60.0	80.4	90.6
4.2 Acreage—Sown ('000)	1,709	1,876	1,794	1,795	1,792	2,038	1,719	1,789	2,046	2,162
—Harvested ('000)	1,539	1,776	1,714	1,579	1,660	1,969	1,476	1,570	1,933	2,074
—Under improved varieties ('000)	1,108	1,325	1,204	1,252	1,284	1,647	1,285	1,381	1,710	1,692†
4.3 Yield per acre (Bushels)	50.33	51.30	45.91	46.87	44.58	45.65	44.04	44.91	48.92	50.70
4.4 Guaranteed Price (Rs./bushel)	14.00	14.00	14.00	14.00	18.00	33.00	33.00	33.00	33.00	40.00
4.5 Purchases under Guaranteed Price Scheme (Mn. bushels)	13.7	26.2	32.4	26.4	22.9	20.9	11.3	12.8	24.6	32.0

\* Average price of nut equivalent of exports  
† Excluding figures for the districts of Batticaloa, Ratnapura and Jaffna for Yala 1978.

Sources: The Sri Lanka Tea Board,  
The Rubber Control Department,  
The Coconut Marketing Board,  
The Coconut Development Authority,  
The Coconut Cultivation Board,  
Department of Census and Statistics,  
Ministry of Agricultural Development and Research,  
The Paddy Marketing Board.



The recorded fertilizer issues to the tea sector rose sharply from 80,394 metric tons in 1977 to 115,500 metric tons in 1978 or by 44 per cent. This was in contrast to a decline in fertilizer issues of 18 per cent last year. Nevertheless, the average yield per acre declined by 7 per cent in 1978 compared with a rise of 7 percent in 1977.

The total acreage under tea cultivation rose by 1 per cent to 603,464 acres in 1978. The area replanted during the year was 5,811 acres, which compared favourably with 3,067 acres replanted in 1977; but, this was well below the desirable annual replanting target of 7,500 acres. The total area so far replanted in high yielding tea stood at 79,568 acres at the end of 1978. This represented a meagre 13 per cent of the total tea land in the country.

In evaluating the disappointing performance of the tea industry in 1978, cognizance must be made of the important fact that tea prices rose to unprecedented levels in 1977, inducing a positive response from producers at a time when the climatic conditions were quite favourable. In 1978, however, prices declined considerably. London prices of Sri Lanka teas during 1978 were, on the average, 44 per cent lower than in 1977. In fact they were almost half of the peak prices realised in early 1977. Colombo prices too were, on the average, 13 per cent lower than in 1977. Also, the changeover in the basis of taxation of the tea industry effected in November, 1977 had an adverse effect on the industry when faced with declining prices. Prior to the change, the taxation was based on a nominal export duty and a substantial value-based progressive sliding-scale excise based on auction prices. This was changed to a substantial specific export duty and relatively minor value-based tax at the auction level. Undoubtedly, this was the more convenient way of siphoning off the windfall gains accruing to the industry as a result of the 1977 exchange reform. But, with the decline in prices, the specific tax burden became heavier; and no adjustments were made in the specific export duty. As a result, the net producer prices in 1978 tended to be much lower than in 1977. On the other hand, cost of production (without reckoning the cost of additional labour required for replanting) has been estimated to have risen by about 30 per cent in 1978. Thus, declining income and rising cost had squeezed the industry in a scissor-grip and had seriously eroded producer margins in 1978.

This is borne out by the fact that low grown teas which continued to enjoy favourable prices because of a firm Middle Eastern market, recorded a production gain in 1978 while the medium and high grown teas which fetched relatively unattractive prices slumped heavily in 1978. Faced with the erosion of profit margins, producers have always tended to neglect recommended cultural practices in order to reduce costs, but this in turn depressed production in the future. In fact, the two large state land management institutions - the State Plantations Corporation and the Janatha Estates Development Board - which managed most of the lands vested in the State since the land reforms of 1972 and 1975, appeared to have managed to maintain their 1977 levels of production in 1978. This would mean that the major decline in tea production came from privately owned lands.



It should be noted, however, that these two corporations which managed the better tea plantations in the country should be in a position to account, by and large, for the major increase that is expected in Sri Lanka's tea production. In that context, the performance of these two institutions in 1978 could be deemed as disappointing. However, there were extenuating circumstances. There was some disruption caused by the transfer of land which once belonged to the Janawasa Commission to these institutions and the rationalisation of land distribution between the two major organizations undertaken during 1978. Yet, these institutional changes could have favourable effects on productions in the years to come. Also, in the case of fertilizer subsidies, the government adopted a discriminatory policy towards the state institutions, in that they were entitled only to one-half of the subsidy that was granted to the private land owners during the major part of 1978. Apparently, the government felt that financial viability in their operations was not that important as they were state institutions. But, the fact remains that such decisions imposed considerable liquidity constraints on these institutions; and the erosion of profit margins may have affected incentives among estate management.

There was also an acute shortage of labour in certain high grown areas due to the accumulated effects of the repatriation of workers of Indian origin under the Indo-Sri Lanka Agreement of 1964. It has been reported that these labour shortages compelled planters to curtail the number of plucking rounds, thereby lowering production. The weather in certain high grown areas was also reported to be unfavourable.

The continued low rate of replanting could be attributed to the profit squeeze, the liquidity constraints of the state institutions, the disruption caused by institutional reforms and an inadequate supply of planting material during the year under review.

On the whole, the tea industry appears to be beset with several major problems. As it was stressed in the last Annual Report, the need for higher productivity in this important sector of the economy calls for a much higher rate of replanting, much better management in the state sector and better producer margins which would enable the adoption of recommended cultural practices. The replanting of tea is financed by a cess on exports and there is much potential for higher replanting by enhancing the subsidies. More nurseries will have to be established if the increased requirement of planting material is to be met. It will be necessary to introduce effective incentive schemes for managers if the maximum potential of the state-owned land is to be realised. There is no incentive for improved production under the present system of uniform bonuses and standardized salaries. Also, the decision making power of the managers appears to have been substantially reduced under state ownership. More effective regionalisation of management would help in giving managers greater authority. Also, it is worth examining whether the two institutions are too large for successful management.



## Rubber

Rubber production rose from 322 million pounds in 1977 to 343 million pounds in 1978, an increase of 7 per cent. This was the highest production realised since the peak of 351 million pounds achieved in 1970. The average yield per acre at 753 pounds in 1978 showed a remarkable improvement of about 9 per cent; this was the highest yield recorded so far. On the other hand, the area under tapping fell by 2 per cent. The notable increase in production was largely due to a positive response to attractive prices coupled with continued favourable weather conditions. The attractive producer margin seems to have induced some marginal producers to resort to slaughter tapping as well.

The area replanted increased considerably by 23 per cent from 6,464 acres in 1977 to 7,968 acres in 1978. This improved performance could be partly attributed to the enhanced replanting subsidy announced in November, 1977. Since replanting still lagged behind the required conventional target of 15,000 acres per year (about 17,000 acres, if the backlog is to be cleared), the Government raised the subsidy further from Rs. 3,000 to 4,000 per acre in November, 1978. This may have a positive effect on replanting in 1979, although the increase appears inadequate to compensate full costs and loss of income during the long gestation period. The cumulative total area replanted at the end of 1978 amounted to 346,653 acres or 62 per cent of the total area under cultivation.

In 1978, 935 acres were newly planted in rubber as against 111 acres in the preceding year. High producer margins and an enhancement of the new planting subsidy from Rs. 1,800 to Rs. 2,700 per acre announced in the Budget for 1978 brought about this increase.

Fertilizer issues for rubber increased from 12,440 metric tons in 1977 to 21,010 metric tons in 1978. The increased availability of fertilizer and the higher subsidy rate enjoyed by the growers in the private sector throughout the first half of 1978 explain the improvement in fertilizer application.

The future prospects for natural rubber appears to be highly favourable with oil prices indicating a sharply rising trend. The prices of competitive synthetic rubber, which is a product of petro-chemical industry, are certain to move up appreciably. Moreover, prospects for international co-operation among primary producers appear to be brightest in the case of rubber. Hence, a more concerted effort is required to increase rubber production and reap the benefits from the favourable price situation. Even a doubling of the current replanting rate cannot be deemed to be excessive. In fact, the uprooted rubber trees could be an important source of firewood, where supplies appear to be dwindling. To achieve the replanting target and to clear the accumulated replanting deficit, a substantial increase in the subsidy may be required. Improved facilities to the smallholder will also help to upgrade the quality of rubber, the price premium for better quality being considerable.



## Coconut

Coconut production which dropped to its lowest level in 1977 following unprecedented droughts during the previous two years, showed signs of improvement in 1978. Production in 1978 has been estimated to have risen to 2,207 million nuts representing an increase of 21 per cent. Yet, production lagged far behind the average level of production of over 2,500 million nuts achieved in the early seventies.

The appreciable recovery of coconut in 1978 may be chiefly attributed to lagged effects of evenly distributed rainfall in the coconut areas in 1977 and continued favourable weather in 1978. Better maintenance of coconut lands also appears to have had a positive impact on coconut production. Fertilizer application on coconut lands increased sharply by 46 per cent to 42,500 metric tons in 1978. The 75 per cent subsidy which was effective during the first half of 1978 to the private sector was mainly responsible for this increase. The establishment of regional fertilizer distribution centres by the Coconut Marketing Board and the more liberal and timely availability also explain the improvement in fertilizer usage.

The total acreage replanted and the acreage newly cultivated in 1978 amounted to 1,207 and 1,297 acres, respectively. An area of 233 acres were inter-cropped with coffee, cocoa and pepper. In order to stimulate production and to encourage a more intensive pattern of land use in the coconut sub-sector, subsidies for replanting, under-planting, rehabilitation, new planting and inter-cropping were raised in August, 1978.

The cyclone in November, 1978 was estimated to have completely destroyed nearly 30,000 acres of coconut land in the districts of Amparai, Batticaloa and Polonnaruwa. This amounts to about 2 per cent of the total acreage in the country.

Coconut has been one of the most tightly controlled or regulated industries for quite a long time. On the one hand, coconut forms an important part of indigenous diet and successive governments have endeavoured to keep prices low. On the other hand, coconut cultivation as a mono-crop requires little attention (for example, when compared to tea or rubber) and thus had become a pastime of the traditional absentee land-owner, whose main source of income comes from elsewhere, and who was, therefore, not overly concerned with a high and adequate return on his investment. Virtually no new investment has taken place in the processing industry in recent times, on grounds that there was over-capacity. In other words, the industry displayed the usual signs of a stagnant or declining industry. When consumption rose or when production declined, governments were quite keen to curtail exports with a view to maintaining low consumer prices.

It is quite clear that if the consumer interest prevail over that of the producers, the prospect of coconut becoming a major growth industry in the country is poor. It is important to note that the acreage under coconut is only second to that of paddy; thus any measures taken to develop this industry are



likely to have a wide mass impact not only among consumers but also among large number of producers. Productivity of the industry can be improved by new investment, but unless the industry becomes more remunerative, no long term investment can be anticipated. Exports of high value coconut oil could be increased if substitute oils are developed locally or even imported. In other words, coconut is an industry with high growth potential, but which has suffered for very long by a form of benign neglect. The creation of a new Ministry in charge of the industry should help in revitalizing this important industry.

### Paddy

Paddy production in the cultivation year 1978 (Maha 1977/78 and Yala 1978) has been estimated at 90.6 million bushels by the Department of Census and Statistics. This indicated an increase of 10.2 million bushels or 13 per cent over the previous year's record harvest.

Of the total harvest, 61.6 million bushels or about two thirds was obtained during the Maha season. This was the highest production recorded for any Maha season and it showed an increase of 6.8 million bushels or 12.4 per cent over the preceding Maha season. The Yala season of 1978 contributed 28.9 million bushels or 32 per cent of the total harvest. Once again, this was the biggest harvest achieved during any Yala season. Besides favourable weather conditions, significant increase in the area sown and harvested, the expansion of area under irrigation, greater availability of institutional credit and increased use of fertilizer, along with the enhanced guaranteed price of paddy, were factors responsible for this bumper harvest in 1978.

The area sown increased by 6 per cent from 2.05 million acres in 1977 to 2.16 million acres in 1978. The area harvested rose from 1.93 to 2.07 million acres in 1978 - an increase of 7.3 per cent. The increase in the harvested area was mainly a result of more assured water supply under irrigation schemes, particularly under the first stage of the Mahaveli Development Scheme. The extent under irrigation rose by 121,000 acres over the previous year. The incidence of crop failure, indicated by the difference between the sown and the harvested acreage, decreased from 6 per cent in 1977 to 4 per cent in 1978.

Fertilizer issues to the paddy sector by the Agrarian Services Division of the Ministry of Agricultural Development and Research rose significantly, from 80,123 tons in 1977 to 112,000 tons in 1978, an increase of 40 per cent. Agricultural credit for paddy cultivation increased phenomenally from Rs. 99.2 million in the cultivation year 1977 to Rs. 452.6 million in 1978. Bulk of this increase was recorded during the Maha season of the year.

The average yield per acre showed only a marginal improvement despite the favourable factors mentioned above. The average yield per acre in 1978 was 50.7 bushels as against 48.9 bushels reported in 1977. The marginal improvement was also almost entirely due to an increase in yields from irrigated lands, the rainfed paddy areas reporting a slight drop in yields. As it was stated in the previous year's Annual Report also, the low yield performance amidst highly favourable conditions was a matter for serious concern. In a land scarce country, maximiza-



tion of productivity per unit of land is of utmost importance. Therefore, an intensive programme to reduce the gap between potential and the actual yield per acre should be given high priority in the agricultural development strategy.

The Paddy Marketing Board (PMB) purchased 32 million bushels of paddy or 35 per cent of the 1978 paddy harvest. This was the highest amount purchased since 1971 and showed an improvement of 7.5 million bushels or 32 per cent over the purchases made in 1977. The bumper harvest and the increase in the guaranteed price of paddy from Rs. 33 to Rs. 40 per bushel, announced in November, 1977 and the relaxation of minimum quality standards of paddy purchases contributed to this improvement. About 85 per cent of the purchases came from the Dry Zone areas, especially from the districts of Anuradhapura, Polonnaruwa and Trincomalee.

In 1978, the PMB delivered 253,121 tons of rice (equivalent of 17.7 million bushels of paddy) and about 9.3 million bushels of paddy (equivalent of 133,000 tons of rice) to the Food Commissioner for issue under the ration scheme. The issue of paddy under the ration commenced in the last week of May, 1978 with a view to reducing the storage problems of the Board and the pressure on milling capacity.

Although the rated storage capacity of the PMB increased from 15.4 million bushels in 1977 to 16.5 million bushels by the end of 1978, the Board continued to experience inadequate storage facilities in the surplus areas. The concentration of bulk of the purchases - 22 million bushels or 66 per cent of the purchases-into a short period from March to July aggravated the storage problem. This situation made it necessary to store paddy in the open air, under tarpaulin and also to transport paddy from the surplus areas to deficit areas, thereby increasing the operating costs of the Board. Rationalization of the storage expansion programme of the PMB along with better co-ordination between the Board and the Food Commissioner would considerably help to ease the problems of storage and wastage resulting from lack of adequate storage facilities.

Rice milling capacity in the country improved during the year owing to the liberalization of imports which enabled millers to obtain necessary machinery and spare parts without hindrance. The withdrawal of the rice ration from about one-half of the population from February, 1978 led to an abrupt expansion of the private market for rice. The improved milling capacity enabled the private sector to cope with this tremendous expansion in demand. As a result, the open market prices of rice in the country remained fairly stable during the year.

### Fertilizer

According to the Fertilizer Corporation, total issues of fertilizer rose to a peak level of 372,300 metric tons representing an increase of 23 per cent over the last year's level of 303,500 metric tons. This substantial increase was a combined result of timely availability and increased demand arising from the generally favourable conditions for agriculture. Moreover, the increase in subsidy from 50 to 75 per cent effective in the first half of 1978 in the case of private



farmers also contributed to the increase. About 31 per cent of the fertilizer was issued to the tea sector, whereas the shares of coconut and rubber sectors were 11 per cent and 6 per cent, respectively. The paddy sector accounted for 35 per cent.

The rate of fertilizer subsidy which was based on the selling prices of the Fertilizer Corporation was changed several times during the year. With effect from 15th March, 1978 the subsidy to the public sector was reduced from 75 to 50 per cent. The private sector continued to enjoy the 75 per cent subsidy. These rates were again changed to 25 per cent and 50 per cent for the public sector and private sector, respectively from 1st July, 1978. The new higher prices appeared to be a disincentive for wider fertilizer use. Also, the Government had decided to do away with the monopoly of imports by the Fertilizer Corporation, but this could not be implemented as long as the subsidized fertilizer prices were determined according to the Corporation's selling prices. Hence, on November 21, 1978 a uniform subsidy of 50 per cent of the import (C & F) price of fertilizer was announced. At the same time, the Customs duty of 12½ per cent and the Business Turnover Tax on fertilizer were also abolished. Along with these measures, prices of fertilizer were reduced by 5 to 10 per cent, but they were higher than the prices at the beginning of the year.

### **Fish and Livestock**

In contrast to the preceding year's marginal improvement, fish production is estimated to have increased from 138,221 tons in 1977 to 160,125 tons in 1978, an improvement of 16 per cent. The improved production in the private sector by about 22,000 tons or 16 per cent accounted for this achievement. Production in the public sector remained static and its share in total production continued to be less than 1 per cent.

During the year, the policy of the Fisheries Corporation was oriented to buying more fish from the private sector. Accordingly, the Corporation purchased 4,203 tons of fish from the private sector, which was 74 per cent higher than in the previous year. The improvement in purchases also reflected increased production in the private sector.

The Department of Census and Statistics has estimated milk production in 1978 at 212 million litres. This reflects a drop from the 1977 production level of 214 million litres. The National Milk Board was able to collect only 49 million litres or 23 per cent of the year's production as against 55 million litres or 25 per cent it collected in the previous year. The shortfall in production as well as in collections may be explained mainly in terms of low producer margins resulting from high cost of animal feed. Perhaps, increased slaughter of animals due to high prices of beef may also have had some adverse impact on milk production. The reduction of animal feed prices by the Oils and Fats Corporation by about 20 per cent and the increase of the Milk Board's purchasing price by about 38 per cent announced in November, 1978 may reverse the declining trend in 1979.



Production of eggs, as estimated by the Census and Statistics Department decreased by 5 per cent from 380 million in 1977 to 360 million eggs in 1978. As in the last year, low producer margins arising primarily from high animal feed prices led to this deterioration in production.

## INDUSTRY

The value of production of the manufacturing industry of Sri Lanka (excluding export processing industries associated with major traditional agricultural exports of Tea, Rubber and Coconut) has been estimated to have increased from Rs. 7004 million in 1977 to Rs. 8851 million in 1978, reflecting an expansion of 26 per cent, as against 16 per cent in the previous year.<sup>1</sup> When deflated by the Wholesale Price Index to offset price changes, the real rate of industrial growth in 1978 could be estimated as 11 per cent, as compared with comparable rates of 1 per cent each in 1977 and 1976.

This remarkable and unprecedented spurt of industry in 1978 could be described as the spontaneous reaction of domestic industry to its emancipation from the straitjacket of controls after the re-orientation of economic policies in 1977. Liberalization of imports made raw materials and spares easily available. As a result, inventories could be scaled down, and capacities utilized to a greater extent. Limited competition from imports necessitated the up-grading of quality in a competitive environment. It appears that certain industries were so inefficient that they were unable to compete even under substantial import protection and were driven to the wall, but it is worth examining whether such industries should be protected and nurtured for ever at a high social and economic cost. The high employment oriented handloom textile industries were faced with a critical challenge from superior and highly competitive textile imports, arising largely from the decision to supply the domestic market with cheap and better textiles by administrative waiver of protective tariffs. It appears that continued subsidization of employment in the handloom industry at the expense of the consumer may be counter productive in the long run, as it encourages a low level of efficiency. It might be preferable to improve the technology and the quality with a view to catering to the high quality international markets.

It appears that both public and private sector industries grew substantially in 1978. In current value terms, private sector industrial output expanded by 30 per cent, while the public sector output rose by 26 per cent. Capacity utilization which was about 61 per cent last year, rose to 70 per cent in 1978. Employment in industry has grown by about 15 per cent, private sector employment rising by 17 per cent, and public sector employment by 13 per cent. The usage of imported raw materials in industry rose from 66 per cent in 1977 to 79 per cent in 1978. This was an inevitable short-term development of the freeing of the bulk of raw materials from import licensing. Hereafter, import tariffs and not quantitative restrictions, will have to be used in encouraging the substitution of imports by domestic raw materials, wherever comparative advantages exist.

1. As in the past, this data is based on a Central Bank survey of nearly 1500 industrial establishments, which constitute the major part of domestic industry. Details will be published in the forthcoming Review of the Economy.



According to the Ministry of Industries, industrial exports (including petroleum, but excluding gems) at current prices almost doubled to Rs. 1963 million in 1978; but when deflated for changes in the exchange rate, this amounted to an increase of about 5 per cent. Major increases were evident in the export of ceramic products, textiles and ready-made garments, handicrafts and processed foods. It is also noteworthy that about one-fifth of industrial production was exported.

The pattern of growth of the various manufacturing sectors in 1978 indicated a significant change in direction. The following table illustrates the position.

**TABLE 1.6**  
**Value of Industrial Production 1976-1978**

Industrial Group	Value of Production (Rs. Mn.)		
	1976	1977	1978
1. Food, Beverages and Tobacco ..	1,715	2,294	2,609
2. Textiles, Wearing Apparel and Leather Products ..	680	698	1,008
3. Wood and Wood Products, including Furniture ..	129	127	124
4. Paper and Paper Products ..	203	270	376
5. Chemicals, Petroleum, Coal, Rubber and Plastic Products ..	2,336	2,469	3,279
6. Non-metallic Mineral Products, except Petroleum and Coal ..	360	411	592
7. Basic Metal Products ..	138	132	219
8. Fabricated Metal Products, Machinery and Transport Equipment ..	474	571	590
9. Products n.e.s. ..	26	34	55
<b>Total</b> ..	<b>6,061</b>	<b>7,004</b>	<b>8,851</b>
<b>Real Rate of Growth (%)</b> ..	<b>1.2</b>	<b>1.3</b>	<b>10.6</b>

Source: Central Bank of Ceylon

In terms of current values, the major growth sectors in 1978 were basic metal products (66 per cent), textiles, garments and leather (44 per cent), non-metallic mineral products (44 per cent), paper (39 per cent) and chemicals (33 per cent). By contrast, the growth sectors of last year were food and beverages, paper and fabricated metal products, machinery and equipment. Apparently, the slowing down in the growth of food and beverage industry was due to supply problems (e. g. meat, milk, jaggery, etc.) and some import competition. Industries in the field of fabricated metal products, machinery and equipment (e. g. cutlery and crockery, motor spares, engineering tools) appear to have suffered a setback primarily on account of import competition.

The growth rates at current values of the expanding sectors referred to above should be deflated for price changes if real rates of growth are to be ascertained. As there is no reliable index to deflate the output of these sectors, the sub-sector indices of the Wholesale Price Index may be used as a deflator.



When thus adjusted, it appears that the basic metal products sector expanded by 43 per cent, chemicals by 29 per cent, paper by 10 per cent, and textiles and garments by 3 per cent. In the absence of a reliable deflator for the non-metallic mineral products sector, deflation by the change in cement prices (cement accounting for more than one-third of the output of this sector) would show a real growth of about 22 per cent.

The growth of the basic metal products sector was due entirely to the substantial expansion in output of the Steel Corporation. The expansion of the non-metallic products sector was largely due to a sharp increase in the production of cement, bricks and tiles. In the chemicals, petroleum, coal, rubber and plastics sector, the increases came from the petroleum, tyre and rubber industries. The output growth in paper and paper products group arose from the higher output of the Paper Corporation and a revival of the paper products industry after imports were relaxed. In the field of textiles, garments and leather products, it appears that a rise in the output of larger manufacturing units more than offset a drop in small industry output.

The decline, of the output of the wood and wood products, for the second, successive year, was a cause for concern. Production of the two majors in this field—the State Timber Corporation and the Ceylon Plywoods Corporation—showed a decline.

As mentioned in last year's Annual Report, the economic reforms of 1977 signalled a change in emphasis in the industrial field from import substitution under a high protective wall towards export-oriented development. A major arm of the new strategy was the establishment of "Export Processing Zones" within a 200 square mile territory, under the Greater Colombo Economic Commission (GCEC). Foreign investors, with or without local collaboration, in export oriented industries were invited into these industrial zones. Firms were offered attractive incentives such as a 7 to 10 year tax holiday and a concessionary turnover tax thereafter, exemption from import and export duties and harbour dues, a limited but preferred access to the domestic market and exemption from exchange controls on foreign transactions. Outside the GCEC area, the policy with regard to foreign investment was much more selective and investments were generally to be limited to export-oriented industries or to areas where significant technology gaps existed locally. A Foreign Investment Advisory Committee (FIAC) vetted such investments. Local industries which required the import of capital of more than Rs. 700,000 required a licence, and such permission was granted by a Local Investment Advisory Committee (LIAC). Data on industries approved by the respective authorities during 1978 are given in the following table 1.7.

The GCEC has approved 52 industries with an investment of Rs. 1,624 million, of which 74 per cent was foreign investment. Of these, 32 industries representing one half of the foreign investment were in the field of textiles and garments. These foreign investors came from countries which were faced with



**TABLE 1.7**  
**Investment Approvals in Industry - 1978**

Industrial Category	Number of Units			Foreign Investment (Rs. Mn.)			Total Investments (Rs. Mn.)			Employment Potential (Nos:)		
	GCEC	FIAC	LIAC	GCEC	FIAC	LIAC*	GCEC	FIAC	LIAC	GC C	FIAC	LIAC
1. Food, Beverages and Tobacco	—	—	109	—	—	68	—	—	99	—	—	3,182
2. Textiles & Wearing Apparel and Leather Products	32	7	1,315	623	20	346	919	31	454	14,357	1,437	20,122
3. Wood and Wood Products including Furniture	—	—	} 184	—	—	} 195	—	—	} 200	—	—	} 1,535
4. Paper and Paper Products	1	—		6	—		—	7		—	—	
5. Chemicals, Petroleum, Coal, Rubber and Plastic Products	7	11	347	47	24	133	75	36	179	9,681	528	7,092
6. Non-Metallic Mineral Products except Petroleum and Coal	2	1	126	497	9	16	583	21	21	832	78	2,262
7. Basic Metal Products	—	—	—	—	—	—	—	—	—	—	—	—
8. Fabricated Metal Products Machinery and Transport Equipment	3	2	304	10	21	91	16	33	108	555	342	9,120
9. Products N.E.S.	7	—	—	19	—	—	25	—	—	848	—	—
<b>Total</b>	<b>52</b>	<b>21</b>	<b>2,385</b>	<b>1,202</b>	<b>74</b>	<b>849</b>	<b>1,624</b>	<b>121</b>	<b>1,061</b>	<b>26,495</b>	<b>2,385</b>	<b>43,313</b>

\* Refers to the foreign cost of the projects.

Sources: Greater Colombo Economic Commission (GCEC)  
Foreign Investment Advisory Committee (FIAC)  
Local Investment Advisory Committee (LIAC)



quantitative and other restrictions in expanding exports to major markets in developed countries, whereas Sri Lanka provided them with further opportunity for export expansion.

The FIAC had approved 21 industries with an investment of Rs. 121 million, two-thirds of which was from abroad. Of these, 11 firms accounting for 32 per cent of the foreign investment were in the field of chemicals, rubber and plastics, and 7 firms accounting for another 27 per cent of the foreign investment were in textiles and garments. In the case of 2385 industries approved by LIAC, 1315 or 55 per cent, involving 43 per cent of the total investment were in textiles and garments. In the chemicals and fabricated metal products and machinery fields, there were 651 approvals accounting for 27 per cent of the investment. Generally speaking, most of the new industries approved outside GCEC were also in the field of textiles and garments. Most of the industries approved by the FIAC were export oriented, but most of the LIAC - approved industries were concerned with the domestic market. Of the industries approved by the LIAC, there were some involving advanced technology in the chemical, machinery and precision equipment fields.

The authorities have been concerned by the heavy concentration of industry in and around the city of Colombo. A survey has revealed that over 80 per cent of manufacturing industry accounting for 90 per cent of the value of production and 81 per cent of the workforce was located in the Colombo district. Several fiscal and other concessions are contemplated to foster a more balanced regional dispersal of industry. But modern industry tends to be footloose; and for such industries the contemplated concessions could be only marginal. Hence it might be advisable to foster regional dispersal of industries by setting up regional industrial centres, with the necessary infrastructure to attract investment outside the Colombo district.

## PRICES

The Colombo Consumers' Price Index, prepared by the Department of Census and Statistics and the Wholesale Price Index prepared by the Central Bank are the only published indicators of the changes in price levels in the economy. The former measures the changes in retail prices and in 1978, recorded an increase of 12.1 per cent as against an increase of 1.2 per cent in each of the previous two years. Serious shortcomings of this index has been spotlighted in past issues of the Annual Report. The Wholesale Price Index<sup>1</sup>, on the other hand, showed a rise of 15.8 per cent in 1978, compared to an increase of 20.8 per cent<sup>2</sup> last year, indicating a moderation in price rises in the year under review. The Implicit Price Index, which is the ratio of Gross National Product at current market prices to the Gross National Product at 1959 constant prices showed an increase by 15 per cent in 1978, as against an increase of 16 per cent in the previous year, confirming the foregoing inference.

1. The primary marketing pertaining to a product may be considered as the first major commercial transaction in the chain of sales of the product. Therefore, Wholesale Price would mean mostly the producers' price of locally produced goods and import prices of imported goods. They are thus different from what are referred to in common parlance as wholesale prices.

2. Revised figure.



These indicators show that the rate of inflation in the economy in 1978 would have been between 15 to 16 per cent, a rate lower than that indicated in the previous year of 16 to 20 per cent.<sup>1</sup> This shows that the upward pressure exerted on prices by the substantial depreciation of the exchange rate, the removal of price controls on a large number of consumer items in November 1977, the increase in wages of both private and public sector employees in December 1977, the removal of rice and sugar subsidies from a large proportion of households in 1978 and the upward revision of the price of wheat flour in three stages in 1978 was more than offset by other factors. These other factors included the increased supply of imported goods after liberalization, more competition in the import and distribution trade, improvements in transport facilities due to a substantial increase in the number of commercial vehicles, particularly lorries, higher production of major consumer goods, particularly rice, lowering of business turnover tax and the import duty on many items and the relatively moderate increase in the money supply (11 per cent as against an increase of 29 per cent in the previous year). Nevertheless, a two-digit rate of inflation should not be a cause for satisfaction, because containing cost escalations should be a primary objective of an economy hoping to achieve export-led economic growth. Needless to say, a country has to remain competitive in international markets if it were to make a breakthrough on the export front.

### Wholesale Price Index

An analysis of quarterly data of the Wholesale Price Index shows that the index dropped by 2.2 per cent in the second quarter. The trend was reversed in the third and fourth quarters, the Index rising by 2.8 and 5.8 per cent, respectively. Prices of food and miscellaneous groups dropped in the second quarter. In the third, prices of all items other than textiles, footwear and 'miscellaneous' items rose. In the fourth quarter, there were increases in all sub-categories other than in the chemical and chemical products group.

Further analysis of the Wholesale Price Index shows that the average price level of textiles and footwear, paper products, chemical and chemical products, non-metallic products, metal products, fuel and light and miscellaneous groups increased by as much as 20 per cent to 48 per cent, whereas food, alcoholic drinks, transport equipment, electrical goods and machinery recorded moderate increases ranging from 5 per cent to 11 per cent, while prices of petroleum products remained unchanged.

In the food group, sharp price increases were recorded in import prices of rice, wheat flour and sugar. Other notable increases were in sorghum (30 per cent), maize (49 per cent), beef (27 per cent), eggs (24 per cent), fish (32 per cent), pepper (25 per cent), mustard (55 per cent), and maldive fish (187 per cent). Moderate increases were indicated in free market paddy (13 per cent), kurakkan (18 per cent), chicken (2 per cent), dried fish (18 per cent), potatoes (6 per cent), coconut (12 per cent), coriander (11 per cent), fresh milk (5 per cent) and condensed milk (13 per cent). The impact of these price increases were cushioned to some extent by lower prices of green gram (19 per cent), non-seasonal vegeta-

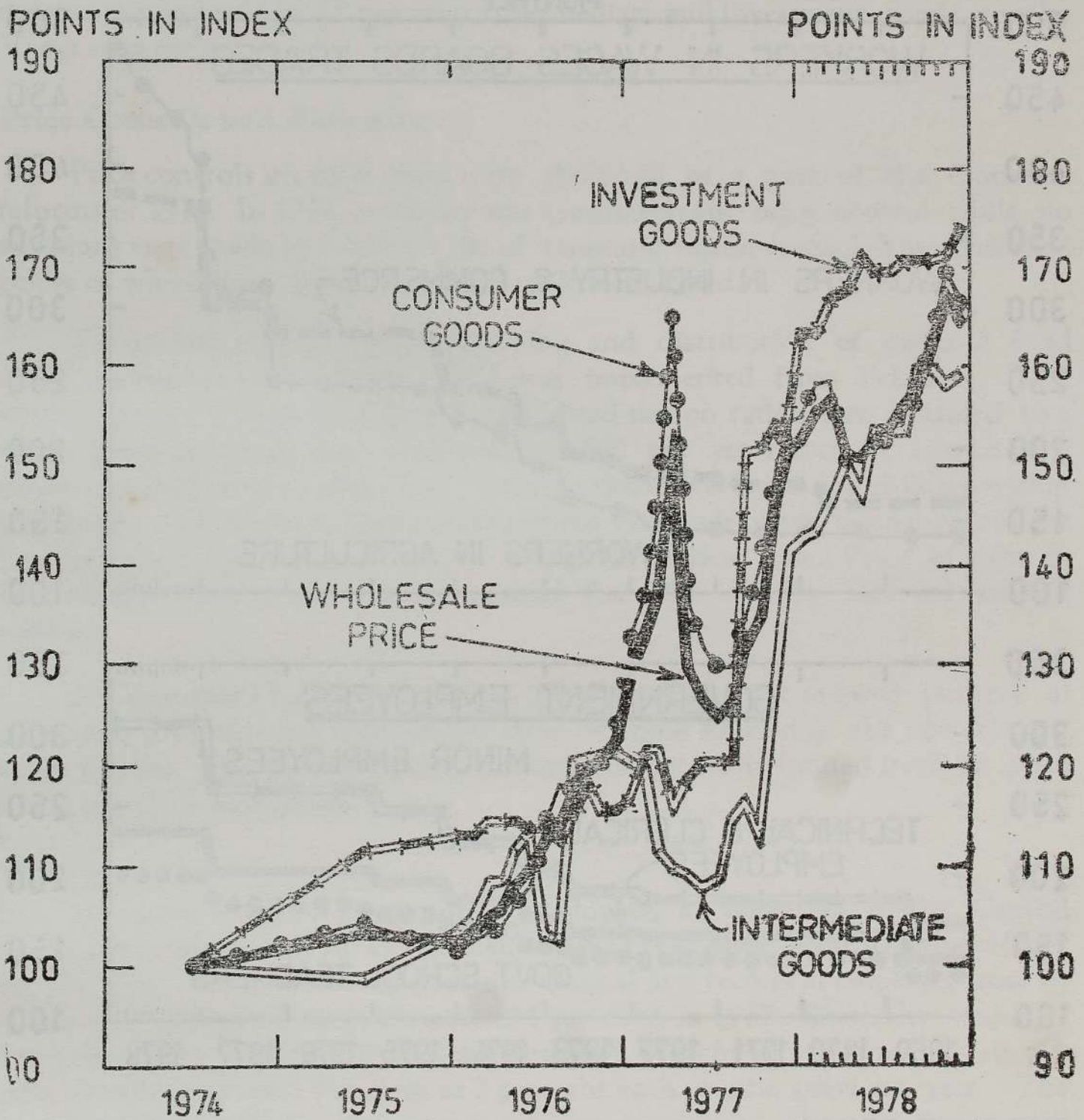
1. Revised figure.



# WHOLESALE PRICE INDEX

1974 - 100

1975 ANNUAL, 1976 ONWARDS MONTHLY



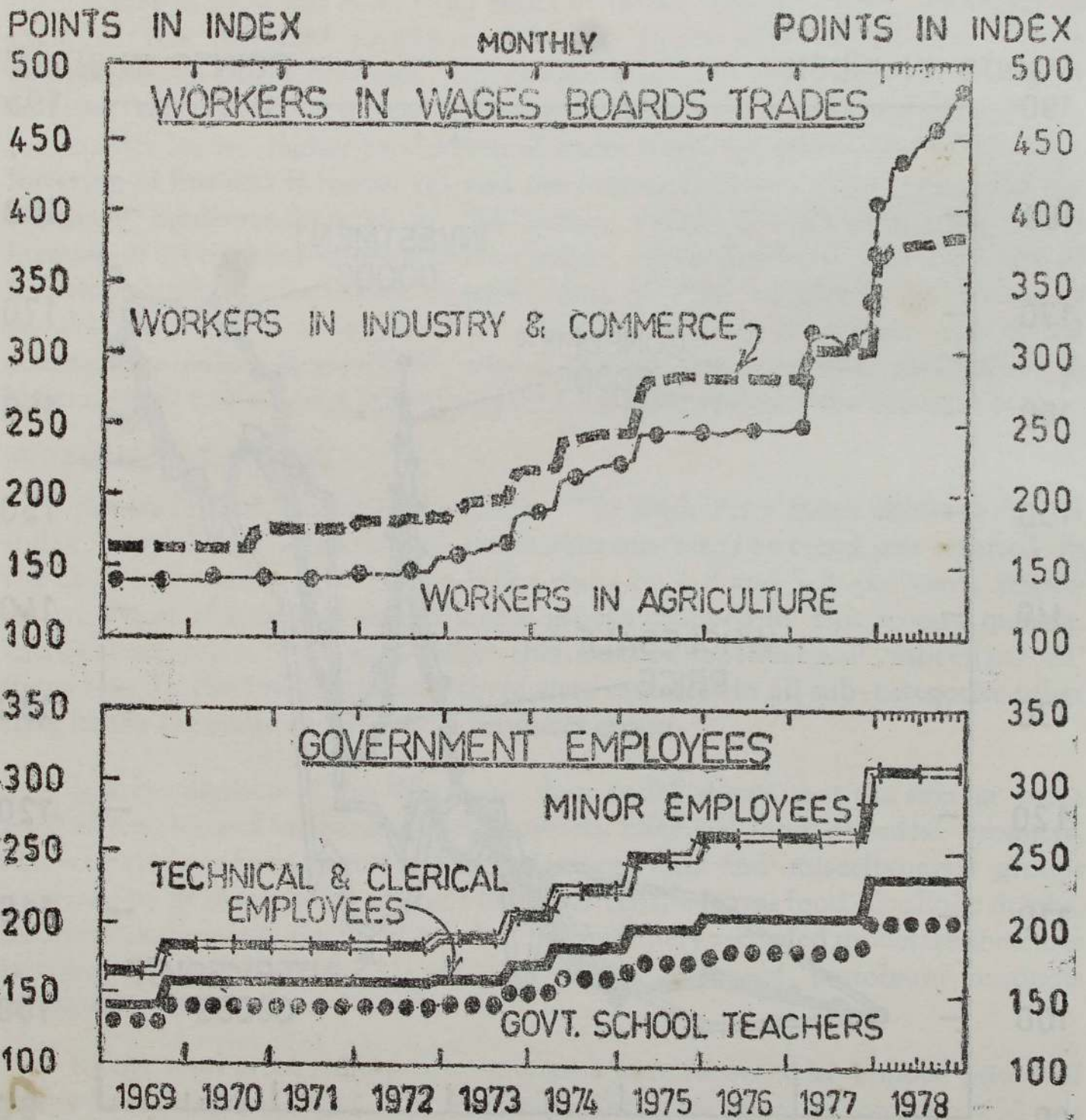
Dept. of Economic Research

Source: Central Bank of Ceylon



# WAGE RATE INDEX NUMBERS

1952 = 100



Dept. of Economic Research

Source: Dept. of Labour and Central Bank of Ceylon



bles (2 per cent), dried chillies (22 per cent), red onions (8 per cent), tea (about 15 per cent) and coffee (36 per cent). As a result, food prices appear to have risen by about 10 per cent, on the average.

A sectoral classification indicates that the index for the domestic group increased by 16 per cent in 1978 compared to an increase of 9 per cent in the previous year. The sub index for the import group which showed a decline of 3 per cent in 1977 recorded an increase of 49 per cent this year. On the other hand the sub index for the export group remained constant as against an increase of 59 per cent in 1977. In a similar comparison, it appears that the sub index for the consumer group rose by 12 per cent. Intermediate and Investment goods rose by 30 per cent each.

### Price Controls and Rationing

Price controls on most items were abolished as a part of the economic reforms of 1977. In 1978, coriander was removed from price control while no additions were made to the short list of items under price control. The controlled prices of wheat flour, bread, dhal and milk were raised.

The revised scheme for the rationing and distribution of essential food items announced in November, 1977 was implemented from February, 1978. Under the new scheme, the issue of subsidized rice on ration was confined to a target group of low income (below Rs. 3,600 per year) earners, constituting about one half of the population. The sugar ration was limited to children within this group. As a result, a large portion of the rice trade came suddenly on the free market, which proved to be a highly efficient one. Price of rice in this market tended to stabilize around Rs. 2.90 to Rs. 3.20 for average quality.

A Consumer Protection Law was introduced with the avowed purpose of protecting the consumer from exploitation, without hindering the operation of a free market. The National Prices Commission generally limited itself to price fixing in public enterprises.

### WAGES

Minimum wages of government employees, as measured by the Central Bank Index, which rose by 1.3 per cent in 1977 rose once again by about 15 per cent in 1978. The nominal wage rate of clerical and technical employees rose by 12 per cent, compared to an increase of 1 per cent, in 1977. Similarly, wages of minor employees rose by 16 per cent and that of school teachers, by 10 per cent, as compared with increases of 2 per cent each in the previous year. The major reason for this increase in money wage rates was the pay rise granted to government employees in December, 1977. Although money wages showed a substantial increase over the previous year, they remained constant throughout 1978. A more substantial wage increase was announced in November, 1978 but this would come into effect only in 1979. Allowing for the rate of inflation in the economy, real wages in this sector appear to have declined, except in the case of minor employees.



Money wages of workers in the private sector who are covered by Wages Boards, as measured by the Labour Department's Index, showed a higher rate of increase in 1978. Wages of workers in agriculture rose by 45 per cent, while workers in industry and commerce saw their wages rise by 24 per cent. The corresponding increases in 1977 were 25 per cent and 8 per cent, respectively. Discounting for inflation, it appears that the real wages rose in this sector. Factors contributing to this were the extension of the pay rise granted to government employees in December, 1977 to the private sector, the increase in the cost of living allowance corresponding to the rise in the Colombo Consumers' Cost of Living Index, the grant of a price-related wage supplement in tea and rubber plantations.

It should be noted, however, that the available wage indices reflect minimum wages of representative grades and that they do not reflect additional emoluments such as overtime payments, increments, bonuses and other incentive payments. There is some evidence that, faced with declining real wages, employees in public as well as private sectors have tended to supplement their nominal incomes by needless 'overtime' work beyond normal hours and by engaging in part-time private vocations, which is reflected by the high degree of absenteeism in normal work places. This is inevitable in situations where inflation is allowed to erode money incomes. Relating wages to productivity and judicious compensation for inflation are more appropriate remedies for this problem than attempts to eradicate such activity by fiat.

#### EMPLOYMENT

As mentioned in previous Annual Reports, the non-availability of reliable and continuous data is a basic problem in analysing trends in employment and unemployment in Sri Lanka. Important variables such as the total labour force, number employed and unemployed therefore have to be estimated from data obtained from census and sample surveys conducted at irregular intervals. The latest completed data available for these variables are for 1971 and 1973.

According to 1971 Census data, there was a labour force of 4.5 million persons comprising 35 per cent of the population. The Central Bank's Consumer Finance Survey estimates of the labour force in 1973 were slightly higher. The age structure and the age specific activity rates in the population indicates that by 1978 the total labour force had increased to 5.6 million, which was 39 per cent of the estimated population for 1978.

The census data revealed that the number unemployed in 1971 was 839,246 and the corresponding figure according to the Consumer Finance Survey estimates for 1973 was one million. The provisional data obtained from the on going Central Bank Consumer Finance and Socio Economic Survey which commenced in October, 1978 revealed that by the end of 1978 the number of unemployed persons was around 900,000, indicating a drop in the ranks of unemployed since 1973. This data, however, should be used with much caution as an indicator of the level and trends in unemployment, as they are derived from the first lap of the first round of the Survey which covered only fourteen districts of the country during a period of depressed activity in the rural sector.



The Central Bank's annual survey of employment in the public sector shows a high increase in employment in government departments in 1978. Employment in government departments rose by 23,438, an increase of 5.5 per cent. The main avenues of new employment have been in teaching (6 per cent) in minor employees grades (6 per cent) and in subordinate grades (5 per cent). In semi-government institutions (public corporations and statutory boards) employment increased by 35,439 or by 6 per cent. Of this, 73 per cent was in minor employee grades while 25 per cent was in subordinate grades.

In the absence of adequate data, the number of active accounts with the Employees' Provident Fund have been used as a proxy to measure the annual change in employment in the institutionalized private sector. In 1977, the number of active accounts increased by 73,309 as against a decline of 34,403 in 1976. This includes an increase of 48,676 (20 per cent) in the plantation sector, 13,132 (9 per cent) in the manufacturing sector and 6,907 (10 per cent) in the services sector. In 1978, the number of accounts increased by 77,292, which is an increase of 9 per cent over 1977. Discounting for new employment generated in semi-government institutions which contribute to the Fund, the number of new jobs generated in the organised private sector in 1978 could be estimated at 43,369 representing a growth of 5 per cent. The corresponding figure for 1977 was 43,015.

The above data indicate that employment generation in government departments, semi-government institutions and in the organised private sector would be around 102,000 in 1978 as against 40,000 in 1977. However, these figures do not include replacement of those who left these sectors either on retirement or on other grounds such as by discontinuance. They also do not include employment creation in the non-institutional private sector and in the domestic agricultural sector, for which estimates of employment creation are not available.

A recent Survey has revealed that by the end of 1978, there were nearly 20,000 Sri Lankans working in the Middle East. The problems that could arise from such emigration of skilled personnel, as well as of the formally educated, were spotlighted in the last Annual Report. Attempts made to train new technicians by the public sector appears to be inadequate; private sector, given adequate incentives, might be able to do better.

The Income Support Scheme which was announced in the Budget speech for 1978, which contemplated the payment of a monthly allowance of Rs. 50 to certain categories of unemployed, commenced operation during the latter part of the year. The number of beneficiaries of this scheme as at the end of the year was 372,684 and the financial involvement was Rs. 114 million.

In 1978, an Employment Data Bank Scheme was established in place of the Employment Exchanges which prevailed for the last few decades to channel job-seekers to available vacancies. The main function of the new Scheme was to co-ordinate the recruitment of employees below-staff rank to the state services, public sector and local government institutions.



## FOREIGN TRADE

Following two consecutive years of surplus, Sri Lanka's balance of trade (on the basis of Customs data) registered a deficit of Rs. 1,457 million (SDR 98 million) in 1978. When Customs data are adjusted for the imports and exports by certain government agencies which get recorded after some lag, the trade balance worsens to Rs. 2,173 million.

TABLE 1.8  
Balance of Trade 1976 - 1978

Year	Value in Rs. Million SDR Million in brackets					
	Imports		Exports		Balance of Trade	
	Customs	Adjusted	Customs	Adjusted	Customs	Adjusted
1976	4,645 (477)	4,946	4,815 (495)	4,840	+ 170 (+18)	- 106
1977	6,007 (630)	6,298	6,638 (659)	6,570	+ 631 (+29)	+ 271
1978	14,663 (774)	15,366	13,206 (676)	13,193	-1,457 (-98)	-2,173

Sources: Customs, Sri Lanka;  
Food Commissioner's Dept;  
Ceylon Fertilizer Corporation;  
Petroleum Corporation;  
State Gem Corporation.

A meaningful comparison of the customs trade data between 1978 and the years before is not possible because the data recorded in Sri Lanka Rupees includes the substantial changes in the value of the rupee since 1977. Hence, the analysis of trade data will be made in the relatively more stable Special Drawing Rights (SDRs) to facilitate comparison.

The trade deficit of 1978 was the result of a sharp rise of 23 per cent in import expenditure and a smaller increase in export earnings of 3 per cent. Imports rose by SDR 144 million and exports were higher by SDR 17 million.

The rise in imports was a direct consequence of the relaxation of import controls in late 1977. The volume of imports, as measured by the Import Volume Index (1967=100) rose by 27 per cent, to the highest level since 1960. A major reason for the relatively poor performance of exports was that the world prices for tea, Sri Lanka's major export earner, fell from the peak levels of 1977. Coconut prices were also lower than their levels last year.



TABLE 1.9  
Foreign Trade — 1969-78

Period	Rupees Million			Index Number 1967 = 100				Terms of Trade
	Exports <sup>1</sup> (f.o.b.)	Imports (c.i.f.)	Balanc of Trade	Volume		Prices		
				All Exports	All Imports	All Exports	All Imports	
1967	1,690	1,738	- 48	100	100	100	100	100
1968	2,035	2,173	- 138	103	101	117	126	93
1969	1,916	2,543	- 627	98	108	117	134	88
1970	2,033	2,313	- 280	102	102	118	140	84
1971	1,947	1,986	- 39	99	90	117	150	78
1972	2,009	2,064	- 55	97	88	118	157	75
1973	2,617	2,715	- 98	98	79	137	209	65
1974	3,471	4,554	-1,082	85	56	217	370	58
1975	3,933	5,251	-1,318	102	69	199	433	46
1976	4,815	4,645	+ 170	97	75	239	383	62
1977	6,638	6,007	+ 631	89	97	382	471	81
1978	13,206	14,662	-1,456	95	132	698	877	80

1. Including re-exports

Sources: Customs, Sri Lanka;  
Central Bank of Ceylon.

The 1977 economic reforms had a greater and more immediate impact on imports than on exports. A high rate of increase in imports would normally be expected following upon many years of licensing and controls, despite the higher cost of importation. In the case of exports, however, increases could only be expected in the medium and long term because of supply inelasticities in the short-run. Exports would normally be expected to rise after the lapse of some time on account of the incentive extended by the depreciated exchange rate, especially in view of the fact that prior to the change, the three major traditional exports were not entitled to the premium exchange rate. However, a high percentage of the profits which would normally have accrued to producers of tea, rubber and coconut as a result of this exercise were siphoned off by the government. The export duties on tea, rubber and coconut were revised upward, thereby eroding producer margins at a time when costs of production were rising. Hence, as mentioned last year, the question of incentive for these major industries is of utmost importance and it is necessary to keep these taxes under constant review in order to ensure the viability of these major sectors of the economy.

### Exports

As mentioned earlier, export earnings rose by barely 3 per cent in 1978. The poor performance in 1978 was in contrast to a growth of 33 per cent in 1977. Of the major export earners, the value of tea, gems and petroleum products fell while those of rubber and coconut products rose.



TABLE 1.10  
Composition of Exports 1976 - 1978

Category	Value Rs. Million SDR Million in brackets			Percentage of Total Exports		
	1976	1977	1978	1976	1977	1978
Tea ..	2100 (216)	3503 (355)	6401 (327)	44	53	48
Rubber ..	890 (91)	931 (93)	2021 (103)	18	14	15
Coconut ..	382 (39)	335 (32)	972 (50)	8	5	8
Minor Agricultural crops*	231 (24)	378 (38)	658 (33)	5	6	5
Gems ..	261 (27)	298 (30)	531 (27)	5	4	4
Industrial Exports*	782 (80)	919 (86)	1891 (97)	16	14	14
Other Exports ..	170 (18)	275 (26)	733 (38)	4	4	6
Total Exports ..	4815 (495)	6638 (659)	13206 (676)	100	100	100

\* Selected Items

Source: Customs, Sri Lanka.

In 1978, the value of tea exports fell by 8 per cent as a result of a drop in the export price from SDR 1.81 in 1977 to SDR 1.70 in 1978. The quantity of tea exports rose by 7 million kilos despite a drop in production. Although international tea prices fell from the peak levels of 1977, they have been rising during the past few years and the levels in 1978 have been well above those of 1976. It is, therefore, a matter for serious concern that Sri Lanka is the only major producing country in which tea production has been falling over the last decade. In fact, Sri Lanka has yet to exceed the production peak reached 14 years ago in 1965. Duties, taxes and other charges presently constitute as much as around 56 per cent of the export price of tea and this appears to be a serious constraint to increasing production.

On the other hand, the value of rubber exports rose appreciably, primarily on account of an increase in prices by around 14 per cent. The quantity of rubber exported rose only marginally. Earnings from coconut exports increased as a result of a rise in the quantity exported. This was made possible by a recovery in production from the depressed level of 1977. Export prices of coconut products, however, fell by around 18 per cent to SDR 0.09 per nut equivalent in 1978.

Earnings from gems and petroleum products dropped in 1978. Exports of petroleum products appear to have been somewhat reduced on account of higher domestic consumption. Industrial exports (excluding petroleum products and gems) increased this year by as much as 68 per cent to SDR 49 million in 1978. This increase was mainly in garments, glycerine, edible fats, crustaceans and molluscs, ceramics, machinery and mechanical appliances, graphite and ilmenite.



Exports of selected minor agricultural exports fell from SDR 38 million in 1977 to SDR 34 million in 1978. Prices of many items in this list have barely risen and the quantities exported of most of these commodities have fallen over a number of years. However, if account is taken of coffee and sesame seed exports which are excluded from the traditional list of minor agricultural exports, earnings from these items would have risen to around last year's level.

### Imports

Following liberalization, the import pattern that emerged was encouraging. There was a sharp acceleration of investment goods imports reflecting the increase in the economy's growth rate. The volume of capital goods imports as measured by the Import Volume Index (1967=100) reached an all time high and rose by as much as 63 per cent. The upsurge in capital goods imports is an indication of a greater momentum in the future growth of the economy since such goods are generally influenced by long term considerations. The volume of intermediate goods imports appear to have risen by 10 per cent; and that of consumer goods, appear to have fallen purely because of a drop in rice imports which had more than offset an increase in other imports. Analysing SDR denominated trade data, the share of capital goods in total imports rose from 12 per cent in 1977 to 23 per cent in 1978 while the shares of intermediate goods

TABLE 1.11  
Expenditure on Imports 1976 - 1978

Category	Value						Percentage of Total Imports		
	Rs. Million			SDR Million			1976	1977	1978
	1976	1977	1978*	1976	1977	1978*			
1. Consumer goods ..	1,689	2,534	5,593	174	270	287	36	42	38
1.1 Food and drinks ..	1,491	2,181	4,103	153	224	210	32	36	28
(i) Rice ..	602	917	689	62	94	35	13	15	8
(ii) Flour ..	683	925	2,274	70	96	117	15	15	16
(iii) Sugar ..	64	197	514	7	19	26	1	3	4
1.2 Textiles & clothing ..	49	150	531	5	15	27	1	3	4
1.3 Other ..	149	203	959	16	31	50			
2. Intermediate goods ..	2,259	2,648	5,591	232	262	287	49	44	38
2.1 Petroleum ..	1,164	1,441	2,402	120	141	123	25	24	16
2.2 Fertilizer ..	99	51	252	10	6	13	2	1	2
2.3 Chemicals ..	906	1,036	2,491	9	100	128			
3. Investment goods ..	641	746	3,367	66	73	173	14	12	23
3.1 Machinery & equipment ..	364	286	1,845	37	33	95	8	5	13
3.2 Transport equipment ..	175	232	988	18	24	51	4	4	7
3.3 Building material ..	104	129	150	11	9	8	2	2	1
4. Unclassified ..	54	79	110	6	25†	29†	1	1	1
5. Total ..	4,645	6,007	14,662	477	630	774	100	100	100

\* Provisional

Source: Customs, Sri Lanka.

† Includes adjustments for transactions effected after November 15, 1977 at rates prevailing prior to that date.



and consumer goods fell from around 44 per cent to 38 per cent each in 1978. Reduced imports of rice (which fell by 63 per cent) was a major factor contributing to the drop in the share of consumer goods.

In the capital goods category, the imports of machinery and equipment and transport equipment were more than twice their level in 1977, meeting the accumulated unfulfilled demand of several years. Registrations of lorries and vans, for instance, more than quadrupled in 1978.

Expenditure on consumer goods in 1978 rose by only about 6 per cent. All sub-categories of consumption goods, except rice, recorded increases in 1978. Imports of milk products, textiles, motor cars and miscellaneous food products rose substantially.

Among imports of intermediate goods, expenditure on chemicals, fertilizer, paper and paper board rose while expenditure on petroleum products and wheat fell on account of a drop in quantities.

### Trade Policy

Trade policy in 1978 has been directed to promoting exports, further dismantling of licensing and reforming of the tariff structure and control procedures.

Duties on imports have been kept under continuous review and some modification of duties took place in the course of the year. Import duties were reduced for a number of commodities comprising items in short supply, essential consumer items, intermediate and capital goods. Duties were raised, sometimes to penal levels, on luxury consumer goods. For instances, duties on items such as perfumes, carpets and cigarettes were raised to 500 per cent in January. There were duty reductions on some consumer goods, such as condensed milk, infant and invalid milk food, frozen meat, biscuits, vegetable protein and yeast. Duties were also reduced on a number of intermediate goods such as barbed wire, articles of iron and steel, fertilizer and pesticides; as well as on capital goods such as engines and chassis for heavy diesel vehicles, roofing tiles and asbestos sheets.

In the case of exports, duties were halved in the case of instant tea, cinammon, cardamom, citronella oil and cocoa while pepper, cloves, coffee and nutmeg were exempted totally. The duty on block rubber was raised to re-establish the relationship with other rubber exports.

Schedule I of the Special Import Licence No. 1 of 1977 was further modified. Several items were deleted from the list of commodities subject to prior licensing, mainly coriander, sugar, fertilizer, safety matches, artificial resins and plastic materials, plywood sheets for tea chests, boxboard, certain base metals and internal combustion engines.

Many non-traditional exports were removed from export control. Need for prior export licensing was removed in all except for 21 items. These few items remain under licensing for purposes of conservation of non-renewable resources, local subsidization of essential consumer requirements, environmental protection and preservation of the fauna and flora of the country.



Various measures have been introduced in the course of the year to promote exports. Existing subsidy schemes for replanting and new planting of agricultural crops were generally revised upward. Grant of foreign exchange for business travel was considerably enhanced in 1978. The Greater Colombo Economic Commission was established to set up "Export Promotion Zones" with a view to attracting export oriented foreign investment. In the course of 1978, 52 approvals were granted for the establishment of such industries.

Another significant measure for promoting exports which was in the process of implementation (and introduced in 1979) was the establishment of an Export Credit Guarantee Corporation. This Corporation will assist exporters to obtain bank finance on a liberal basis and afford them a means of protection against the risks of non-payment or delayed payment by overseas buyers. Legislation was also in process of being enacted for the establishment of an Export Development Council of Ministers and an Export Development Board. The Board will be vested with the powers necessary for the development of exports.

#### BALANCE OF PAYMENTS<sup>1</sup>

The performance of the balance of payments during 1978 was influenced largely by the economic reforms of 1977. The immediate impact of these measures on the balance of payments was perceptible in 1978, when the current account shifted back to a deficit of Rs. 782 million (SDR 64 million) from a surplus of Rs 1,266 million (SDR 116 million) in 1977. External assets, however, increased further in 1978 and the end year reserves were sufficient to finance four months' imports anticipated for 1979. The growth in external assets arose from the surplus in the capital account generated by a heavy inflow of long-term capital and by drawings from the International Monetary Fund (IMF).

The impact of the exchange and trade liberalization on balance of payments was felt critically in the field of imports. In SDR terms,<sup>2</sup> payments on imports rose by 30 per cent; the import bill increased from Rs. 6,290 million (SDR 622 million) in 1977 to Rs. 15,350 million (SDR 808 million) in 1978. The increase in imports reflected the release of the pent-up demand built up over the years of controls. The rise in imports stemmed mainly from a speeding up of imports of investment and intermediate goods, while imports of consumer goods rose at a lower pace. A more than twofold increase in the import of capital goods in 1978 was partly a reflection of the bottlenecks that existed in domestic industries for a number of years, and partly a result of increased industrial activity. While the foreign exchange resource constraints and stringent import controls in the past served to limit the utilisation of external resources to certain essential imports, they inhibited the inflow of investment goods

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1. The trade data used in the balance of payments are actual receipts and payments during the year. They differ from the external trade data given earlier, which reflect the physical movement of exports and imports. The difference is due to the time lag between receipts and payments on one side and the physical movement of goods, on the other.
  2. The frequent changes in the exchange rate of Sri Lanka and also the instability of exchange rates between major international currencies since 1977 introduced a serious problem of comparison of time series data on balance of payments. In the absence of a stable monetary unit, the relatively more stable Special Drawing Rights (SDR) has been used as a unit of account for the purpose of comparison.



required to sustain economic growth. With the elimination of import licensing for a wide range of items, importation of capital goods showed a vigorous improvement. The resulting increased availability of machinery, equipment and raw materials led to a better utilization of industrial capacity (70 per cent in 1978) which over the last four year period 1974-77 remained at a low level of about 57 per cent.

Although import payments increased substantially in 1978, it was nevertheless somewhat lower than the level originally projected for the year. This could be attributed to a number of reasons. First, even though the quantitative restrictions on imports were removed, the rise in import prices arising from the depreciation of the Sri Lanka Rupee tended to moderate the demand for imports. Second, the tightening of bank credit as an anti-inflationary measure set a liquidity constraint on importers. Third, some of the imported goods, durables in particular, did not move in the local market as fast as it was anticipated by importers, who were unable to assess the market easily. Fourth, after a long period of restrictions, it usually takes time for importers to organise themselves to cope with the new system and to re-establish contacts with foreign traders.

In contrast to a considerable increase in imports, the export earnings in 1978 recorded only a marginal increase from Rs. 6,640 million (SDR 651 million) in 1977 to Rs. 13,207 million (SDR 675 million) in 1978. Export earnings of Sri Lanka increased only by 4 per cent while aggregate export earnings of non-oil developing countries, as a group, grew at a much higher rate of 9 per cent in 1978. Since the output of major exports of Sri Lanka remained almost stagnant in recent years, the level of earnings from such commodity exports moved almost entirely in line with the fluctuations of international market prices.

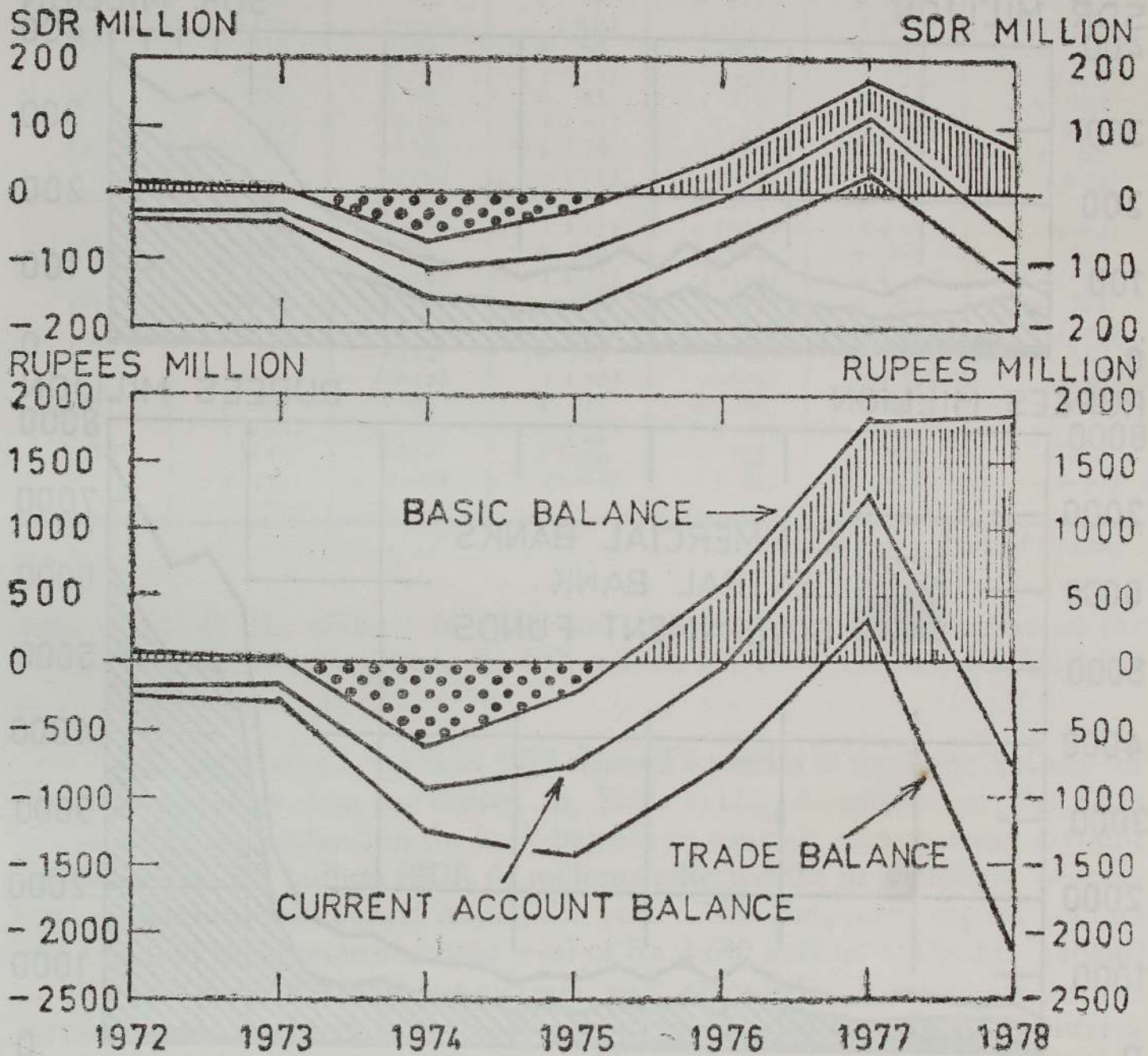
The slower growth of exports and the much faster growth of imports, thus resulted in a shifting of the trade balance to a deficit of Rs. 2,143 million (SDR 133 million) in 1978 from a surplus of Rs. 350 million (SDR 28 million) in 1977.

The services account showed a lower surplus in 1978; the surplus declined from Rs. 304 million (SDR 29 million) in 1977 to Rs. 119 million (SDR 6 million). Following the relaxation of restrictions on foreign travel in November, 1977 the expenditure by Sri Lankans travelling abroad for business, export promotion and other purposes increased sharply from Rs. 33 million (SDR 3 million) in 1977 to Rs. 444 million (SDR 23 million) in 1978. Gross earnings from tourism have been estimated to have risen from Rs. 304 million (SDR 29 million) in 1977 to Rs. 750 million (SDR 38 million) this year. The surplus on port, transport and insurance declined. Largely as a result of these developments, the rising trend in the services account surplus experienced since 1973 was reversed in 1978. Inward remittances by Sri Lankans working abroad, particularly in the Middle East countries, have been estimated to have nearly doubled from Rs. 190 million (SDR 18 million) in 1977 to Rs. 610



# BALANCE OF PAYMENTS

ANNUALLY



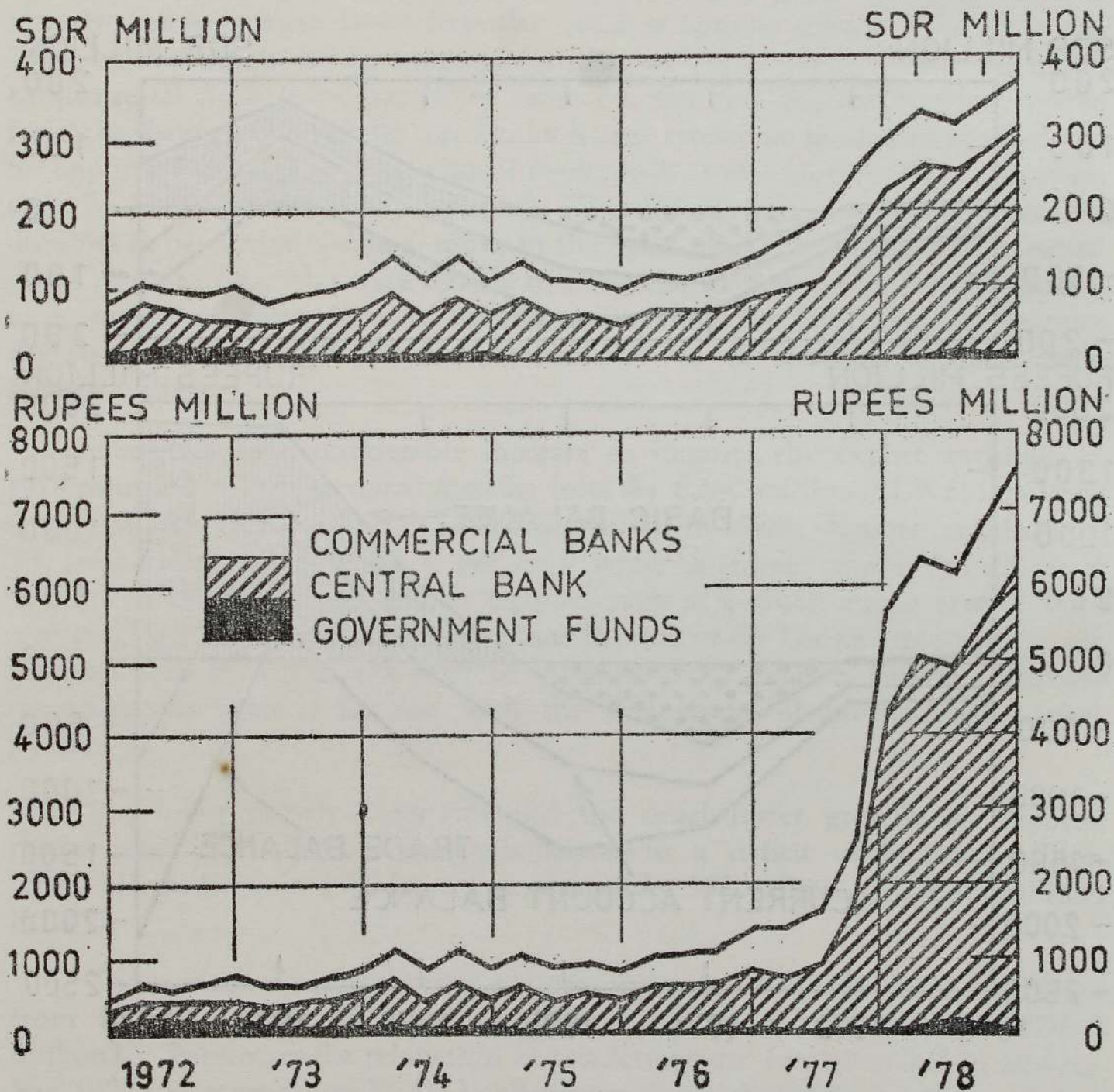
Dept. of Economic Research

Source: Central Bank of Ceylon



### EXTERNAL ASSETS

QUARTERLY



Dept. of Economic Research

Source: Central Bank of Ceylon



TABLE 1-12  
Balance of Payments 1969-1978

Rs. Million (SDR Mn. in Brackets)

Year	Trade Balance	Net Services	Net Transfers	Balance on Current Account	Net Long-Term Capital	Basic Balance
1969	- 746 (-157)	- 90 (-19)	+ 39 (+8)	- 797 (-167)	+ 275 (+58)	- 522 (-110)
1970	- 315 (-52)	-104 (-17)	+ 69 (+12)	- 350 (-59)	+ 184 (+31)	- 166 (-28)
1971	- 287 (-47)	- 14 (-2)	+ 85 (+14)	- 216 (-35)	+ 404 (+66)	+ 188 (+31)
1972	- 255 (-38)	- 15 (-2)	+ 74 (+11)	- 196 (-29)	+ 292 (+44)	+ 96 (+14)
1973	- 299 (-39)	+ 53 (+7)	+ 85 (+11)	- 161 (-21)	+ 190 (+25)	+ 29 (+4)
1974	-1263 (-158)	+ 76 (+10)	+ 280 (+35)	- 907 (-113)	+ 298 (+37)	- 609 (-76)
1975	-1421 (-168)	+ 89 (+11)	+ 560 (+66)	- 772 (-91)	+ 559 (+66)	- 213 (-25)
1976	- 709 (-73)	+112 (+12)	+ 547 (+56)	- 50 (-5)	+ 610 (+63)	+ 560 (+58)
1977	+ 350 (+28)	+304 (+29)	+ 612 (+59)	+1266 (+116)	+ 563 (+54)	+1829 (+170)
1978*	-2143 (-133)	+119 (+6)	+1242 (+63)	- 782 (-64)	+2640 (+135)	+1858 (+71)

Source: Central Bank of Ceylon

\* Provisional

million (SDR 31 million) in 1978 and this resulted in an increase in the surplus on total transfers from Rs. 612 million (SDR 59 million) to Rs. 1,242 million (SDR 63 million) in 1978.

The balance of payments in 1978 showed a surplus in its basic balance for the third successive year, as shown in Table 1.12. A surplus of Rs. 1,858 million (SDR 71 million) in the basic balance in contrast to a current account deficit of Rs. 782 million (SDR 64 million) reflected the heavy inflow of long-term capital into the country during the year. Net long-term capital inflows rose two-fold to an unprecedented level of Rs. 2,640 million (SDR 135 million) in 1978 and this was the largest increase ever recorded. An increase in the support by the International Monetary Fund together with increased assistance from other international organizations and foreign governments contributed to the high capital inflow. In view of the inadequacy of domestic financial resources to finance development programmes, the growth of external capital flow appears to be a significant development. Meanwhile, most of the new loans contracted in 1978 was based on relatively concessional terms.

With the rise in import payments following the liberalization, the external resource gap in 1978 increased more than two-fold to Rs. 3,798 million (SDR 219 million) (Table 1.13.). This was in contrast to the previous year when the resource gap declined from a high level of Rs. 2,456 million (SDR 252 million) in 1976 to Rs. 860 million (SDR 87 million) in 1977. Whereas the improvement in 1977 was due to a sharp increase in export earnings stemming



largely from favourable prices for tea, the gap in 1978 widened owing to the slackened export performance coupled with a high import bill. The decline in the surplus on services was also partly responsible for the increase in the resource gap during the year.

The external resource gap in 1978 was financed almost entirely by long-term loans, as in 1977. The gross inflow of long-term loans increased considerably from Rs. 1,184 million (SDR 114 million) in 1977 to Rs. 3,680 million (SDR 188 million) in 1978, an increase of 65 per cent. Nearly one third of these loans was disbursed as project aid (Rs. 1,222 million or SDR 62 million) tied to various development projects. In addition, loans of Rs. 1,680 million (SDR 86 million) were disbursed from the commodity and food-aid pipe line. The I.M.F. provided Rs. 778 million (SDR 40 million) under its Trust Fund arrangement. The two final instalments of the I.M.F. Stand-by arrangement negotiated in the previous year provided Rs. 756 million (SDR 38 million). Receipts of grants amounted to Rs. 900 million (SDR 46 million) in 1978 and in foreign exchange terms, this was almost equivalent to the 1977 level. As a result of the marked increase in long-term financing availability in 1978, the need for recourse to non-concessionary short-term trade credits was further reduced, as in 1977.

Since long-term loan disbursements and grants were more than sufficient to fill the resource gap, the excess foreign exchange spilled over to external assets. In SDR terms, the gross external assets increased by 21 per cent to SDR 371 million (Rs. 7,477 million) at the end of 1978; and it was adequate to finance about four months' anticipated imports of 1979. The increase in external assets was reflected in a rise in the liquid balances held abroad by the Central Bank.

The debt service ratio i.e. capital repayments and interest (including IMF repurchases, bank borrowings) as a percentage of earnings from merchandise exports and services improved from 16 per cent in 1977 to 15 per cent in 1978. This was largely due to a decline in capital repayments on long-term loans and in suppliers' credits as well as a growth of earnings from exports and services.

Successful negotiations were made with the International Monetary Fund for an arrangement under the Extended Fund Facility, which is designed to provide medium-term balance of payments support. When approved in early 1979, it is likely that Sri Lanka could borrow upto SDR 260.3 million (Rs. 5,206 million) over the period 1979 to 1981. Normally, these drawings are repayable within four to eight years after each drawing - in 16 equal instalments - and are subject, at present, to a charge of 4.375 per cent per annum for balances outstanding for less than one year, the rate rising by 0.5 per cent a year for each succeeding year, up to a level of 6.875 per cent. The outstanding amount of external debt increased from Rs. 13,321 million (SDR 705 million) in 1977 to Rs. 16,446 million (SDR 813 million) in 1978. This resulted from a rise in long-term loans, consisting mainly of project and commodity aid. The outstanding level of long-term loans rose from Rs. 10,594



TABLE 1.13

## Financing of the External Resource Gap 1976-1978

Category	Rupees Million			SDR Million <sup>1</sup>		
	1976	1977	1978	1976	1977	1978
1. Foreign earnings ..	5,459	7,753	15,759	561	758	805
1.1 Exports ..	4,707	6,640	13,207	484	651	675
1.2 Services ..	643	923	1,942	66	89	99
1.3 Private transfers ..	109	190	610	11	18	31
2. Foreign Payments ..	7,915	8,613	19,557	813	845	1,024
2.1 Imports ..	5,417	6,290	15,350	557	622	808
2.2 Services ..	584	687	2,091	60	66	107
2.3 Capital Repayments ..	1,914	1,636	2,116	196	157	109
3. External Resource Gap ..	-2,456	-860	-3,798	-252	-87	-219
4. Financing of the Resource Gap ..	+2,456	+860	+3,798	+252	+87	+219
4.1 Long-term Loans <sup>2</sup> ..	943	1,184	3,680	96	114	188
4.2 Grants ..	492	490	900	51	47	46
4.3 Trade Credits <sup>3</sup> ..	1,266	360	114	130	35	5
4.4 Bank Borrowings ..	1	222	—	—	—	—
4.5 Bilateral Balances ..	—	—	1	—	—	—
4.6 I. M. F. Drawings <sup>4</sup> ..	273	935	756	28	55	38
4.7 Other <sup>5</sup> ..	59	119	208	7	11	10
4.8 External Assets ..	-568	-4,171	-1,904	-59	-169	-65
5. Valuation adjustment <sup>6</sup> ..	—	1,680	344	—	—	—
6. Errors and omissions ..	-10	+41	-301	-1	-6	-3

Source: Central Bank of Ceylon.

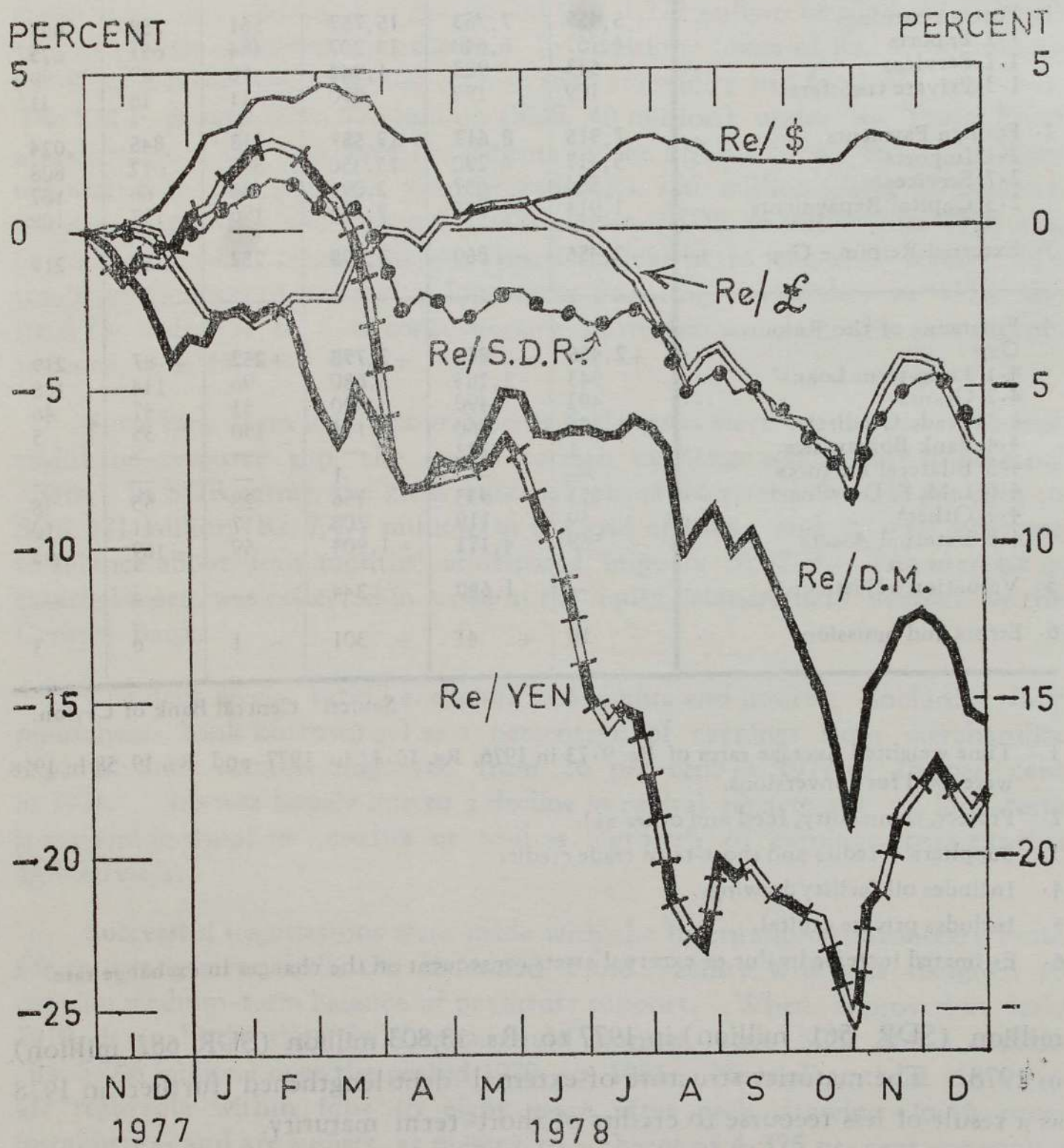
1. Time weighted average rates of Rs. 9.73 in 1976, Rs. 10.42 in 1977 and Rs. 19.58 in 1978 were used for conversions.
2. Project, commodity, food and other aid.
3. Suppliers' Credits and short-term trade credits.
4. Includes oil facility drawings.
5. Includes private capital.
6. Estimated increased value of external assets consequent on the changes in exchange rate.

million (SDR 561 million) in 1977 to Rs. 13,803 million (SDR 682 million) in 1978. The maturity structure of external debt lengthened further in 1978 as a result of less recourse to credits of short-term maturity.

The Sri Lanka Rupee depreciated against major currencies other than the U.S. Dollar in 1978. Since November, 1977 the Rupee depreciated by 8.3 per cent against the Pound Sterling, 18.8 per cent against the Japanese Yen, 16.9 per cent against the Deutsche Mark and 6.3 per cent against the SDR. On the contrary, the Rupee appreciated by 3.2 per cent against the U.S. Dollar.



### EXCHANGE RATES CUMULATIVE PERCENTAGE CHANGES FROM NOVEMBER 16, 1977.



Dept. of Economic Research

Source: Central Bank of Ceylon



## GOVERNMENT FISCAL OPERATIONS

The economic reforms of November, 1977 had a distinct impact on the level and direction of the fiscal operations in 1978. Changes in prices, widening of the tax base, adjustments of tax rates and higher expenditure, almost doubled the size of the Budget. In relation to direction, there was a distinct effort to restructure Government expenditure from consumption to investment. In view of the magnitude of change arising from the 1977 reforms, it was not easy to forecast in advance the ultimate out turn of the 1978 Budget. Finally, the current account turned out to be a deficit, of Rs. 701 million.

The data in Government accounts revealed a nominal expansionary impact of budgetary operations of Rs. 173 million in 1978. But, when adjustments were made to offset certain financial transfers effected at the end of the year and to take account of a higher volume of uncleared cheques at the end of the year, the budgetary operations show a contractionary impact in the region of Rs. 893 million.<sup>1</sup>

Total Government expenditure increased from Rs. 9,760 million in 1977 to Rs. 18,939 million in 1978, an increase of 94 per cent. The recurrent expenditure amounted to Rs. 10,408 million and as a ratio of the Gross National Product, it showed an increase from 23 per cent in 1977 to 34 per cent in 1978. Capital expenditure was Rs. 5,441 million. The ratio of Capital expenditure to the Gross National Product, which declined from 12 per cent to 8 per cent in 1977, rose sharply to 15 per cent in 1978. When, certain end of the year financial transfers to Treasury deposits and the Central Bank were discounted, the Capital expenditure ratio drops to 13 per cent, which is yet appreciably higher than in the previous year.

Revenue for 1978 amounted to Rs. 11,633 million, indicating an increase of 74 per cent over the previous year. Consequently, the ratio of revenue to Gross National Product rose from 23 per cent in 1977 to 32 per cent in 1978.

The Budget deficit in 1978 amounted to Rs. 7,307 million, which was 39 per cent of total expenditure. This was considerably higher than the deficit for the previous year of Rs. 3,074 million, which was 31 per cent of that year's expenditure. The rate of increase of recurrent expenditure and revenue were broadly of similar magnitude in 1978. On the other hand, capital expenditure showed a higher rate of growth. This accounted for the expansion of the budget deficit in 1978.

Summary of fiscal operations for the year 1978 and approved estimates for 1979 are shown in table 1.14. The net cash deficit resulting from the government fiscal operations for 1978 is shown in table 9 of appendix along with comparative data for the last twelve years.

1. Data adjusted for the nominal transfer of Rs. 390 million meant for the National Development Bank to the Central Bank and also for an end of the year cheque float of Rs. 666 million.



Table 1.14  
Government Fiscal Operations 1975-1979

Rs. Million

Items	1975	1976	1977	1978 Approved Estimates	1978 Provi- sional	1979 Approved Estimates
1. Revenue <sup>1</sup>	5,084	5,739	6,686	10,830	11,633	11,429
2. Recurrent Expenditure	5,159	5,554	6,148	9,972 <sup>3</sup>	10,408	10,734
3. Advance Accounts oper- ations (deficit-/surplus+)	- 73	- 312	- 430	- 100	- 1,926	+ 200
4. Current Account (+ Surplus/deficit-)	- 142	- 128	+ 108	+ 758	- 701	+ 895
5. Capital Expenditure	2,556	3,448	3,182	5,181 <sup>3</sup>	6,606	7,195
Of which: Sinking Fund and Amortization payments and contributions to International Financial Organizations	(596)	(662)	(947)	(1,092)	(1,165) <sup>4</sup>	(1,328)
6. Budget Deficit	2,699	3,576	3,074	4,423	7,307	6,300
7. Financing the Deficit						
7.1 Domestic Sources	1,610	2,284	1,786	1,603	2,778	1,950
(a) Non-bank Market borrowing	1,075	1,160	1,504	1,750	2,033	1,950
(b) Non-Market borrowing	379	485	505	- 147	578 <sub>5</sub>	-
(c) Banking system <sup>2</sup>	156	639	- 224	-	167	-
7.2 Foreign Finance	1,059	1,326	1,779	2,820	4,471	4,350
(a) Commodity Loans	380	633	885	1,620	2,128	2,200
(b) Project Loans	275	327	394	} 1,200	1,665	} 2,150
(c) Grants	404	367	500		678	
7.3 Use of cash balances	31	- 33	- 492	-	58	-
8. Expansionary impact of Government Fiscal Oper- ations	184	605	- 715	-	173	-

Sources: Central Bank of Ceylon  
General Treasury.

1. Excludes Capital Grants in Revenue shown under Foreign Grants.
2. Includes Special Advances from Central Bank to meet the contributions to international financial organisations abroad.
3. Includes Rs. 1.7 million and Rs. 0.8 million respectively for recurrent and capital expenditure by Committee Stage amendments.
4. Includes repayment of foreign administrative borrowings amounting to Rs. 174 million.
5. Not adjusted for a repayment of rupee loans amounting to Rs. 52 million to the banking system.

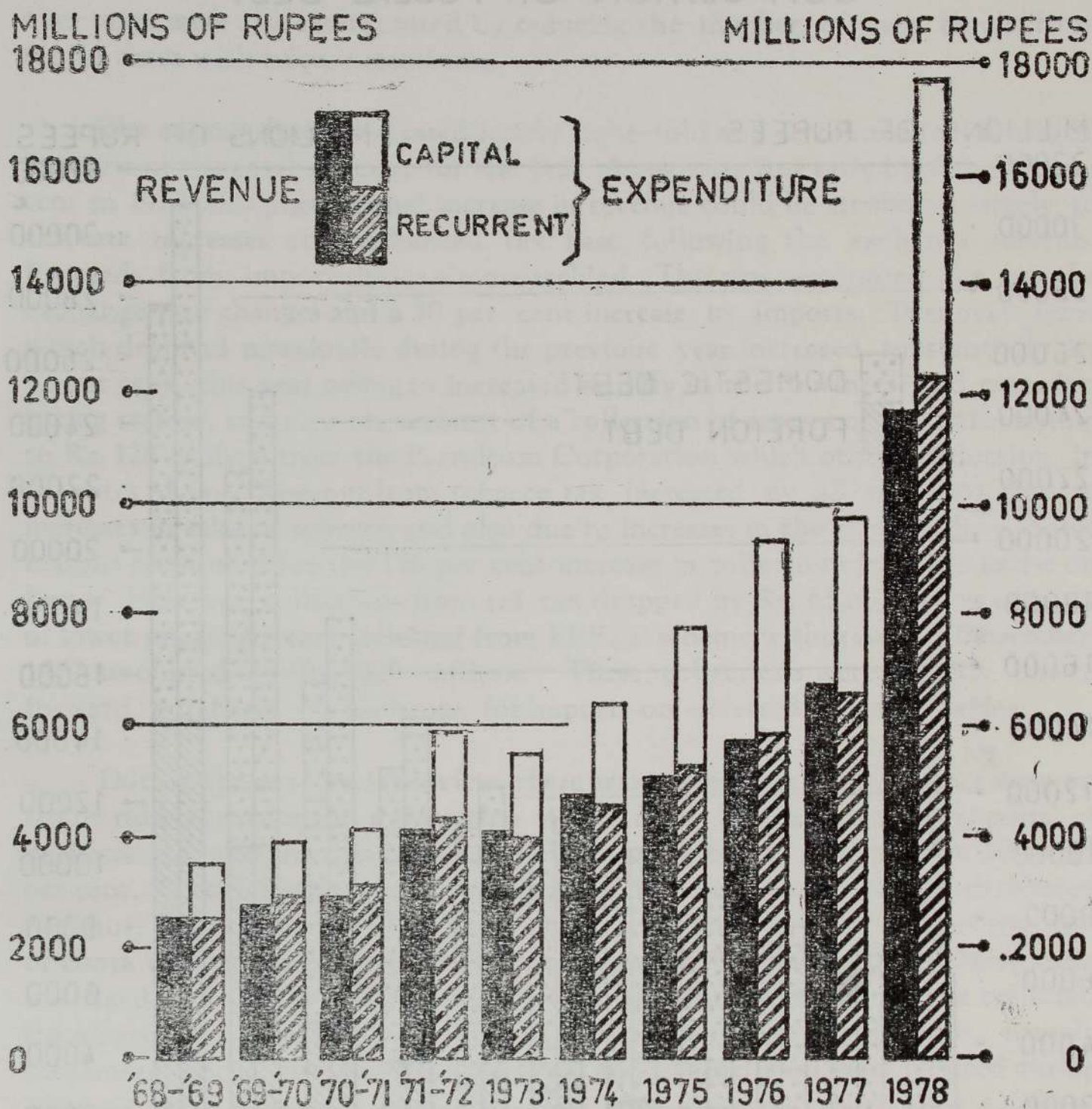
## Revenue

According to provisional data, government revenue in 1978 amounted to Rs. 11,633 million, which indicate an increase of 74 per cent over 1977. This increase is partly attributable to the economic resurgence in 1978, and partly to the adjustments that became necessary after the economic reforms of November, 1977. The reforms of 1977, inter alia, included restructuring of export duties, import duties, business turnover taxes and also certain revisions in income



# GOVERNMENT REVENUE & EXPENDITURE

DATA BY FINANCIAL YEARS



Dept. of Economic Research

Sources: General Treasury  
Central Bank of Ceylon

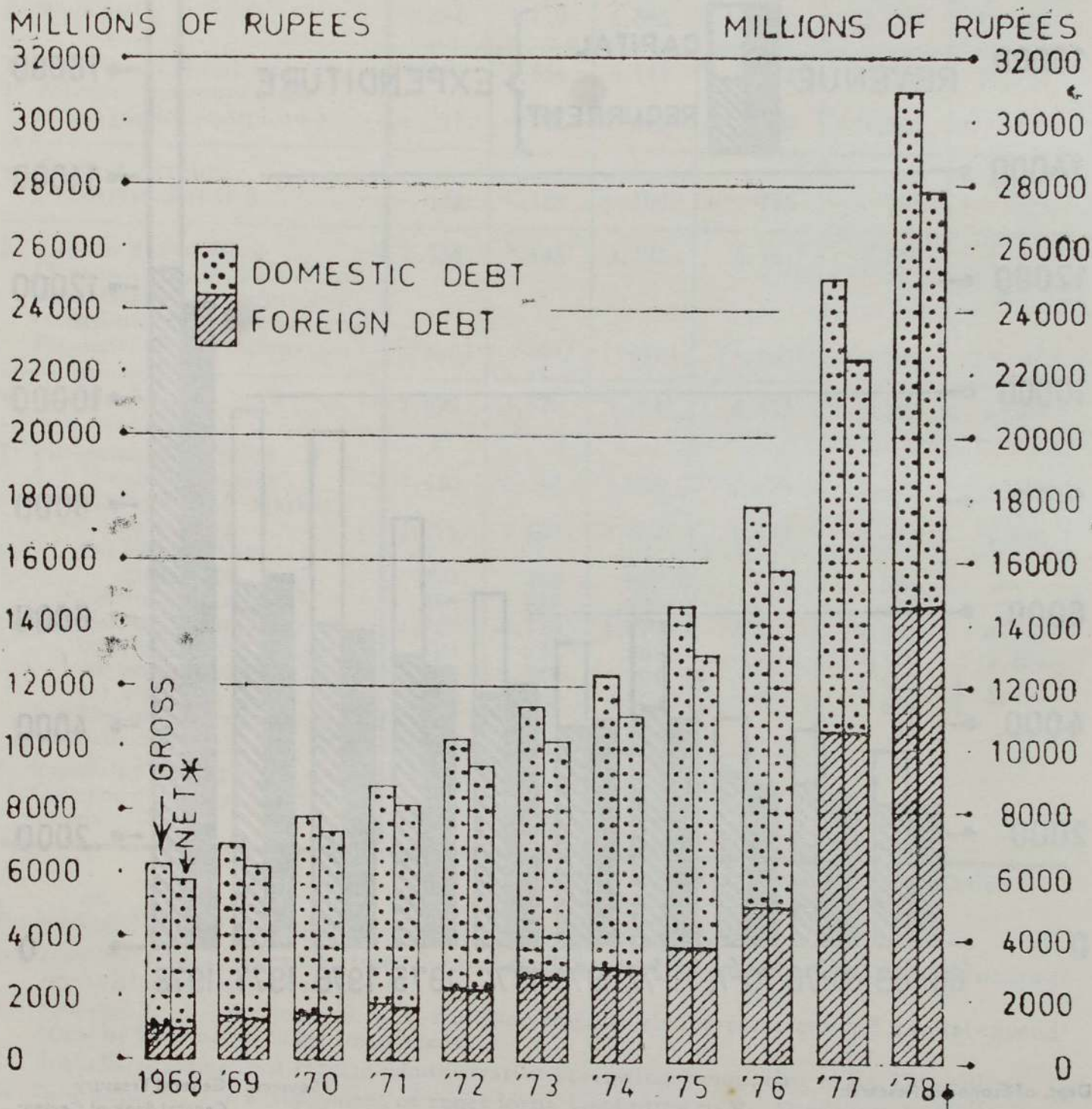
\* Financial years upto and including 1970/71 are for 12 months ending on the 30th September. Financial year 1971/72 relates to 15 months from October 1, 1971 to December 31, 1972. Financial years from 1973 relate to the year ending 31st December.

Data on expenditure refer to total voted expenditure (excluding sinking fund contributions, direct repayments of public debt from revenue and special payments to international financial organisations) together with expenditure financed from the National Development Reserve and net payments on advance account operations. See also Appendix Table 9.

1978 figures are provisional



### COMPOSITION OF PUBLIC DEBT



Dept. of Economic Research

Source: Central Bank of Ceylon

\* Gross Debt less Sinking Funds.

† 1978 Figs are provisional



taxes. Export duties were increased substantially to siphon off devaluation gains in the case of tea, rubber and coconut. Although the rates of import duty were reduced, the unification of the exchange rates enhanced the duty base, while liberalisation of imports increased the volume of imports. Business turnover taxes were also restructured by reducing the number of rate bands from ten to three with a few exceptions.

The export duties increased nearly eight-fold and accounted for nearly 30 per cent of the total revenue for the year. As exports rose only by about 4 per cent in 1978, this phenomenal increase in revenue could be attributed largely to tax rate increases and enhanced tax base, following the exchange reforms. Proceeds from import duties almost trebled. This was accounted for by the exchange rate changes and a 30 per cent increase in imports. Turnover taxes which declined marginally during the previous year increased substantially by 62 per cent this year owing to increased activity in the business and manufacturing sectors, and also on account of a collection of arrears of taxes amounting to Rs. 128 million from the Petroleum Corporation which offset a reduction in the rates of tax. Revenue from tobacco tax increased by 28 per cent due to increases in sales of tobacco and also due to increases in the rate of duty. Same reasons accounted for the 130 per cent increase in collections from the excise on liquor. However, collections from tea tax dropped by Rs. 65 million on account of lower prices. Arrears collected from FEECs scheme withdrawn in November, 1977 amounted to Rs. 329 million. These collections were largely due to forward purchases of exchange for imports on deferred payment terms.

During the year under review, there was no revision in the export duty on tea or rubber, except for a reduction of Rs. 2 per kilo granted to exports of packeted tea, and an enhancement of the duty on block rubber from 50 to 75 per cent. Specific duties amounting to Rs. 6,450 per metric ton of desiccated coconut, Rs. 1,650 per metric ton of coconut oil and Rs. 5,420 per metric ton of copra were imposed with effect from August 1, 1978. The duty on fresh nuts was fixed at Rs. 450 per 1000 nuts. Further, an administrative levy was collected from coconut kernel products. Export duties on minor export crops, namely cardamom, cocoa, cinnamon, cocoa beans and citronella oil were reduced during the year. Rates of import duties were kept under constant review and modifications to existing rates on the recommendations of the Tariff Review Committee were made from time to time.

Tax holidays were granted for investments in deep-sea and off-shore fishing, animal husbandry, rice-milling and small industries. Exemptions were granted for capital gains from housing, while adjustments with respect to depreciation allowances were granted for investments in industry. In regard to personal income taxes, the basic family allowance was raised from Rs. 3,600 to Rs. 5,000 per annum. Substantial exemptions were also granted for investments in industries to be established in the "Investment Promotion Zones" of the Greater Colombo Economic Commission.



The significant feature in the structure of revenue in 1978 was the sharp increase in the relative share of indirect taxes as well as the share of taxes on external trade in total revenue. Indirect taxes as a percentage of the total revenue increased substantially from 67 per cent in 1977 to 79 per cent in 1978. This rise was mainly due to an increase in the share of taxes on external trade from 43 per cent in 1977 to 53 per cent in 1978. The shift of emphasis to indirect taxes, could ease problems associated with tax collections; but from a theoretical point of view, would reduce the progressive nature of the tax system. It should be possible, however, to design a relatively progressive tax system by a judicious mix of indirect taxes.

## Expenditure

Government expenditure in 1978 amounted to Rs. 18,939 million. Recurrent expenditure amounted to Rs. 10,408 million, indicating an increase of 69 per cent while net capital expenditure increased by 143 per cent to Rs. 5,441 million. Contributions to sinking funds and direct repayments of debt amounted to Rs. 1,165 million. Net payments under advance accounts indicated an all time high of Rs. 1,926 million.

The higher recurrent expenditure was partly the outcome of the higher level of prices and costs arising from the depreciation of the exchange rate. Increased cost of maintenance of consumer subsidies, other social services and public utilities and the increase in the quantum of public service emoluments were the other reasons for this increase. Food subsidy continued to be the major item of recurrent expenditure, in spite of the withdrawal of the subsidy from nearly one half of the population. The main reasons for this increase were the increase in the guaranteed price for paddy from Rs. 33 to Rs. 40 per bushel, and the increase in the rupee value of imported rice and flour due to the depreciation of the exchange rate. Interest on public debt rose to Rs. 1,368 million, while other current expenditure of the Ministry of Finance such as provisions for salary increases to government servants, subsidy on fertilizer, reimbursement of losses to public corporations and the interest subsidy to the National Savings Bank amounted to Rs. 1,683 million. Recurrent cost of education amounted to Rs. 1,040 million while expenses of the Ministry of Public Administration, which included pensions to retired Government servants amounted to Rs. 676 million. Expenses of the Ministry of Agriculture amounted to Rs. 510 million, while that of Health to Rs. 523 million, Transport to Rs. 508 million and Defence to Rs. 430 million.

Net payments under advance accounts amounted to Rs. 1,926 million. The major increase here was an advance of Rs. 1,050 million to the Food Department to finance purchasing operations. Other items include an advance of Rs. 200 million to the Paddy Marketing Board, Rs. 200 million to the Commissioner of Commodity Purchase to finance his trading operations under the Sri Lanka-China Trading Account and an increase of Rs. 117 million for the purchase of stores and materials.



## Capital Expenditure

Net Capital Expenditure in 1978 at Rs. 5,441 million reflected an increase of 143 per cent over the previous year. This excludes a contribution of Rs. 1,165 million for sinking funds and direct repayments of public debt. It appears that, while some part of the increase in capital expenditure accommodated the cost escalations due to the exchange rate changes, a substantial share of the increase was to finance new development activity. Also, provisional data revealed that the level of under-utilisation of allocated funds declined from 27 per cent in 1977 to 16 per cent in 1978. However, the lower level of under-expenditure was partly due to the transfer of certain budgetary allocations to Treasury deposits and to the custody of the Central Bank, pending their final utilisation eventually. Such transfers to Treasury deposits approximated to Rs. 280 million. This included a sum of Rs. 50 million meant for the housing programme of the Government to be spent in 1979. Also, the Government transferred an allocation of Rs. 390 million meant for the initial capital of the National Development Bank to the custody of the Central Bank. When adjusted for these transfers, the level of under-utilization stands at 27 per cent.

The Ministry of Finance and Planning spent nearly 31 per cent of the total capital budget while the Ministry of Industries & Scientific Affairs accounted for 18 per cent. Ministries that were engaged in agricultural development namely Land and Land Development, Mahaveli Development and, Agricultural Development and Research accounted for Rs. 831 million or 15 per cent of the total capital budget. An amount of Rs. 752 million or 14 per cent was spent by ministries engaged in development of infrastructure, namely Power and Highways, Transport, and Posts and Telecommunications. The level of utilisation of funds was high in the ministries of Industries & Scientific Affairs and Agricultural Development & Research, while ministries that recorded high levels of under-expenditure in relation to the overall average were Land and Land Development (52 per cent), Fisheries (45 per cent), Power & Highways (29 per cent) and Plan Implementation (28 per cent).

## Financing of the Budget Deficit

The budget deficit in 1978 amounted to Rs. 7,307 million in comparison to a deficit of Rs. 3,074 million in the previous year. The Government raised Rs. 2,836 million from the domestic sector while Rs. 4,471 million was obtained from foreign sources as loans and grants.

Domestic loans included Rs. 2,200 million obtained from the market sources and Rs. 578 million from the non-market sources. Market borrowings constituted Rs. 1,750 million obtained from rupee loans, Rs. 124 million from treasury bills and Rs. 338 million of Central Bank advances, while there was a reduction of the holdings of tax reserve certificates by Rs. 12 million. Contributions to rupee loans were confined to the non-bank sector. However, the Government repaid Rs. 52 million of rupee loans held by the banking sector. In the case of treasury bills, holdings of the non-bank sector increased by Rs. 295 million while those of the banking sector decreased by Rs. 171 million,



reflecting a total increase of Rs. 124 million. Net Central Bank advances for the year amounted to Rs. 338 million. The net borrowing from the banking sector as a whole amounted to Rs. 116 million once adjustments are made in regard to repayments of Rs. 171 million and Rs. 52 million on treasury bills and rupee loans, respectively.

Treasury deposits amounting to Rs. 628 million constituted the major source of non-market borrowing, while there was a net repayment of administrative borrowing amounting to Rs. 224 million. In addition, Rs. 58 million was obtained by running down of cash balances of the Treasury.

Foreign resources used for financing of the budget deficit amounted to Rs. 4,471 million. These included Rs. 1,665 million of project loans and Rs. 2,128 million of non-project loans, while Rs. 678 million was obtained as grants.

### Public Debt

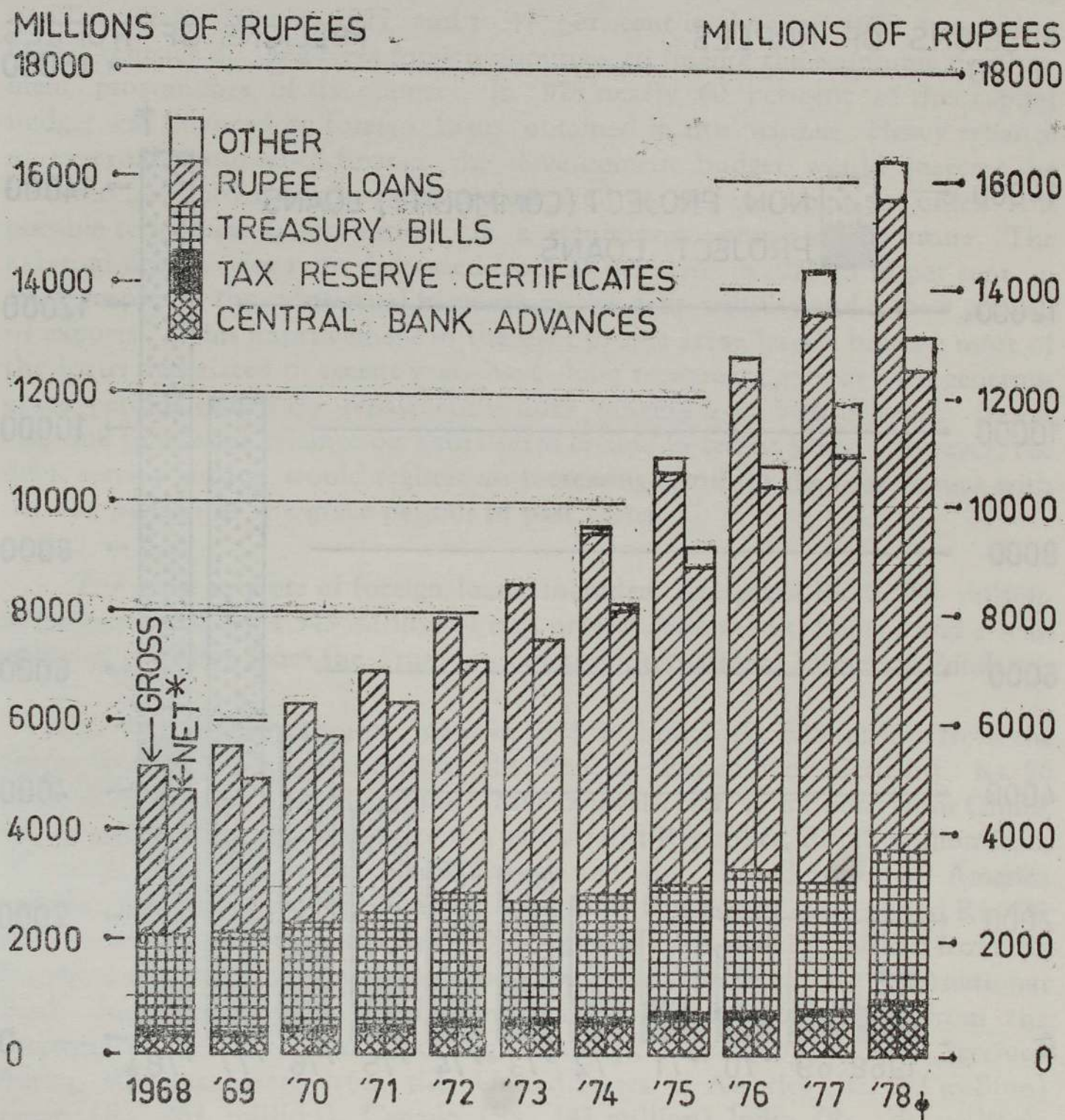
The public debt outstanding increased by 24 per cent in 1978. This compares with an increase of 42 per cent during the previous year. The high increase in the previous year was due to a substantial change in the debt liability due to unification of the exchange rate of Sri Lanka rupee. The gross public debt amounted Rs. 30,950 million. Domestic debt accounted for Rs. 16,368 million while the foreign debt amounted to Rs. 14,582 million.

The gross domestic debt increased by Rs. 1,975 million to Rs. 16,368 million during 1978. Medium and long-term rupee loans, the major item among domestic debt increased by Rs. 1,657 million during the year after making adjustments for repayments during the year. This compares with an increase of Rs. 1,390 million in the previous year. In contrast to a net repayment of Treasury bills of Rs. 200 million during the previous year, the Government raised Rs. 135 million in Treasury bills to finance the Budget and the total amount of bills outstanding increased to Rs. 2,635 million at the end of the year. Central Bank advances increased by Rs. 338 million while holdings of Tax Reserve Certificates declined by Rs. 11 million.

Rupee loans with a maturity period of 10 to 12 years amounting to Rs. 1,750 million were issued in terms of the Appropriation Law No. 25 of 1977 and these securities carried a rate of interest of 10 per cent per annum. Since the loan programme was fully subscribed by November, no new loans were floated in the last two months of the year. The traditional investors in government loans were provided with an opportunity to invest in Treasury bills. The major contributors to the loan programme during the year were the Sinking Funds, Employees' Provident Fund, National Savings Bank and the Insurance Corporation. The Employees' Provident Fund increased its relative share of contributions from 27 per cent in 1977 to 33 per cent in 1978, mainly on account of increased contributions received by the fund. On the other hand, the relative share held by the National Savings Bank dropped from 27 per cent in 1977 to 22 per cent in 1978. This was partly due to the Bank's need to invest in shorter maturities in order to meet its maturing short term fixed deposits.



### COMPOSITION OF DOMESTIC DEBT



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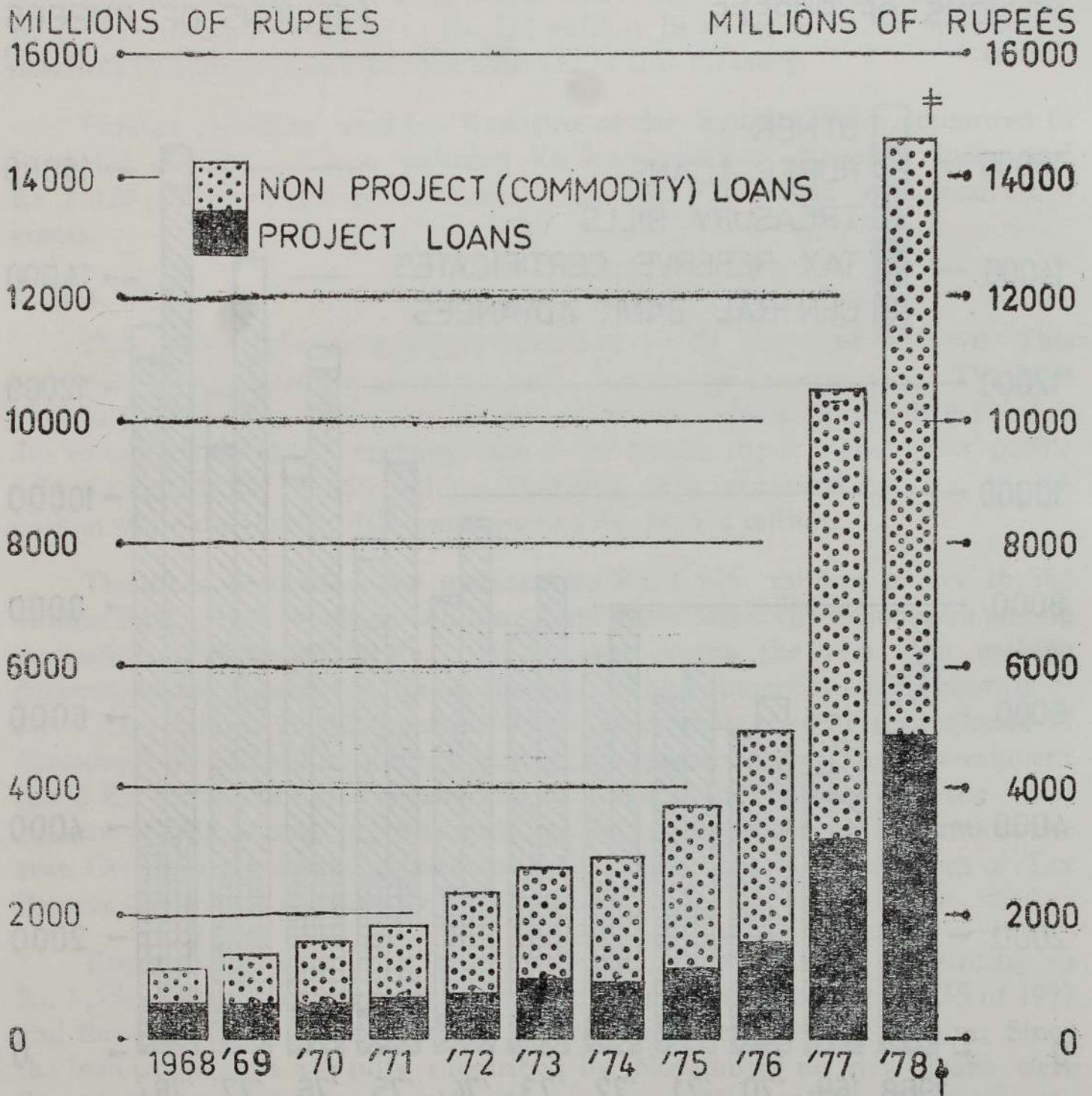
Source: Central Bank of Ceylon

\* Gross Public Debt less Sinking Funds.

† 1978 Figs. are provisional



### COMPOSITION OF FOREIGN DEBT



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Source: Central Bank of Ceylon

=| Non Project (Commodity) Loans Inclusive of IMF Trust Fund Loan.

† 1978 Figs are provisional



Gross receipts of foreign loans in 1978 was Rs. 3,716 million. Repayments amounted to Rs. 501 million. Thus the net transfer of resources amounted to Rs. 3,215 million. Together with a liability of Rs. 773 million to accommodate exchange rate variations, the gross foreign debt outstanding increased by Rs. 3,988 million, indicating a higher rate of increase than that of domestic debt for the fourth successive year. Foreign debt which amounted to 25 per cent of total debt at the end of the year 1975 progressively increased its share to 28 per cent in 1976, 42 per cent in 1977 and to 47 per cent in the year 1978. It reveals a higher reliance on long term foreign resources to finance the economic development programmes of the country. In 1978 nearly 60 per cent of the capital budget was financed by foreign loans obtained in this manner. Heavy reliance on external resources to finance the development budget would increase the debt service burden of the economy as well as in future budgets, unless it is possible to increase export earnings in a significant manner in the future. The external debt service ratio decreased from 23 per cent in 1975 to 15 per cent in 1978 inspite of the substantial increases in the debt liability and a slow growth of exports. This improvement in the debt profile arose largely because most of the loans negotiated in recent years have long repayment periods with generous grace periods (when no repayment is due) ranging from 5 to 10 years. It was also due to a lesser reliance on short term credits in recent years. However, the debt service burden would register an increasing trend in the near future with the completion of the grace periods of past loans.

The gross receipts of foreign loans included receipts of Rs. 1,584 million of project loans, Rs. 1,343 million of non-project (commodity) loans and a loan of Rs. 789 million from the Trust fund of the International Monetary Fund.

Contributions to project loans in 1978 included Rs. 348 million from the Netherlands, Rs. 329 million from the Federal Republic of Germany, Rs. 96 million from India, Rs. 61 million from Kuwait, Rs. 47 million from China, Rs. 31 million from the Union of Soviet Socialist Republics, Rs. 12 million from Denmark, Rs. 5 million each from Canada and the United States of America and Rs. 1 million from the United Kingdom. During the same period Rs. 439 million was received from the Asian Development Bank, Rs. 167 million from the International Development Association, Rs. 26 million from the International Bank for Reconstruction and Development and Rs. 16 million from the Organization for Petroleum Exporting Countries. Non-project loans received during the year were from the United States of America (Rs. 582 million) Japan (Rs. 462 million), Canada (Rs. 141 million) India (Rs. 79 million), the Federal Republic of Germany (Rs. 46 million), France (Rs. 30 million) and Rs. 1 million each from U. S. S. R. and Hungary.

The domestic debt service ratio (debt service payments as a ratio of total government revenue) decreased during the year. The drop in the ratio from 18 per cent in 1977 to 14 per cent in 1978 was partly a result of the 1977 fiscal reforms, when collections of revenue increased at a much higher rate than in the previous year while domestic debt increased only at 14 per cent.



## MONETARY AND BANKING DEVELOPMENTS

## Money Supply

Substantial deceleration in the rate of monetary expansion after two successive years of rather sharp increases in money supply was the principal feature of monetary developments in 1978. The money supply, which is the sum total of currency and demand deposits held by the public, increased by Rs. 570 million or 11 per cent during the year. This compared with annual increases of 35 per cent and 29 per cent in 1976 and 1977, respectively. The year-on-year increase in money supply which exceeded 25 per cent throughout 1977 over the levels in the corresponding months of the previous year, exceeded this level only during the first four months of the year in 1978. As observed from Table 1.15, the annual rate of monetary expansion in 1978 declined progressively from 35 per cent in January to 14 per cent in July and had somewhat stabilised around this level thereafter. In December, 1978 however, it registered a further noticeable decrease reaching a level of 11 per cent. Underscoring the slowing down of the rate of monetary expansion, the monthly average rise in money supply which was 2.1 per cent in 1977 declined to 0.9 per cent in 1978, while the monthly average increases over the corresponding levels of the previous year decreased from 32 to 20 per cent.

Major underlying factors for the deceleration in the rate of monetary expansion were the contraction resulting from the fiscal operations of the government sector and the very substantial build-up of time and savings deposits by the non-bank private sector. During the year, Government revenue plus non-expansionary sources of borrowing exceeded total expenditure by a significant margin. Consequently, government sector operations, including changes in Central Bank's other liabilities and accounts (net), resulted in a contractionary impact of Rs. 1,520 million on the money supply. On the other hand, despite a record increase in bank credit to private sector amounting to little over Rs. 3,000 million during the year, the expansionary impact of this sector's operations was confined to Rs. 688 million, largely owing to a very substantial build-up of time and savings deposits by other private sector constituents within this sector. The latter was the result of the high interest rate policy pursued during the year.

The monetary developments in 1978 also seem to suggest the re-emergence of some element of seasonality into the pattern of monetary growth. Generally, bank credit to co-operative institutions rise somewhat sharply during the first half of each year and tend to decline equally sharply during the fourth quarter. In 1978, bank credit to this sector rose to Rs. 1,922 million by June, but declined to Rs. 1,675 million by December. The seasonal pattern in the movement of bank credit in this sector would have been much more pronounced, but for the fact that the commercial banking system held a sum of Rs. 297 million in suspense on behalf of the Paddy Marketing Board pending liquidation of matured Goods Receipts and a further Rs. 171 million of past-due Goods Receipts. The amount held in suspense was unusually high this year because the magnitude of maturing Goods Receipts during the last quarter was high, reflecting heavy paddy purchases during the first half of the year. However, elements



TABLE 1.15  
Changes in Money Supply 1976-78

End Period	Money Supply - Rs. Million			Monthly Changes %			Change over previous year%		
	1976	1977	1978	1976	1977	1978	1976 over 1975	1977 over 1976	1978 over 1977
January	3,127	4,203	5,679	+ 0.3	+ 0.9	+ 5.8	+ 6.4	+ 34.4	+ 35.1
February	3,213	4,429	5,830	+ 2.7	+ 5.4	+ 2.7	+ 9.7	+ 37.9	+ 31.6
March	3,391	4,710	6,001	+ 5.5	+ 6.3	+ 2.9	+ 11.4	+ 38.9	+ 27.4
April	3,516	4,764	6,025	+ 3.7	+ 1.2	+ 0.4	+ 15.4	+ 35.5	+ 26.4
May	3,582	4,808	5,876	+ 1.9	+ 0.9	- 2.5	+ 20.5	+ 34.2	+ 22.2
June	3,728	4,947	5,864	+ 4.1	+ 2.9	- 0.2	+ 23.2	+ 32.7	+ 18.5
July	3,666	4,893	5,570	- 1.7	- 1.1	- 5.0	+ 23.0	+ 33.5	+ 13.8
August	3,851	4,912	5,523	+ 5.1	+ 0.4	- 0.8	+ 31.3	+ 27.5	+ 12.4
September	3,889	5,024	5,804	+ 1.0	+ 2.3	+ 5.1	+ 28.9	+ 29.2	+ 15.5
October	3,988	5,062	5,835	+ 2.5	+ 0.7	+ 0.5	+ 30.9	+ 26.9	+ 15.3
November	4,019	5,254	5,955	+ 0.8	+ 3.8	+ 2.1	+ 31.9	+ 30.7	+ 13.3
December	4,166	5,366	5,936	+ 3.7	+ 2.1	- 0.3	+ 34.9	+ 28.8	+ 10.6
Monthly Average	3,678	4,864	5,825	+ 2.5	+ 2.1	+ 0.9	+ 22.4	+ 32.5	+ 20.2

Source: Central Bank of Ceylon



of a seasonal character displayed in the flow of bank credit to this sector was completely obliterated by the behaviour of other sectors, which were devoid of any seasonality. In particular, the growth in external banking assets which registered large increases during all quarters except the second and the impact of government sector's financial operations which exerted substantial contractionary influences in each of the four quarters dampened any seasonal bias in the growth of money supply during the year.

The composition of money supply and the underlying factors responsible for the monetary expansion in 1978 are shown in Table 1.16. During the year, demand deposits of the non-bank private sector rose by Rs. 347 million, while the currency held by the public rose by Rs. 224 million. A sharp increase in external banking assets and the expansion in bank credit to private sector were the major

**Table 1.16**  
**Changes in Money Supply and Causal Factors 1976 – 1978**

Rs. million			
	End 1976 over End 1975	End 1977 over End 1976	End 1978 over End 1977
<b>1. Composition</b>			
1.1 Demand deposits ..	+ 607	+ 489	+ 347
1.2 Currency ..	+ 471	+ 711	+ 224
<b>2. Net Change in Money Supply ..</b>	<b>+1,077</b>	<b>+1,200</b>	<b>+ 570</b>
<b>3. Analysis</b>			
3.1 External Banking Assets (Net)* ..	+ 470	+1,943	+1,523
3.2 Private Sector ..	+ 70	- 70	+ 688
3.2.1 Commercial Bank Credit			
- to Government Corporations ..	+ 43	+ 614	+ 693
- to Co-operatives ..	+ 113	+ 568	+ 443
- to other private sector ..	+ 427	+ 618	+1,890
3.2.2 Time & Savings Deposits			
- of Government Corporations ..	+ 42	- 294	- 200
- of Co-operatives ..	- 21	- 45	- 54
- of other private sector ..	- 487	- 856	-1,351
3.2.3 Other Assets & Liabilities (Net) of Commercial banks ..	- 46	- 676	- 733
3.3 Government Sector ..	+ 541	- 676	-1,520
3.3.1 Commercial bank credit ..	+ 367	+ 132	- 113
3.3.2 Central Bank credit ..	+ 363	- 187	+ 38
3.3.3 Bank deposits and cash balances ..	- 273	- 223	-1,050†
3.3.4 Other Assets & Liabilities (Net) of Central Bank ..	+ 83	- 398	- 304
3.4 Items in transit ..	- 3	+ 4	- 121

Signs indicate effect on Money Supply.

Source: Central Bank of Ceylon.

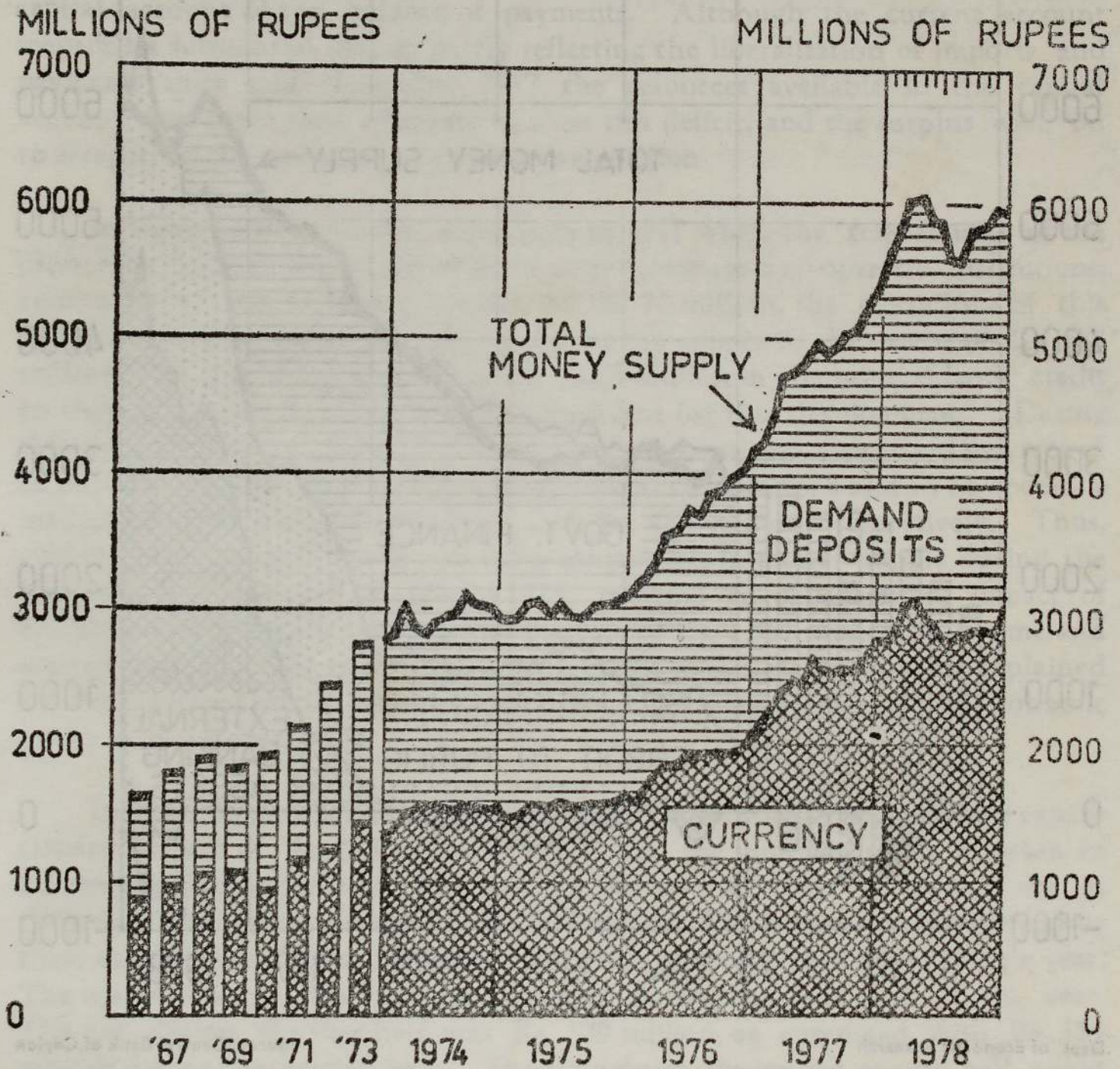
\* Changes in extranal banking assets attributable to exchange rate changes with contra entry in other liabilities and accounts (net) of Central Bank have been excluded from the analysis. The respective changes in 1977 and 1978 were + Rs. 1,655 million and + Rs. 361 million.

† A sum of Rs. 390 million transferred by the Government to the Central Bank for the National Development Bank is included.



# MONEY SUPPLY

1966-73 END YEAR FIGURES, 1974 ONWARDS END MONTH FIGURES



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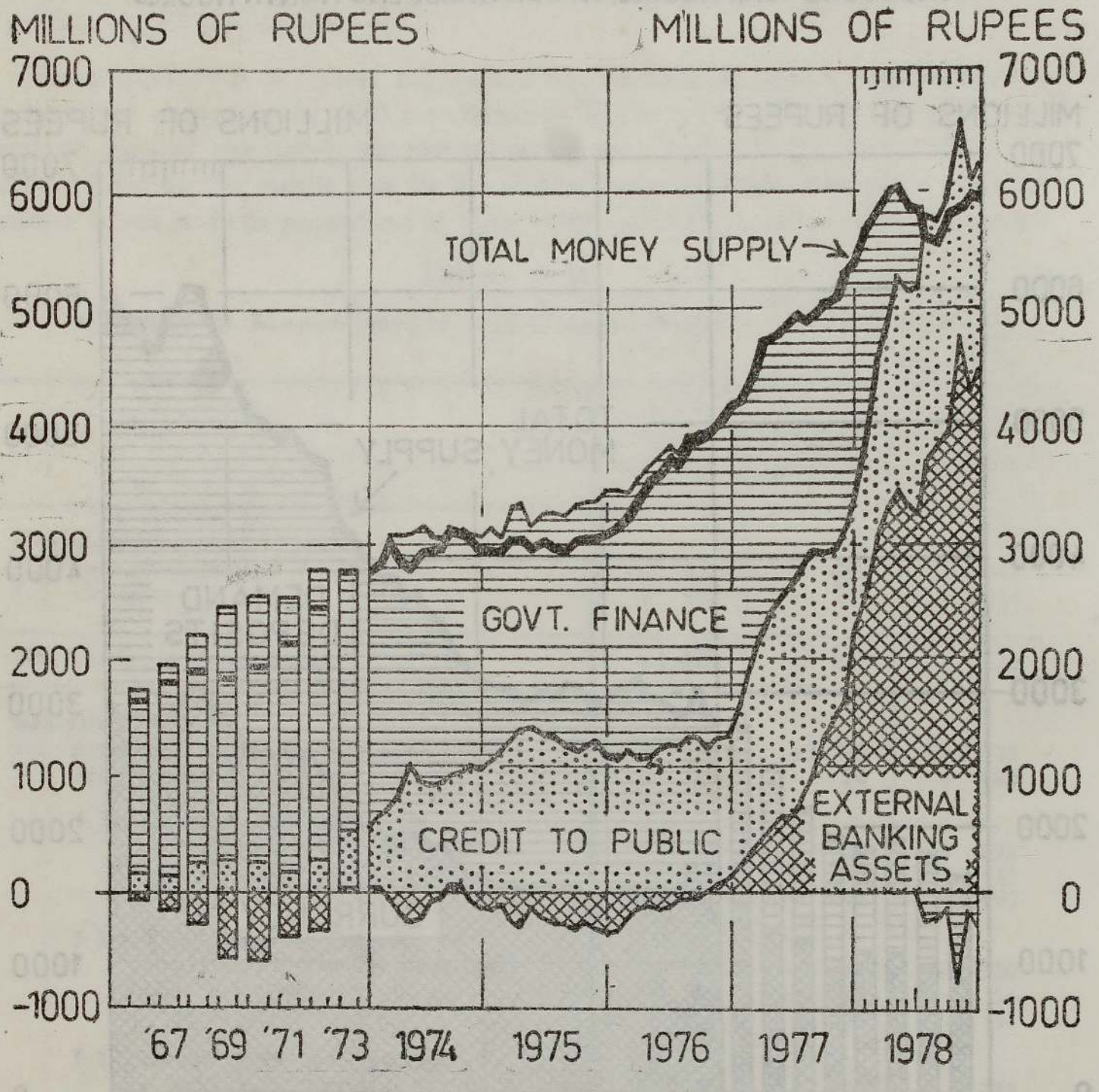
Source: Central Bank of Ceylon

Money Supply is defined as "all currency and demand deposits owned by persons other than commercial banks and the Government".



## SOURCES OF MONEY SUPPLY

1966-73 END YEAR, 1974 ONWARDS END MONTH FIGURES



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Source: Central Bank of Ceylon

This chart indicates the origin of Money Supply in Sri Lanka

- (a) "Government Finance" shows the claims of the banking system on the Government net of rupee cash holdings of the Government.
- (b) "Credit to public" shows the claims of the banking system on the private sector net of time and savings deposits.

When net external banking assets were negative, the total money supply line is below the line limiting Government finance and when the Government's contribution is negative, the total money supply line is below the line limiting credit to public.

Changes in external banking assets attributable to exchange rate changes with contra entry in the International Reserve Revaluation Account have been excluded commencing January, 1977.



contributory factors for the growth in money supply in 1978. This was the third successive year, when the external sector exerted a significant expansionary influence on the money supply. The net external banking assets (after allowing for changes in exchange rates) which recorded increases of Rs. 470 million and Rs. 1,943 million in 1976 and 1977, respectively rose by a further Rs. 1,523 million in 1978. As usual, the major share of the increase was reflected in the International Reserve of the Central Bank. The growth in external banking assets was entirely due to increased resources available in the capital account of the balance of payments. Although the current account recorded a substantial deficit, partly reflecting the liberalization of imports and payments since mid-November, 1977 the resources available in the capital account were more than adequate to meet this deficit, and the surplus went on to strengthen the country's external assets position.

In sharp contrast to the experience in 1977 when the transactions of the private sector, inclusive of government corporations and co-operative institutions, resulted in a contractionary impact of Rs. 70 million, the operations of this sector in 1978 were expansionary on the money supply to the extent of Rs. 688 million. A very sharp increase of Rs. 3,026 million in commercial bank credit to this sector was the major contributory factor for this development. During the year, bank credit to "other private sector" constituents increased by a record of Rs. 1,890 million, while credit to government corporations and to co-operative institutions rose by Rs. 693 million and Rs. 443 million, respectively. Thus, "other private sector" which exerted a contraction in money supply during the previous year, reversed its role in 1978, exerting an expansionary impact of Rs. 539 million, despite a substantial increase of Rs. 1,351 million in its time and savings deposits. The sharp rise in bank credit to this sector could be explained by the increased credit requirements following the reorientation of economic policy in November, 1977.

In 1978, credit operations of government corporations resulted in an expansionary impact of Rs. 493 million. This was the outcome of an increase in borrowings from commercial banks of Rs. 693 million, offset partly by a rise in their time and savings deposits of Rs. 200 million. The increase in bank credit to these corporations during 1978 was the highest ever on record for any single year. The major share of this increase occurred during the first half of the year. The rise during the first half was Rs. 539 million, as compared with Rs. 154 million during the second half. The slow down during the second half could be partly attributed to the restraining influence of credit ceilings operative during this period. The increased dependence of government corporations on the banking system during the year could be explained partly by higher import commitments following the import liberalization and partly by increased working capital requirements by some corporations.

Commercial bank credit to co-operatives which registered a record increase of Rs. 568 million during the previous year, showed a further rise of Rs. 443 million in 1978. As in the previous year, the major share of the increase was in respect of advances for Paddy purchases under the Guaranteed Price Scheme



(G.P.S.), which recorded an increase of Rs. 349 million. But, this increase was largely statistical than real, because the banking system was holding in suspense a sum of Rs. 297 million at the end of December on behalf of the Paddy Marketing Board, pending liquidation of matured Goods Receipts. When allowance is made for this sum, the net increase in GPS advances during the year would indeed be very marginal. However, the improved performance shown in the financing of GPS purchases was made possible by a transfer of Rs. 340 million to the Paddy Marketing Board by the Treasury during the last quarter of 1978 for the purpose of meeting maturing Goods Receipts and for holding buffer stocks. Cultivation and other loans increased by Rs. 49 million and Rs. 45 million, respectively. Another important policy decision which had a sobering influence on the amount of bank credit utilised by this sector was the withdrawal of the 75 per cent guarantee in respect of loan defaults, effective October, 1978.

In sharp contrast to the development in the external sector and the private sector, the government sector operations resulted in a substantial contractionary influence on the money supply in 1978. In all, government financial operations with the banking system, including changes in Central Bank's other liabilities and accounts (net), brought about a contractionary influence of Rs. 1,520 million on the money supply. This was the second year in succession when the Government's financial operations resulted in a considerable contractionary impact on the money supply. This had been the combined outcome of an increase in Government's deposits with the banking system and to a lesser extent, a decrease in bank credit. Altogether, Government's deposits with the banking system registered a record increase of Rs. 1,050 million during the year. This, however, included a sum of Rs. 390 million deposited with the Central Bank, being the Government's contribution to the capital of the National Development Bank. Commercial bank credit to Government during the year decreased by Rs. 113 million, while credit from the Central Bank rose by Rs. 38 million, recording a net reduction of Rs. 75 million in bank credit to Government. These transactions, together with an increase of Rs. 394 million in Central Bank's other liabilities and accounts (net) resulted in the Government sector exerting an overall contractionary influence of Rs. 1,520 million on the money supply during the year.

Summarising, a substantial rise in external banking assets and a record increase in bank credit to the private sector were the main underlying factors for the monetary expansion in 1978. However, the substantial contraction arising from the government sector together with the considerable build-up of time and savings deposits by the non-bank private sector helped to moderate the rate of monetary expansion during the year. Had it not been for these favourable developments, the much desired deceleration in the rate of monetary expansion would have been further postponed. However, in view of the monetary expansion which had already taken place before this deceleration came about, there was a considerable pressure on prices throughout the year, which was mitigated somewhat by the inward flow of imports after the import liberalization.



## Commercial Banking

The year 1978 witnessed a significant growth in the resources of commercial banks for the third successive year. The increase in total resources during the year was Rs. 3,585 million or 35 per cent, as compared with 24 per cent in 1976 and 56 per cent in 1977. Following the pattern observed in recent years, growth in deposits provided the main thrust to the resource build-up in 1978. Of the increase in deposits, time and savings deposits contributed the major share. This was a continuation of a favourable development commenced in the previous year when the flow of time and savings deposits into the banking system registered a sharp upward trend, following the 1977 interest rate reform. Resource accruals were further enhanced by increases in paid-up capital, reserve funds and undistributed profits, inter-bank and foreign borrowings and in other liabilities. Alongside this considerable resource build-up was an even larger increase in the demand for credit by the non-bank private sector. In all, commercial bank credit to non-bank private sector rose by a record Rs. 3,026 million during the year, pushing the ratio of loans and overdrafts to total deposits from 69 per cent in 1977 to 80 per cent in 1978. Consequently, despite the large accrual of resources, the liquidity of commercial banks deteriorated somewhat by the end of 1978. This is reflected in most liquidity ratios, the more conspicuous of which being a decline in the ratio of liquid assets to demand deposits from 88 to 85 per cent and in the ratio of liquid assets to total deposits from 44 to 37 per cent. Also, commercial bank borrowings from the Central Bank at Bank rate (and at the penal rate) which were almost non-existent at the end of 1977 stood at Rs. 255 million at the end of 1978.

As mentioned previously, commercial bank resources increased by Rs. 3,585 million in 1978. The increased resources were in turn used for providing accommodation to "other domestic private sector", government corporations and co-operative institutions and for financing inter-bank transactions. Altogether, commercial bank credit to "other private sector" increased by Rs. 1,890 million. However, the net outflow of resources to this sector was confined to Rs. 350 million, owing to an increase of Rs. 1,540 million in this sector's deposits with the banking system. The higher resource utilisation by this sector was a reflection of higher level of activity in that sector, following the new economic policies. Government corporations increased their borrowing by Rs. 693 million, but their net resource intake was reduced to Rs. 282 million by a rise of Rs. 411 million in their deposits with commercial banks. Co-operative institutions too utilised a larger volume of resources; the net increase during the year was Rs. 452 million. Utilisation of resources within the banking system amounted to Rs. 467 million, and mainly took the form of increases in fixed and other assets and till cash. Table 1.17 summarises the resources and utilization of commercial banks on a net basis.



TABLE 1.17  
Changes in Commercial Banks' Resources and their Utilization

		Rs. Million		
Sectors		End 1975/ End 1976	End 1976/ End 1977	End 1977/ End 1978
1. Government	..	- 104.9	25.6	220.8
2. Central Bank	..	- 251.2	197.6	126.1
3. Government Corporations	..	182.8	- 197.3	- 282.0
4. Co-operative Institutions	..	- 27.7	- 474.9	- 451.8
5. Other Private Sector	..	332.2	546.1	- 350.5
6. Inter Bank	..	34.3	541.0	722.3
7. Foreign Sector	..	- 165.0	- 637.7	15.0

Source: Central Bank of Ceylon

### Bank Branch Expansion

During the year under review the total number of branches of commercial banks rose by 22 as compared to an increase of 76 in 1977. The branch expansion was wholly confined to Sri Lanka banks and was equally shared between the two state sector banks. The Bank of Ceylon opened 11 new full branches during the year and the total number of its full branch offices amounted to 90 at the end of 1978. There were no new Agricultural Service Centre branches opened during the year and the total remained at 390. Thus, at the end of 1978, total number of branch offices of Bank of Ceylon stood at 480. The People's Bank opened 11 new branches during the year bringing the total number of its branches to 216 at the end of 1978. The National Savings Bank opened 2 branch offices during 1978, bringing the total number of its offices to 27, the new branches being in the Colombo district.

The Annual Report for 1977 drew attention to a number of issues relating to the speedy lateral expansion of the banking net-work in recent years. Among these was the question of security, arising from the location of branches in distant rural areas. In 1978, this problem became serious when a number of small banks were robbed. As a result, operations in 97 branches (of which, 81 were at Agricultural Service Centres) were temporarily suspended by the Bank of Ceylon, the People's Bank and the National Savings Bank by transferring their business to nearby cities for greater security.

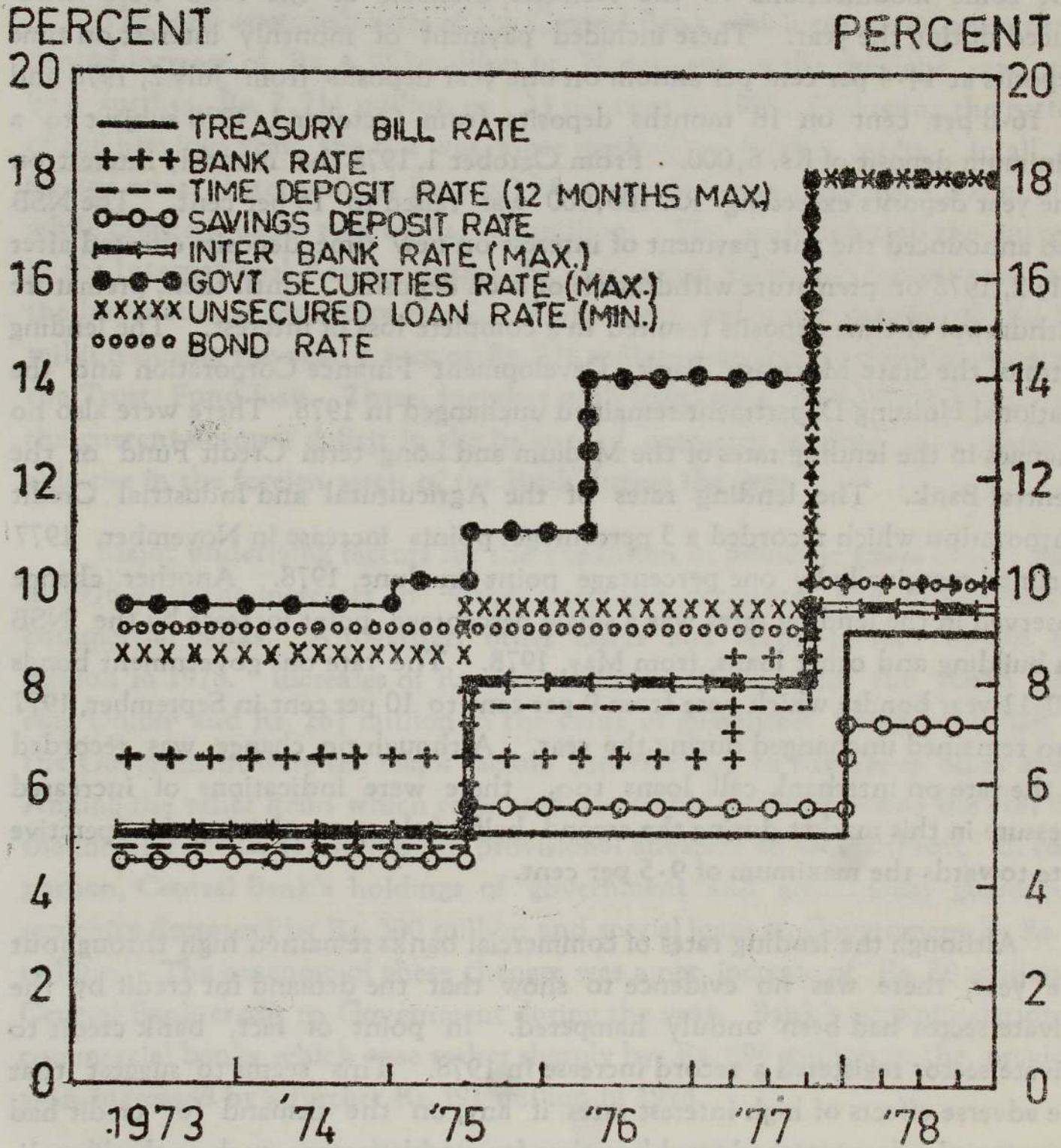
### Interest Rates

As mentioned in the last Annual Report "in 1977, there was a fundamental change in Sri Lanka's interest rate policy, resulting in a movement to a considerably higher plateau of rates against a background of wide-spread inflationary pressures in the economy." The highlights of the changes were an upward revision in Bank rate, sharp increase in the time deposit rates at the National Savings Bank (NSB) inducing a parallel change in the deposit rates of commercial banks, upward movement in the Treasury bill rate and the rate on interbank call loans, appreciable rise in the lending rates of commercial banks and a nearly unchanged position in the lending rates of long-term credit institutions.



# MONEY RATES

END QUARTER FIGURES



Dept. of Economic Research

Source: Central Bank of Ceylon



During 1978, there were no noticeable changes in either the level or the structure of interest rates. Both the Bank rate and the Treasury bill rate remained unchanged at 10 per cent and 9 per cent, respectively. There were hardly any changes in the rates offered by commercial banks on time and savings deposits or those charged on loans and advances. Interest rates on time and savings deposits at the NSB also, by and large, remained unchanged but some modifications to the facilities available at the NSB were introduced during the year. These included payment of monthly interest on time deposits at 14.4 per cent per annum on one year deposits from July 2, 1978 and at 16.8 per cent on 18 months deposits from October 1, 1978 subject to a minimum deposit of Rs. 5,000. From October 1, 1978 the monthly interest on one year deposits exceeding Rs. 100,000 was raised to 15 per cent. The NSB also announced the part payment of interest on new time deposits effected after July 2, 1978 on premature withdrawals of such deposits. Until then, premature withdrawal of time deposits resulted in a complete loss of interest. The lending rates of the State Mortgage Bank, Development Finance Corporation and the National Housing Department remained unchanged in 1978. There were also no changes in the lending rates of the Medium and Long-term Credit Fund of the Central Bank. The lending rates of the Agricultural and Industrial Credit Corporation which recorded a 3 percentage points increase in November, 1977 declined marginally by one percentage point in June, 1978. Another change observed in the lending rates was a single percentage point increase by the NSB on building and other loans, from May, 1978. The rate on government bonds (10-12 year bonds) which rose from 9 per cent to 10 per cent in September, 1977 also remained unchanged during the year. Although no change was recorded in the rate on interbank call loans too, there were indications of increased pressure in this market during the second half of the year, driving the operative rate towards the maximum of 9.5 per cent.

Although the lending rates of commercial banks remained high throughout the year, there was no evidence to show that the demand for credit by the private sector had been unduly hampered. In point of fact, bank credit to private sector registered a record increase in 1978. This seems to suggest that the adverse effects of high interest rates, if any, on the demand for credit had been completely over-shadowed by other favourable factors, such as the liberalization of imports and the promising business climate.

A significant development following the 1977 interest rate reform had been a sharp acceleration in the rate of deposit mobilisation by the institutional sector. During the 4 month period ended December, 1977 total time and savings deposits of the non-bank private sector with commercial banks rose by Rs. 513 million, as compared with an increase of Rs.613 million during the first 8 months of the



year and Rs. 466 million in 1976. The momentum of deposit mobilisation by commercial banks continued in 1978 when the year ended with a total collection of Rs. 1,572 million. The success at increased mobilisation of deposits was a very significant factor in achieving the much desired deceleration in the rate of monetary expansion observed during the year.

### Central Banking

The total assets/liabilities of the Central Bank which registered an unprecedented increase of Rs. 4,963 million or 76 per cent in the previous year, rose by a further Rs. 2,711 million or 23 per cent in 1978. Following the pattern of the previous year, the rise was more marked in foreign assets. In all, the foreign assets (International Reserve) of the Bank increased by Rs. 1,806 million, while domestic assets rose by Rs. 905 million. The major part of the increase in the International Reserve during the year arose from the transactions with the International Monetary Fund. While there was a net drawing of Rs. 348 million during the year, a sum of Rs. 778 million was also received in respect of the Trust Fund loan. These, together with long-term capital flows in excess of the current account deficit in the balance of payments resulted in a considerable rise in the foreign assets of the Bank during the year.

Major underlying factors for the expansion in domestic assets of the Bank in 1978 were the increases in "other assets and accounts" and in advances to commercial banks. Altogether, other assets and accounts rose by Rs. 676 million in 1978. Increases of Rs. 264 million in claims under the Asian Clearing Union<sup>1</sup> and Rs. 267 million in the value of guarantees issued on behalf of the Government were the major factors contributing to the rise in other assets. Among the other items which registered noticeable increases during the year was the increase of Rs. 412 million in provisional advances to Government. In comparison, Central Bank's holdings of government and government guaranteed securities decreased by Rs. 300 million and special loans to Government by Rs. 73 million. The outcome of these changes was a net increase of Rs. 38 million in Central Bank credit to Government during the year. Bank's accommodation to commercial banks which rose rather sharply by Rs. 496 million in the previous year, increased by a further Rs. 191 million in 1978.

In sharp contrast to the behaviour of assets where the increase was largely reflected in foreign assets, the growth in Central Bank's liabilities during 1978 was wholly confined to domestic liabilities. As in the previous year, a major

1. Asian Clearing Union is a clearing mechanism of facilitating the settlement of payments among participating countries, which are Sri Lanka, India, Pakistan, Nepal, Iran, Bangladesh, and Burma. Under this arrangement, all payments due from a member are set off against receipts on a multilateral basis and the net balance is settled at bi-monthly intervals. Outstanding balances pending settlement and recording lags feature among the other assets/liabilities of the Central Bank.



contributory factor for the increase in domestic liabilities in 1978 was the rise in "other liabilities" of the Bank. The "other liabilities" which rose by Rs. 3,084 million in 1977 increased by a further Rs. 1,344 million in 1978. Allocation of Special Drawing Rights (Rs. 375 million) and a rise in the value of guarantees issued on behalf of the Government (Rs. 267 million) which has a contra entry under "other assets", were the major factors contributing to the growth in these liabilities. Apart from the rise in "other liabilities", another item which showed a major increase in 1978 was deposits. Altogether, deposits held with the Central Bank rose by Rs. 1,473 million during the year. This was mainly reflected in the deposits of the Government which increased by Rs. 944 million. The currency issue of the Bank which registered an increase of Rs. 812 million in the previous year rose by Rs. 289 million in 1978. The considerably slower increase in the currency issue was a reflection of the significant deceleration in the rate of monetary expansion experienced during the year.

A noteworthy feature of the changes in the Central Bank's liabilities in 1978 was a net decrease of Rs. 85 million in external liabilities. Considered against the sharp increase in foreign assets of the Bank during the year, this reduction in foreign liabilities, though small, would further amplify the country's strong balance of payments position which emerged during the year. All in all, the growth pattern of Central Bank's assets and liabilities during 1978 indicates that only a smaller share of the increase in assets had been acquired in exchange for the Bank's own liabilities while the major share had been financed with liabilities accepted on behalf of others. This would mean that the expansionary impulse resulting from the growth of the Bank's assets was considerably lower than what is indicated by the total growth in assets.

### Rural Credit

The amount of credit granted under the Comprehensive Rural Credit Scheme, the Rural Banks Scheme and credit channelled by The Bank of Ceylon sub-offices at Agrarian Service Centres, declined by 29 per cent from Rs. 448 million in 1977 to Rs. 320 million in 1978. Of the loans granted this year, Rs. 254 million or 79 per cent was for crop cultivation. The People's Bank accounted for the major share by granting Rs. 148 million or 46 per cent of the total loan disbursement; the share of the Bank of Ceylon sub-offices was Rs. 142 million or 44 per cent.

Paddy loans accounted for Rs. 177 million or 55 per cent of the total credit and the bulk of this was provided under the Comprehensive Rural Credit Scheme. The loans for cultivation of subsidiary food crops accounted for Rs. 61 million or 19 per cent, while the share of sugar cane and cotton amounted to Rs. 16 million or 5 per cent. Loans granted by rural banks and sub-offices of the Bank of Ceylon at Agrarian Service Centres for miscellaneous purposes such as



housing, electrification and water supply amounted to Rs. 17 million. There was a substantial increase in the loans granted by the sub-offices of the Bank of Ceylon for purchase of machinery and equipment, from Rs. 1 million in 1977 to Rs. 30 million in 1978.

By end of the year, total credit extended for paddy cultivation under the Comprehensive Rural Credit Scheme for the incomplete Maha 1978/79 season stood at Rs. 23 million. This was a fraction of the credit granted during the comparative period last year of Rs. 293 million. Similarly, loans for subsidiary food crops, sugar cane and cotton also recorded a more than four-fold decrease. As the Maha season continues until about April, the total commitment for the entire season may be marginally higher; but substantially lower than in the previous Maha season.

TABLE 1.18

Cultivation Loans Granted under Rural Credit Scheme<sup>1</sup>

(as at 31st December 1978)

Cultivation Year	Loans Granted			Recoveries			Percent of Recoveries		
	Paddy	Other Crops	All Crops	Paddy	Other Crops	All Crops	Paddy	Other Crops	All Crops
1967/68-1969/70 ..	180.1	19.4	199.5	128.6	15.5	144.1	71.4	79.9	72.2
1970/71-1972/73 ..	88.2	24.8	113.0	57.2	19.0	76.2	64.8	76.6	67.4
1973/74 ..	111.1	26.2	137.3	58.7	15.3	74.0	52.8	58.4	53.9
1974/75 ..	85.6	27.3	112.9	43.6	15.5	59.1	50.9	56.8	52.3
1975/76 ..	72.2	36.4	108.6	42.4	16.5	58.9	58.7	45.3	54.2
1976/77 ..	98.8	78.8	177.6	43.6	21.3	64.9	44.1	27.0	36.5
1977/78 ..	452.7	81.4	534.1	97.3	18.4	115.7	21.5	22.6	21.7
<b>Total</b> ..	<b>1,088.7</b>	<b>294.3</b>	<b>1,383.0</b>	<b>471.4</b>	<b>121.5</b>	<b>592.9</b>	<b>43.3</b>	<b>41.3</b>	<b>42.9</b>
<sup>2</sup> 1978/79 ..	23.3	2.1	25.4	0.3	...	0.3	1.3	...	1.2

Sources: People's Bank,  
Bank of Ceylon,  
Hatton National Bank Limited.

1. Loans up to 1973 were granted under the new Agricultural Credit Scheme. Since then, loans have been granted under the Comprehensive Rural Credit Scheme, which replaced the former scheme.

2. Incomplete data, Maha season only.

The relaxation of eligibility criteria for the Maha 1977/78 season brought forth in 1977 the largest expansion in cultivation loans granted under the Comprehensive Rural Credit Scheme. Since this expansion was not associated with an efficient system of recovery, the highest rate of default was also recorded



for loans granted for the same season. Consequently, the rate of default of agricultural loans increased sharply in 1978. The total amount of paddy loans granted by the banking sector since the inception of the New Agricultural Credit Scheme and subsequently under the Comprehensive Rural Credit Scheme amounted to Rs. 1,089 million upto Maha 1977/78. Of this amount, Rs. 617 million or 56 per cent were in default as at end of 1978.

The tremendous expansion in cultivation loans granted in 1977 and early 1978 and the alarming rate of default associated with it compelled the Government to restructure the Comprehensive Credit Scheme in 1978. Lending-criteria for the Yala 1978 season were tightened up. In order to obtain loans for Yala 1978, farmers were required to pay their Maha 1977/78 loans in full. In the case of loans taken prior to Maha 1977/78, a minimum of 10 per cent down-payment of the outstanding loans had to be paid. These conditions continued to be effective for the Maha 1978/79 season as well. In addition, farmers were required to pay their Yala, 1978 loans in full to obtain loans for the Maha season. These requirements meant a complete reversal of the previous year's liberalized scheme of loans.

The withdrawal of the 75 per cent credit guarantee operated by the Central Bank was another major change in the Comprehensive Rural Credit Scheme. The guarantee was introduced along with the New Agricultural Credit Scheme in 1967. Under the guarantee scheme, 75 per cent of the amount in default of cultivation loans granted by commercial banks was reimbursed by the Central Bank on behalf of the government. The scheme facilitated the expansion of cultivation loans over the years; but it is probable that such a high rate of guarantee also made lending banks less concerned about loan recovery. The absence of the guarantee will compel the banks to be more cautious about lending, and is likely to cause a significant contraction of agricultural credit, perhaps to pre-1977 levels. Undoubtedly, the sudden liberalization of agricultural credit in late 1977 was an inadvisable move. Naturally, abuses of agricultural loans were legion. But the reaction to such abuse by subjecting agricultural credit to the criteria of normal commercial bank lending, as has happened, appears to be too drastic. It may have been preferable if the guarantee was withdrawn in stages, enabling the banks to develop credit supervision facilities in a short period.

### Monetary Policy

As reported in the Annual Report for 1977, a series of monetary measures were introduced in 1977 against the background of a very sharp monetary expansion for the second consecutive year. The highlights of these were a Bank rate of 10 per cent from August 31, 1977 restrictions on Central Bank accommodation to commercial banks at Bank rate and a penal rate of 15 per cent for accommodation in excess of this ceiling, a gradual reduction and a complete withdrawal of till-cash concession from December 2, 1977 and a continuation of the ceiling on advances for non-essential purposes and to non-bank companies engaged in lending money and hire purchase activities, imposed in 1976. Another



important policy measure implemented in that year was a sharp upward revision of the deposit rates of the National Savings Bank from September 7, 1977 which, in turn, triggered off an increase in the deposits and lending rates of commercial banks.

During 1978 there were no major changes either by way of intensification or relaxation of the above monetary policy package. On March 27, 1978 the restriction on commercial bank credit to non-bank companies engaged in the business of lending money or hire purchase activities was relaxed to exclude credit granted for financing capital equipment and new commercial vehicles. From June, 1978 an attempt was made to restrict commercial bank credit to government corporations and statutory boards, by way of an overall ceiling on such credit at the level outstanding as on June 28, 1978. This, however, gave rise to certain difficulties and the ceiling had to be modified on a number of occasions to accommodate increased credit requirements of these institutions. This ceiling was raised by 5 per cent from July 13 and by 12 per cent from August 7, making a total of 17 per cent by which commercial bank advances to government corporations and statutory boards (other than finance and lending institutions), could be increased over the level of such advances as at June 28, 1978.

Some modifications to the facilities available at the NSB were also introduced in 1978, to which reference was made earlier. These included payment of monthly interest on one year time deposits at 14.4 per cent per annum and on 18 months deposits at 16.8 per cent per annum (subject to a minimum deposit of Rs. 5,000 in each case) and payment of interest on new time deposits (which did not opt for monthly interest) on premature withdrawals of such deposits at rates varying with the period for which the time deposit had been maintained.

As discussed previously, the year 1978 witnessed a substantial moderation in the rate of monetary expansion in Sri Lanka. The annual rate of monetary expansion declined from 35 per cent in January, 1978 to as low as 11 per cent by December, 1978. There is evidence to show that the tight monetary policy pursued during the year helped in no small way towards moderating the rate of monetary expansion. Although government financial operations had been the major underlying factor for the deceleration in the monetary expansion, a substantial build up of time and savings deposits by the non-bank private sector with the banking system had also been a very significant factor contributing to this development. In all, time and savings deposits of the non-bank private sector with commercial banks rose by Rs. 1,605 million during the year. This enabled the commercial banks to accommodate the sharply increased credit requirements of the private sector without generating undue inflationary pressures. Thus, despite the record increase in bank credit to private sector during the year amounting to Rs. 3,026 million, the expansionary impact of this sector's operations was contained at Rs. 688 million. Also, the monetary measures such as the withdrawal of the till-cash concession enabled the Central Bank to impound a



substantial volume of funds from the commercial banks which would otherwise have formed a basis for credit creation. The operation of the penal rate discouraged commercial banks from resorting to Central Bank credit on an extensive scale.

The foregoing would show that had it not been for the monetary policy measures put into operation in 1977 and continued throughout 1978, the rate of monetary expansion during the year would have been considerably higher and the much desired deceleration in the rate of monetary expansion would have been further postponed. The rationale for the 1977 monetary policy package and its continuance throughout 1978 have to be viewed against this background. There were occasional complaints of both non-availability of and high cost of credit. The former could arise from the credit controls that were in force, but the substantial credit expansion during 1978 indicated that the banking system was able to meet the emerging higher credit needs of the economy. Complaints regarding high cost of credit appear to be the reaction of those who had got accustomed to low cost credit over a long period of time. In the background of persistent two-digit inflation since 1976, it is inconceivable how cheap money policies could be adopted without seriously affecting savings incentives and resource mobilization. The current short-term high interest rate policies are essentially the price the economy has to pay for extricating itself from the clutches of inflation and re-establishing monetary stability which is essential for sustained economic growth.



PART 2

ACCOUNTS AND OPERATIONS OF THE CENTRAL BANK

ACCOUNTS

Financial Accounts of the Central Bank for the year 1978 are given in Table 2.3. The main changes in comparison with 1977, as at the end of December, 1978 were:

Table 2.1  
Main Changes in Accounts

		Rs. Million
		Change
Total Demand Liabilities	..	+ 1,365.3
Currency Circulation	..	+ 289.4
Demand Deposits	..	+ 1,473.1
Borrowings Abroad	..	- 397.2
International Reserve	..	+ 1,806.0
Domestic Assets	..	+ 229.1

+ Increase      - Decrease

The income of the Central Bank for the year 1978, amounted to Rs. 619,329,410 and expenditure, including allocations to reserves and provisions for depreciation on the value of land and buildings and office furniture amounted to Rs. 618,329,410. The net profit of Rs. 1,000,000 was carried to surplus in terms of Section 39 (b) of the Monetary Law Act.

FOREIGN EXCHANGE

The Sri Lanka Rupee continued to float during the year 1978, the middle rate for the U.S. Dollar, Pound Sterling, West German Deutsche Mark, French Franc, Japanese Yen and the Indian Rupee being fixed at a meeting held at the Central Bank at 2.00 p.m. on each working day. The rates fixed for these currencies at the end of the year were as follows.

Table 2.2  
Exchange Rates

Currency per 100 Units	Middle Rate	Official Exchange Rates of commercial banks for their customers for Telegraphic Transfers	
		Buying	Selling
U. S. Dollar	Rs. 1550.50	Rs. 1549.00	Rs. 1552.00
Pound Sterling	Rs. 3167.05	Rs. 3164.05	Rs. 3170.05
Deutsche Mark	Rs. 855.35	Rs. 854.55	Rs. 855.15
French Franc	Rs. 374.60	Rs. 374.25	Rs. 374.95
Japanese Yen	Rs. 8.0365	Rs. 8.0290	Rs. 8.044
Indian Rupee	Rs. 190.65	Rs. 190.45	Rs. 190.85



Accounts of the Central Bank of

Balance Sheet as

31st December 1977		LIABILITIES	31st December 1978	
Rs.	Rs.		Rs.	Rs.
15,000,000	77,000,000	<b>Capital Accounts</b>		
62,000,000		Capital ..	15,000,000	
		Surplus ..	63,000,000	78,000,000
		<b>Liabilities</b>		
3,088,454,433	3,219,138,428	Notes in Circulation ..	3,356,471,756	3,508,590,424
130,683,995		Coins in Circulation ..	152,118,668	
		<b>Deposits</b>		
89,908,192		Government ..	1,033,559,401	
14,784,360		Government Agencies and Institutions ..	15,799,218	
606,523,969		Commercial Banks ..	737,753,831	
		International Organisations, Foreign Government and Foreign Banking Institutions ..	1,569,277,554	
1,257,344,758		Compulsory Savings Fund excluding Rs. 117,221,800/- invested in Treasury Bills ..	284,447	
155,125	2,156,571,502	Others ..	272,979,662	3,629,654,113
187,855,098		Borrowings Abroad ..		155,116,452
	552,329,297	Medium and Long Term Credit Fund ..		125,000,000
	75,128,288	Other Liabilities and Accounts ..		6,743,577,250
	5,448,926,975			14,239,938,239
	11,529,094,490			

Profit and Loss Account

31st December 1977		31st December 1978
Rs.		Rs.
279,927,189	To General Charges (including Salaries, Expenditure on Currency notes and Coins and Depreciation on Land & Buildings and Office Furniture) and Allocations made in terms of Section 38 of the Monetary Law Act	618,329,410
1,000,000	Balance being net profit of the year ended 31st December, 1978. The net profit has since been carried to surplus in terms of Section 39 (b) of the Monetary Law Act.	1,000,000
280,927,189		619,329,410

The accounts of the Central Bank of Ceylon for the year ended December 31, 1978 were audited under my direction in pursuance of Section 154 (I) of the Constitution of Sri Lanka read in conjunction with Section 13 (I) of the Finance Act No. 38 of 1971 and Section 42 (I) of the Monetary Law Act (Cap. 422).

My report to the Minister of Finance required in terms of Section 42 (2) of the Monetary Law Act (Cap. 422) will be submitted in due course.

Audit Office,  
Colombo-7,  
30th March 1979.

P.M.W. WIJAYASURIYA  
Auditor-General



TABLE 2.3

Ceylon as of 31st December, 1978

of 31st December, 1978

31st December 1977		ASSETS	31st December 1978	
Rs.	Rs.		Rs.	Rs.
3,883,592,323		<b>International Reserve</b>		
275,071,378		Cash and Balances Abroad ..	5,274,583,604	
167,863,911	4,326,527,612	*Foreign Government and Non-Governmental Securities ..	345,472,040	
		Holdings of Special Drawing Rights	512,381,125	6,132,436,769
		<b>Domestic Assets</b>		
617,409,125		Loans and Advances--		
54,742,609		to Government ..	955,500,000	
829,837,000		to Others - Medium & Long Term ..	63,816,667	
		-Short Term ..	1,012,122,000	
2,420,060,839	3,922,049,573	Government and Government Guaranteed Securities ..	2,119,704,609	4,151,143,276
	3,280,517,305	Other Assets and Accounts ..		3,956,358,194
		*Includes securities acquired from Government Institutions on 1st February, 1964 at a face value of Rs. 5,530,271/- and on 24th May 1965 at a face value of Rs. 57,450/- (The estimated market values of these securities were Rs. 2,938,759/- and Rs. 34,340/- respectively as on these dates).		
	11,529,094,490			14,239,938,239

for the year ended 31st December 1978

	31st December 1977		31st December 1978
	Rs.		Rs.
	280,927,189	By Interest, etc. ..	619,329,410
	280,927,189		619,329,410

W. RASAPUTRAM

Governor

V.S. SUBRAMANIAM

Chief Accountant



Foreign Exchange transactions of the Central Bank are shown in Table 7 in the Appendix.

### Foreign Currency Notes

The Central Bank continued to purchase from and sell to commercial banks operating in Sri Lanka, specified foreign currency notes at prescribed rates.

### Asian Clearing Union

The Central Bank continued to be a participant bank of the Asian Clearing Union. The net sum paid on behalf of Sri Lanka to the other participant banks by way of settlement on transactions routed through the Asian Clearing Union amounted to Rs. 1,081,383,001.10 for 1978.

### Foreign Exchange Entitlement Certificates (Repeal) Law No. 17 of 1977

In terms of Section 3 (1) of the above law, the Central Bank has disposed of all the unsettled matters connected with the operation of the FEECs Scheme not provided for in Section 2 of the Repeal Law.

### Subsidy to Indian Repatriates

Consequent to the introduction of a system of unified rates of exchange with effect from November 16, 1977, Government decided to pay the Indian repatriates covered by the Indo-Ceylon Agreement of 1964, a subsidy equivalent to 65 % of the amount authorised to be remitted or any part thereof.

Government also decided to make an ex-gratia payment of Sri Lanka Rs. 500/- plus 65% of this sum to repatriate estate workers of Indian origin as an incentive for them to leave Sri Lanka.

The Central Bank operates the above two schemes on behalf of the Government. The commercial banks who advance these monies to repatriates at the time of remittance are reimbursed by the Central Bank.

### DOMESTIC BANKING

The Central Bank's rate of interest on advances against Government Securities and against Usance Promissory Notes relating to commercial and production loans continued to be 10% per annum. The rate of interest on Central Bank advances to commercial banks against the pledge of usance promissory notes in respect of advances granted to Co-operative Societies, Agricultural Service Centres, and to authorised individuals to finance the purchase of paddy under the Guaranteed Price Scheme and for the purchase, sale or storage of locally grown agricultural products remained unchanged at 3% per annum. The rate of interest on Central Bank advances to commercial banks secured by the pledge of usance promissory notes of Co-operative Societies and farmers relating to the production of paddy, vegetables and other specified crops continued to be 1½% per annum, provided that commercial banks, which availed themselves of this facility, did not charge more than 8% per annum (subject to a rebate of 3% per annum if payment is made on the due date) from Co-operative Societies and not more than 9% from farmers where loans are granted directly to farmers.



The Central Bank's discount rate for Treasury bills continued to be 1/8% above the rate at which such Treasury bills were purchased by tender or from the Central Bank.

### Credit Guarantee Scheme

In 1978, the Central Bank guaranteed on behalf of the Government, loans totalling Rs. 223,434,443.44 granted by commercial banks for the purpose of cultivation of paddy, vegetables and other specified crops and for tea replanting and tea factory modernization. The Government decided to withdraw this scheme with effect from October, 1978.

### Medium and Long Term Credit

The rates of interest on refinance loans granted by the Central Bank to credit institutions under the Medium and Long Term Credit Scheme were as follows:-

(a) for promotion or development of agriculture -  $6\frac{1}{2}\%$  per annum;

(b) for non-agricultural purposes -  $7\frac{1}{2}\%$  per annum.

Refinance loans totalling Rs. 21,071,008.96 were granted to credit institutions during the year.

### Bank Debits Tax

The Central Bank continued to be responsible for the collection of Bank Debits Tax.

### COMPULSORY SAVINGS

The Central Bank continued to be the custodian of the moneys collected in terms of the Compulsory Savings Act No. 6 of 1971 and the Ceiling on Income and Compulsory Savings Law No. 15 of 1972, and administered the Compulsory Savings Fund on behalf of the Government. During the year, the bank paid out to contributors Rs. 19,309,364.56 (inclusive of interest) on 6,829 refund applications received.

### CURRENCY ISSUE

At the end of 1978, the total currency circulation stood at Rs. 3,508.6 million representing an increase of Rs. 289.5 million over the corresponding figure of Rs. 3,219.1 million of the previous year. The note circulation in 1978 increased by Rs. 268.0 million as against Rs. 797.6 million in the previous year with the Rs. 100 note denomination accounting for Rs. 220.6 million of the increase. In the case of coins, the increase in total circulation in 1978 was Rs. 21.5 million with increases in all denominations and compares with the increase of 14.4 million in the preceding year.

New design currency notes of the Rs. 100 and Rs. 50 denominations bearing the Armorial Ensign of Sri Lanka were issued in 1978. These notes are of the same sizes as the existing notes of the same denominations issued after 25th October, 1970. The latter notes continued in circulation along with the new design notes issued.



A commemorative coin of the Re. 1 denomination bearing the effigy of His Excellency the President was issued to commemorate the installation of the first President of the Democratic Socialist Republic of Sri Lanka. The coins so issued were of the same specifications and dimensions as the current one rupee coins.

As a shortage of coins of the 5 cents and 10 cents denominations struck in nickel brass emerged in 1978, new coins of the same denominations struck in aluminium alloy were issued in 1978 with a view to eventually replacing the corresponding nickel brass coins. In all other respects, these coins are similar to the 5 cent and 10 cent coins struck in nickel brass.

### BANK SUPERVISION

In the year 1978, the Department of Bank Supervision commenced the examination of eight commercial banks under Section 29 (1) of the Monetary Law Act and concluded six of them.

The Department continued to perform functions connected with the administration of the Bank Debits Tax Act No. 27 of 1970, as amended by Law No. 32 of 1975. Inspection of commercial banks were carried out for the purpose of verifying the information required to be furnished in Certificates of the Authorised Officer under Section 15 of the Debits Tax Act.

### DEVELOPMENT FINANCE

The activities of the Development Finance Department increased considerably during the year 1978. In addition to the appraisal of development projects for which refinance was sought by approved credit institutions from the Central Bank's Medium and Long Term Credit Fund, the Department inaugurated a Credit Guarantee Scheme for small industry in collaboration with the Industrial Development Board. Besides, there has also been some expansion in the activities connected with the Packing Credit Guarantee Scheme which came into operation in January, 1977.

During the year, refinance to the extent of Rs. 12.1 million was approved for the following purposes:

Table 2.4  
Medium and Long-term Refinance

		Rs. Million
Purposes		Amount
Hotel Projects	.. ..	2.8
Fisheries	.. ..	5.6
Industrial	.. ..	2.2
Agricultural	.. ..	1.5
Total	.. ..	12.1



## Tea Industry Development

The project identification study for investment in the tea industry, undertaken at the request of the Ministry of Plantation Industries was completed during the year. This study has now been submitted to the Asian Development Bank which has agreed to send a team of experts to evaluate this project, with a view to considering the grant of a line of credit to finance the modernization and electrification of factories and related field development in a large number of tea plantations.

## Fisheries

With regard to the Fisheries Development Project undertaken by the Ministry of Fisheries with financial assistance from the Asian Development Bank, the Development Finance Department continues to render support to the Ministry in the implementation of the project. The progress made in the issue of the different classes of vessels, under the project, is as indicated below:

Table 2.5  
Fishery Boat Finance

Class of Boat	Number of boats to be provided under the project	Number of boats issued in 1978	Total Number of boats issued from August, 1976 to December, 1977
28 Feet .. ..	200	104	96
38 Feet .. ..	30	24	6

The table above shows that all the boats earmarked for distribution under the project have been issued to Co-operatives and the private sector. The purchase of these boats have been financed by loans from the Bank of Ceylon and the People's Bank. The Department was also associated with the Ministry of fisheries in drawing up a scheme for insuring boats issued under the project. After a detailed study, the Department proposed that the Boat Risk Fund Account be operated with funds contributed by each boat owner.

## PACKING CREDIT GUARANTEE

Policies issued under the scheme of Packing Credit Guarantees, under which certain categories of pre-shipment payment risks are guaranteed in respect of pre-shipment credits granted by commercial banks increased greatly. The relevant data are given below:

Table 2.6  
Packing Credit Guarantees

Year	Number of Guarantees issued since inception of the scheme	Total permitted limits (Rs. Mn.)	Guarantees in force at the end of the year	
			Number	Permitted limits (Rs. Mn.)
1977 .. ..	41	22.7	—	—
1978 .. ..	96	96.1	52	65.3



The commodity-wise classification of credit limits in force under the scheme at the end of 1978 is given in the table below:

Table 2.7

## Packing Credit Guarantees

Commodity	Number of Guarantees	Total of limits sanctioned Rs.
1. Canned fruits and fruit juices ..	2	710,000
2. Fibre and other fibre products ..	5	2,850,000
3. Ready - made garments ..	11	31,975,000
4. Spices ..	10	7,400,000
5. Gems, Jewellery, Polished Diamonds etc. ..	3	2,350,000
6. Essential oils extracted from local raw materials ..	1	750,000
7. Rubber based goods ..	1	650,000
8. Leather and Leather products ..	2	850,000
9. Marine products ..	9	5,850,000
10. Furniture and other wooden products ..	3	609,620
11. Luxury yachts and fibre glass boats ..	2	9,300,000
12. Kapok ..	1	15,000
13. Medicinal herbs, crude drugs etc. ..	1	50,000
14. Bar Soap ..	1	2,000,000
<b>Total</b> ..	<b>52</b>	<b>65,359,620</b>

## Export Credit Insurance

The Department was closely associated with the preparatory work connected with the establishment of the Sri Lanka Export Credit Insurance Corporation, scheduled for commencement in February, 1979. The preparation of draft legislation for the establishment of this Corporation, the training of personnel and the documentation was handled by the Department during the year under review. With the establishment of the new Corporation, the Central Bank will hand over to the Corporation the existing business undertaken under the Packing Credit Guarantee Scheme.

## Small Industry Credit Guarantee

The Central Bank, acting on behalf of the Government under Section 108 of the Monetary Law Act, undertook the operation of a Small Industry Credit Guarantee Scheme to cover loans to small industrialists granted by the People's Bank, Bank of Ceylon and the Development Finance Corporation of Ceylon in co-operation with the Industrial Development Board. The preparation of the scheme and its operation devolved on this Department. This scheme was put into effect in April, 1978. Under this scheme, the Central Bank guarantees 75 per cent of the original sum granted or the amount in default, whichever is lower. In the first 9 months of its operation, the total volume of loans guaranteed amounted to Rs. 1.9 million for 79 projects while a further Rs. 104,256 given on marketing loans was also guaranteed. At the end of the year, there



were no claims for losses arising from non-recovery of loans granted under the scheme. An industrywise classification of guarantees issued is given in the table below:

Table 2.8

## Industrywise Classification of Small Industry Guarantees Issued

Type of Industry	Number	Amount (Rs.)
Jaggery	10	324,950
Leather bags	1	12,500
Cinnamon oil	1	40,000
Joss Sticks	1	57,800
Bricks	13	68,700
Grill Gates	2	14,500
Tinkering	2	5,842
Fibre	2	58,845
Furniture	3	48,000
Radio spares	5	183,180
Jewellery	2	12,110
Garments	5	163,000
Water pumps	1	8,684
Soap	2	21,800
Tailoring	2	8,880
Foundry	2	12,950
Blacksmith	1	1,851
Gun	1	45,000
Oil filter	1	2,817
Paper Cups	1	3,509
Printing flags	1	10,000
Wood	2	7,606
Lorry building	1	25,000
Lathe machines	3	128,100
Rice milling	2	202,000
Sugar cane	4	122,825
Batik	1	4,500
Rubber	2	108,920
Rubberised coir	1	55,000
Metal crushing	1	99,000
Ekel and fibre brooms	1	43,400
Beedi	1	8,000
Book binders	1	4,180
Carpets	1	15,000
Mushroom	1	7,000
Tea chests	1	15,000
Footwear	1	4,000
Galvanised pails	1	30,320
Glass	1	9,440
Fishing boats	1	116,200
<b>Total</b>	<b>86</b>	<b>2,010,410</b>

## Survey on Finance Management

The Department also carried out a survey on "Finance Management in Small Scale Industries" in 1978. The primary objectives of the survey was to identify the financing problems of the small sector from the initial as well as post-financing stages and to ascertain the training needs in this area. Thirty firms with an investment of Rs. 500,000 or less in plant and machinery were selected for the survey. The survey brought out two important facts:



- (a) None of the firms in the sample had recourse to bank finance at the initial stage though on becoming successful some had been able to obtain limited facilities from banks. This limited access to bank credit would seem to be a reflection of the conservative, security-oriented lending policies of banks.
- (b) None of the small industrialists in the sample thought that there was a need for training in finance management. This may be partly due to the fact that there was no necessity to improve finance management as there had been only a marginal expansion in the scale of operations of the small industrialists during the period. There was some reason to think, however, that their lack of knowledge in finance management was one of the reasons that made it more difficult for them to obtain bank finance.

### Survey of Sugar Cane Loans

At the request of the Ministry of Plan Implementation and the Committee of Development Secretaries, this Department in collaboration with the People's Bank, the Bank of Ceylon, and the Ministry of Agriculture, undertook a survey of sugar cane loans given in the Amparai District with a view to determining the extent of mis-utilisation of loans. The results of this survey have been published by the Ministry of Plan Implementation.

### National Development Bank

The Department also undertook the appraisal of several public sector projects referred to it by the Development Secretaries Committee under an arrangement made with the Central Bank by the Ministry of Finance and Planning. Under this arrangement Rs. 390 million earmarked in the 1978 Budget as the government's capital contribution to the National Development Bank was lodged with the Central Bank and disbursements out of this fund for capital expenditure by public sector corporations was made subject to an appraisal by this Department.

Draft proposals for Legislation for the establishment of the National Development Bank which was passed in November, 1978 was prepared by this Department during the year under review.

### PUBLIC DEBT

Gross Public Debt outstanding stood at Rs 30,949,818,155 at the end of the financial year made up of domestic debt Rs. 16,367,554,626 and foreign debt Rs. 14,582,263,529. The increase in the gross Public Debt during the year under review was Rs. 5,963,917,272 with the share of domestic and foreign loans being Rs. 1,975,174,900 and Rs. 3,988,742,372 respectively.

The composition of the Public debt as at end of 1978 is given below:



Table 2.9  
Composition of Public Debt

Types of Debt	Amount Rs.
<b>1. Funded Domestic Debt</b>	12,747,589,444
(i) Rupee loans .. .. .	12,049,061,600
(ii) Administrative borrowings .. .. .	698,454,005
(iii) National Development Bonds .. .. .	73,839
<b>2. Floating Debt</b>	3,619,965,182
(i) Treasury bills .. .. .	2,635,000,000
(ii) Tax Reserve Certificates .. .. .	29,465,182
(iii) Central Bank Advances .. .. .	955,500,000
(iv) Special Loans .. .. .	—
<b>3. Foreign Loans</b>	14,582,263,529
(i) Project Loans .. .. .	4,833,051,153
(ii) Commodity Loans .. .. .	8,969,926,870
(iii) Others .. .. .	779,285,506
<b>4. Total Public Debt</b>	30,949,818,155

### Domestic Debt

(a) *Rupee Loans:* Government's Budgetary Programme for the Financial year 1978 envisaged the raising of a sum of Rs. 1,750 million from domestic non-bank sources. This amount was subscribed in full with contributions from the following sources.

Table 2.10

### Subscriptions to Rupee Loans

Subscribers	Amount (Rs. Mn.)	Percentage
National Saving Bank .. .. .	378.12	21.6
Joint Investment Fund .. .. .	590.13	33.7
Employees' Provident Fund .. .. .	576.39	32.9
Insurance Corporation .. .. .	150.36	8.6
Others .. .. .	55.00	3.2
<b>Total</b>	<b>1,750.00</b>	<b>100.0</b>

The total long-term rupee borrowing of Rs. 1,750 million was made up of eight loans of Rs. 200 million each and one of Rs. 150 million. The loan programme commenced in January, 1978 and concluded in November, 1978 when the amount was fully subscribed. The loans were timed to match the availability of investible funds in the public sector.

These loans were raised under the Appropriation Law No. 25 of 1977 and was within the borrowing limit of Rs. 5,155 million set out therein.



(b) *Administrative Borrowings:* Three loans made available to the Government through the Central Bank and Sri Lanka State Trading Corporation (Consolidated Exports) by Germany, Iran and Libya have been categorised under administrative borrowings. The total rupee liability of these loans amounted to Rs. 698,454,005.

(c) *National Development Bonds:* National Development Bonds are issued by the Commissioner of Inland Revenue under Section 19(1) of the Finance Act No. 65 of 1961. There were no transactions during the year. The amount outstanding, therefore, remained unchanged as at December 31, 1977.

(d) *Treasury Bills:* The authorised limit of Rs. 3,000 million remained unchanged during the year. The amount of Treasury bills issued and outstanding at the end of December, 1978 was Rs. 2,635 million, recording an increase of Rs. 135 million during the year. The banking sector held Treasury bills amounting to Rs. 2,199.9 million with the share of the Central Bank being Rs. 2,087.9 million. Government agencies held Rs. 270 million and others held Rs. 165.1 million.

(e) *Tax Reserve Certificates:* The authorised limit was Rs. 750 million. Tax Reserve Certificates issued upto end of December, 1978 totalled Rs. 722,983,200. Of this amount, Certificates aggregating Rs. 693,518,018 had been surrendered, leaving a sum of Rs. 29,465,182 as outstanding. There was a net reduction of Rs. 11,095,380 in the holding of Tax Reserve Certificates at the end of the year.

(f) *Central Bank Advances and Special Loans:* Central Bank Advances increased by Rs. 411,600,000 and special loans decreased by Rs. 73,509,125.

### Foreign Debt

The total foreign debt outstanding as at the end of the financial year 1978 excluding administrative borrowings amounted to Rs. 14,582,263,529 recording an increase of Rs. 3,988,742,372 during the year. This includes the additional debt liability of Rs. 773,026,499 created by the revision of the rupee balance arising from fluctuations in exchange rates. New loans contracted in 1978 amounted to Rs. 4,892 million, with multilateral sources providing Rs. 1,680 million and bilateral sources providing Rs. 3,211.9 million. Disbursements under project loans during the year amounted to Rs. 1,584,442,259 with multilateral and bilateral sources providing Rs. 648,567,536 and Rs. 935,874,723 respectively.

Disbursements under commodity loans during the year amounted to Rs. 1,342,996,096 with bilateral sources providing the full amount.

### Debt Service

(a) *Amortization:* Three Rupee loans which matured during the year were repaid. Redemption of the Rs. 20 million 3¼% 1974-78 loan raised in 1958 under the Ceylon Development Loan Act was met out of the Sinking Fund established for the loan. After repayment of this loan, the Sinking Fund had a surplus of Rs. 1,068,204.45 which was credited to the Consolidated Fund. The other



two loans, Rs. 65,525,600 raised in 1952 and Rs. 7,054,000 raised in 1955 under the National Development Loan Act did not have Sinking funds set up for their redemption and therefore, these two loans were redeemed out of funds from the Consolidated Fund.

The repayment of foreign loans during 1978 amounted to Rs. 501,366,091. Of the repayments, Rs. 154,013,110 was in respect of project loans and Rs. 347,352,981 on account of commodity loans.

(b) *Interest Payments:* During the period under review, interest payments on domestic loans serviced by the Department of Public Debt amounted to Rs. 1,054,724,639 with interest payments on rupee loans absorbing 79.6 per cent of the total. Interest payments on foreign loans amounted to Rs. 285,031,966. Interest payments according to the category of debt are given below:

**Table 2.11**  
**Interest Payments**

	Amount (Rs.)	Percentage
1. Treasury bills ..	173,919,871	16.5
2. Tax Reserve Certificates ..	986,391	0.1
3. Rupee Loans ..	839,929,008	79.6
4. Administrative Borrowings: ..	39,889,369	3.8
(a) Iranian loan ..	(36,883,200)	—
(b) K. F. W. Germany ..	(3,006,169)	—
<b>Total</b>	<b>1,054,724,639</b>	<b>100.0</b>

(c) *The Sinking Funds:* At the end of the year, the value of the Sinking Fund established for the redemption of the rupee loans totalled Rs. 3,204,092,869.77, reflecting an increase of Rs. 652,283,996.23 during the year. The increase was made up as follows:

Sinking Fund contributions during 1978 ..	Rs. 417,314,358.50
Net income from investments ..	Rs. 256,037,842.18
<b>Total</b> ..	<b>Rs. 673,352,200.68</b>
<b>Less:</b> Amount utilised for redemption ..	<b>Rs. 20,000,000.00</b>
Surplus in Sinking Fund after redemption, credited to Consolidated Fund ..	<b>Rs. 1,068,204.45</b>
	<b>Rs. 21,068,204.45</b>
	<b>Rs. 652,283,996.23</b>

#### **Borrowings by semi-government institutions**

There were no new issues of National Housing Debentures during the year 1978. Debentures to the value of Rs. 10 million issued in 1958 were repaid during the year out of funds available in the Sinking fund and the surplus in the fund



was credited to the National Housing Fund Account. The National Housing debentures issued and outstanding as at the end of 1978 amounted to Rs. 81 million. The approximate market value of the Sinking fund established for the redemption of National Housing debentures was Rs. 39,878,019 reflecting a decrease of Rs. 1,506,408 during 1978.

There were no issues or redemption of State Mortgage Bank debentures during 1978. The total of debentures issued and outstanding as at the end of the year remained at Rs. 32,250,000.

## EXCHANGE CONTROL

Following the Government decision to liberalize trade and payments after November 15, 1977 several exchange control measures were relaxed and in many instances, the function of approving receipts or payments were delegated to commercial banks. The major relaxations are detailed below. Some of these relaxations came into force from November, 1977.

### Exchange Control Relaxations

(1) *Holiday Travel*: Passage and a basic exchange allowance for holiday travel to the Indian Group of countries (Bangladesh, Burma, India, Maldives, Nepal, Pakistan and Thailand) and to the other countries was to be allowed once in 2 and 4 years, respectively.

(2) *Official, Business and Medical Travel*: Passage and exchange for official, business and medical travel which were permitted on a restricted scale, were made available on a more liberal basis. Exchange for official travel was allowed in terms of a higher schedule of rates applicable to the various countries. Exchange for business travel was allowed freely on a recommendation from the Chairman, Director, Partner or Sole Proprietor of the Company. Enhanced exchange for medical purposes, including hospital charges, was allowed.

(3) *Education*: Exchange for education abroad was released for studies at recognised Universities at under-graduate and post-graduate levels and for specialised technical training not available in Sri Lanka.

(4) *Remittance of Profits and Dividends*: The remittances of profits and dividends to non-resident shareholders which were earlier permitted on a restricted basis, were allowed in full.

(5) *Exchange for Emigrants*: Enhanced exchange was allowed for emigrants. Export of personal effects was liberalised.

(6) *Non-Resident Blocked Accounts*: Funds held in Non-Resident Blocked Accounts, which were not permitted to be remitted abroad, were released up to a maximum of Rs. 100,000 from each such account.

(7) *Export of Personal Jewellery*: The value of personal jewellery which could be taken by individuals travelling abroad without a permit was raised.

(8) *Reconversion of Currency*: The ceiling imposed on the reconversion into foreign currency by commercial banks of unexpended Rupees held by tourists and transit passengers was increased.



(9) *Excess Baggage*: Release of exchange for excess baggage fare was doubled.

### Delegation to commercial banks

The authority to approve the following, was delegated to commercial banks:-

- (1) Passage and exchange in respect of travel on holiday, business, official duty and for medical treatment.
- (2) Subscriptions to professional institutions; foreign examination fees; payment for correspondence study courses.
- (3) Emigrants' passage and excess baggage, exchange, personal jewellery and personal effects and sea freight.
- (4) Remittances of profits and dividends of non-resident shareholders.
- (5) The opening and maintaining of non-resident accounts by individuals resident outside Sri Lanka and companies registered outside Sri Lanka, subject to exchange control approval in respect of certain debits and credits to these accounts.
- (6) Export permits, other than those requiring prior approval of the Exchange Control Department.
- (7) Remittance of export commissions to agents and/or buyers.
- (8) Payments for imports against letters of credit, except those which require the prior approval of the Department of Exchange Control.
- (9) Returning of inward remittance to remitter, if recalled by the remitter.
- (10) Issue of foreign exchange against remittances received in favour of residents of and visitors to Sri Lanka for travel expenses.
- (11) Remittances and payment for passage out of "External Accounts".
- (12) Passage of non-resident visitors, where payment is made in Sri Lanka rupees, provided the non-resident visitors produce evidence that sufficient foreign exchange has been encashed to meet the cost of such passage.

### EMPLOYEES' PROVIDENT FUND

The Monetary Board of the Central Bank of Ceylon, through its Employees' Provident Fund Department, continued to receive all sums paid under the Employees' Provident Fund Act No. 15 of 1958 as contributions and surcharges and other income from the investment of moneys of the Fund and to perform its other functions in respect of these moneys in terms of Section 5 of the Act. A brief note on its operations during the year 1978 is given below.



Table 2.12  
Employees' Provident Fund 1977 - 1978

	1977	1978
1. Number of covered employments registered ..	81,959*	85,656*
2. Number of registered members ..	1,344,528*	1,386,591*
3. Contributions received† (Rs.) ..	304,838,236	523,757,501
4. Investment (Rs.) ..	397,981,740	641,964,728
5. Income from investments received (Rs.) ..	160,222,583	206,127,224
6. Refund payments (Rs.) ..	89,357,790	122,012,108
7. Number of refunds ..	41,157	42,526
8. Rate of interest (%) ..	7.5	7.5
9. Interest on Members' balances (Rs.) ..	179,717,325	227,641,001

\* Source: Labour Department.

† Excludes contributions credited to Suspense Accounts pending transfer.

### Membership and Registered Employments

According to data furnished by the Department of Labour the number of registered employments increased from 81,959 in 1977 to 85,656 in 1978, an increase of 4.5 per cent. The number of members registered under these employments amounted to 1,386,591 as at end of 1978, as against a membership of 1,344,528 in 1977, an increase of 3.1 per cent.

### Contributions

The contributions received by the Fund during the year amounted to Rs. 524 million, as against Rs. 305 million in 1977. This represents an increase of Rs. 219 million or 72 per cent over the level of contributions made during the previous year.

Members' balances as at end of 1978 stood at Rs. 3,263 million, which is an increase of Rs. 687 million or 27 per cent over the level of 1977.

### Investments

During 1978, the Fund invested a sum of Rs. 642 million in Government Securities. This was an increase of Rs. 244 million or 61 per cent over that of 1977. The total investments of the Fund as at end of 1978 were Rs. 3,133 million, as against Rs. 2,491 million in 1977.

### Income from Investments

In 1978, the income from investments amounted to Rs. 206 million, as against Rs. 160 million in 1977. This represents an increase of Rs. 46 million or 29 per cent, as against an increase of Rs. 28 million or 21 per cent in the previous year. This, of course, is due to investment of the increased volume of contributions received as well as re-investment of income earned on past investments.

### Refunds

The total amount paid out by way of refund of benefits in 1978 amounted to Rs. 122 million. This represents an increase of Rs. 33 million as compared with 1977. The number of refunds made in 1978 was 42,526 as against 41,157 in 1977.



### Interest on Members' Balances

The Employees' Provident Fund is required to pay interest on members' balances out of the income from its investments. The rate of interest payable on members' balances continued to be 7.5 per cent per annum. The interest payable as at the end of 1978 amounted to Rs. 228 million, as against Rs. 180 million in 1977. This records an increase of Rs. 48 million or 27 per cent over the previous year.

Interest is paid on the balances standing to the credit of members at the end of the year and thereafter, interest accumulates on that aggregate sum. Thus members earn a compound rate of interest. Besides, interest is paid for the entire year on the balance standing to the member's credit at the end of the year irrespective of the date when any portion of that balance (which represents contributions), was received by the fund to the member's account, e.g. a contribution received in December gets interest for the full year in the same way as a contribution received in January of that year. The effective rate of interest which a member earns is, therefore, somewhat higher than 7.5 per cent.

### STATISTICS

An extensive programme of data collection was inaugurated in 1978. The decennial Consumer Finance Survey was redesigned to cover a wide range of socio-economic data and a decision was taken to conduct the survey every five years. In order to monitor the prices in all parts of the country, an all island data collection scheme was initiated to collect data from 100 different centres covering all districts in the country. The extended data collection programme also included the monitoring of the import liberalisation programme of the Government and the documentation of a wide range of statistics relating to the economy.

#### The Consumer Finance and Socio-Economic Survey 1978-1979

In 1953 the Central bank conducted the first of a series of Consumer Finance Surveys. This was followed by similar surveys in 1963 and 1973. The main purpose of these surveys was to obtain information on the household consumption pattern, the sources of their income and the relationship of income to investment and indebtedness. Supplementary data on employment and other demographic variables were also collected.

Because of the rapidly changing structure of the consumption patterns and income distribution of households in recent years the Central Bank decided to conduct Consumer Finance Surveys at five year intervals. A sample survey to obtain information on similar lines as in former consumer finance surveys was planned in early 1978. Later in the year, due to the urgent need of upto-date data on a wide range of socio-economic variables for the development plans of the Government, it was decided to widen the scope and subject coverage of the survey. Thus a new sample survey designated "Consumer Finance and Socio-Economic Survey 1978-79" was designed to meet these needs. Field investigation of Round 1 out of four rounds of the survey was completed during the last quarter of 1978. The results of this round are expected to be available by the middle of 1979.



The survey will cover a sample of 8,000 households drawn from rural, urban and estate sectors. Unlike the previous surveys, it was proposed to conduct the present survey in four rounds spread over a period of one year and in each round, a sample of 2,000 households would be enumerated. The collection of data in four rounds will serve a dual purpose. First, it will help to show up the seasonal variations of the socio-economic variables under study. Secondly, overall estimates will incorporate seasonal variation.

### **Private Investment in Sri Lanka**

The scope and coverage of this survey was reported in detail in the 1977 Review of the Economy. The field work involved in the household sector was completed in 1977, while the field investigation in the fishing sector was carried out during the period 27th March, 1978 to 10th July, 1978. As the non-response of the business sector to the postal questionnaire was very high, a follow up of this sector by personal interview was done during the period 16th August, 1978 to 3rd September, 1978. The processing of data and writing of the report will continue up to the end of 1979.

### **Monitoring of the Import Liberalization Programme**

In order to monitor the import liberalization programme and to forecast the import bill for future periods, a system of data collection was introduced to obtain data from the commercial banks on the letters of credit opened, the modifications of the letters of credit and bills received against letters of credit. The data is tabulated as follows :-

- (a) Values of letters of credit classified by four digit BTN numbers.
- (b) A further detailed breakdown of values of letters of credit classified by type of importation.
- (c) Values of letters of credit classified on the basis of Schedule 1 and Schedule 2 of the Gazette Extraordinary No. 291/7 of 15th November, 1977.
- (d) Values of letters of credit outstanding. In this table, information relating to the letters of credit actually utilised is also given.

### **Country wide Data Collection System**

A country wide data collection system was launched in 1978. In the experimental stage, the following information is being collected periodically from hundred locations scattered throughout the country:-

- (a) Retail prices of consumer goods and their availability.
- (b) Producer prices of agricultural products.
- (c) Wage rates and availability of labour in paddy farming, small holdings of the tea, rubber and coconut and the construction industry.
- (d) Cost and availability of agricultural products.
- (e) Marketing facilities of major agricultural products.

Depending on the importance of economic variables, the data collection is done weekly, fortnightly and monthly. The data collected under this scheme are used for the following purposes :-



- (a) The information pertaining to the availability of consumer items and agricultural inputs are made available periodically to the ministries concerned in order to facilitate short term policy decisions to improve the distribution of these commodities.
- (b) The data on consumer prices and the prices of agricultural inputs are used to identify the differences in prices between areas and their periodic fluctuations. Arrangements are also made to compute a retail price index for the whole island and separate indices for each district and area.
- (c) Producer prices of agricultural products are used to measure the differences in the retail prices of the commodities and their producer prices. This information helps to identify the magnitude of trade margins kept by the distributors. A comparison of producer prices between the respective producing areas is also made to identify the reasons for such differences.
- (d) The data on wage rates prevailing in the sectors mentioned above are used for purposes such as preparing wage rate indices to trace the periodic fluctuations in them, differences in wage rates between areas and activities and to compare them with the wage rates in other sectors which are guided by minimum wage legislation and the Wages Boards Ordinance. Information on the availability of labour may help to encourage migration of labour from areas where there is a surplus to areas where labour is scarce. This information also helps to identify the trades where training of new skills is necessary.
- (e) The information on marketing facilities is used to locate the areas where marketing facilities are not adequate. Such information is made available to the respective ministries to take short term policy decisions to improve the marketing facilities in the relevant areas.

#### PERSONNEL

The Governor attended the following conferences abroad during 1978:-

- (a) Thirteenth SEACEN Governors' Conference and the Sixth Meeting of the Board of Governors of the Asian Clearing Union in Nepal (14 - 25 January).
- (b) Commonwealth Central Bank Governors' Conference in London, and the Annual General Meeting of the Bank for International Settlements in Basle, Switzerland (28 May - 20 June).
- (c) Twentieth Session of the Governing Body of the Asian Productivity Organisation in Seoul, Republic of Korea (1- 13 July).
- (d) Annual Meetings of the I.M.F. and I.B.R.D. in Washington, 50th Anniversary Celebrations of Bank Melli Iran in Tehran, and official discussions with the Bank of England and commercial banks in London (9 September - 12 October).
- (e) Investment Promotion Seminar in Hongkong and official discussions in Singapore (3 - 12 December).



Dr. Lal Jayawardena, Secretary to the Ministry of Finance ceased to be a member of the Monetary Board from March 8, 1978, with his appointment as Ambassador for Sri Lanka to the European Economic Community in Belgium.

Dr. W. M. Tilakaratna, Senior Deputy Governor functioned as Chief Executive Officer of the Bank in terms of Section 24 of the Monetary Law Act during the period of absence abroad of the Governor from 14 to 25 January. Dr. Tilakaratna retired from Bank Service with effect from March 28, 1978 to take up appointment as Secretary to the Ministry of Finance and Planning and became the official member of the Monetary Board from that date.

Mr. C. Chanmugam, Acting Secretary to the Ministry of Finance and Planning functioned as the official member of the Monetary Board during the absence of Dr. W. M. Tilakaratna.

Dr. Gamani Corea, Deputy Governor, continued to be on service with the UNCTAD as Secretary General.

Dr. W. Rasaputram, Deputy Governor, continued to be on service with the International Monetary Fund as Alternate Executive Director.

Mr. E. Eramudugolla, Assistant to the Governor was appointed Deputy Governor with effect from April 10, 1978. He was designated as Senior Deputy Governor with effect from April 20, 1978. Mr. Eramudugolla functioned as Chief Executive Officer of the Bank in terms of Section 24 of the Monetary Law Act during the periods of absence of the Governor.

Dr. H. N. S. Karunatilake, Superintendent of Employees' Provident Fund, was appointed as Adviser with effect from January 2, 1978 and was appointed as Deputy Governor with effect from April 10, 1978. Dr. Karunatilake was nominated as the Chairman of the Governing Body of Bankers' Training Institute with effect from June 23, 1978.

Mr. K. Kanagasabapathy, Assistant to the Governor and Secretary to the Monetary Board, was appointed Senior Assistant to the Governor with effect from April 20, 1978 and continued to be Secretary to the Monetary Board.

Mr. J. G. P. Jayasundera, Adviser, was appointed Assistant to the Governor on April 10, 1978.

Mr. A. Bandaranayake, Chief Accountant was on leave prior to retirement with effect from November 11, 1978.

Mr. T. Chatchithanathan, Director of Management Audit, was released to the Greater Colombo Economic Commission, with effect from March 27, 1978 and reverted to the Bank service with effect from May 1, 1978. Mr. Chatchithanathan was designated as Adviser at Head of Department level with effect from November 24, 1978.

Mr. D. L. Kannangara, who was released for service with the Central Bank of The Gambia reverted to the Bank service with effect from February 1, 1978. and was appointed Adviser, Banking Development.



Mr. N. Kathirgamathamby, Superintendent of Public Debt, was appointed Superintendent of Currency with effect from January 2, 1978.

Dr. A.G.A.D. Perera, Director of Establishments was appointed Secretary with effect from January 2, 1978.

Mr. V.S.Subramaniam, Director of Bank Supervision, was appointed Chief Accountant with effect from November 10, 1978.

Dr. K.S.E. Jayatilleke, Additional Director of Economic Research was appointed as Director of Statistics, with effect from January 2, 1978.

Mr. A.S. Jayawardena, was appointed Director of Economic Research with effect from January 2, 1978.

Mr. A.R. Fernando, Additional Controller of Exchange was appointed Acting Controller of Exchange on April 28, 1978 with effect from December 3, 1977.

Mr. S.W.P. Amarasuriya, Acting Secretary was appointed Acting Superintendent of Employees' Provident Fund with effect from January 2, 1978.

Mr. H. Premaratne, Deputy Chief Accountant was appointed Acting Additional Chief Accountant with effect from January 2, 1978. Mr. Premaratne was released for service with Central Bank of The Gambia as Financial Supervisor for a period of one year with effect from September 12, 1978.

Dr. S.T.G. Fernando, Deputy Superintendent of Public Debt was appointed Acting Superintendent of Public Debt with effect from January 2, 1978.

Mr. R.M. Tennekoon, Deputy Director of Establishments, was appointed as Acting Director of Establishments with effect from January 2, 1978.

Mr. R.D.K.J. Arthanayake, Deputy Director, Management Audit, was appointed Acting Director of Management Audit with effect from March 27, 1978.

Mr. U.A. de Silva, Deputy Chief Accountant, was appointed Acting Additional Chief Accountant with effect from November 10, 1978.

Mr. S. Easparathan and Dr. L.E.N. Fernando continued to be under release part-time to the Treasury.

Dr. P.A.S. Dahanayake, who was released to the Ministry of Planning and Economic Affairs, reverted to Bank service with effect from March 19, 1978.

Mr. G.M.P.D. de Silva, who was released to the Development Finance Corporation, reverted to the Bank service with effect from February 8, 1978.



Mr. P. M. Nagahawatte was released to the Ministry of Industries and Scientific Affairs as General Manager, Cement Corporation with effect from January 3, 1978. Mr. Nagahawatte reverted to Bank service with effect from September 1, 1978.

Dr. T. W. Y. Ranaweera, who was released to the Treasury was further released for an assignment with the United Nations with effect from April 16, 1978.

Mr. E.M.D. Peiris who was released to the Ministry of Fisheries, reverted to Bank service with effect from February 2, 1978.

Mr. W.L.de Silva was released to the Ministry of Food & Co-operative as General Manager 'MARKFED' with effect from June 21, 1978.

During the year under review the following officers of the Central Bank continued to be under release full-time to the Government:-

Mr. T.G. Punchiappahamy	-	State Gem Corporation
Mr. S. Rajalingam	-	Treasury
Mr. P.M. Hassen	-	Ministry of Food & Co operative
Mr. A.A.D. Justin	-	Ministry of Industries
Mr. M.B. Dissanayake	-	Treasury



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Circular No. 289

Central Bank of Ceylon,  
P. O. Box 590,  
Colombo 1.

March 27, 1978.

Commercial Bank Credit

The attention of commercial banks is invited to paragraph 2(b) of Circular No. 169 dated October 4, 1976 and to the last paragraph of Circular No: 258 dated November 16, 1977 whereby commercial banks were required to ensure that the total amount of their loans and advances granted to non-bank companies and bodies engaged in the business of lending moneys to the public and/or engaged in hire purchase activities, does not exceed the total amount of their loans and advances granted to such companies and bodies and outstanding on June 30, 1976.

It has now been decided to modify these regulations to exclude credit granted for financing capital equipment and new commercial vehicles.

Accordingly, commercial banks are hereby informed that they may grant loans and advances to non-banking companies and bodies engaged in the business of lending moneys to the public and/or engaged in hire purchase activities in excess of the total amount of their loans and advances granted to such companies and bodies and outstanding on June 30, 1976 provided, however, that such excess represents finance granted for the purchase of capital equipment or new commercial vehicles.

A. Bandaranayake  
Chief Accountant

W. M. Tilakaratna  
Senior Deputy Governor



Circular No. 306

Central Bank of Ceylon,  
P. O. Box No. 590,  
Colombo - 1.

29th June, 1978.

Commercial Bank Credit

Commercial banks are hereby informed that, with immediate effect and until further notice, they should not increase their advances to Government Corporations and Statutory Boards, other than financial and lending institutions, over the level of such advances outstanding as at June 28, 1978.

The term 'advances' for purpose of this credit ceiling refers to the following asset items of commercial banks:-

Loans

Overdrafts

Import bills financed

Local bills financed

A. Bandaranayake  
Chief Accountant

H. E. Tennekoon  
Governor

W. M. Thakur  
Senior Deputy Governor

A. Bandaranayake  
Chief Accountant



Circular No, 311

Central Bank of Ceylon,  
P. O. Box No. 590,  
Colombo 1.

July 13, 1978.

Commercial Bank Credit

The attention of commercial banks is invited to Circular No. 306 dated June 29, 1978 on the above subject.

Commercial banks may increase, with immediate effect, the total of their advances to Government Corporations and Statutory Boards, other than financial and lending institutions, by five percent (5%) over the total of such advances as at June 28, 1978.

The term 'advances' shall have the same meaning as in Circular No. 306.

A. Bandaranayake  
Chief Accountant

E. Eramudugolla  
Senior Deputy Governor

Circular No. 317

Central Bank of Ceylon,  
P. O. Box 590,  
Colombo 1.

August 7, 1978.

Commercial Bank Credit

The attention of commercial banks is invited to Circular No. 306 dated June 29, 1978 and to Circular No. 311 dated July 13, 1978, on the above subject.

Commercial banks are hereby informed that they may increase the total of their advances to Government Corporations and Statutory Boards, other than financial and lending institutions, by seventeen per cent (17%) over the total of such advances as at June 28, 1978.

The term 'advances' has the same meaning as in Circular No. 306.

A. Bandaranayake  
Chief Accountant

H. E. Tennekoon  
Governor



**Central Bank's Exchange Rates for Telegraphic Transfers for the Asian Monetary Unit, Bangladesh Taka, Burmese Kyat Indian Rupee Iranian, Rial Nepalese Rupee and Pakistan Rupee, for operations through the Asian Clearing Union**

(Rs. per 100 Units of each currency)

Date	Circular No.	Asian Monetary Unit		Bangladesh Taka		Burmese Kyat		Indian Rupee		Iranian Rial		Nepalese Rupee		Pakistan Rupee	
		Buying Spot*	Selling Spot**	Buying Spot*	Selling Spot†	Buying Spot†	Selling Spot†	Buying Spot†	Selling Spot†	Buying Spot†	Selling Spot†	Buying Spot†	Selling Spot†	Buying Spot†	Selling Spot†
78-01-02	272	1,891.15	1,891.65	107.26	107.38	222.23	222.35	188.78	188.90	22.29	22.33	125.41	125.53	158.23	158.35
78-02-01	277	1,862.25	1,862.75	107.45	107.57	218.84	218.96	188.50	188.62	21.76	21.80	122.74	122.86	154.87	154.99
78-02-16	280	1,861.75	1,862.25	103.61	103.73	218.78	218.90	188.50	188.62	21.76	21.80	122.74	122.86	154.87	154.99
78-03-13	284	1,887.15	1,887.65	103.22	103.34	221.76	221.88	188.31	188.43	21.76	21.80	122.74	122.86	154.87	154.99
78-03-16	287	1,885.70	1,886.20	101.71	101.83	221.60	221.72	185.55	185.67	21.76	21.80	122.74	122.86	154.87	154.99
78-04-04	291	1,925.80	1,926.30	100.59	100.71	226.31	226.43	183.51	183.63	22.25	22.29	130.47	130.59	154.87	154.99
78-04-18	293	1,931.65	1,932.15	101.35	101.47	227.00	227.12	184.89	185.01	22.07	22.11	129.68	129.80	157.07	157.19
78-05-02	296	1,929.70	1,930.20	102.63	102.75	226.77	226.89	182.33	182.45	22.41	22.45	131.65	131.77	159.46	159.58
78-05-16	298	1,947.80	1,948.30	103.67	103.79	228.90	229.02	184.51	184.63	22.59	22.63	132.75	132.87	160.80	160.92
78-06-01	300	1,932.80	1,933.30	103.05	103.17	227.14	227.26	188.19	188.31	22.60	22.64	132.77	132.89	160.82	160.94
78-06-16	303	1,948.25	1,948.75	103.56	103.68	228.95	229.07	189.12	189.24	22.60	22.64	132.77	132.89	160.82	160.94
78-07-04	307	1,943.50	1,944.00	103.49	103.61	228.40	228.52	189.00	189.12	22.27	22.31	130.83	130.95	158.47	158.59
78-08-01	313	1,944.85	1,945.35	106.51	106.63	228.55	228.67	194.51	194.63	22.08	22.12	129.73	129.85	157.13	157.25
78-08-03	319							191.74	191.86						
78-08-16	321	1,975.75	1,976.25	107.64	107.76	232.18	232.30	194.17	194.29	21.90	21.94	128.69	128.81	155.87	155.99
78-08-25	323	1,961.10	1,961.60	104.57	104.69	230.46	230.58	190.26	190.38	21.98	22.02	129.15	129.27	156.43	156.55
78-09-01	325	1,960.50	1,961.00	104.50	104.62	230.39	230.51	189.63	189.75	21.98	22.02	129.15	129.27	156.43	156.55
78-09-18	327	1,966.40	1,966.90	105.26	105.38	231.09	231.21	190.68	190.80	21.98	22.02	129.15	129.27	156.43	156.55
78-09-20	329	1,994.85	1,995.35	106.78	106.90	234.43	234.55	193.44	193.56	22.30	22.34	131.01	131.13	158.69	158.81
78-09-26	331	1,994.85	1,995.35	108.57	108.69	234.43	234.55	196.69	196.81	22.30	22.34	131.01	131.13	158.69	158.81
78-10-02	334	1,999.55	2,000.05	108.83	108.95	234.98	235.10	196.22	196.34	22.25	22.29	130.72	130.84	158.34	158.46
78-10-16	336	2,024.30	2,024.80	105.33	105.45	237.89	238.01	197.50	197.62	22.22	22.26	130.56	130.68	158.15	158.27
78-10-24	338	2,052.00	2,052.50	106.77	106.89	241.15	241.27	195.57	195.69	22.22	22.26	130.56	130.68	158.15	158.27
78-11-03	341	2,114.85	2,115.35	107.09	107.21	248.53	248.65	200.77	200.89	22.22	22.26	130.56	130.68	158.15	158.27
78-11-09	344	2,038.65	2,039.15	101.92	102.04	239.58	239.70	190.34	190.46	22.22	22.26	130.56	130.68	158.15	158.27
78-11-17	346	2,026.25	2,026.75	101.44	101.56	238.12	238.24	189.43	189.55	22.22	22.26	130.56	130.68	158.15	158.27
78-11-27	348	1,989.35	1,989.85	99.59	99.71	233.79	233.91	188.19	188.31	22.22	22.26	130.56	130.68	158.15	158.27
78-12-01	350	1,996.40	1,996.90	99.68	99.80	234.61	234.73	188.51	188.63	22.22	22.26	130.56	130.68	158.15	158.27
78-12-18	353	1,992.10	1,992.60	100.68	100.80	234.10	234.22	190.35	190.47	22.22	22.26	130.56	130.68	158.15	158.27

\* Buying -/50 cts. per month discount against spot.

\*\* Selling -/50 cts. per month premium against spot.

† Buying -/06 cts. per month discount against spot.

‡ Selling -/04 cts. per month premium against spot  
Contracts to be taken up at the option of the commercial bank but at the contracted exchange rate, if taken up before expiry of the contract period.



### Commercial Banks' Exchange Rates for operations through the Asian Clearing Union

Date	Circular No.	Asian Monetary Unit (Per AMUs 100/-)		Bangladesh Taka (per Takas 100/-)		Burmese kyat (per Kyats 100/-)		Indian Rupees (per Rupees 100/-)		Iranian Rial (per Rials 100/-)		Nepalese Rupees (per Rupees 100/-)		Pakistan Rupees (per Rupees 100/-)	
		Buying	Selling	Buying	Selling	Buying	Selling	Buying	Selling	Buying	Selling	Buying	Selling	Buying	Selling
78-01-02..	263			107.20	107.42	222.17	222.39	188.72	188.94	22.23	22.37	125.35	125.57	158.17	158.39
78-02-01..	278			107.39	107.61	218.78	219.00	188.44	188.66	21.70	21.84	122.68	122.90	154.81	155.03
78-02-16..	281			103.55	103.77	218.72	218.94	188.44	188.66	21.70	21.84	122.68	122.90	154.81	155.03
78-03-13..	283			103.16	103.38	221.70	221.92	188.25	188.47	21.70	21.84	122.68	122.90	154.81	155.03
78-03-16..	288			101.65	101.87	221.54	221.76	185.49	185.71	21.70	21.84	122.68	122.90	154.81	155.03
78-04-04..	292			100.53	100.75	226.25	226.49	183.45	183.67	22.19	22.33	130.41	130.63	158.26	158.48
78-04-18..	294			101.29	101.51	226.94	227.16	184.83	185.05	22.01	22.15	129.62	129.84	157.01	157.23
78-05-02..	297			102.57	102.79	226.71	226.93	182.27	182.49	22.35	22.49	131.59	131.81	159.40	159.62
78-05-16..	299			103.61	133.83	228.84	229.06	184.45	184.67	22.53	22.67	132.69	132.91	160.74	160.96
78-06-01..	301			102.99	103.21	227.08	227.30	188.13	188.35	22.54	22.68	132.71	132.93	160.76	160.98
78-06-16..	304			103.50	103.72	228.89	229.11	189.06	189.28	22.54	22.68	132.71	132.93	160.76	160.98
78-07-04..	308			103.43	103.65	228.34	228.56	188.94	189.16	22.21	22.35	130.77	130.99	158.41	158.63
78-08-01..	314			106.43	106.67	228.49	228.71	194.45	194.67	22.02	22.16	129.67	129.89	157.07	157.29
78-08-03..	316							191.68	191.90						
78-08-16..	320			107.58	107.80	232.12	232.34	194.11	194.33	21.84	21.98	128.63	128.85	155.81	156.03
78-08-25..	324			104.51	104.73	230.40	230.62	190.20	190.42	21.92	22.06	129.09	129.31	156.37	156.59
78-09-01..	326			104.44	104.66	230.33	230.55	189.57	189.79	21.92	22.06	129.09	129.31	156.37	156.59
78-09-18..	328			105.20	105.42	231.03	231.25	190.62	190.84	21.92	22.06	129.09	129.31	156.37	156.59
78-09-20..	330			106.72	106.94	234.37	234.59	193.38	193.60	22.24	22.38	130.95	131.17	158.63	158.85
78-09-26..	332			108.51	108.73	234.37	234.59	196.63	196.85	22.24	22.38	130.95	131.17	158.63	158.85
78-10-02..	335			108.77	108.99	234.92	235.14	196.16	196.38	22.19	22.33	130.66	130.88	158.28	158.50
78-10-16..	337			105.27	105.49	237.83	238.05	197.44	197.66	22.16	22.30	130.50	130.72	158.09	158.31
78-10-24..	339			106.71	106.93	241.09	241.31	195.51	195.73	22.16	22.30	130.50	130.72	158.09	158.31
78-11-03..	342			107.03	107.25	248.47	248.69	200.71	200.93	22.16	22.30	130.50	130.72	158.09	158.31
78-11-09..	345			101.86	102.08	239.52	239.74	190.28	190.50	22.16	22.30	130.51	130.73	158.09	158.31
78-11-17..	347			101.38	101.60	238.06	238.28	189.37	189.59	22.16	22.30	130.50	130.72	158.09	158.31
78-11-27..	349			99.73	99.75	233.73	233.95	188.13	188.35	22.16	22.30	130.50	130.72	158.09	158.31
78-12-01..	351			99.62	99.84	234.55	234.77	188.45	188.67	22.16	22.30	130.51	130.73	158.09	158.31
78-12-18..	354			100.62	100.84	234.04	234.26	190.29	190.51	22.16	22.30	130.50	130.72	158.09	158.31

Not More Than Rs. 1.50 below the Central Bank buying rate

Not more than Rs. 3.00 over the Central Bank Selling rate



Central Bank's Rates for the Purchase of Foreign Currency Notes

Circular No. & Effective Date	Australian \$ per \$ 1	Austrian Schillings per Sch. 100/-	Belgium Francs per B. F. 100/-	Canadian Dollars per \$ 1/-	Danish Kroner per kr. 10/-	Deutsche Mark (W. Germany) per D. M. 10/-	French Francs per F. F. 10/-	Hongkong Dollars per \$ 10/-	Italian Lire per Lire 1000/-	Japanese Yen per Yen 1000/-	Kuwaiti Dinar per dinar 1/-	Malaysian Ringgit per R. 10/-	Netherlands Guilders per Gld. 10/-	Norwegian Kroner per kr. 10/-	Saudi Arabian Riyal per Rl. 10/-	Singapore Dollars per \$ 10/-	Swedish Kroner per kr. 10/-	Swiss Francs per Sw. Fr. 10/-	United Araba Emirate Dirhams per dh. 10/-	U. K. Pounds per. £ 1/-	US n per \$ 1/-	Omani Riyals per Riyal 1/-	Qatar Riyals per Rl. 10/-	Baharian Dinars per Bah. Din. 1/-
274 Jan. 4, 1978	16.55	97.35	44.70	13.20	25.25	70.35	31.40	31.30	16.65	60.75	51.55	61.30	64.95	28.60	41.35	62.30	31.35	75.70	37.00	28.50	14.40			
275 Jan. 12, 1978	16.55	96.05	44.85	13.15	25.15	69.45	31.10	31.50	16.60	60.40	51.80	61.45	64.75	28.20	41.80	62.40	31.25	74.35	37.20	28.35	14.50			
276 Jan. 27, 1978	16.45	95.20	44.20	13.00	25.20	68.35	30.50	31.30	16.60	59.85	51.50	61.00	63.75	28.10	41.55	61.85	31.00	72.85	37.00	28.10	14.40			
279 Feb. 14, 1978	16.35	95.75	44.10	12.95	25.15	68.80	29.65	31.25	16.70	59.75	51.45	61.00	64.25	26.50	41.55	61.95	30.85	74.65	37.15	28.00	14.40			
282 Feb. 21, 1978	16.35	98.00	45.15	12.80	25.65	70.70	29.95	31.20	16.85	60.25	51.55	61.05	65.60	27.05	41.45	62.00	31.15	78.80	37.00	28.05	14.35			
283 Feb. 28, 1978	16.35	98.05	45.05	12.90	25.70	70.50	30.15	31.20	16.85	60.30	51.70	61.05	65.85	26.95	41.60	62.10	31.15	76.95	37.10	27.85	14.35			
286 Mar. 15, 1978	16.35	97.75	45.30	12.80	25.50	70.15	30.25	31.25	16.75	61.70	51.90	61.15	65.70	26.85	41.65	62.30	31.05	73.50	37.15	27.45	14.40			
290 Mar. 29, 1978	16.60	99.30	46.00	12.80	26.00	71.60	31.30	31.35	17.00	65.20	52.50	61.55	66.90	27.30	42.00	62.90	31.65	77.30	37.45	27.35	14.50			
302 June 01, 1978	16.90	98.90	45.60	13.25	26.45	71.30	32.35	31.95	17.20	67.35	53.60	62.25	66.55	27.50	43.10	63.90	32.20	79.05	38.35	27.25	14.85			
305 June, 26, 1978	16.95	99.65	45.60	13.15	26.40	71.70	32.65	31.90	17.30	72.10	54.05	62.65	66.75	27.45	42.95	64.00	32.40	79.85	38.20	27.40	14.80			
309 July, 04, 1978	16.90	98.55	45.20	13.10	26.15	71.40	32.85	32.95	17.30	72.90	53.65	62.35	66.30	27.30	42.60	63.50	32.30	80.60	37.90	27.45	14.70			
310 July, 10, 1978	16.80	98.85	45.30	13.05	26.10	71.40	32.95	31.50	17.25	72.60	53.55	62.20	66.20	27.15	42.45	63.50	32.30	80.75	37.75	27.50	14.65			
312 July, 25, 1978	16.75	98.85	45.25	12.95	26.20	71.30	33.10	31.30	17.30	73.80	53.55	62.05	65.95	27.15	42.55	64.00	32.15	81.95	37.55	28.10	14.55			
318 Aug. 08, 1978	16.90	101.55	46.45	12.85	26.75	73.20	33.65	31.25	17.45	78.25	53.85	63.45	67.55	27.75	43.20	65.10	32.95	86.35	37.75	28.35	14.65			
321 Aug. 15, 1978	17.05	98.45	48.25	12.85	27.50	76.05	34.85	30.65	17.95	80.30	54.15	64.85	70.05	28.70	43.55	66.15	33.80	92.95	37.75	29.15	14.65			
322 Aug. 23, 1978	16.85	101.15	46.55	12.90	26.45	72.90	33.25	31.35	17.40	76.30	53.60	63.40	67.45	27.70	44.10	64.60	32.95	87.65	37.85	28.20	14.65			
333 Sept. 26, 1978	17.05	104.90	48.05	12.50	27.45	75.75	33.60	31.00	17.85	78.25	54.20	64.50	69.70	28.55	44.25	65.95	33.45	98.60	38.15	29.05	14.70			
340 Oct. 23, 1978	17.25	112.00	51.95	12.40	29.15	81.45	35.20	31.10	18.15	80.95	54.80	68.15	74.45	30.10	44.75	69.10	34.55	97.15	38.15	29.45	14.70	42.60	54.80	38.15
352 Nov. 30, 1978	16.65	104.20	48.45	12.50	27.45	76.15	33.20	30.40	17.25	74.55	53.35	66.40	70.30	28.60	43.65	66.60	33.10	84.55	38.20	28.55	14.65	42.45	38.20	38.20



## PART 4

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### MAJOR LEGISLATIVE ENACTMENTS OF 1978 RELATING TO THE FUNCTIONS AND OPERATIONS OF THE CENTRAL BANK AND BANKING INSTITUTIONS IN SRI LANKA.

	<i>Page</i>
1. Greater Colombo Economic Commission Law No. 4 of 1978 ..	I
2. Bretton Woods Agreements (Special Provisions) Law No. 10 of 1978	VI
3. Motor Cars (Tax on Transfers) Law No. 13 of 1978 .. ..	XIV
4. The Exports (Special Tax) Law No. 20 of 1978 .. ..	XVII
5. International Finance Corporation Agreement (Amendment) Law No. 28 of 1978 .. .. .	XXII
6. Inland Revenue (Amendment) Law No. 30 of 1978 .. ..	XXII
7. Tax Amnesty Act No. 5 of 1978 .. .. .	LVIII
8. Sri Lanka Export Credit Insurance Corporation Act No. 15 of 1978	LXIII
9. Appropriation Act No. 18 of 1978 .. .. .	LXXIII



PART A

MAJOR LEGISLATIVE ENACTMENTS OF 1978 RELATING TO THE FUNCTIONS AND OPERATIONS OF THE CENTRAL BANK AND BANKING INSTITUTIONS IN SRI LANKA.

1	Foreign Exchange Control (Amendment) Act No. 4 of 1978
2	Foreign Exchange Control (Special Provisions) Act No. 10 of 1978
3	Money Lender (Tax on Interest) Law No. 13 of 1978
4	The Reports (Special Tax) Law No. 20 of 1978
5	International Finance Corporation Agreement (Amendment) Law No. 23 of 1978
6	Joint Venture (Amendment) Law No. 30 of 1978
7	Law Amnesty Act No. 5 of 1978
8	Sri Lanka Export Credit Insurance Corporation Act No. 17 of 1978
9	Appropriation Act No. 18 of 1978



**GREATER COLOMBO ECONOMIC COMMISSION LAW,  
No. 4 of 1978**

(Certified on 31st January, 1978)

A LAW TO ESTABLISH THE GREATER COLOMBO ECONOMIC COMMISSION; TO VEST THE SAID COMMISSION WITH POWERS NECESSARY FOR THE DEVELOPMENT AND RESURGENCE OF THE ECONOMY OF THE REPUBLIC; AND TO PROVIDE FOR MATTERS CONNECTED THEREWITH OR INCIDENTAL THERETO.

1. This Law may be cited as the Greater Colombo Economic Commission Law. No. 4 of 1978, and shall come into operation in respect of all or any of its provisions on such date or dates as the Minister may appoint by Order published in the *Gazette*.

2. (1) There shall be established a Commission called the Greater Colombo Economic Commission (hereinafter referred to as the "Commission").

(2) The Commission shall, by the name assigned to it under subsection (1), be a body corporate having perpetual succession and a common seal and may sue be sued in its corporate name, and may perform such other acts as bodies corporate may by law perform.

3. The objects of the Commission shall be—

- (a) to foster and generate the economic development of the Republic;
- (b) to widen and strengthen the base of the economy of the Republic;
- (c) to encourage and promote foreign investment within the Republic;
- (d) to diversify the sources of foreign exchange earnings and to increase the export earnings;
- (e) to encourage and foster the establishment and development of industrial and commercial enterprises within the Republic;
- (f) to administer the affairs of the Area of Authority referred to in section 4; and
- (g) to do all such other acts as may be necessary or conducive to the attainment of any or all of the above objects.

4. For the purposes of this Law, the Area of Authority shall be the area depicted in the plan set out in Schedule A hereto.

5. The Commission shall have jurisdiction in and over—

- (1) the area of Authority; and
- (2) any licensed enterprise.

16. Without prejudice to the generality of the powers conferred on the Commission by this Law, the Commission shall have the power—

- (a) to do all such acts or take such steps as may be necessary or conducive to the attainment of the objects of the Commission;



- (b) to acquire, sell or lease land for the purposes of industrial sites, for the use of employees or for general economic development;
- (c) to lay out industrial estates for sale or lease;
- (d) to enter into agreements with enterprises;
- (e) to exercise, perform and discharge all such powers, duties and functions as are by or under this Law vested in or assigned or delegated to the Commission; and
- (f) generally to do all such other acts and things as are incidental to or consequential upon the exercise, performance and discharge of its powers, duties and functions under this Law.

17. (1) The Commission shall have the power to enter into agreements with any enterprise in or outside the Area of Authority and to grant exemptions from any law referred to in Schedule B hereto, or to modify or vary the application of any such laws, to such enterprises in accordance with such regulations as may be made by the Minister.

(2) Every such agreement shall be reduced to writing and shall upon registration with the Commission, constitute a valid and binding contract between the Commission and the enterprise.

18. (1) The Commission may, with the approval of the Minister, make rules relating to the exercise, performance and discharge of the powers, duties and functions vested in or assigned to the Commission, including the power to impose or levy any charge or fee, and in respect of any matter for which rules are authorized to be made.

(2) Every rule made under subsection (1) shall come into force upon publication in the *Gazette*.

19. In the exercise of its powers and the carrying out of its objects under this Law the Commission shall comply with the general policy of the Government.

20. (1) The written laws for the time being specified in Schedule C hereto shall have effect in the Area of Authority subject to the modification that it shall be lawful for the Commission—

- (a) to make or issue for the whole or any specified part of the Area of Authority, any by-law, regulation, order or notification under any such written law; and
- (b) to exercise and discharge in the Area of Authority or any part thereof all or any of the powers or functions vested in or assigned to by any such written law in any officer or person,



in like manner as though the references in any such written law to the authority, officer or person empowered to make or issue such by-laws, regulations, orders or notifications or to exercise or discharge such powers or functions were a reference to the Commission.

(2) The Commission may by rule designate any officer or person to exercise or discharge on behalf of the Commission any power or function referred to in this section.

21. (1) The Commission shall, with the concurrence of the Minister, within the Area of Authority, exercise, perform and discharge all the powers, duties and functions of a Municipal Council and its officers and servants under the Municipal Councils Ordinance.

(2) The provisions of the Municipal Councils Ordinance, save and except the provisions contained in Parts I, II, III, IX, X, XI and XIV, shall, *mutatis mutandis*, apply within the Area of Authority except such provisions as are inconsistent with the provisions of this Law and every reference to the Municipal Council in such Ordinance shall be deemed to be a reference to the Commission, every reference to the Municipality shall be deemed to be a reference to the Area of Authority and every reference to the Minister shall be deemed to be a reference to the Minister to whom the subject and function of the administration of this Law has been assigned.

(3) The Commission may designate any officer or person by rule to exercise, perform and discharge within the Area of Authority any power, duty or function vested in and assigned to by the Municipal Councils Ordinance in any officer or person.

(4) Every reference in any written law to a local authority shall, in the Area of Authority, be deemed to be a reference to the Commission.

22. (1) In any case where the Area of Authority comprises the whole of the administrative area under the control of any local authority established under the Municipal Councils Ordinance, the Urban Councils Ordinance, the Town Councils Ordinance or the Village Councils Ordinance, the Commission shall be deemed to be the successor of such local authority for all purposes relating to such administrative area from the date of coming into operation of section 4 of this Law and such local authority shall be deemed to be dissolved on the date immediately preceding that date.

(2) In any case where the Area of Authority does not comprise the whole of the administrative area under the control of any local authority established under any such Ordinance the Minister may, with the concurrence of the Minister in Charge of the subject of Local Government, by Order published in the *Gazette* direct that the provisions of subsection (1) shall apply to the area situated within the Area of Authority with such exceptions, adaptations and modifications, if any, as may be specified in the Order and in particular



may by such Order issue all such directions as he may deem necessary with a view to providing for any circumstances that may arise or to determine or adjust any question or matter in the application of this section.

(3) All by-laws made by any local authority which were in force in any area on the date of coming into operation of section 4 of this Law shall, in so far as they are not inconsistent with the provisions of this Law, continue to be in force in that area and shall be deemed for all purposes to be by-laws made by the Commission under this Law.

23. In the exercise, performance and discharge of its powers, duties and functions under this Law, the Commission shall comply with any general or special direction issued by the Minister.

24. (1) The Minister may, by regulation —

(a) determine the scope and extent of any exemption or modification of any of the written laws set out in Schedule B hereto which may be embodied or incorporated in any written agreement entered into between the Commission and any enterprise under this Law;

(b) modify or alter the provisions of any written law set out in Schedule C hereto in the application of such laws to the Area of Authority and modify any provisions of the Municipal Councils Ordinance as are applicable under the provisions of this Law to any Area of Authority;

(c) provide for any matter which is deemed by him necessary for the carrying out of the principles and provisions of this Law.

(2) Every regulation made by the Minister under this Law shall be published in the Gazette and shall come into operation upon such publication or on such later date as may be specified in the regulation.

(3) Every regulation made by the Minister shall as soon as convenient, after the date of its publication, be brought before the National State Assembly for approval. Any regulation which is not so approved shall be deemed to be rescinded from the date of such disapproval but without prejudice to anything previously done thereunder.

25. (1) The Commission shall, notwithstanding the provisions of any other written law, in the exercise of its powers under section 17, have the power to authorize any enterprise carrying on the business of banking to have as its constituents persons who are not citizens of Sri Lanka and to accept deposits on current accounts or otherwise from such persons.

(2) (a) The Commission may authorize any such banking institution to operate secret numbered banking accounts of constituents who are not citizens of Sri Lanka.



(b) Where such authorization is granted, the identity of the secret numbered account shall be absolutely inviolate to any court, institution, entity, department, official, agent or representative of the Government of Sri Lanka or any foreign Government or any other legal or natural person; and accordingly any person who discloses any information relating to such accounts shall be guilty of an offence, and shall, upon conviction before a District Court, be liable, notwithstanding the ordinary jurisdiction of such Court, to imprisonment for a period not exceeding five years or to a fine not exceeding twenty-five thousand rupees or to both such imprisonment and fine.

(c) The Minister may make regulations creating offences and providing punishment for the violation of such secrecy by the institution or any of its agents or servants while so employed or after cessation of employment.

(3) All deposits accepted by the banking institution authorized by the Commission under the provisions of this section, shall be in currencies other than Sri Lanka currency.

27. (1) The Commission shall permit Customs Offices to be established in the Area of Authority and shall provide adequate facilities for officers of Customs whose duties require, their presence within or at the perimeter of the Area of Authority. The Commission shall, where necessary, provide for similar facilities within the premises of any area enterprise or licensed enterprise.

(2) (a) No wholesale or retail trade shall be conducted by any area enterprise or licensed enterprise unless authorized under the agreement entered into with the Commission subject to such terms and conditions contained therein.

(b) Any goods, wares or merchandise taken out of the premises of any such enterprise in any manner whatsoever other than in accordance with the terms of the agreement entered into with the Commission shall be deemed to be imported into Sri Lanka and the provisions of the Customs Ordinance including the provisions relating to forfeiture, penalties and offences, shall apply in respect of such goods, wares or merchandise.

28. (1) Where any land or any interest in any land is required by the Commission for any of its purposes, that land or interest therein may be acquired under the Land Acquisition Act by the Government for the Commission and the provisions of that Act shall, save as otherwise provided in subsection (2) of this section, apply for the purposes of the acquisition of that land, or interest therein. Such land or such interest therein shall, for the purposes of the Land Acquisition Act, be deemed to be required for a public purpose.

(2) In the case of any such acquisition where the public notice of the intention to acquire that land or interest therein is published as required by the Land Acquisition Act at any time within the period of five years commencing from the date of coming into operation of section 4 of this Law, notwithstanding anything to the contrary in the Land Acquisition Act, the market value of the



land or the interest therein shall be deemed to be the market value which the land or the interest therein would have had on July 22, 1977, increased by a reasonable amount on account of improvements, if any, effected to such land, after that date.

29. The provisions of the laws set out hereunder shall have no application to any area enterprise or licensed enterprise unless expressly provided otherwise in the agreement entered into by such enterprise with the Commission—

- (a) the Business Undertakings (Acquisition) Act, No. 35 of 1971; and
- (b) the Companies (Special Provisions) Law, No. 19 of 1974.

**BRETTON WOODS AGREEMENT (SPECIAL PROVISIONS) LAW,  
No. 10 of 1978**

(Certified on 11th April, 1978)

A LAW TO MAKE SUCH LEGAL PROVISION AS MAY BE NECESSARY BY WAY OF AMENDMENT OF THE BRETTON WOODS AGREEMENTS ACT AND THE MONETARY LAW ACT IN ORDER TO GIVE FORCE AND EFFECT TO THE DECISION OF THE GOVERNMENT OF SRI LANKA TO ACCEPT FURTHER AMENDMENTS TO THE ARTICLES OF AGREEMENT OF THE INTERNATIONAL MONETARY FUND OF WHICH SRI LANKA IS A MEMBER.

WHEREAS Sri Lanka is a member of the International Monetary Fund and the text of the original Articles of Agreement of the Fund was laid before Parliament prior to the passing of the Bretton Woods Agreements Act (Chapter 424) which entitled Sri Lanka to become such a member:

And whereas the original Articles of Agreement of the Fund were amended in order to institute a facility based on Special Drawing Rights, and the text of that amendment was laid before Parliament prior to the passing of the Bretton Woods Agreements (Special Provisions) Act, No. 2 of 1969, which enables Sri Lanka to accept such amendment:

And whereas the Board of Governors of the International Monetary Fund have by resolution approved further amendments to the original Articles in order to establish a new international monetary system and to conduct its operations and transactions through the maintenance of a General Department and a Special Drawing Rights Department (in this Preamble referred to as the "proposed amendments");

And whereas the text of the Articles of Agreement of the Fund incorporating the proposed amendments was laid before the National State Assembly on April 4, 1978:

And whereas the Government of Sri Lanka has decided to accept the proposed amendments so as to enable the Government of Sri Lanka to participate in the new international monetary system which is proposed to be established;



And whereas it is necessary to make the provisions hereinafter set out to give full force and effect to such decision:

1 This Law may be cited as the Bretton Woods Agreement (Special Provisions) Law, No. 10 of 1978.

2. The President is hereby authorized by instruments under his hand to empower such person as may be named in such instruments, on behalf of the Government of Sri Lanka, to deposit with the International Monetary Fund—

(a) an instrument of acceptance stating that the Government of Sri Lanka has accepted the amendment which is proposed to the Articles of Agreement of that Fund in order to establish a new monetary system and to effect certain other changes (which amendment was incorporated in the text of the Articles of Agreement of the Fund tabled in the National State Assembly on April 4, 1978); and

(b) an instrument setting forth that the Government of Sri Lanka undertakes, in accordance with its law, all the obligations which are consequent on the acceptance of such amendment, and that it has taken all such steps as are necessary to enable it to carry out and discharge all such obligations.

3. Section 3 of the Bretton Woods Agreements Act (hereinafter referred to as the “principal enactment”) is hereby repealed and the following new section substituted therefor:—

“Subscription to  
International  
Monetary Fund

3. (1) There shall be paid out of the Consolidated Fund of Sri Lanka such part of the subscriptions of Sri Lanka as may, in accordance with the provisions of sections 1 and 4 of Article III of the Fund Agreement, be payable in Sri Lanka currency or special drawing rights or such other currency as may be specified by the Fund.

(2) Where the subscription of Sri Lanka to the International Monetary Fund is increased in consequence of an increase in the quota for Sri Lanka, there shall be paid out of the Consolidated Fund such sums as may, under section 3 of Article III of the Fund Agreement, be necessary for paying in Sri Lanka currency or special drawing rights or any other currency specified by the Fund, the amount of the increase in such subscription.

(3) The Minister is hereby authorized on behalf of the Government, to create and issue to the General Resources Account of the International Monetary Fund, in such form as he thinks fit, any such non-interest bearing and non-negotiable notes or other obligations as the Fund may, under section 4 of Article III of the Fund Agreement, determine to accept in place of any part of the subscription of Sri Lanka which would, but for such acceptance, be payable in Sri Lanka currency.”



4. Section 4 of the principal enactment is hereby repealed and the following new section substituted therefor:—

'Other payments  
to the  
International  
Monetary Fund.

4. (1) There shall be paid out of the Consolidated Fund of Sri Lanka—

- (a) all sums payable to the General Resources Account of the International Monetary Fund under section 11 of Article V of the Fund Agreement (which relates to changes in the exchange value of currencies of members);
- (b) all sums required for implementing the guarantee required by section 3 of Article XIII of the Fund Agreement, that is to say, a guarantee of the assets of the Fund against loss resulting from failure or default of the depository designated by the Government of Sri Lanka under the said Article;
- (c) all sums required for the redemption of any notes or obligations created and issued to the General Resources Account of the Fund under this Act;
- (d) any compensation required to be paid to the Fund or to any member thereof under Schedule J of the Fund Agreement (which relates to the withdrawal of members from the Fund) or under Schedule K thereof (which relates to the liquidation of the Fund);
- (e) to the Central Bank, all sums paid by that Bank on behalf of Sri Lanka under section 2 of Article XVI of the Fund Agreement, and assessed as so payable under section 4 of Article XX of the Fund Agreement;
- (f) any compensation which Sri Lanka is required or obliged to pay to any participant in the Special Drawing Rights Department in that Fund under section 8 of Schedule I of the Fund Agreement (which relates to the administration of the liquidation of that Department); and
- (g) all sums, other than sums by way of compensation referred to in paragraph (f), which Sri Lanka is required or obliged to pay to that Fund or any member thereof in order to discharge its obligations as a participant in the Special Drawing Rights Department in that Fund.

(2) The Minister, if he thinks fit so to do, may, on behalf of the Government, create and issue to the General Resources Account of the International Monetary Fund, in such form as he thinks fit, any such non-interest bearing and non-negotiable notes or other obligations as the Fund may, under section 4 of Article III of the Fund Agreement, determine to accept in place of any Sri Lanka currency payable to the Fund under any provisions of the Fund Agreement mentioned in paragraph (a) or paragraph (b) or paragraph (c) of subsection (1) of this section.”.



5. Section 8A of the principal enactment (inserted by Act No. 2 of 1969) is hereby repealed and the following new section substituted therefor:—

“Special provisions relating to the Central Bank in relation to operations in the Special Drawing Rights Department.

8A. (1) The Central Bank is hereby authorized to acquire, hold and operate on, or dispose of, special drawing rights in the Special Drawing Rights Department in the International Monetary Fund.

(2) The Central Bank is hereby authorized—

- (a) to make payments of all sums required for the purpose of paying any charges payable to the International Monetary Fund under section 2 of Article XX of the Fund Agreement in respect of the special drawing rights in the Special Drawing Rights Department in that Fund; and
- (b) to receive, and to credit to its own funds, the interest payable by that Fund in respect of such special drawing rights under section 1 of the said Article XX.”

6. The following new section is hereby inserted immediately after section 8A, and shall have effect as section 8B, of the principal enactment:—

“Special provision in relation to the use of the General Resources of the International Monetary Fund

8B. The Central Bank is hereby authorized to take steps—

- (a) to ensure that the balances of Sri Lanka currency purchased from the International Monetary Fund by a member of the Fund can be exchanged at the time of purchase, by such member, for a freely usable currency selected by Sri Lanka, in accordance with section 3 (e) of the Article V of the Fund Agreement; and
- (b) to ensure that any member of the Fund repurchasing its own currency from the Fund can obtain Sri Lanka currency (if Sri Lanka currency is specified by the Fund for the repurchase) at the time of repurchase in exchange for a freely usable currency selected by Sri Lanka, in accordance with section 7 (j) of Article V of the Fund Agreement.”

7. Section 10 of the principal enactment (inserted by Act No. 2 of 1969) is hereby amended as follows:—

(a) by the insertion, immediately before the definition of “Fund Agreement”, of the following new definition:—

““Central Bank” means the Central Bank of Ceylon established under section 5 of the Monetary Law Act; and

(b) by the substitution, for the definition of “Fund Agreement”, of the following definition:—



“Fund Agreement” means the Articles of Agreement of the International Monetary Fund as originally adopted and as subsequently amended —

- (a) in order to institute a facility based on special drawing rights (the text of which amendment was laid before the House of Representatives on November 23, 1968); and
- (b) in order to establish a new international monetary system (which amendment was incorporated in the text of the Articles of Agreement of the Fund laid before the National State Assembly on April 4, 1978).

8. The Monetary Law Act is hereby amended as follows: —

- (1) by the repeal of section 3 of that Act and the substitution therefor of the following new section: —

“The par value of the Rupee

3. (1) The Monetary Board shall, by unanimous decision, recommend to the Minister that the par value of the Sri Lanka rupee be determined in term of special drawing rights or in terms of such other common denominator as may be prescribed by the International Monetary Fund, and upon such recommendation, the Minister shall, by Order published in the *Gazette*, determine and declare the par value of the Sri Lanka rupee in accordance with the terms specified in such recommendation:

Provided, however, that if the Monetary Board is of the view that international economic conditions do not warrant the introduction or maintenance of exchange arrangements based on stable but adjustable par values, it may, by unanimous decision, recommend to the Minister that no determination be made under the preceding provisions of this section or that any Order made under this section be revoked, and upon any such recommendation, the Minister shall desist from making an Order under this section, or, as the case may be, revoke any Order made under this section.

(2) The Monetary Board may by unanimous decision recommend to the Minister the alteration of the par value of the Sri Lanka rupee, if the Board is of the opinion that such alteration is rendered necessary in any of the following circumstances, that is to say —

- (a) If the continuance of the existing par value hinders or is likely to hinder unduly, the achievement and maintenance of a high level of production, employment and real income and the full development of the productive resources of Sri Lanka, or results, or is likely to result, in a serious decline in the International Reserve of the Central Bank or in other utilizable external assets of Sri Lanka or if such decline cannot be prevented except by —



- (i) a large scale increase in the external liabilities of Sri Lanka; or
  - (ii) the persistent use of restrictions on the convertibility of the rupee into foreign currencies in settlement of current transactions; or
  - (iii) undue or sustained Government assistance to one or more of the major export industries; or
  - (iv) prolonged use of measures designed to restrict the volume of imports of essential commodities; or
- (b) if the maintenance of the existing par value is producing, or is likely to produce, a persisting surplus in the balance of payments on current account and a monetary disequilibrium which cannot be adequately corrected by other Government action or by Central Bank action authorized by this Act; or
- (c) if uniform proportionate changes in the par values of currencies of its members are made by the International Monetary Fund, and upon such recommendation, the Minister may, by Order published in the *Gazette*, amend, in accordance with the terms specified in such recommendation, any Order made under subsection (1).

(3) Any Order made under subsection (1) or subsection (2) shall cease to have effect after a period of ten days from the date of publication thereof, unless such Order is approved by the National State Assembly within that period:

Provided however, that if the National State Assembly is not in session on the date of publication of the Order, the Order shall cease to have effect after a period of ten days from the date of the next meeting of the National State Assembly, unless such Order is approved by the National State Assembly within that period.”;

(2) In section 5 of that Act —

(1) by the substitution, for paragraph (b) of that section, of the following paragraph: —

“(b) if there has been a determination of the par value of the Sri Lanka rupee, the preservation of the par value of the Sri Lanka rupee and the free use of the rupee for current international transactions:”;

(2) by the insertion, immediately after paragraph (b) of that section, of the following paragraph: —

“(bb) if there has been no determination of the par value of the Sri Lanka rupee, the preservation of the stability of the exchange rate of the Sri Lanka rupee in relation to foreign currencies;”;



- (3) by the repeal of section 65 of that Act, and the substitution of the following new section therefor:—

“Principles governing determination of international policy.

65. In determining its international monetary policies the Monetary Board shall endeavour to maintain the par value of the Sri Lanka rupee, or where no determination of such par value has been made under section 3, maintain such exchange arrangements as are consistent with the underlying trends in the country and so relate its exchange with other currencies as to assure its free use for current international transactions.”;

- (4) by the repeal of subsection (2) of section 66 of that Act and the substitution therefor of the following new subsection:—

“(2) In judging the adequacy of the International Reserve, the Monetary Board shall be guided by the estimates of prospective receipts and payments of foreign exchange by Sri Lanka; by the volume and maturity of the Central Bank’s own liabilities in foreign currencies; and, in so far as they are known or can be estimated, be the volume and maturity of the foreign exchange assets and liabilities of the Government and of banking institutions and other persons in Sri Lanka. So long as any part of the foreign currency assets of Sri Lanka are held in currencies which are not freely convertible by the Central Bank, whether directly or indirectly, into special drawing rights or such other common denominator prescribed by the International Monetary Fund or into foreign currencies freely usable in international transactions, or are frozen, the Monetary Board shall also take this factor into account in judging the adequacy of the International Reserve of the Central Bank.”;

- (5) in subsection (2) of section 67 of that Act by the substitution, for paragraph (iii) of that subsection, of the following new paragraph:—

“(iii) either the whole, or such maximum percentage of the whole, of the holdings of such drawing rights in the Special Drawing Rights Department in the International Monetary Fund according as may be determined from time to time by the Monetary Board;”;

- (6) by the repeal of section 69 of that Act;

- (7) in subsection (1) of section 72 of that Act, by the substitution, for the proviso to that subsection, of the following proviso:—

“Provided that nothing in the preceding provisions of this subsection shall require the Central Bank to purchase foreign exchange in any currency which is not freely convertible by the bank, whether directly or indirectly, into special drawing rights or such other common denominator prescribed by the International Monetary Fund or into foreign currencies freely usable



in international transactions, unless, in the opinion of the Monetary Board, there is an adequate demand, actual or anticipated, for such currency for the purpose of making payments for current international transactions, or unless the Monetary Board, with the concurrence of the Minister, makes a determination that the acquisition of such currency is in the national interest.”;

(8) in subsection (3) of section 73 of that Act by the substitution, for paragraph (b) of that subsection, of the following paragraph:—

“(b) The currency of a country which is not a member of the International Monetary Fund shall have its parity with the rupee calculated on the basis of the exchange rates for the currency in international markets; and if there is divergence among the rates quoted in international markets the Governor may determine which rates shall be used for the determination of the parity.”;

(9) by the repeal of subsection (2) of section 74 of that Act and the substitution therefor of the following subsection:—

“(2) The rates determined under subsection (1) for spot transactions shall not differ by more than four and one-half *per centum* from the legal parities determined under section 73, except in the case of the rates for purchases and sales of foreign notes and coins, in which case the Board may have regard to the additional costs of, or incidental to, such transactions.”;

(10) by the repeal of subsection (1) of section 76 of that Act, and the substitution therefor of the following subsection:—

“(1) The Monetary Board shall determine the minimum rate at which commercial banks may buy spot exchange and the minimum rate at which they may sell spot exchange. Where the Monetary Board has certified the legal parity of a currency in accordance with section 73, the maximum and minimum exchange rates established for such currency shall not differ from such parity by more than four and one-half *per centum*.”; and

(11) In section 79 of that Act—

(a) by the repeal of subsection (1) of that section and the substitution therefor, of the following new subsection:—

“(1) Any revaluation profits realized or any revaluation losses incurred by banking institutions on their net assets and liabilities in foreign currencies freely convertible by the Central Bank, whether directly or indirectly, into special drawing rights or such other common denominator prescribed by the International



Monetary Fund or into foreign currencies freely usable in foreign transactions and arising from changes in the par value of the Sri Lanka rupee or in the legal parties or in the Central Bank's exchange rates, of such currencies with respect to the Sri Lanka rupee, shall be assumed in their entirety by the Central Bank and shall be debited or credited accordingly.”; and

- (b) by the substitution, for the marginal note to that section, of the following marginal note:—

“Revaluation profits and losses on holdings of foreign exchange by banking institutions”.

## MOTOR CARS (TAX ON TRANSFERS) LAW, No. 13 of 1978

(Certified on 11th May, 1978)

A LAW TO IMPOSE AND LEVY A TAX ON THE TRANSFER OF CERTAIN MOTOR CARS, AND FOR MATTERS CONNECTED THEREWITH OR INCIDENTAL THERETO.

1. This Law may be cited as the Motor Cars (Tax on Transfers) Law, No. 13 of 1978.

2. (1) No person who is the first registered owner of a motor car to which this Law applies shall transfer such motor car within the period of seven years from the date of the first registration of such motor car, unless he obtains the prior approval in writing of the Registrar:

Provided, however, that nothing in the preceding provisions of this section shall apply to a person who is the first registered owner of a motor car to which this Law applies, if a sum calculated in the manner specified in section 110 of the Finance Act, No. 11 of 1963, has been paid to the Registrar, in respect of the sale of that motor car:

Provided further that nothing in the preceding provisions of this section shall be read and construed as prohibiting the first registered owner of a motor car to which this Law applies from transferring such motor car otherwise than by sale, prior to the date of commencement of this Law.

(2) A transfer of a motor car to which this Law applies in contravention of the provisions of subsection (1), whether such transfer is before or after the date of commencement of this Law, shall be null and void and of no effect in Law.

3. Where a person who is the first registered owner of a motor car to which this Law applies makes an application, in such form as may be provided for the purpose by the Registrar, for the written approval of the Registrar, for the transfer of that motor car to a person specified in that application as the proposed transferee, the Registrar shall grant such approval if, but only if, the



person specified in that application as the proposed transferee pays to the Registrar, the relevant tax payable on the transfer of a motor car to which this Law applies.

4. The relevant tax payable on the transfer of a motor car to which this Law applies shall be —

- (a) five thousand rupees if the tare weight of such motor car does not exceed seventeen hundred weights; and
- (b) ten thousand rupees if the tare weight of such motor car exceeds seventeen hundred weights.

5. Where upon an application made under section 3 for the written approval of the Registrar for the transfer of a motor car to which this Law applies, the person specified in such application as the proposed transferee pays to the Registrar, the relevant tax payable on the transfer of such motor car, the Registrar shall, on application made in that behalf, refund to that person the amount of such tax less a sum of fifty rupees, if he is satisfied that the transfer in respect of which such tax was paid did not in fact take place. The Registrar shall at the same time cancel the written approval granted by him for the transfer of such motor car to that person.

6. (1) Where it appears to the Registrar that there has been a change of possession of a motor car to which this Law applies in consequence of a transfer of that motor car in contravention of the provisions of section 2, the Registrar may, by a notice in writing, require the person in possession of that motor car (in this section referred to as "the person in possession") to pay, within a period of one month from the date of receipt of such notice, the relevant tax payable on the transfer of that motor car, as if an application had been made to the Registrar under section 3 by the first registered owner of that motor car for the written approval of the Registrar for the transfer of that motor car to the person in possession, together with a penalty of an amount equal to twenty *per centum* of such tax.

(2) Where a person in possession fails to comply with the requirements of a notice sent under subsection (1) within a period of one month from the date of receipt by him of such notice, such person shall be deemed to be a defaulter and the amount of the tax specified in such notice shall be deemed to be in default, and the Registrar may issue a certificate containing particulars of the amount of the tax in default and the name and place of residence of the defaulter to a Magistrate having jurisdiction over such place. The Magistrate shall thereupon summon the defaulter before him to show cause why proceedings for the recovery of the amount of the tax in default should not be taken against such defaulter, and, if sufficient cause is not shown, the amount of the tax in default shall be deemed to be a fine imposed by such Magistrate on such defaulter and shall be recovered accordingly. The amount so recovered shall be remitted to the Registrar.

(3) Where the person in possession pays the amount of the relevant tax in compliance with a notice sent under subsection (1) or where the amount of the relevant tax is recovered from the person in possession under subsection (2),



such person shall be entitled to be registered, under the provisions of the Motor Traffic Act, as the new owner of the motor car in respect of which such tax was paid or recovered, as the case may be; and upon such registration, the purported transfer in consequence of which the change of possession to such person occurred shall be deemed, for all purposes other than for the purpose of a prosecution under section 8, to be, and to have been, a transfer made with the prior written approval of the Registrar.

(4) For the purposes of subsection (2) and subsection (3), the expression "tax" includes the penalty imposed under subsection (1).

7. No person shall be entitled to be registered under the provisions of the Motor Traffic Act as the new owner of a motor car to which this Law applies, unless he satisfies the Registrar that either —

- (a) the transfer in consequence of which he became such new owner was with the prior written approval of the Registrar; or
- (b) no prior written approval of the Registrar was required under any provision of this Law for the transfer in consequence of which he became such new owner.

8. Any person who, being the first registered owner of a motor car to which this Law applies, purports to transfer such motor car in contravention of the provisions of section 2 shall be guilty of an offence under this Law and shall, on conviction after trial before a Magistrate, be liable —

- (a) to a fine of not less than six thousand rupees if the tare weight of such motor car does not exceed seventeen hundred weights;
- (b) to a fine of not less than twelve thousand rupees if the tare weight of such motor car exceeds seventeen hundred weights.

9. Where a motor car to which this Law applies has been purported to have been transferred by way of sale prior to the date of commencement of this Law and in contravention of the provisions of section 2, such motor car shall be deemed for all purposes to have been transferred with the prior written approval of the Registrar, if any person pays to the Registrar, within two months of the date of commencement of this Law, a sum equivalent to the relevant tax that would have been payable by the person to whom such motor car was purported to have been transferred had an application been made by the first registered owner of such motor car, after the date of commencement of this Law, for the written approval of the Registrar for the transfer of that motor car to that person.

10. All taxes collected by the Registrar under the provisions of this Law shall be credited by the Registrar to the Consolidated Fund.

11. Part X of the Finance Act, No. 11 of 1963, is hereby repealed.

12. The provisions of this Law shall have effect notwithstanding anything to the contrary in any other law.



13. In this Law—

“motor car” has the same meaning as in the Motor Traffic Act;

“motor car to which this Law applies” means a motor car which is registered for the first time on or after November 15, 1970, being a motor car which was imported into, or manufactured or assembled in, Sri Lanka, and not being a motor car in respect of which no licence fee is payable on the issue of a revenue licence by reason of the operation of subsection (4) of section 31 of the Motor Traffic Act;

“Registrar” means the Registrar of Motor Vehicles or any person authorized by him for the purposes of this Law;

“transfer”, with its grammatical variations and cognate expressions, when used in relation to a motor car to which this Law applies, includes—

- (a) a change of possession of such motor car arising by reason of a sale;
- (b) a change of possession, on or after the date of commencement of this Law, of such motor car—
  - (i) arising by reason of a gift or mortgage; or
  - (ii) in consideration of money or money's worth under the terms of any agreement or arrangement, howsoever described.

## EXPORTS (SPECIAL TAX) LAW, No. 20 of 1978

(Certified on 22nd June, 1978)

A LAW TO IMPOSE ON PERSONS WHO HAVE EXPORTED CERTAIN GOODS PRIOR TO THE MIDNIGHT OF 15/16 NOVEMBER, 1977, AND RECEIVE PAYMENT IN SRI LANKA RUPEES ON OR AFTER THE MIDNIGHT OF 15/16 NOVEMBER, 1977, A TAX COMPUTED BY REFERENCE TO THE EXPORT DUTY AND CESSES WHICH SUCH PERSONS WOULD HAVE BEEN LIABLE TO PAY ON SUCH GOODS HAD SUCH GOODS BEEN EXPORTED ON OR AFTER THE MIDNIGHT OF 15/16 NOVEMBER 1977; AND TO PROVIDE FOR MATTERS CONNECTED THEREWITH OR INCIDENTAL THERETO.

1. This Law may be cited as the Exports (Special Tax) Law, No. 20 of 1978.

2. Where any person—

(a) has exported any goods prior to the midnight of 15/16 November, 1977, and

(b) has received payment in, or has been credited with, or has otherwise received a benefit in, Sri Lanka rupees, on or after the midnight of 15/16 November, 1977, for, or in respect of, such goods,



such person shall be liable to a tax (hereinafter referred to as "the tax") of such amount as is equivalent to the amount of the difference between —

- (i) the aggregate of the amount of any export duty and cess which would have been leviable and payable on such goods, had such goods been exported on or after the midnight of 15/16 November, 1977; and
- (ii) the aggregate of the amounts of any export duty and cess which were levied and paid on such goods at the time at which such goods were exported:

Provided however, that a person who has exported any goods prior to the midnight of 15/16 November, 1977, and has received payment in, or has been credited with, or has otherwise received a benefit in, Sri Lanka rupees on or after the midnight of 15/16 November, 1977, for, or in respect of, such goods shall not be liable to the tax if such person has received such payment or has been so credited with Sri Lanka rupees, or has received such benefit, in accordance with the terms of a contract entered into by such person with a commercial bank prior to the midnight of 15/16 November, 1977, for the purchase by such bank, of the foreign exchange which will accrue to such person from the export of such goods.

3. Every person who is liable to the tax shall, within two weeks of —

- (a) the date of coming into operation of this Law; or
- (b) the date on which such person receives payment in, or is credited with, or otherwise receives a benefit in, Sri Lanka rupees for, or in respect of, the goods by reason of the export of which, his liability to the tax arises,

whichever date is later —

- (i) pay the tax to the Commissioner-General; and
- (ii) furnish to the Commissioner-General a return setting out the particulars of the export duties and cesses by reference to which the amount of the tax has been computed.

4. (1) Where any tax or part thereof payable under this Law is not paid on or before the date specified in section 3, such tax or part thereof shall be deemed to be in default and, —

- (a) if the person in default is an individual or company, such individual or company, or
- (b) if the person in default is a firm, every partner of the firm, shall be deemed to be a defaulter for the purposes of this Law.

(2) Where the tax is deemed to be in default in respect of any amount, the defaulter shall, in addition to the amount in default, pay as a penalty a sum equivalent to twenty *per centum* of the amount in default.



5. Where it appears to an Assessor that any person who is liable to the tax has not paid such tax on or before the date specified in section 3, or that such person has paid an amount less than the amount which he should have paid as such tax, he may assess such person at the amount or additional amount which according to his judgement such person ought to have paid as the tax and shall, by notice in writing, require such person to pay the amount of tax so assessed together with any penalty which is payable under section 4.

6. (1) Any person aggrieved with the amount of an assessment made under section 5 may appeal against such assessment to the Commissioner-General within thirty days after the service of the notice of assessment.

(2) The Commissioner-General shall, before reaching his decision on an appeal made to him under sub-section (1), give the appellant an opportunity of placing his case before the Commissioner-General either in person or by his authorized representative.

(3) The Commissioner-General may, upon an appeal made to him under subsection (1), confirm, reduce, increase or annul the assessment against which such appeal was made.

(4) Any person aggrieved by a decision of the Commissioner-General upon an appeal made to him under subsection (1) may appeal against that decision to the Board of Review constituted under the Inland Revenue Act, No. 4 of 1963, and the provisions of that Act relating to appeals to the Board of Review shall, *mutatis mutandis*, apply to an appeal under this sub-section.

(5) Any person aggrieved by a decision of the Board of Review upon an appeal made to the Board under subsection (4) may appeal from that decision to the Supreme Court on a question of law and the provisions of the Inland Revenue Act, No. 4 of 1963, relating to appeals to the Supreme Court, shall, *mutatis mutandis*, apply to an appeal under this sub-section.

7. Where no appeal has been made against an assessment within the period specified in section 6, or where the amount of the tax has been determined on appeal, then the assessment or as the case may be, the assessment as reduced, confirmed or increased on appeal, shall be final and conclusive for all purposes as regards the amount of the tax.

8. The provisions of section 109 of the Inland Revenue Act, No. 4 of 1963, shall apply as if such provisions were provisions of this Law and refer to the tax instead of to income tax, and as if the reference in that section to the provisions of any other section of that Act were a reference to the provisions of that other section applied as if they were provisions of this Law in the manner indicated in this Law.

9. The provisions of section 110 of the Inland Revenue Act, No. 4 of 1963, shall apply as if such provisions were provision of this Law and refer to the tax instead of to income tax.



10. The provisions of section 111 of the Inland Revenue Act, No. 4 of 1963, shall apply as if such provisions were provisions of this Law and refer to the tax instead of to income tax, and as if the reference in that section to the provisions of any other section of that Act were a reference to the provisions of that other section applied as if they were provisions of this Law in the manner indicated in this Law.

11. The provisions of section 112 of the Inland Revenue Act, No. 4 of 1963, shall apply as if such provisions were provisions of this Law and refer to the tax instead of to income tax.

12. The provisions of section 113 of the Inland Revenue Act, No. 4 of 1963, shall apply as if such provisions were provisions of this Law and as if the reference in that section to income tax, wealth tax or gifts tax were a reference to the tax.

13. The provisions of section 114 of the Inland Revenue Act, No. 4 of 1963, shall apply as if such provisions were provisions of this Law and refer to the tax instead of to income tax, and if the reference in that section to the provisions of any Chapter of that Act were a reference to the provisions of that Chapter applied as if they were provisions of this Law in the manner indicated in this Law.

14. In sections 8, 9, 10, 11, 12 and 13 "the tax" includes any penalty payable under section 4.

15. For the purposes of ascertaining under section 10 of the Inland Revenue Act, No. 4 of 1963, the profits and income of any person for the year preceding the year of assessment commencing on April 1, 1978, the amount of the tax which such person is liable to pay under section 2 and which has been paid by such person shall, notwithstanding anything to the contrary in that Act, be deemed to be an expense incurred in the production of such profits and income.

16. If it is proved to the satisfaction of the Commissioner-General by claim made in writing on or before the thirty-first day of March, 1980, that any person has paid any tax or penalties in excess of the amount he was liable to pay under this Law, such person shall be entitled to a refund of the amount paid in excess:

Provided that nothing in this section shall be read or construed as extending or reducing any time limit for appeal or as validating any appeal which is otherwise invalid or as authorizing a revision of any assessment which has become final and conclusive.

17. The Commissioner-General may, by notice in writing to any person, require such person to furnish within such time as may be specified in the notice such returns or other information as may be necessary for the purposes of this Law.



18. (1) Any person who —

- (a) fails to furnish a return as required by section 3; or
- (b) fails to comply with the requirements of any notice sent under section 17; or
- (c) knowingly makes a false or incorrect statement in a return furnished under section 3 or section 17; or
- (d) knowingly furnishes any false or incorrect information in complying with the requirements of a notice sent under section 17,

shall be guilty of an offence and shall on conviction after trial before a Magistrate be liable to a fine not exceeding one thousand rupees or to imprisonment for a term not exceeding six months, or to both such fine and imprisonment.

(2) Where an offence is committed by a body of persons, then—

- (a) if that body of persons is a company, every director of that company, and
  - (b) if that body of persons is a firm, every partner of that firm,
- shall be deemed to be guilty of that offence:

Provided however that a director of that company or a partner of that firm shall not be deemed to be guilty of that offence if he proves that such offence was committed without his knowledge or that he used all diligence to prevent the commission of the offence.

19. If in the operation of this Law any case shall arise in which, in the opinion of the Minister, substantial hardship is likely to be caused to any person by reason of the liability of such person to pay the tax or any penalty incurred under this Law, the Minister may waive or reduce such tax or penalty if he considers that such waiver or reduction is just and equitable in all the circumstances of the case.

20. In this Law, unless the context otherwise requires—

“Assessor” has the same meaning as in the Inland Revenue Act, No. 4 of 1963;

“cess” means any cess levied or imposed by or under any law other than the Customs Ordinance;

“commercial bank” has the same meaning as in section 127 (1) of the Monetary Law Act;

“company” means any company incorporated or registered under any law in force in Sri Lanka or elsewhere;

“Commissioner-General” has the same meaning as in the Inland Revenue Act, No. 4 of 1963;

“export duty” means the customs duty levied under the Customs Ordinance on goods exported from Sri Lanka;



“firm” means a body of two or more individuals, or one or more individuals and one or more corporations or companies or two or more corporations or companies, who have entered into partnership with one another with a view to carrying on business for profit;

“goods” means any goods in respect of the export of which the exporter was not entitled to the issue of any Foreign Exchange Entitlement Certificates under the Foreign Exchange Entitlement Certificates Act, No. 28 of 1968;

“person” shall be deemed to include a firm.

## INTERNATIONAL FINANCE CORPORATION AGREEMENT (AMENDMENT) LAW, No. 28 of 1978

(Certified on 12th July, 1978)

### A LAW TO AMEND THE INTERNATIONAL FINANCE CORPORATION AGREEMENT ACT.

1. This Law may be cited as the International Finance Corporation Agreement (Amendment) Law, No. 28 of 1978.

2. The following new section is hereby inserted immediately after section 3, and shall have effect as section 3A, of the International Finance Corporation Agreement Act:—

“Increase of  
subscription

3A. Where the authorized capital stock of the Corporation is increased in pursuance of sub-paragraph (ii) of paragraph (c) of Section 2 of Article II of the Articles and Sri Lanka decides to subscribe such proportion of the increase of that capital stock as Sri Lanka is entitled to subscribe under paragraph (d) of Section 2 of Article II of the Articles, there shall be paid out of the Consolidated Fund of Sri Lanka such sum as may be necessary for making such subscription in accordance with such conditions as may be decided by the Corporation under the aforesaid paragraph (d)”.

## INLAND REVENUE (AMENDMENT) LAW, No. 30 of 1978

(Certified on 21st July, 1978)

### A LAW TO AMEND THE INLAND REVENUE ACT, NO. 4 OF 1963

1. This Law may be cited as the Inland Revenue (Amendment) Law, No. 30 of 1978.

2. Section 3 of the Inland Revenue Act, No. 4 of 1963, (hereinafter referred to as the “principal enactment”) is hereby amended, in subsection (4) of that section, as follows;—



(1) by the insertion, immediately after sub-paragraph (iv) of paragraph (g) of that sub-section, of the following new sub-paragraphs:—

“(v) the passing of any property to any person on or after April 1, 1977, on the death of the owner of that property,

(vi) the passing of any property occurring on the gift of that property on or after April 1, 1977, by its owner to any other person, and

(vii) the passing of any property, being shares in any company incorporated in Sri Lanka with which an agreement has been entered into by the Greater Colombo Economic Commission under section 17 of the Greater Colombo Economic Commission Law, No-4 of 1978, from the owner of that property to any other person by way of sale, gift or otherwise;”;

(2) in paragraph (j) of that subsection—

(a) by the substitution, for sub-paragraph (vi) of that paragraph, of the following new sub-paragraph:—

“(vi) (a) where the acquisition of the property by such person is by the transfer of the property by a trustee under a trust to such person in his capacity as a beneficiary under the trust or is by the transfer of the property by an executor to such person in his capacity as a testate or an intestate heir of the deceased whose estate is administered by such executor, the value of the property at the time of such acquisition shall, if the date of the acquisition by such trustee or executor is before April 1, 1957, be an amount equal to the market value of the property on April 1, 1957, and, if the date of such acquisition is on or after April 1, 1957, be an amount equal to the market value of the property at the time when such trustee or executor came into possession of the property; and

(b) where the acquisition of the property by such person is by way of gift made by any other person (hereinafter in this sub-paragraph referred to as the “donor”) on or after April 1, 1977, and where the first-mentioned person transfers such property within one year of the date of such acquisition, the value of the property at the time of such acquisition shall be an amount equal to the aggregate of—

(i) the market value on April 1, 1957, of that property, if that property was acquired by the donor before April 1, 1957, or

(ii) the cost of purchase of the property by the donor, if that property was purchased by the donor on or after April 1, 1957, or

(iii) the market value of the property at the time when such donor acquired that property, if that property was acquired by the donor otherwise than by purchase on or after April 1, 1957, and the amount of any



deduction which the donor would have been entitled to under subsection (3) of section 4 if he had transferred that property by way of sale and not by way of gift; and

(b) by the substitution, for sub-paragraph (viii) of that paragraph, of the following new sub-paragraph:—

“(viii) where the property is a share which formed or forms part of a holding of such person in a company, being a holding which includes or at any time included—

(a) bonus shares issued to him on or after April 1, 1957, or shares issued to him on or after April 1, 1957, at a price less than their market value, or

(b) bonus shares issued to him on or after April 1, 1957, and shares issued to him on or after April 1, 1957, at a price less than their market value, and

(c) other shares in that company on the basis of which the shares referred to in sub-paragraph (a) or sub-paragraph (b) were issued to him, the value of the property at the time when it was acquired by such person shall, subject to the provisions of sub-paragraph (x), be an amount equal to the aggregate of—

(i) the market value on April 1, 1957, of such shares comprised in that holding as were acquired by him prior to that date,

(ii) the cost of acquisition of such shares comprised in that holding as were acquired by him on or after April 1, 1957, either by allotment or purchase,

(iii) the market value on the date of acquisition of such shares (not including bonus shares issued to him or shares issued to him on or after April 1, 1957, at a price less than the market value) comprised in that holding as were acquired by him on or after April 1, 1957, otherwise than by purchase or allotment,

divided by the total number of shares which comprised or comprises that holding, and accordingly, where the property consists of more than one share, the value of the property at the time it was acquired by such person shall be an amount equal to the value of one share determined in accordance with the foregoing provisions of this sub-paragraph multiplied by the number of shares which constitute the property;”.

3. Section 4 of the principal enactment is hereby amended by the repeal of subsection (3) of that section and the substitution therefor of the following new subsection:—

“(3) The amount of a capital gain shall be computed after making the following deductions:—



- (a) any expenditure (other than the purchase price if any) incurred on or after April 1, 1957, solely in connection with the acquisition of the property by the person who is the owner of that property immediately before the occurrence of the transaction which resulted in such gain;
- (b) the expenditure incurred on or after April 1, 1957, by the aforesaid owner in making any improvements, additions or alterations to that property if no deduction in respect of such expenditure is allowed under section 10 or section 53 or section 53A or section 53B;
- (c) the expenditure incurred by the aforesaid owner solely in connection with the transaction which resulted in such gain; and
- (d) in the case of a change of ownership of any immovable property occurring on or after April 1, 1977—
  - (i) where the change of ownership occurs not less than five years but not exceeding fifteen years after the acquisition of that property by the person to whom the capital gain arises, a sum equal to twenty-five *per centum*, and
  - (ii) where the change of ownership occurs over fifteen years after the acquisition of that property by the person to whom the capital gain arises, a sum equal to fifty *per centum*,

of the difference between—

- (a) the value within the meaning of section 3, of that property at the time of its acquisition by that person; and
- (b) the value of that property at the time of such change of ownership after deducting therefrom any expenditure referred to in paragraph (a) or paragraph (b) or paragraph (c).”.

4. Section 5 of the principal enactment is hereby amended in subsection (1) of that section, as follows:—

(1) by the substitution, for paragraph (ac) of that subsection, of the following new paragraph:—

“(ac) the emoluments, pension and any other benefit arising to any person from the office of the President of the Republic of Sri Lanka,”;

(2) by the insertion, immediately after paragraph (ad) of that subsection, of the following new paragraphs:—

“(ae) any dividend paid to any person by a company with which an agreement has been entered into by the Greater Colombo Economic Commission under section 17 of the Greater Colombo Economic Commission Law, No. 4 of 1978, during the period for which the profits and income of that company are exempt from income tax



under the terms of that agreement or within one year thereafter, out of the profits and income of the company which are exempt from income tax;

(af) any dividend paid on or after April 1, 1978, to any person who is not resident in Sri Lanka by any company with which an agreement has been entered into by the Greater Colombo Economic Commission under section 17 of the Greater Colombo Economic Commission Law, No. 4 of 1978;

(ag) the income of the World Tourism Organization;

(ah) the official emoluments of any individual who is employed by the World Tourism Organization;

(ai) the income of the corporation known as the Incorporated Council of Legal Education and established by the Council of Legal Education Ordinance;”;

(3) by the substitution, for paragraph (g) of that subsection, of the following new paragraph:—

“(g) the emoluments, and any income not arising in Sri Lanka, of any scientist, technician, expert or adviser, who is not a citizen of Sri Lanka and who is brought to and employed in Sri Lanka on or after April 1, 1958, by a corporation to which section 6 applies or by the proprietor of an undertaking to which that section applies or by any undertaking, being an enterprise with which an agreement has been entered into by the Greater Colombo Economic Commission under section 17 of the Greater Colombo Economic Commission Law, No. 4 of 1978, for the purposes of that corporation or undertaking, as the case may be, but so however that such exemption shall end on the date of the cessation of employment of such scientist, technician, expert or adviser in such corporation or undertaking or on the date on which the exemption from tax granted, as the case may be, by section 6 or by the agreement entered into under section 17 of the Greater Colombo Economic Commission Law, in respect of that corporation or undertaking ends, whichever is the earlier”;

(4) by the substitution, for paragraph (ggg) of that subsection, of the following new paragraph:—

“(ggg) the emoluments, and any income not arising in Sri Lanka, of any scientist, technician, expert or adviser, who is not a citizen of Sri Lanka and who is brought to and employed in Sri Lanka on or after April 1, 1968, by the proprietor of any such undertaking as is, on the recommendation of the appropriate Minister, declared by the Minister in charge of the subject of Finance by notice published in the Gazette to be an approved undertaking for the purposes of this section for such period as may be specified in the notice, but so however, that



such exemption shall end on the date of the cessation of employment of such scientist, technician, expert or advisor in such approved undertaking or on the date on which such undertaking ceases to be an approved undertaking, whichever date is earlier;”;

(5) by the substitution, for paragraph (m) of that subsection, of the following new paragraph:—

“(m) any overseas allowance or representational allowance granted by the Government of Sri Lanka, to any individual who is deemed by subsection (6) of section 54 to be resident in Sri Lanka and such part of the profits from employment received by any other individual who is employed out of Sri Lanka for any period as is, in the opinion of the Commissioner-General, equivalent to an overseas allowance;”;

(6) by the insertion, immediately after paragraph (ub) of that subsection, of the following new paragraph:—

“(uc) the interest accruing to any person during the period in which he is not resident in Sri Lanka on moneys lying to his credit in foreign currency in any account opened by him or on his behalf in any commercial bank with the approval of the Central Bank of Ceylon;”;  
and

(7) by the insertion, immediately after paragraph (v) of that subsection, of the following new paragraphs:—

“(vv) and sum paid to any person by the Ministry of Fisheries as a subsidy for the purchase of fishing boats, marine engines, fishing gear and other fishing equipment;

(vvv) any sum paid on or after April 1, 1977, as a subsidy to any person by the Coconut Cultivation Board established under the Coconut Development Act, No. 46 of 1971;”.

5. The following new sections are hereby inserted immediately after section 6A, and shall have effect as section 6B, 6C, 6D and 6E respectively, of the principal enactment:—

“Exemption for profits and income of certain companies engaged in fishing, animal husbandry and agriculture.

6B. (1) This section shall apply to any company incorporated on or after November 15, 1977, and approved by the Minister, which commenced to carry on, on or after that date, and is engaged only in carrying on, one or more of the undertakings hereinafter specified, namely—

- (a) an undertaking for off-shore or deep-sea fishing,
- (b) an undertaking for off-shore or deep-sea fishing and the processing of the product of any such activity,
- (c) an undertaking for animal husbandry, or



- (d) an undertaking for cultivating land with plants, palms, trees, bushes or foodstuffs, other than tea, rubber, coconut or paddy and processing the product of such cultivation;
- (e) an undertaking for cultivating land with plants, palms, trees, bushes or foodstuffs, other than tea, rubber, coconut or paddy:

Provided that this section shall not apply to any company which carries on—

- (i) an undertaking which was in existence prior to November 15, 1977, or
- (ii) an undertaking which was formed by the splitting up or reconstruction of any business which was in existence prior to November 15, 1977.

(2) The profits and income of any company referred to in subsection (1) from such undertaking or undertakings as is or are referred to in that subsection, being profits and income of that company within the meaning of section 3 (1) (a) (other than any profit from the sale of capital assets) shall be exempt from income tax for the period commencing from the date of incorporation of the company and ending on March 31, 1983.

6C. (1) This section shall apply to any undertaking commenced on or after November 15, 1977, and approved by the Minister, for the production or manufacture in Sri Lanka of goods or commodities where the Assessor is satisfied that—

- (a) it is not an undertaking for the milling of paddy; and
- (b) it was not an undertaking which was formed by the splitting up, reconstruction or acquisition of any business which was previously in existence; and
- (c) the place where the production or manufacture is carried on is located outside the administrative limits of a Municipality, within the meaning of the Municipal Councils Ordinance.

(2) The profits and income of any undertaking referred to in subsection (1), being profits and income of that undertaking within the meaning of section 3 (1) (a) (other than any profits and income from the sale of capital assets of that undertaking) shall, subject to the provisions of subsection (3) and subsection (4), be exempt from income tax for the period commencing from the date of commencement of the undertaking and ending on March 31, 1983.

(3) Where at any time during the year preceding any year of assessment commencing on or after April 1, 1978, but prior to April 1, 1984, the capital of any such undertaking exceeds five hundred thousand rupees, the profits and income of that undertaking arising in such preceding year shall not be exempt from income tax for that year of assessment.



(4) For any year of assessment the exemption from income tax of the profits and income of that undertaking for the year preceding that year of assessment shall not apply to such part of such profits and income as exceed—

- (i) one hundred thousand rupees where that undertaking was in existence throughout such preceding year, and
- (ii) such sum as bears to one hundred thousand rupees the same proportion as the number of days in such preceding year during which such undertaking was in existence bears to the number of days in that year, where such undertaking was in existence for only a part of such preceding year.

(5) In this section, "capital," in relation to an undertaking means the aggregate of—

- (a) the cost of any land, building, plant, machinery and fixtures of that undertaking, and
- (b) the value of the other assets of that undertaking after deducting there from any profits of that undertaking retained for use in that undertaking.

6D. (1) Subject as hereinafter provided, where any person who carries on an undertaking approved by the Commissioner for National Housing for the construction and sale of houses sells any house or flat, the construction of which was commenced by such person on or after January 1, 1977, such sale being the first sale of that house or flat,

- (a) the entirety of the profits and income arising from such sale shall be exempt from income tax, if the floor area of such house or flat does not exceed five hundred square feet,
- (b) seventy-five *per centum* of the profits and income arising from such sale shall be exempt from income tax, if the floor area of such house or flat exceeds five hundred square feet but does not exceed one thousand two hundred and fifty square feet, and
- (c) fifty *per centum* of the profits and income arising from such sale shall be exempt from income tax, if the floor area of such house or flat exceeds one thousand two hundred and fifty square feet but does not exceed two thousand square feet:

Provided that—

- (a) where such sale relates to a house with land appurtenant thereto in excess of ten perches situated in a municipal or urban area, such part of the profits and income arising from the sale as is in the opinion of the Commissioner-General attributable to the sale of such part of the appurtenant land as is in excess of ten perches,



(b) where such sale relates to a house with land appurtenant thereto in excess of twenty perches situated in any area other than a municipal or urban area, such part of the profits and income arising from the sale as is in the opinion of the Commissioner-General attributable to the sale of such part of the appurtenant land as is in excess of twenty perches,

(c) where such sale relates to a flat with land appurtenant thereto in excess of five perches and situated in a municipal or urban area, such part of the profits and income arising from the sale as in the opinion of the Commissioner-General attributable to the sale of such part of the appurtenant land as is in excess of five perches,

(d) where such sale relates to a flat with land appurtenant thereto in excess of ten perches and situated in an area other than a municipal or urban area, such part of the profits and income arising from the sale as is in the opinion of the Commissioner-General attributable to the sale of such part of the appurtenant land as in excess of ten perches,

shall, for the purposes of this section, be deemed not to be profits and income arising from the sale of such house or such flat, as the case may be:

Provided further that where such sale is a sale on rent-purchase terms—

(i) such sale shall be deemed to have taken place on the date on which the agreement for the sale on such terms was entered into, and

(ii) such part of the total amount payable by the purchaser under such agreement for sale on rent-purchase terms as is attributable to the interest payable by the purchaser shall, for the purposes of this section, be deemed not to form part of the profits and income arising from such sale.

(2) Where any dividend paid by a company to its shareholders or any part of such dividend is out of the profits and income which are exempt from income tax, under subsection (1), then, such dividend or part thereof shall be exempt from income tax, and the provisions of sections 25 (1) (b) and (27) (1) shall not apply to such dividend or part thereof.

(3) Every person who issues a warrant, cheque or other order drawn or made in payment of any dividend referred to in subsection (2). shall annex thereto a statement in writing specifying the amount of the profits and income exempt from income tax under subsection (1) which is included in that dividend.

6E. (1) This section shall apply to any undertaking commenced on or after November 15, 1977, and approved by the Minister, for the milling of paddy.

(2) The profits and income of any undertaking referred to in subsection (1), being profits and income of that undertaking within the meaning of section 3 (1) (a) (other than any profits and income from the sale of capital assets of



that undertaking) shall, subject to the provisions of subsection (3), be exempt from income tax for the period commencing from the date of commencement of the undertaking and ending on March 31, 1983, if the Assessor is satisfied that it was not an undertaking which was formed by the splitting up, reconstruction, or acquisition of any business which was previously in existence.

(3) The Minister in charge of the subject of Agriculture and Lands may, in respect of an undertaking referred to in subsection (1), specify—

(i) the quantity of rice that shall be supplied by that undertaking to the Paddy Marketing Board established under the Paddy Marketing Board Act, No. 14 of 1971, or to any authorized purchaser within the meaning of that Act, and

(ii) the quality of the rice that shall be so supplied,

having regard to the capacity of that undertaking and the area in which that undertaking is situated.

(4) Where in respect of any year of assessment commencing on or after April 1, 1978, but prior to April 1, 1984, any undertaking referred to in subsection (1) fails to furnish to the Commissioner-General a certificate signed by the Minister in charge of the subject of Agriculture and Lands or by a person authorized by such Minister to the effect that it has complied, in the year preceding that year of assessment, with the conditions specified by such Minister in respect of such undertaking under subsection (3), the profits and income of that undertaking arising in such preceding year shall not be exempt from income tax for that year of assessment”.

6. Section 10 of the principal enactment is hereby amended as follows:—

(1) in subsection (1) of that section, —

(a) by the substitution, for paragraph (a) of that subsection, of the following new paragraph:—

“(a) such sum as the Commissioner-General in his discretion considers reasonable for the depreciation by wear and tear of plant, machinery and fixtures arising out of their use by such person as the owner thereof in a trade, business, profession, vocation or employment carried on or exercised by him, such sum being calculated normally at a fixed rate *per centum* per annum on the written-down value:

Provided that where any sum is deductible under the preceding provisions of this paragraph in respect of any plant, machinery or fixtures, in ascertaining the profits and income of that person from any sources for the year preceding the year of assessment commencing on April 1, 1978, there shall be deducted, in lieu of the sum calculated at a fixed rate *per centum* per annum on the written-down value, a sum equivalent to the written-down value, on April 1, 1977, of such plant, machinery and fixtures;”;



(b) by the insertion, immediately after paragraph (g) of that subsection, of the following paragraph:—

“(gg) any sum expended on or after April 1, 1978, by such person being a person who is professionally qualified, in payment of subscription to any professional association of which he is a member or in the purchase of professional books, journals and reports;”;

(c) in paragraph (h) of that subsection by the substitution, for the proviso to that paragraph, of the following new proviso:—

“Provided that no deduction under the preceding provisions of this paragraph shall be allowed to such person in respect of any plant, machinery or fixtures acquired by him—

(a) if such acquisition was for the purpose of renewing any plant, machinery or fixtures earlier used by him in any trade, business, profession, vocation or employment carried on or exercised by him and if the cost of such renewal is allowed as a deduction under paragraph (j), or

(b) if the sum expended in the purchase and installation of such plant, machinery or fixtures is allowed as a deduction under paragraph (l) or paragraph (m), or

(c) if such plant, machinery or fixtures were acquired on or after April 1, 1977, or acquired before April 1, 1977, and used by him for the first time on or after that date;”;

(d) in paragraph (i) of that subsection, by the substitution, for the proviso to that paragraph, of the following new proviso:—

“Provided that no deduction under the preceding provisions of this paragraph shall be allowed to such person in respect of any building constructed by him—

(a) if such construction was to renew any building earlier used by him for any of the purposes specified in the preceding provisions of this paragraph and if the cost of such renewal is allowed as a deduction under paragraph (j), or

(b) if such construction took place on or after April 1, 1977;”;

(e) by the substitution, for paragraph (j) of that subsection, of the following paragraph:—

“(j) any sum expended by such person for the repair (not renewal) of plant, machinery or fixtures employed for producing the income, or the cost of renewal of any plant, machinery or fixtures, if no deduction for depreciation thereof or allowance thereof has been allowed under paragraph (a) or paragraph (h) or paragraph (l) or paragraph (m) or paragraph (n) of this subsection, or under paragraph (a) of subsection



(1) of section 11 of the Income Tax Ordinance, or any sum expended for the renewal of any building, implement, utensil or articles so employed, if no deduction for depreciation thereof or allowance therefor has been granted under paragraph (i) or paragraph (l) or paragraph (m) or paragraph (o) or paragraph (p) of this subsection, or any sum expended for the repair of any building, implement, utensil or articles so employed;”;

(f) by the insertion, immediately after paragraph (k) of that subsection, of the following new paragraph:—

“(kk) in respect of any year of assessment commencing on or after April 1, 1978—

(a) the full cost of advertising outside Sri Lanka incurred solely in connection with the export trade of any articles or goods or the provision of any services for payment in foreign currency;

(b) the expenses incurred in travelling outside Sri Lanka solely in connection with—

(i) the promotion of the export trade of any articles or goods; or

(ii) the provision of any services for payment in foreign currency,

if such expenditure was incurred with the approval of the Controller of Exchange and does not exceed the amount authorized by him for that purpose;”;

(g) by the substitution, for paragraph (l) of that subsection, of the following new paragraph:—

“(l) any sum expended by such person in the purchase and installation, or in the purchase, as the case may be of—

(i) any plant, machinery, fixtures, furniture, utensils or articles for any undertaking as is referred to in paragraph (v) or paragraph (vi) of subsection (1) of section 6, carried on by such person, or

(ii) any implement or equipment for any undertaking of deep-sea or off-shore fishing carried on by him:

Provided that where such person has, during the period for which the profits are being ascertained, sold, discarded, otherwise disposed of, or otherwise ceased to be the owner of, any such plant, machinery, fixtures, furniture, utensils, articles, implements or equipment or ceased to use any such plant, machinery, fixtures, furniture, utensils, articles, implements or equipment in an undertaking, in ascertaining the profits and income of which a deduction could have been made under this paragraph or under paragraph (n), then—

(i) the sum realized by the sale, or as the case may be,

(ii) the market value on the date of discard, other disposal, other cessation of owner-ship or cessation of use in any such undertaking,



of any such plant, machinery, fixtures, furniture, utensils, articles, implements or equipment, shall for the purpose of ascertaining the profits and income within the meaning of paragraph (a) of subsection (1) of section 3, of such person from such undertaking be treated as a receipt of that undertaking;”;

(h) by the insertion, immediately after paragraph (m) of that subsection, of the following new paragraphs:—

“(n) an allowance in respect of any plant, machinery or fixtures acquired by him in the year preceding the year of assessment and used by him in any trade, business, profession, vocation or employment carried on or exercised by him, such allowance being an amount equal to—

(i) the sum expended by him in the purchase and installation of such plant, machinery or fixtures, where the acquisition of such plant, machinery or fixtures was by purchase, or

(ii) the aggregate of the market value of such plant, machinery and fixtures on the date of acquisition by him and any sum expended by him in the installation thereof, where the acquisition of such plant, machinery or fixtures was otherwise than by purchase:

Provided that no deduction under the preceding provisions of this paragraph shall be allowed to a person in respect of any such plant, machinery or fixtures—

(a) if such plant, machinery or fixtures were acquired and used by such person prior to April 1, 1977; or

(b) if any sum expended in the purchase and installation of such plant machinery or fixtures is allowed as a deduction under paragraph (l) or paragraph (m) :

Provided further that where such person has, during the period for which profits are being ascertained, sold, discarded, otherwise disposed of, or otherwise ceased to be the owner of, any such plant, machinery or fixtures, or ceased to use any such plant, machinery or fixtures in an undertaking, in ascertaining the profits and income of which a deduction could have been made under this paragraph, then—

(i) the sum realized by the sale, or as the case may be,

(ii) the market value on the date of discard or other disposal, other cessation of ownership or cessation of use in any such undertaking,

of any such plant, machinery or fixtures, shall, for the purposes of ascertaining the profits and income within the meaning of paragraph (a) of subsection (1) of section 3, of such person from any such undertaking be treated as a receipt of that undertaking;



- (o) an allowance equal to the sum expended by him in the year preceding the year of assessment in the construction of a building for the purpose of any undertaking carried on by him for occupation as a dwelling house by any member of the staff employed by such person in such undertaking other than an executive officer:

Provided that no deduction under the preceding provisions of this paragraph shall be allowed to a person in respect of —

- (a) any sum expended by him in the construction of any building prior to April 1, 1977, or
- (b) any sum expended by him in the construction of that building if such sum is allowed as a deduction under paragraph (n) or paragraph (p):

Provided further that where such person has, during the period for which profits are being ascertained, sold, discarded, otherwise disposed of, or otherwise ceased to be the owner of, any such building or ceased to use such building in an undertaking in ascertaining the profits and income of which a deduction could have been made under this paragraph, then —

- (i) the sum realized by the sale, or as the case may be,
- (ii) the market value on the date of discard, other disposal, other cessation of ownership or cessation of use in any such undertaking,

of any such building shall, for the purposes of ascertaining the profits and income within the meaning of paragraph (a) of subsection (1) of section 3, of such person from any such undertaking, be treated as a receipt of that undertaking;

- (p) an allowance equal to fifty *per centum* of any sum expended by him in the construction, in the year preceding the year of assessment, of any building—

- (i) for the purpose of any agricultural or industrial undertaking or any approved project within the meaning of subsection (5) carried on by such person—

(a) for use as a staff welfare building; or

(b) for occupation for the purpose of such undertaking or project otherwise than as a dwelling house, or

- (ii) for use solely as a warehouse for the purpose of a trade or business carried on by such person:

Provided that no deduction under the preceding provisions of this paragraph shall be allowed to a person in respect of any sum expended by him in the construction of any building prior to April 1, 1977;

Provided further that where such person has, during the period for which the profits are being ascertained, sold, discarded, otherwise disposed of, or other



wise ceased to be the owner of, any such building or ceased to use any such building in an undertaking in ascertaining the profits and income of which a deduction could have been made under this paragraph, then, the excess of—

- (a) the sum realized by the sale of that building, or, as the case may be,
- (b) the market value of that building on the date of discard, other disposal, other cessation of ownership or cessation of use in such undertaking of that building,

over the allowance granted under this paragraph shall, for the purposes of ascertaining the profits and income within the meaning of paragraph (a) of sub-section (1) of section 3, of such person from any such undertaking, be treated as a receipt of that undertaking.”;

(2) by the repeal of subsection (5) of that section and the substitution therefor of the following new subsection:—

“(5) There shall be deducted for the purpose of ascertaining the profits and income of any person—

- (a) a sum equal to twenty *per centum* of the expenditure actually incurred by him in the purchase and installation of any new plant, machinery or fixtures to be used by him in the commencement by him of a trade or business (other than an agricultural project) which is not an approved project;

- (b) a sum equal to forty *per centum* of the expenditure actually incurred by him in the purchase and installation of any new plant, machinery or fixtures to be used by him in an agricultural undertaking or in the commencement by him of a trade or business which is an approved project;

- (c) a sum equal to twenty *per centum* of the expenditure actually incurred by him in constructing or renewing any building, for the purposes of any industrial undertaking other than an approved project, to be used as a staff welfare building or as a dwelling house by any member of the subordinate staff employed by him in, or for the purposes of, or in connection with, such undertaking or as a building to be occupied for the purposes of such undertaking other than as a dwelling house;

- (d) a sum equal to forty *per centum* of the expenditure actually incurred by him in constructing or renewing any building, for the purposes of any approved project or agricultural undertaking, to be used as a staff welfare building, or as a dwelling house by any member of the subordinate staff employed by him in, or for the purposes of, or in connection with, such project or undertaking, or as a building to be occupied for the purposes of such project or undertaking other than as a dwelling house;



Provided that no person shall be entitled to any deduction—

(i) under paragraph (a) or paragraph (b) of this subsection for the purchase and installation of any plant, machinery or fixtures if—

(a) the sum expended in the purchase or installation of such plant, machinery or fixtures has been allowed as a deduction under paragraph (l) or paragraph (m) of subsection (1), or

(b) the expenditure in the purchase or installation of such plant, machinery or fixtures was incurred by him on or after April 1, 1977, or if such plant, machinery or fixtures was purchased by him before April 1, 1977 and used by him for the first time after that date;

(ii) under paragraph (c) or paragraph (d) of this subsection for the expenditure actually incurred in constructing or renewing any building if—

(a) the expenditure incurred in the renewal of such building has been allowed as a deduction under paragraph (j) of subsection (1), or

(b) the expenditure in constructing or renewing such building was incurred on or after April 1, 1977.

For the purposes of this subsection “approved project” means—

(i) any project declared by the Minister to be an approved project for the purposes of section 47A of the Income Tax Ordinance, or

(ii) any such project for the establishment of a new undertaking as is considered by the Minister for the time being in charge of the subject of Industries to be essential for the economic progress of Sri Lanka and is at the request of such Minister, declared by the Minister in charge of the subject of Finance to be an approved project for the purposes of this subsection and published in the *Gazette*, and includes any undertaking referred to in paragraph (v) or paragraph (vi) of subsection (1) of section 6.; and

(3) in subsection (9) of that section —

(a) by the substitution, for all the words and figures commencing from “No deduction” to “acquired by him if—”, of the following:—

“No deduction under subsection (1) (a) or (1) (h) or (1) (i) for depreciation by wear and tear or under subsection (1) (j) for any sum expended for renewal of any plant, machinery, fixtures or building, or under subsection (1) (l) or (1) (m) or (1) (n) for any sum expended in the purchase and installation of any plant, machinery, or fixtures or under subsection (1) (o) or (1) (p) for any sum expended in constructing any building, shall be allowed to any person if—”; and



- (b) by the substitution, for all the words and figures commencing from “the profits and income of which” to “section 7A;”, of the following:—

“the whole or any part of the profits and income (within the meaning of section 3 (1) (a)) of which are exempt from income tax;”;

7. Section 11 of the principal enactment is hereby amended as follows:—

- (i) in subsection (1) of that section—

- (a) by the substitution, for paragraph (cc) of that subsection, of the following new paragraph:—

“(cc) any expenditure incurred for any year of assessment commencing on or after April 1, 1965, in travelling outside Sri Lanka in connection with any trade, business, profession or vocation carried on or exercised in Sri Lanka by such person, other than any such expenditure as is deductible under the provisions of paragraph (kk) of subsection (1) of section 10;”;

- (b) by the substitution, for paragraph (f) of that subsection, of the following new paragraph:—

“(f) one quarter of such person’s cost of advertisement in connection with any trade, business, profession or vocation carried on or exercised by him other than the cost of advertising referred to in paragraph (kk) of subsection (1) of section 10;” and

- (2) by the repeal of subsection (3) of that section and the substitution therefor of the following new subsection:—

“(3) No person carrying on any trade or business or exercising any profession or vocation shall be entitled to any sum for depreciation by wear and tear, or for renewal, or to any allowance under section 10 (1) (l) or 10 (1) (m) or 10 (1) (n), in respect of any vehicle used for travelling for the purpose of his trade, business, profession or vocation except in the case of a vehicle, used for such purpose by an officer, who is not an executive officer, in the employment of such person, and in respect of the last-mentioned vehicle such person shall be entitled to such sum as the Commissioner-General may consider reasonable for such depreciation:

Provided that for each year of assessment commencing on or after April 1, 1965, the preceding provisions of this subsection shall apply as though there were substituted—

- (a) for the words “except in the case of a vehicle”, the words “except in the case of a motor cycle or bicycle”, and

- (b) for the words “of the last-mentioned vehicle”, the words “of such motor cycle or bicycle”;



8. Section 15 of the principal enactment is hereby amended as follows: —

(1) in subsection (1) of that section, by the substitution, for paragraph (d) of that subsection, of the following new paragraph: —

“(d) the amount of any loss which has been incurred in any year preceding the year of assessment in any undertaking referred to in section 6 or section 6B or section 6C or section 6E, such loss being computed and deducted in the manner specified, as the case may be, in subsection (1A) or subsection (1C);” and

(2) by the insertion, immediately after subsection (1B) of that section, of the following new subsection: —

“(1C) (a) Notwithstanding anything to the contrary in this section any loss incurred in any undertaking referred to in section 6C by any person carrying on that undertaking in any year of assessment from the date of commencement of that undertaking up to March 31, 1983, shall be deductible only from such part of the total statutory income of that person for any year of assessment commencing prior to April 1, 1984, as constitutes the statutory income of that person from that undertaking:

Provided that a deduction under this paragraph shall be made as far as possible from the statutory income of that person from that undertaking for the first year of assessment succeeding that in which the loss was incurred and, so far as it cannot be so made, then from the statutory income of that person from that undertaking for the next year of assessment, and so on.

(b) For the purposes of the deduction of any loss of any undertaking referred to in section 6B or section 6C or in section 6E in computing the assessable income of the person carrying on that undertaking for the year of assessment commencing on April 1, 1984, such loss shall be the total of the losses incurred in that undertaking in any year of assessment commencing prior to April 1, 1984, during which such person carried on that undertaking, after deducting therefrom the aggregate of —

(i) any part of such losses incurred in that undertaking as has been deducted under paragraph (a) from the statutory income of such person for any year of assessment commencing prior to April 1, 1984, and

(ii) any profits of that undertaking which have been exempt from income tax for any year of assessment subsequent to the year of assessment in which such loss in that undertaking was incurred.

(c) Where the loss referred to in paragraph (b) or part thereof cannot be deducted from the total statutory income for the year of assessment commencing on April 1, 1984, such loss or such part of such loss shall be deducted from the total statutory income of the next year of assessment and so on.”



9. Section 16A of the principal enactment is hereby amended as follows:—

(1) by the repeal of subsection (1) of that section and the substitution therefor of the following new subsection:—

“(1) In this section “approved donation” means a donation not less in amount than one thousand rupees—

(a) made in money or otherwise to the Government of Sri Lanka prior to April 1, 1978, or

(b) made in money to any approved charity within the meaning of section 67 or to any such public charitable trust or institution as is declared by the Minister by notice published in the *Gazette* to be an approved charity for the purposes of this section.

For the purposes of this section, the amount of a donation made to the Government of Sri Lanka otherwise than in money shall be the value of such donation and such value shall—

(i) be the actual cost to the donor of the property donated, or

(ii) where the actual cost cannot be ascertained be the market value of the property donated.’; and

(2) by the repeal of subsection (4) of that section and the substitution therefor of the following new subsection:—

“(4) Where a person has, or is deemed to have, made in the year preceding any year of assessment two or more donations, whether to the same approved charity or to different such charities or to the Government of Sri Lanka, or to one or more charities and to the Government of Sri Lanka, the aggregate amount of the donations, if such amount is not less than one thousand rupees, shall for the purposes of this section in relation to that year of assessment be treated as one approved donation:

Provided that the provisions of this subsection shall not apply to any donation made to the Government of Sri Lanka on or after April 1, 1978.”.

10. Section 16CC of the principal enactment is hereby amended, in subsection (1) of that section, as follows:—

(1) in paragraph (f) of that subsection, by the substitution, for the expression “in paragraph (d),” of the expression “in paragraph (d); or”; and

(2) by the insertion, immediately after paragraph (f) of that subsection, of the following new paragraph:—

“(g) any sum invested on or after April 1, 1978, in the purchase of ordinary shares, other than existing shares, in any company with which an agreement has been entered into by the Greater Colombo Economic Commission under section 17 of the Greater Colombo Economic Commission Law, No. 4 of 1978.”.



11. The following new section is hereby inserted immediately after section 16E, and shall have effect as section 16F, of the principal enactment:—

16F (1) In this section “approved expenditure” means—

Allowances for approved expenditure to be deducted from assessable income in arriving a taxable income.

- (a) a donation made in money or otherwise to the Government of Sri Lanka, to a local authority, to a fund established by the Government of Sri Lanka or to a fund established by a local authority and approved by the Minister, and
- (b) expenditure incurred by any person on any project included in a development plan of the Government of Sri Lanka if such expenditure was incurred—
  - (i) with the prior written approval of the Minister, and
  - (ii) in accordance with such terms and conditions as may have been specified by the Minister at the time of granting such written approval.

(2) For the purposes of this section, the amount of a donation made to the Government of Sri Lanka otherwise than in money shall be the value of such donation, and such value shall—

- (i) be the actual cost to the donor of the property donated, or
- (ii) where the actual cost cannot be ascertained, be the market value of the property donated.

(3) Where the entirety of the assessable income of a wife or a child for any year of assessment is aggregated with the assessable income of the head of the family of which such wife or child is a member, any approved expenditure made by such wife or child shall, for the purposes of this section, be deemed to be an approved expenditure made by the head of the family.

(4) The amount of any approved expenditure incurred or deemed to have been incurred by any person in any year of assessment commencing on or after April 1, 1978, shall be deducted as far as possible from the assessable income of that person for the year of assessment immediately succeeding that in which such expenditure was incurred or was deemed to have been incurred and, so far as it cannot be so deducted then from the assessable income of that person for the next year of assessment and so on.”

12. Section 21 of the principal enactment is hereby amended as follows:—

(1) by the repeal of subsection (1A) of that section and the substitution therefor of the following new subsection:—

“(1A) Where for any year of assessment commencing on or after April 1, 1969, but not after April 1, 1977, a family consists of a husband and wife and no child or dependent relative, an allowance of three thousand six hundred



rupees in respect of such husband and wife shall be deducted from the assessable income of the head of such family for that year in arriving at his taxable income for that year.”;

(2) by the insertion, immediately after subsection (1A) of that section, of the following new subsection:—

“(1B) Where for any year of assessment commencing on or after April 1, 1978, a family consists of a husband and wife and no child or dependent relative, an allowance of five thousand rupees in respect of such husband and wife shall be deducted from the assessable income of the head of such family for that year in arriving at his taxable income for that year.”;

(3) by the repeal of subsection (2A) of that section and the substitution therefor of the following new subsection:—

“(2A) Where for any year of assessment commencing on or after April 1, 1969, but not after April 1, 1977, a family consists of a husband and wife and one or more children or dependent relatives, or one or more children and dependent relatives, an allowance of three thousand six hundred rupees in respect of the husband and wife, and—

- (a) if there is one child or dependent relative, an allowance of six hundred rupees in respect of such child or dependent relative,
- (b) if there are two children or two dependent relatives or one child and one dependent relative, an allowance of six hundred rupees in respect of such children or such dependent relatives or such child and such dependent relative,
- (c) if there are three or more children, or three or more children and dependent relatives, or three or more dependent relatives, in respect of such children or such children and dependent relatives or such dependent relatives, as the case may be, an allowance of one thousand two hundred rupees,

shall be deducted from the assessable income of the head of such family for that year in arriving at his taxable income for that year.”;

(4) by the insertion, immediately after subsection (2A) of that section, of the following new subsection:—

“(2B) where for any year of assessment commencing on or after April 1, 1978, a family consists of a husband and wife and one or more children, or dependent relatives or one or more children and dependent relatives, an allowance of five thousand rupees in respect of the husband and wife, and—

- (a) if there is one child or dependent relative, an allowance of one thousand rupees in respect of such child or dependent relative,
- (b) if there are two children or two dependent relatives or one child and one dependent relative, an allowance of two thousand rupees in respect of such children or dependent relatives, or such child and such dependent relative,



- (c) if there are three or more children, or three or more children and dependent relatives or three or more dependent relatives, in respect of such children or such children and dependent relatives or such dependent relatives, as the case may be, an allowance of three thousand rupees,

shall be deducted from the assessable income of the head of such family for that year in arriving at his taxable income for that year.”;

(5) by the repeal of subsection (3A) of that section and the substitution therefor of the following new subsection:—

“(3A) Where for any year of assessment commencing on or after April 1, 1969, but not after April 1, 1977, a family consists of an individual and one child or dependent relative or an individual and two children or dependent relatives or an individual and one child and one dependent relative, an allowance of three thousand rupees in respect of such individual and an allowance of six hundred rupees in respect of such child or dependent relative or such children or dependent relatives or such child and such dependent relative, as the case may be, shall be deducted from the assessable income of the head of such family for that year in arriving at his taxable income for that year.”;

(6) by the repeal of subsection (4B) of that section and the substitution therefor of the following new subsection:—

“(4B) Where for any year of assessment commencing on or after April 1, 1969, but not after April 1, 1977, a family consists of an individual and three or more children or three or more dependent relatives or three or more children and dependent relatives, an allowance of three thousand rupees in respect of such individual and an allowance of one thousand two hundred rupees in respect of such children or dependent relatives or such children and dependent relatives shall be deducted from the assessable income of the head of such family for that year in arriving at his taxable income for that year.”;

(7) by the insertion, immediately after subsection (4B) of that section, of the following new subsection:—

“(4C) Where for any year of assessment commencing on or after April 1, 1978, a family consists of an individual and one or more children or dependent relatives or one or more children and dependent relatives, an allowance of three thousand rupees in respect of such individual and—

- (a) if there is one child or dependent relative, an allowance of one thousand rupees in respect of such child or dependent relative,
- (b) if there are two children or two dependent relatives or one child and one dependent relative, an allowance of two thousand rupees in respect of such children or such dependent relatives or such child and such dependent relative,



(c) if there are three or more children, or three or more children and dependent relatives, or three or more dependent relatives, in respect of such children or such children and dependent relatives or such dependent relatives, as the case may be, an allowance of three thousand rupees,

shall be deducted from the assessable income of the head of such family for that year in arriving at his taxable income for that year.”; and

(8) in subsection (7) of that section, by the substitution, for the words and figures commencing from “subsection (2)” up to “subsection (4B)”, of the words and figures “subsection (2) or subsection (2A) or subsection (2B) or subsection (3) or subsection (3A) or subsection (4) or subsection (4B) or subsection (4C)”.

13. Section 23A of the principal enactment is hereby further amended as follows:—

(1) in subsection (1) of that section—

(a) by the substitution, for paragraph (f) of that subsection, of the following new paragraph:—

“(f) income tax for the year of assessment commencing on April 1, 1976, and for the immediately succeeding year of assessment, shall be computed in accordance with the provisions of Part VII of the Second Schedule of this Act; and”;

(b) by the addition; at the end of that subsection, of the following new paragraph:—

“(g) income tax for any year of assessment commencing on or after April 1, 1978, shall be computed in accordance with the provisions of Part VIII of the Second Schedule to this Act.”;

(2) in subsection (4) of that section, by the substitution for the words and figures “or Part VII” of the words and figures “or Part VII or Part VIII”.

14. Section 24 of the principal enactment is hereby amended as follows:—

(1) by the substitution, for paragraph (h) of that section, of the following new paragraph:—

“(h) the provisions of Part VII of the Second Schedule to this Act shall, in their application to that individual for the year of assessment commencing on April 1, 1976, and for the immediately succeeding year of assessment, have effect as if each of the sums mentioned in that Part of that Schedule, or the aggregate of the sums computed in the manner mentioned in subsection (4) of section 23A, as the case may be, were reduced in the proportion which the number of days during which he is resident bears to the number of days in such preceding year;”;



(2) by the addition, at the end of that section, of the following new paragraph:—

“(i) the provisions of Part VIII of the Second Schedule to this Act shall, in their application to that individual for any year of assessment commencing on or after April 1, 1978, have effect as if each of the sums mentioned in that Part of that Schedule, or the aggregate of the sums computed in the manner mentioned in subsection (4) of section 23A, as the case may be, were reduced in the proportion which the number of days during which he is resident bears to the number of days in such preceding year.”

15. Section 25 of the principal enactment is hereby amended as follows:—

(1) in subsection (1A) of that section—

(a) by the substitution, in sub-paragraph (ii) of paragraph (b) of that subsection, for the words and figures ‘expression “35 per centum.”’ of the words and figures ‘expression “35 per centum”;’; and

(b) by the insertion, immediately after paragraph (b) of that subsection, of the following new paragraph:—

“(c) in respect of each year of assessment commencing on or after April 1, 1978, as though there were substituted, for paragraph (b) of that subsection, the following new paragraph:—

“(b) a sum equal to  $33\frac{1}{3}$  per centum of the aggregate amount of the gross dividends distributed by the company in the year preceding that year of assessment out of profits on which the taxable income of such company is computed for any year of assessment not being dividends in respect of which income tax has been assessed on or paid by that company for any year of assessment commencing before April 1, 1978;”

(2) by the repeal of subsection (1B) of that section and the substitution therefor of the following new subsection—

“(1B) Notwithstanding the preceding provisions of this section, the income tax to which a company shall be liable for any year of assessment commencing on or after April 1, 1976 shall, if it was a people’s company throughout the year preceding the year of assessment or, in the case of a company incorporated in the year preceding such year of assessment, from the date of its incorporation to the end of that preceding year, consist of—

(a) a sum equal to forty per centum of the taxable income of such company for such year of assessment, and

(b) a sum equal to  $33\frac{1}{3}$  per centum of the aggregate amount of the gross dividends distributed by such company in the year preceding that year of assessment out of profits on which the taxable income of such



company is computed for any year of assessment, not being dividends in respect of which income tax has been assessed on or paid by that company for any year of assessment commencing before April 1, 1978.

For the purposes of this subsection a "people's company" means a company which is resident in Sri Lanka and in respect of which the Assessor is satisfied that—

- (i) it is not a private company within the meaning of the Companies Ordinance;
- (ii) the number of shareholders of the Company exceeds fifty in the case of any period ending on or before March 31, 1979, and exceeds one hundred in the case of any period commencing on or after that date, and in either case, the nominal value of each share does not exceed ten rupees;
- (iii) any person may invest in one or more shares in the company at any allotment of shares by the company or in the open market;
- (iv) it is a company in which no person either individually or together with his wife or minor children, holds either directly or through nominees—
  - (a) in the case of any period ending on or before March 31, 1979, more than ten per centum, and
  - (b) in the case of any period commencing on or after April 1, 1979, more than five per centum, of the issued share capital;
- (v) it is a company in which there are three or more directors each owning one or more shares;
- (vi) none of the directors of the company holds office as director of any other people's company; and
- (vii) it is a company in which no other company holds, either directly or through nominees, any share on or after April 1, 1979.'

16. Section 28 of the principal enactment is hereby amended by the insertion, immediately after paragraph (at) of that section, of the following paragraph:—

"(att) the World Tourism Organization;"

17. Section 31 of the principal enactment is hereby amended in subsection (1) of that section as follows:—

(1) by the insertion, immediately after paragraph (b) of that subsection, of the following new paragraph:—



“(bb) being an year of assessment in the year preceding which he was not resident in Sri Lanka or being any one of the three years of assessment next succeeding the first-mentioned year of assessment, the moneys lying to his credit in foreign currency in any such account as is referred to in paragraph (uc) of subsection (1) of section 5;” and

(2) by the substitution, for paragraph (p) of that subsection, of the following new paragraph:—

“(p) any jewellery belonging to him, or if he is the head of a family, any jewellery belonging to him and the members of his family, subject to a maximum of twenty-five thousand rupees in value where that year of assessment commences prior to April 1, 1978, and subject to a maximum of fifty thousand rupees in value where that year of assessment commences on or after April 1, 1978;”.

18. Section 32 of the principal enactment is hereby amended by the repeal of subsection (1) of that section, and the substitution therefor, of the following new subsection;—

“(1) Where according to the return of wealth furnished by a person in respect of any year of assessment such person is the head of a family, the wealth of each individual who is a member of that family shall, for the purposes of this Act, be deemed to form part of the wealth of the head of that family and accordingly the value of the net wealth of all such members shall be aggregated with the net wealth of the head of that family for that year of assessment. Where—

- (a) for the year of assessment ending on March 31, 1964, the aggregated net wealth of the head of that family amounts to or exceeds one hundred thousand rupees, such net wealth,
- (b) for any year of assessment commencing on or after April 1, 1964, but prior to April 1, 1978, the aggregated net wealth of the head of that family exceeds one hundred thousand rupees, such part of his net wealth as exceeds one hundred thousand rupees, and
- (c) for any year of assessment commencing on or after April 1, 1978, the aggregated net wealth of the head of that family exceeds two hundred thousand rupees, such part of his net wealth as exceeds two hundred thousand rupees,

shall be his taxable wealth for that year of assessment, and the head of that family shall be liable to the wealth tax in respect of such taxable wealth.”,

19. Section 33 of the principal enactment is hereby amended by the repeal of subsection (2) of that section and the substitution therefor of the following new subsection:—

“(2) Such part of the net wealth of a person, other than an individual who is included in a family or a charitable institution, as is in excess of—



- (a) one hundred thousand rupees, for any year of assessment commencing on or after April 1, 1964, but prior to April 1, 1978, and
- (b) two hundred thousand rupees, for any year of assessment commencing on or after April 1, 1978,

shall be his taxable wealth for that year of assessment and such person shall be liable to wealth tax in respect of such taxable wealth.”.

20. Section 34 of the principal enactment is hereby repealed and the following new section substituted therefor:—

“Taxable wealth of a charitable institution

34. (1) (a) Where the net wealth for any year of assessment commencing prior to April 1, 1978, of a charitable institution exceeds one hundred thousand rupees, the entirety of such net wealth shall be the taxable wealth of such institution, and such institution shall be liable to the wealth tax in respect of such taxable wealth.

(b) Where the net wealth for any year of assessment commencing on or after April 1, 1978, of a charitable institution exceeds two hundred thousand rupees, the entirety of such net wealth shall be the taxable wealth of such institution, and such institution shall be liable to wealth tax in respect of such taxable wealth.

(2) (a) The amount of the wealth tax which a charitable institution is liable to pay in respect of its taxable wealth for any year of assessment commencing prior to April 1, 1978, shall in no case exceed the amount by which its taxable wealth exceeds one hundred thousand rupees.

(b) The amount of the wealth tax which a charitable institution is liable to pay in respect of its taxable wealth for any year of assessment commencing on or after April 1, 1978, shall in no case exceed the amount by which its taxable wealth exceeds two hundred thousand rupees.”.

21. Section 38 of the principal enactment is hereby repealed and the the following new section substituted therefor:—

“Reduction of wealth tax in certain circumstances.

38. (1) The wealth tax payable by any person for any year of assessment commencing not later than April 1, 1972, shall not exceed eighty *per centum* of his assessable income for that year of assessment.

(2) The wealth tax payable by any person for any year of assessment commencing on or after April 1, 1978, shall not exceed eighty *per centum* of the aggregate of the assessable income of that person for that year of assessment and of any profits and income (other than the net annual value of a residence and any subsidy exempt from income tax under this



Act), being profits and income exempt from income tax under this Act or under any other enactment, and which, but for that exemption, would have been taken into account in computing the assessable income of that person for that year of assessment.”.

22. Section 38B of the principal enactment is hereby amended by the substitution, for the words and figures “for every year of assessment commencing on or after April 1, 1976,” of the words and figures;—

“for the year of assessment commencing on April 1, 1976,”.

23. Section 39 of the principal enactment is hereby amended in subsection (1) of that section as follows:—

(1) by the substitution, for paragraph (c) of that subsection, of the following new paragraph:—

“(c) at the rate or rates specified in Part I of the Sixth Schedule to this Act, for every year of assessment commencing on or after April 1, 1965, but prior to April 1, 1978; and”;

(2) by the addition, at the end of that subsection, of the following new paragraph:—

“(d) at the rate or rates specified in Part II of the Sixth Schedule to this Act, for every year of assessment commencing on or after April 1, 1978.”.

24. Section 41 of the principal enactment is hereby amended, in subsection (1) of that section, by the substitution, for paragraph (c) of that subsection, of the following new paragraph:—

“(c) to any child, whether such child is over or under twenty-one years of age, of such individual in consideration of the marriage of such child subject to a maximum of ten thousand rupees in value where such gift was made prior to April 1, 1977, and subject to a maximum of twenty-five thousand rupees in value where such gift is made on or after April 1, 1977, in respect of the marriage of each such child.”.

25. Section 46 of the principal enactment is hereby amended by the substitution, for the words “aggregated with the income of his parent”, of the words ‘aggregated with the income of his parent:

Provided that for each year of assessment commencing on or after April 1, 1975, the preceding provisions of this subsection shall apply as though there were substituted for the expression “age of twenty-five”, the expression “age of twenty-one.”.

26. Section 54 of the principal enactment is hereby amended by the repeal of subsection (8) of that section, and the substitution therefor of the following new subsection:—



“(8) Where an individual leaves Sri Lanka in any year of assessment commencing on or after April 1, 1970, and does not return to Sri Lanka for a period of at least twelve months calculated from the date on which he leaves Sri Lanka, his profits and income from employment arising in, or derived from, any place outside Sri Lanka for the period commencing on the date on which he leaves Sri Lanka and ending on the date on which he returns to Sri Lanka and becomes resident in Sri Lanka shall be exempt from income tax.”.

27. Section 69c of the principal enactment is hereby amended by the substitution, for the expression “before December 31, 1975,”, of the following:—

“before December 31, 1978, or within three years of the end of that year of assessment, whichever is later,”.

28. Section 73 of the principal enactment is hereby amended by the addition, at the end of that section, of the following new subsection:—

“(10) In the case of a person holding for the time being the office of the Leader of the Opposition in the National State Assembly—

- (a) the rental value of the place of residence provided to such person,
- (b) the allowance for the maintenance of the official conveyance paid to such person, and
- (c) a sum of seven hundred rupees out of the monthly remuneration paid to such person,

by the Government of Sri Lanka shall not be taken into consideration in ascertaining the profits and income arising to such person from that office.”.

29. Section 73B of the principal enactment is hereby amended by the substitution, for the words and figures “any year of assessment commencing on or after April 1, 1976,”, of the following:—

“the year of assessment commencing on April 1, 1976 or in the year preceding the year of assessment commencing on April 1, 1977,”.

30. Section 73C of the principal enactment is hereby amended, in subsection (1) of that section, by the substitution, for the words and figures, “any year of assessment commencing on or after April 1, 1976,” of the following:—

“the year of assessment commencing on April 1, 1976,” or in the year preceding the year of assessment commencing on April 1, 1979,”.

31. Section 73D of the principal enactment is hereby amended, in subsection (1) of that section, by the substitution, for the words and figures “any year of assessment commencing on or after April 1, 1976” of the following:—

“the year of assessment commencing on April 1, 1976 or in the year preceding the year of assessment commencing on April 1, 1977,”.



32. Section 73F of the principal enactment is hereby amended in subsection (1) of that section, by the substitution, for the words and figures "any year of assessment commencing on or after April 1, 1976," of the following:—

"the year of assessment commencing on April 1, 1976 or in the year of assessment commencing on April 1, 1977,".

33. Section 92 of the principal enactment is hereby amended by the repeal of subsection (1) of that section and the substitution therefor of the following new subsection:—

"(1) Where any person fails to comply with the notice in writing given to him by an Assessor requiring him to furnish a return of his income, wealth or gifts, and if he has a wife, child (other than a child who is in receipt of income which is wholly occupational income) or dependent relative, the income or wealth of such wife, child or dependent relative, or fails to furnish a return which he is required to furnish under section 96B (4), the Commissioner-General may in writing order that person —

(a) to pay as penalty for failure to comply with the requirements of such notice or the requirements of such section, a sum not exceeding two hundred and fifty rupees, and

(b) to furnish such return within a specified period."

34. Section 93 of the principal enactment is hereby amended by the repeal of subsection (2) of that section, and the substitution therefor of the following new subsection:—

"(2) Where a person has furnished a return of income, wealth or gifts, the Assessor may —

(a) either accept the return and make an assessment accordingly ; or

(b) if he does not accept the return, estimate the amount of the assessable income, taxable wealth or taxable gifts of such person and assess him accordingly and communicate to such person in writing the reasons for not accepting the return."

35. Section 94 of the principal enactment is hereby repealed and the following new section substituted therefor :—

"Addi-  
tional  
assessments

94. Where it appears to an Assessor that for any year of assessment any person chargeable with income tax, wealth tax or gifts tax has not been assessed or has been assessed at less than the proper amount, the Assessor may assess such person at the amount or additional amount at which according to his judgment such person ought to have been assessed, and the provisions of this Act as to notice of assessment, appeal and other proceedings shall apply to such assessment or additional assessment and to the tax charged thereunder :



Provided that —

- (a) no assessment shall be made of income tax or wealth tax, as the case may be, payable under this Act or of gifts tax payable under this Act in respect of any gift made in the year preceding any year of assessment and included by the donor in a return made by him on or before the fifteenth of May next succeeding that year of assessment —
  - (i) in respect of any year of assessment commencing prior to April 1, 1972, after six years from the end of that year of assessment;
  - (ii) in respect of the years of assessment commencing respectively, on April 1, 1972, April 1, 1973 and April 1, 1974, after March 31, 1979, and
  - (iii) in respect of any year of assessment commencing on or after April 1, 1975, after three years from the end of that year of assessment;
- (b) where the non-assessment or under assessment of any person for any year of assessment is due to fraud or wilful evasion an assessment or additional assessment may, notwithstanding anything in the preceding provisions of this section, be made at any time after the end of that year of assessment ; and
- (c) where an Assessor does not accept a return made by any person for any year of assessment and makes an assessment on that person for that year of assessment, he shall communicate to such person in writing his reasons for not accepting the return.”.

36. Section 96B of the principal enactment is hereby amended by repeal of subsection (4) of that section, and the substitution therefor of the following new subsection :—

“(4) Every person who is chargeable with income tax, wealth tax or gifts tax for any year of assessment commencing on or after April 1, 1972, shall, according as such tax is income tax, wealth tax, or gifts tax, furnish to the Commissioner-General, a return, in such form as may be prescribed by the Commissioner-General, of his income, wealth or gifts and if he has a wife, child (other than a child who is in receipt of income which is wholly occupational income) or dependent relative, the income or wealth of such wife, child or dependent relative —

- (a) where that year of assessment commences prior to April 1, 1978, at the time of payment of the quarterly instalment of such tax; and
- (b) where that year of assessment commences on or after April 1, 1978, on or before the fifteenth day of May in the year of assessment immediately preceding that year of assessment.”.

37. Section 96C of the principal enactment is hereby amended by the repeal of subsection (3) of that section and the substitution therefor of the following new subsection:—



(3) "where, in the opinion of the Assessor, any person chargeable with any income tax, wealth tax or gifts tax for any year of assessment has paid as quarterly instalment of that tax for that year of assessment an amount less than the proper amount which he ought to have paid as such instalment, the Assessor may assess the amount which in the judgment of the Assessor ought to have been paid by such person and shall, by notice in writing, require that person to pay forthwith the difference between the amount so assessed and the amount paid by that person :

Provided that—

(a) no assessment shall be made of income tax or wealth tax payable under this Act or gifts tax payable under this Act in respect of any gift made in the year preceding any year of assessment and included by the donor in a return of gifts made by him on or before the fifteenth of May next succeeding that year of assessment—

(i) in respect of the year of assessment commencing respectively, on April 1, 1972, April 1, 1973 and April 1, 1974, after March 31, 1979, and

(ii) in respect of any year of assessment commencing on or after April 1, 1975, after three years from the end of that year of assessment;

(b) nothing in the preceding provisions of this subsection shall preclude an Assessor from making, in accordance with those provisions, an additional assessment in respect of any individual on whom an assessment under this subsection has been made;

(c) where the non-assessment or underassessment of any person for any year of assessment is due to fraud or wilful evasion an assessment or additional assessment may, notwithstanding anything in the preceding provisions of this subsection, be made at any time after the end of that year of assessment;

(d) where an Assessor does not accept a return made by any person for any year of assessment and makes an assessment on that person for that year of assessment, he shall communicate to such person in writing his reasons for not accepting the return."

38. Section 97 of the principal enactment is hereby amended by the insertion, immediately after subsection (12) of that section, of the following new subsection:—

"(12A) Where the Commissioner-General hears the evidence of the appellant or of any other person in respect of the appeal, he shall maintain or cause to be maintained, a record of such evidence."

39. Section 101 of the principal enactment is hereby amended by the insertion, immediately after subsection (1) of that section, of the following new subsection:—



“(1A) The Commissioner-General shall, on receipt of a notice under subsection (1), transmit to the Board —

- (a) a copy of the list of documents and names of persons furnished by the appellant in compliance with any notice issued to him under section 97(7) by the Commissioner-General; and
- (b) a copy of the record of evidence maintained under section 97(12A).”.

40. Section 105 of the principal enactment is hereby amended as follows:—

- (a) by the renumbering of that section as subsection (1) of that section; and
- (b) by the insertion, immediately after subsection (1) of that section of the following new subsection:—

“(2) Where the aggregate of—

- (a) the wealth tax to which a person is liable for any year of assessment commencing on or after April 1, 1978, and
- (b) the income tax to which such person is liable for that year of assessment,

exceeds eighty *per centum* of the aggregate of the assessable income of that person for that year of assessment and of any profits and income (other than the net annual value of a residence and any subsidy exempt from income tax under this Act), being profits and income exempt from income tax under this Act or under any other enactment, and which but for that exemption would have been taken into account in computing the assessable income of that person for such year of assessment, such excess shall be set off against the wealth tax to which he is liable for that year of assessment.”.

41. Section 118 of the principal enactment is hereby amended in paragraph (d) of subsection (1) of that section by the substitution for the expression “88(1), 107 (6)”, of the expression “88(1), 96B(4), 107(6)”.

42. Section 129 of the principal enactment is hereby amended as follows:—

- (a) by the substitution, for the definition of “industrial undertaking”, of the following new definition:—

“ industrial undertaking for the purposes of section 10 means —

- (a) an undertaking for the manufacture or production by mechanical means, of any articles, goods or materials, or for the subjection, by mechanical means, of any articles, goods or materials to any process, or for mining or for printing, or for repairing machinery or vehicles or vessels, other than an undertaking in the case of which the Commissioner-General is satisfied that mechanical means are not used for the purpose of a substantial part of the work done in the undertaking, or



- (b) an undertaking for transporting persons or goods, or
  - (c) an undertaking for off-shore or deep-sea fishing; and
- (b) by the substitution, for the definition of "written-down value" of the following new definition:—

“written-down value” with reference to any plant, machinery or fixtures purchased before April 1, 1957, or, where the statutory income is directed by the Commissioner-General under section 12(2) to be computed up to any such day other than the thirty-first day of March as is specified in the direction, before such specified day in the year preceding the year of assessment commencing on April 1, 1957, means the residue of the cost thereof to the owner thereof after deducting the aggregate of a sum representing the total depreciation which has occurred in such plant, machinery or fixtures since the date of purchase by him but before March 31, 1977, and any sum deducted under the proviso to paragraph (a) of subsection (1) of section 10, such cost where any deduction in respect of such plant, machinery or fixtures was allowed under paragraph (d)(1) or paragraph (e)(1) of section 11(1) of the Income Tax Ordinance being deemed to be the amount of the difference between the actual amount of such cost and the amount of that deduction;’.

43. The First Schedule to the principal enactment is hereby amended as follows:—

- (1) in the item relating to non-resident individuals—
  - (a) in paragraph (f) of that item, by the substitution, for the words and figures “each year of assessment commencing on or after April 1, 1976”, of the following:—

“the year of assessment commencing on April 1, 1976, and for the immediately succeeding year of assessment”; and

- (b) by the insertion, immediately after paragraph (f) of that item, of the following new paragraph:—

“(g) For each year of assessment commencing on or after April 1, 1978—

On the first Rs. 15,000 of the taxable income 15 per centum

On the next Rs. 6,000 of the taxable income 20 per centum

On the next Rs. 6,000 of the taxable income 25 per centum

On the next Rs. 6,000 of the taxable income 30 per centum

On the next Rs. 6,000 of the taxable income 40 per centum

On the next Rs. 6,000 of the taxable income 50 per centum

On the next Rs. 6,000 of the taxable income 60 per centum

On the balance of the taxable income 70 per centum”; and



- (2) by the substitution, for the item relating to “Governments (other than the Government of Sri Lanka and the Government of the United Kingdom)”, of the following new item:—

“Governments (other than the Government of Sri Lanka and the Government of the United Kingdom)—

Taxable income of Governments other than the Government of Sri Lanka and the Government of the United Kingdom—

- (a) for each year of assessment commencing prior to April 1, 1965—  
63 per centum
- (b) for each year of assessment commencing on or after April 1, 1965 but prior to April 1, 1978—56 per centum
- (c) for each year of assessment commencing on or after April 1, 1978—66 per centum.’’.

44. The Second Schedule to the principal enactment is hereby amended as follows:—

(1) in Part VII of that Schedule, by the substitution, for the words and figures “for any year of assessment commencing on or after April 1, 1976”, of the following:—

“for the year of assessment commencing on April 1, 1976, and the immediately succeeding year of assessment”; and

(2) by the insertion, immediately after Part VII of that Schedule, of the following new Part:—

#### “PART VIII

The rates of income tax for any year of assessment commencing on or after April 1, 1978, shall be as follows:—

- On the first Rs. 1,800 of the taxable income  $7\frac{1}{2}$  per centum.  
On the next Rs. 1,800 of the taxable income 10 per centum.  
On the next Rs. 3,600 of the taxable income  $12\frac{1}{2}$  per centum.  
On the next Rs. 3,600 of the taxable income 15 per centum.  
On the next Rs. 3,600 of the taxable income 20 per centum.  
On the next Rs. 3,600 of the taxable income 25 per centum.  
On the next Rs. 3,600 of the taxable income 30 per centum.  
On the next Rs. 3,600 of the taxable income 35 per centum.  
On the next Rs. 4,800 of the taxable income 40 per centum.  
On the next Rs. 7,200 of the taxable income 45 per centum.  
On the next Rs. 7,200 of the taxable income 50 per centum.  
On the next Rs. 7,200 of the taxable income 55 per centum.



On the next Rs. 7,200 of the taxable income 60 *per centum*.

On the next Rs. 7,200 of the taxable income 65 *per centum*.

On the balance of the taxable income 70 *per centum*.”

45. The Sixth Schedule to the principal enactment is hereby repealed and the following new Schedule substituted therefor:—

“Sixth Schedule

Part I

For gifts made during the year preceding any year of assessment commencing on or after April 1, 1965 but prior to April 1, 1978, the gifts tax shall be at the same rate or rates specified in Part II of the Fifth Schedule subject however to the variation that for gifts made during the year preceding any year of assessment commencing on or after April 1, 1974, the rate on the first Rs. 50,000 of the value of all taxable gifts shall, in lieu of the 5 *per centum* specified in that Part of that Schedule, be 3 *per centum*.

Part II

For gifts made during the year preceding any year of assessment commencing on or after April 1, 1978, the rates of gifts tax shall be as follows,—

On the first Rs. 50,000 of the value of the all taxable gifts	..	Nil
On the next Rs. 30,000 of the value of the all taxable gifts	..	5%
On the next Rs. 3,000 of the value of the all taxable gifts	..	7½%
On the next Rs. 30,000 of the value of the all taxable gifts	..	10%
On the next Rs. 40,000 of the value of the all taxable gifts	..	13%
On the next Rs. 50,000 of the value of the all taxable gifts	..	14%
On the next Rs. 100,000 of the value of the all taxable gifts	..	16%
On the next Rs. 100,000 of the value of the all taxable gifts	..	18%
On the next Rs. 100,000 of the value of the all taxable gifts	..	24%
On the next Rs. 100,000 of the value of the all taxable gifts	..	30%
On the next Rs. 125,000 of the value of the all taxable gifts	..	32%
On the next Rs. 125,000 of the value of the all taxable gifts	..	36%
On the next Rs. 200,000 of the value of the all taxable gifts	..	42%
On the next Rs. 350,000 of the value of the all taxable gifts	..	48%
On the next Rs. 500,000 of the value of the all taxable gifts	..	55%
On the next Rs. 600,000 of the value of the all taxable gifts	..	60%
On the balance of the value of all taxable gifts	..	70%



TAX AMNESTY ACT, No. 5 of 1978

(Certified on 24th November, 1978)

AN ACT TO ENABLE THE DEPOSIT IN SPECIAL ACCOUNTS IN THE NATIONAL SAVINGS BANK OF MONEYS REPRESENTING ACCUMULATED PROFITS AND INCOME IN RESPECT OF WHICH A PERSON HAS NOT FURNISHED A RETURN OF INCOME OR WHICH HAVE NOT BEEN DISCLOSED IN A RETURN FURNISHED BY SUCH PERSON UNDER THE LAW RELATING TO THE IMPOSITION OF INCOME TAX; TO IMPOSE AND LEVY A TAX ON THE MONEYS DEPOSITED IN SUCH SPECIAL ACCOUNTS; TO ENABLE THE WITHDRAWAL OF THE MONEYS DEPOSITED IN SUCH SPECIAL ACCOUNTS FOR SPECIFIED PURPOSES; TO INDEMNIFY PERSONS WHO DEPOSIT MONEYS IN SUCH SPECIAL ACCOUNTS AGAINST LIABILITY TO PAY CERTAIN TAXES IN RESPECT OF THE PROFITS AND INCOME REPRESENTED BY SUCH MONEYS AND AGAINST PROSECUTIONS FOR OFFENCES IN RELATION TO SUCH PROFITS AND INCOME; AND FOR MATTERS CONNECTED THEREWITH OR INCIDENTAL THERETO.

1. This Act may be cited as the Tax Amnesty Act, No. 5 of 1978, and shall come into operation on December 1, 1978.

2. (1) Subject to the provisions of subsection (2), this Act shall apply to any person who under the law for the time being relating to the imposition of income tax was liable to pay such tax for any year of assessment commencing on or before April 1, 1977, in respect of any profits and income arising or accruing on or before March 31, 1977, and who has not furnished a return of income under the provisions of such law for any such year of assessment or who has failed to disclose such profits or income in any return furnished by him under the provisions of such law for any such year of assessment.

(2) The provisions of this Act shall not apply to any person in relation to whom investigations have been commenced by the Commissioner-General or by any other officer of the Department of Inland Revenue for any alleged or suspected evasion of any tax payable under the provisions of the law for the time being relating to the imposition of income tax, in respect of any profits and income arising or accruing on or before March 31, 1977.

(3) Every person referred to in subsection (1), not being a person to whom the provisions of subsection (2) applies shall hereafter in this Act be referred to as a "person to whom this Act applies".

3. Where any person to whom this Act applies has moneys which represent accumulated profits or income which arose or accrued on or before March 31, 1977, and—

(a) in respect of which such person has failed to furnish a return of income; or

(b) which such person has failed to disclose in any return of income furnished by him,



under the law for the time being relating to the imposition of income tax, then such person may, on or before March 31, 1979, deposit such moneys to his credit in any such special account as may be opened by him for that purpose in the Bank.

4. (1) Every person who deposits moneys in a special account in the Bank under the provisions of section 3 shall—

(a) make a declaration to the Bank in the Form set out in the Schedule to this Act; and

(b) be liable to pay to the Commissioner-General, a tax of an amount equal to 30 *per centum* of the moneys so deposited.

(2) The tax payable by any person under sub-section (1) shall, notwithstanding anything in any written law, be paid to the Commissioner-General by the Bank on or before April 30, 1979, out of moneys lying to the credit of such person in any such special account as is referred to in section 3.

(3) The payment by the Bank of the tax to the Commissioner-General under subsection (2) from the moneys lying to the credit of any person in any such special account as is referred to in section 3 shall be deemed to be authorized by such person, and such tax shall be deemed to have been paid by such person to the Commissioner-General.

5. Notwithstanding anything in any other law, the Bank shall not permit any person who has deposited any moneys in any such special account as is referred to in section 3 to withdraw, prior to April 1, 1983, the whole or any part of the balance amount lying to the credit of such person in such special account after payment of the tax referred to in section 4 (other than the interest accruing on such balance amount), except for the purposes specified in section 6.

6. (1) Any person who has deposited any moneys in any such special account as is referred to in section 3, may withdraw the balance amount lying to his credit in such special account after payment of the tax referred to in section 4, after March 31, 1983:

Provided, however, that such person may withdraw, after April 30, 1979, the whole or a part of such balance amount for—

(a) the purchase of ordinary shares—

(i) in a company approved by the Minister under section 16CC of the Inland Revenue Act, No. 4 of 1963, or approved by the Minister under this section as being essential for the economic progress of Sri Lanka;

(ii) in any company with which the Greater Colombo Economic Commission has entered into an agreement under section 17 of the Greater Colombo Economic Commission Law, No. 4 of 1978; or



- (b) the purpose of making any approved expenditure within the meaning of section 16F of the Inland Revenue Act, No. 4 of 1963; or
- (c) the purchase or construction of a house, if such purchase or construction is approved by the Commissioner for National Housing by a certificate issued under his hand.

(2) Where for the purposes of paragraph (c) of subsection (1), the Commissioner for National Housing refuses to approve the purchase or construction of a house, any person aggrieved by such refusal may appeal therefrom to the Minister in charge of the subject of Housing. The decision of the Minister on any such appeal shall be final and conclusive.

(3) Where any person who withdraws after April 30, 1979, any moneys lying to his credit in any such special account as is referred to in section 3 for any of the purposes specified in the proviso to section 6, fails to apply such moneys for the purpose for which such moneys were withdrawn, such person shall be guilty of an offence under this Act and shall, on conviction after summary trial before a Magistrate, be liable to a fine of an amount equal to the moneys withdrawn and an amount not exceeding twenty thousand rupees.

(4) Notwithstanding anything in any other law, in computing the taxable income for any year of assessment commencing on or after April 1, 1979, of any person who withdraws after April 1, 1979, moneys lying to his credit in any such special account as is referred to in section 3 and applies such moneys to any of the purposes specified in the proviso to section 6, no deduction shall be allowed from the assessable income of that person for that year of assessment, in respect of the moneys so applied.

7. The Bank shall pay interest on the balance amount lying to the credit of any person in any such special account as is referred to in section 3, after payment of the tax referred to in section 4, at the current rate of interest payable by the Bank on moneys lying to the credit of savings accounts. The interest so accruing may be withdrawn by such person after April 30, 1979.

8. Any person to whom this Act applies, who has deposited moneys in any such special account as is referred to in section 3 and who is deemed under section 4, to have paid the tax referred to in that section, shall not be liable—

- (a) to pay for any year of assessment commencing on or before April 1, 1977—
  - (i) any income tax or wealth tax under the law for the time being relating to the imposition of income tax; or
  - (ii) capital levy under the Capital Levy Act, No. 51 of 1971,

in respect of the profits or income or wealth represented by such moneys or to pay, for any quarter ending on or before March 31, 1977, any business turnover tax under the Finance Act, No. 11 of 1963, on the turnover from which such profits or income arose; or



- (b) to a prosecution for any offence under the law for the time being relating to the imposition of income tax or the Capital Levy Act, No. 51 of 1971, or the Finance Act, No. 11 of 1963, in relation to any year of assessment commencing on or before April 1, 1977, or to any period prior to April 1, 1977, in respect of, or in connection with, the profits or income or wealth represented by such moneys or the turnover from which such profits or income arose.

9. Nothing in the preceding provisions of this Act shall be read and construed as authorizing the revision of any assessment made prior to November 15, 1978, under the provisions of the law for the time being relating to the imposition of income tax or any other matter which has become final and conclusive under the aforesaid provisions.

10. (1) Every officer or employee of the Bank and every officer or employee of the Department of Inland Revenue shall preserve and aid in preserving secrecy with regard to all matters that may come to his knowledge in the operation of this Act:

Provided, however, that an officer or employee of the Bank may communicate to the Commissioner-General or to any officer of the Department of Inland Revenue or to a court of law for the purpose of complying with the provisions of this Act, the following particulars relating to any such special account as is referred to in section 3:-

- (a) name of the holder of the account and income tax file number;
- (b) name of business, if any, and income tax file number;
- (c) date of deposit or withdrawal;
- (d) amount deposited or withdrawn;
- (e) such other particulars as are referred to in any declaration made under section 4 (1) (a) in relation to such special account.

(2) Any officer or employee of the Bank or of the Department of Inland Revenue who acts in contravention of the provisions of subsection (1) shall be guilty of an offence under this Act, and shall, on conviction after summary trial before a Magistrate, be liable to a fine not exceeding two thousand rupees.

11. In this Act, unless the context otherwise requires—

the expressions “Commissioner-General” “profits”, “income” and “year of assessment” shall have the same meanings respectively as in the Inland Revenue Act, No. 4 of 1963;

“Bank” means the National Savings Bank established by the National Savings Bank Act, No. 30 of 1971;

“person” includes a company, a body of persons and a partnership;

“the law for the time being relating to the imposition of income tax” means the Income Tax Ordinance or the Inland Revenue Act, No. 4 of 1963.



SCHEDULE

Tax Amnesty Act, No. of 1978

DECLARATION UNDER SECTION 4 (1) (a)

Income Tax File No. Special Amnesty Savings Deposit

If any..... Account No.....

Name of business

if any..... Date.....

I Mr./Mrs./Miss./We .....

(full name)

of..... do hereby:—

(Address)

(1) request you —

(a) to accept in terms of the Tax Amnesty Act, No. of 1978, a sum of Rupees.....(Rs. ) to be placed in a Special Amnesty Savings Deposit Account in the name of..... of.....

(b) to remit direct to the Commissioner-General of Inland Revenue the tax due, on this amount amounting to Rupees.....(Rs. ).

(c) to hold the balance in that account, to wit — Amount Tendered Rs..... Less 30% Tax deductible Rs..... Balance to be held in Special Amnesty Savings Deposit Account by the National Savings Bank .....

(2) undertake not to withdraw any part of this balance amount before April 1, 1983, except for the purposes specified in section 6 of the aforementioned Act;

(3) agree to my/our Special Amnesty Savings Deposit Pass Book being kept in the safe custody of your Bank;

(4) further agree to be bound by the rules pertaining to Savings Deposits in your Bank for the time being, and which may come into effect from time to time.

signed in my presence

Signature of Depositor.

Signature of Branch Manager.



# SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

Act, No 15 of 1978.

(Certified on 11th December, 1978)

AN ACT TO PROVIDE FOR THE ESTABLISHMENT OF THE SRI LANKA EXPORT CREDIT INSURANCE CORPORATION AND FOR MATTERS CONNECTED THEREWITH OR INCIDENTAL THERETO.

1. This Act may be cited as the Sri Lanka Export Credit Insurance Corporation Act, No. 15 of 1978, and shall come into operation on such date (hereinafter referred to as the "appointed date") as may be appointed by the Minister by Order published in the *Gazette*.

## PART I

### CONSTITUTION OF THE SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

2. (1) There shall be established a Corporation which shall be called the Sri Lanka Export Credit Insurance Corporation (hereinafter referred to as the "Corporation")

(2) The Corporation shall, by the name assigned to it by subsection (1), be a body corporate and shall have perpetual succession and a common seal and may sue and be sued in such name.

(3) The head office of the Corporation shall be in Colombo and the Corporation may with the prior approval of the Minister establish branch offices within or outside Sri Lanka.

3. (1) The management and the administration of the affairs of the Corporation shall be vested in a Board of Directors (hereinafter referred to as the "Board") which shall consist of the following members appointed by the Minister: —

- (a) a Chairman in consultation with the Minister in charge of the subject of Finance;
- (b) an officer of the Central Bank of Ceylon nominated by the Monetary Board;
- (c) an officer of the Insurance Corporation of Ceylon nominated by the Board of Directors of the Insurance Corporation of Ceylon;
- (d) an officer of the Ministry of the Minister in charge of the subject of Trade; and
- (e) an officer of the Ministry of the Minister in charge of the subject of Finance nominated by such Minister.

(2) The provisions of Part III of this Act shall apply to the members of the Board.



4. The Board may exercise, discharge and perform the powers, functions and duties of the Corporation subject to such general or special directions as the Minister may issue from time to time and it shall be the duty of such Board to comply with such directions.

## PART II

### OBJECTS, POWERS AND FUNCTIONS

5. The objects of the Corporation shall be—

(1) to issue insurance policies to exporters of goods and services against non-receipt or delayed receipt of payments resulting from commercial and non-commercial risks;

(2) to issue guarantees to banks and other financial institutions to facilitate the granting of pre-shipment and post-shipment finance;

(3) to issue guarantees to persons or institutions abroad in connection with goods exported by any person or institution from Sri Lanka or for the due performance of any services to be rendered to such persons or institutions within or outside Sri Lanka;

(4) to provide financial assistance to exporters for the promotion and development of export of goods and services from Sri Lanka;

(5) to provide guarantees to exporters against losses that may be sustained in undertaking market surveys, publicity and any other promotional measures in foreign countries;

(6) to re-finance and provide refinancing facilities to banks and other financial institutions in respect of credit facilities granted by such banks and institutions for the promotion of exports;

(7) to undertake market studies abroad for promotion of exports from Sri Lanka and to conduct seminars and courses on various aspects of export promotion and to collect and disseminate information relating to marketing possibilities and procedures;

(8) to act as agent of the Government, or with the approval of the Government on its own account, to provide insurance and guarantees, undertake such responsibilities and discharge such functions as are considered by the Government as necessary in the national interest;

(9) to help exporters to diversify and expand exports, find new markets and sell their goods abroad on competitive terms of payment; and

(10) to discharge such other functions as the Corporation may consider as necessary for the achievement of any of its objects.

6. (1) For the purpose of carrying out its objects the Corporation may exercise, perform and discharge all or any of the following powers, duties and functions:—



- (a) acquire and hold any movable or immovable property and dispose of any property acquired or held by the Corporation;
- (b) draw, make, accept, discount, execute, endorse, issue and negotiate bills of exchange, promissory notes and other negotiable or transferable instruments;
- (c) obtain loans on such terms and conditions as may be approved by the Minister with the concurrence of the Minister in charge of the subject of Finance;
- (d) invest the moneys of the Corporation in appropriate Government securities as may be determined by the Corporation with the approval of the Minister given with the concurrence of the Minister in charge of the subject of Finance;
- (e) take all such steps as may be necessary or expedient for the protection or realization of any investment;
- (f) provide financial assistance in the form of loans with or without security to exporters, banks or any other person to promote the expansion of exports;
- (g) employ such officers and servants as may be necessary for the purpose of carrying out the work of the Corporation;
- (h) delegate, subject to the general or special directions of the Corporation, to any member or officer of the Corporation any functions or duties of the Corporation as the Corporation may consider necessary so to delegate for the efficient transaction of its business;
- (i) establish and maintain a provident fund for persons employed by the Corporation and to make contributions to such fund and to provide for the welfare of the employees and their dependants by grants of loans, pension or other payments;
- (j) appoint, employ, remunerate and control its officers, servants and agents and direct and decide all matters connected with the administration of its affairs;
- (k) enter into and perform all such contracts as may be necessary for or incidental to the carrying out and performance of its objects;
- (l) re-insure with any insurer, organisation or any Government any liability arising out of any policy of insurance or guarantee issued by the Corporation and to offer re-insurance to other insurers;
- (m) collaborate and associate with other insurers, in regional or international export credit insurance or re-insurance schemes;
- (n) provide managerial, technical and administrative training for its officers and servants;
- (o) furnish managerial, technical and administrative advice and services to any Government Departments, public corporation or other institution within or outside Sri Lanka; and
- (p) do all such other things as are incidental or conducive to the attainment of its objects.



PART III

BOARD OF DIRECTORS

7. A person shall be disqualified from being appointed or continuing as the Chairman or a member of the Board —

- (a) if he is or becomes a member of Parliament;
- (b) if he directly or indirectly holds or enjoys any right or benefit under any contract made by or on behalf of the Corporation; or
- (c) if he has any such financial or other interest as is likely to affect prejudicially the discharge by him of his functions as a member of the Board.

8. Every member appointed under section 3 shall unless he vacates office earlier by death, resignation or removal, hold office for a term of three years and shall be eligible for reappointment.

9. Any member of the Board may at any time resign his office by letter to that effect addressed to the Minister.

10. (1) The Minister may, by order published in the *Gazette*, remove the Chairman or any member from office without assigning any reason therefor and such removal shall not be called in question in any court:

Provided however that no member shall be removed under this subsection except in consultation with the Minister in consultation with whom such member was appointed or the Minister or authority nominating such member.

(2) In the event of the vacation of office by any member of the Board or his removal from office under the provisions of the preceding subsection, the Minister may appoint another person in like manner as such member was appointed in accordance with the provisions of section 3. Any person appointed in place of such member shall hold office during the unexpired part of the term of office of the member whom he succeeds.

(3) If any member of the Board is temporarily unable to perform the duties of his office during any period due to ill health or absence from Sri Lanka or for any other cause, the Minister may appoint some other person to act in his place during such period, in like manner as such member was appointed in accordance with the provisions of section 3.

11. The Chairman or any member of the Board may be paid such remuneration out of the Fund of the Corporation as may be determined by the Minister.

12. (1) The Chairman of the Board shall, if present preside at all meetings of the Board. In the absence of the Chairman from any such meeting, the members present shall elect one of the members to preside at such meetings.



(2) The quorum for any meeting of the Board shall be three members and the Board may regulate the procedure in regard to the meetings of such Board and the transaction of business at such meetings.

(3) All questions for decision at any meeting of the Board shall be decided by the vote of the majority of the members present. In the case of an equality of votes the member presiding shall have a casting vote.

13. A member who is directly or indirectly interested in any business transacted or proposed to be transacted by the Corporation shall disclose the nature of such interest at the meeting of the Board where such business is being discussed. The disclosure shall be recorded in the minutes of the Board and such member shall not take part in any deliberation or decision of the Board with regard to that business, and shall withdraw from such meeting while such deliberation is in progress or such decision is being made.

14. No act or decision or proceeding of the Board shall be invalidated by reason only of the existence of a vacancy among its members or any defect in the appointment of a member thereof.

15. (1) The seal of the Corporation shall be in the custody of the Board.

(2) The seal of the Corporation may be altered in such manner as may be determined by the Board.

(3) The seal of the Corporation shall not be affixed to any instrument or document except in the presence of two members of the Board who shall sign the instrument in token of their presence.

## PART IV

### FINANCE

16. (1) The authorized capital of the Corporation shall be five million rupees of which a sum of two and a half million rupees shall be initially paid up by the Central Bank of Ceylon and the Insurance Corporation of Ceylon in equal proportion.

(2) On a resolution adopted by the Board, the balance authorized capital of two and a half million rupees shall be drawn by the Corporation from the Central Bank of Ceylon and the Insurance Corporation of Ceylon in equal proportion.

(3) The authorized and paid-up capital of the Corporation may be increased from time to time by such amount as may be determined by the Corporation with the approval of the Minister given with the concurrence of the Minister in charge of the subject of Finance.

(4) The amount of any increase in the capital referred to in subsection (3) shall be paid to the Corporation in such instalments as may be determined by the Minister with the concurrence of the Minister in charge of the subject of Finance.



17. (1) At the request of the Minister, the Minister in charge of the subject of Finance shall guarantee the liability of the Corporation in respect of the insurance policies and guarantees issued by the Corporation up to such amount as may be determined by him.

(2) Any sum required for the fulfilment of a guarantee provided under subsection (1) may be paid out of the Consolidated Fund.

(3) In pursuance of a resolution of the Board, any portion of the amount of the guarantee provided under subsection (1) as may be determined by the Minister with the concurrence of the Minister in charge of the subject of Finance may be drawn by the Corporation for the payment of any claim in excess of the minimum reserves of the Corporation in respect of any insurance policies and guarantees issued by the Corporation.

18. The maximum limit up to which the Corporation may undertake liability under the policies of insurance and guarantees issued by the Corporation shall be determined from time to time by the Minister with the concurrence of the Minister in charge of the subject of Finance.

19. (1) The Corporation shall have its own Fund.

(2) There shall be paid into the Fund—

(a) any sum paid to the Corporation under section 16 and 17;

(b) all sums received by the Corporation as premium in respect of the policies of insurance and guarantees issued by the Corporation;

(c) all grants of money received by the Corporation; and

(d) all sums of money including recoveries and charges received by the Corporation in the exercise, discharge and performance of its powers, functions and duties.

(3) There shall be paid out of the Fund—

(a) all sums of money required for the discharge of the liabilities of the Corporation under the policies of Insurance and the guarantees issued by the Corporation; and

(b) all sums of money required to defray any expenditure incurred by the Corporation in the exercise, discharge and performance of its powers, functions and duties.

20. (1) The financial year of the Corporation shall be the calendar year.

(2) The provisions of Part II of the Finance Act, No. 38 of 1971, shall, *mutatis mutandis*, apply to the financial control and accounts of the Corporation as though such Corporation were a public corporation within the meaning of that Part of that Act.



21. (1) The net profit of the Corporation in each year shall be exempt from income tax.

(2) The profits of the Corporation may be invested in such manner as the Corporation may determine with the approval of the Minister in consultation with the Minister in charge of the subject of Finance.

(3) No dividend shall be paid on the share capital of the Corporation.

22. (1) No person other than a Director or a person expressly authorized by the Board, shall sign and execute any documents required to be signed or executed by the Board in the exercise, discharge or performance of any powers, functions or duties conferred or imposed on or assigned to him by the Board under this Act.

(2) Receipts signed by the Directors or by any person expressly authorized by the Board to sign such receipts shall be an effectual discharge of the amounts paid to the Corporation.

## PART V

### STAFF OF THE CORPORATION

23. (1) The Chairman shall function as the Managing Director of the Corporation.

(2) The Chairman shall, subject to the general directions and control of the Board, be charged with the direction of the business of the Corporation, the organisation and the exercise, discharge and performance of the powers, functions and duties of the Corporation and the administrative control of the employees of the Corporation.

(3) The Chairman may, with the approval of the Board, whenever he considers it necessary to do so delegate in writing to any employee any power, function or duty, conferred or imposed on or assigned to him by this Act and such employee shall exercise, discharge and perform such power, function or duty subject to the general or special directions of the Chairman.

24. (1) The Board may appoint such other officers and servants as it considers necessary for the efficient discharge of its functions.

(2) The officers and servants appointed under subsection (1) shall be remunerated in such manner and at such rates and shall be subject to such conditions of service as may be determined by the Board.

(3) At the request of the Board any officer in the public service may, with the consent of that officer and the Secretary to the Ministry of the Minister in charge of the subject of Public Administration, be temporarily appointed to the staff of the Corporation for such period as may be determined by the Corporation with like consent, or be permanently appointed to such staff.



(4) Where any officer in the Public Service is temporarily appointed to the staff of the Corporation, the provisions of subsection (2) of section 13 of the Transport Board Law, No. 19 of 1978, shall *mutatis mutandis* apply to and in relation to him.

(5) Where any officer in the Public Service is permanently appointed to the staff of the Corporation, the provisions of subsection (3) of section 13 of the Transport Board Law, No. 19 of 1978, shall *mutatis mutandis* apply to and in relation to him.

(6) Where the Corporation employs any person who has agreed to serve the Government for a specified period, any period of service to the Corporation by that person shall be regarded as service to the Government for the purpose of discharging the obligations of such agreement.

(7) At the request of the Corporation any member of the local Government Service or any other officer or servant of a local authority, may, with the consent of such member, officer or servant of the Local Government Service Advisory Board, or the local authority, as the case may be, be temporarily appointed to the staff of the Corporation for such period as may be determined by the Corporation with like consent or be permanently appointed to such staff on such terms and conditions including those relating to pension or provident fund rights as may be agreed upon by the Corporation and the Local Government Service Advisory Board or that local authority.

(8) At the request of the Board any officer or servant of a public corporation may, with the consent of such officer or servant, be temporarily appointed to the staff of the Corporation for such period as be determined by the Corporation with like consent, or be permanently appointed to such staff on such terms and conditions including those relating to pension and provident fund rights, as may be agreed upon by the Corporation and the said public corporation.

(9) Where any persons is temporarily appointed to the staff of the Corporation in pursuance of subsection (7) or (8), such person shall be subject to the same disciplinary control as any other member of such staff.

25. All Directors, officers and servants of the Corporation shall be deemed to be public servants within the meaning and for the purposes of the Penal Code.

26. The Corporation shall be deemed to be a scheduled institution within the meaning of the Bribery Act and the provisions of that Act shall be construed accordingly.

## PART VI

### GENERAL

27. No Director, officer or servant of the Corporation shall be liable for any damage or loss suffered by the Corporation unless such damage was caused by his wilful act or default.



28. (1) No suit or prosecution shall lie—

- (a) against the Board for any act which in good faith is done or purported to be done by the Board under this Act; or
- (b) against any Director, officer, servant or agent of the Corporation for any act which in good faith is done or purported to be done by him under this Act or on the direction of the Board.

(2) Any expenses incurred by the Corporation in any suit or prosecution brought by or against the Corporation before any court shall be paid out of the funds of the Corporation, and any costs paid to, or recovered by, the Corporation in any such suit or prosecution shall be credited to the funds of the Corporation.

(3) Any expenses incurred by any such person as is referred to in paragraph (b) of subsection (1) in any suit or prosecution brought against him before any court in respect of any act which is done or is purported to be done by him under this Act or on the direction of the Board shall, if the court holds that such act was one in good faith, be paid out of the funds of the Corporation unless such expenses are recovered by him in such suit or prosecution.

29. Every Director, employee or auditor of the Corporation shall, before entering upon his duties, sign a declaration pledging himself to observe strict secrecy respecting all transactions of the Corporation and all matters relating to such transactions and shall by such declaration pledge himself not to reveal any such transaction or matter except—

- (a) when required so to do by the Board of Directors, a court of law, or the person to whom the transaction or matter relates;
- (b) in the performance of his duties; and
- (c) in order to comply with any of the provisions of this Act or any other written law.

30. Any notice, order or document required or authorized under this Act or any regulation made thereunder to be served on any person, may be served—

- (a) by delivering it to that person or by delivering it at the usual or last known address of abode or business of that person in a cover addressed to such person;
- (b) by sending it by registered post addressed to that person at his usual or last known place of abode or business.

31. (1) The Minister may make regulations relating to all or any of the matters in respect of which regulations are required or authorized to be made.

(2) Every regulation made by the Minister shall be published in the *Gazette* and shall come into operation on the date of such publication or on such later date as may be specified therein.



(3) Every regulation made by the Minister shall, as soon as convenient after its publication in the Gazette, be brought before the Parliament for approval. Every regulation which is not so approved shall be deemed to be rescinded as from the date of disapproval, but without prejudice to the validity of anything previously done thereunder.

32. Any person who—

- (a) contravenes any provision of this Act or of any regulation made thereunder; or
- (b) furnishes for the purposes of this Act any information which is, or any document the contents of which are, or any part of the contents of which is, to his knowledge untrue or incorrect; or
- (c) wilfully obstructs any officer of the Corporation in the performance of his duties under the provisions of this Act,

shall be guilty of an offence and shall, on conviction after trial before a Magistrate, be liable to imprisonment of either description for a period not exceeding six months or to a fine not exceeding one thousand rupees or to both such imprisonment and fine.

33. All the assets, debts, liabilities and obligations of the Central Bank of Ceylon, acting as agent of the Government under the provisions of section 108 of the Monetary Law Act (Chapter 422), in relation to the Packing Credit Guarantee Scheme and the Export Performance Guarantee Scheme operated by the Bank and subsisting on the appointed date, shall be transferred to the Corporation.

34. Notwithstanding anything to the contrary in the Insurance Corporation Act, No. 2 of 1961, the Insurance Corporation of Ceylon may contribute to the share capital of the Corporation.

35. Notwithstanding anything to the contrary in the Insurance Corporation Act, No. 2 of 1961, the Corporation shall carry on the insurance business specified in this Act.

36. Notwithstanding anything to the contrary in the Monetary Law Act, the Central Bank of Ceylon may contribute to the share capital of the Corporation.

37. (1) The Minister may by regulations made under this Act provide for the application to the Corporation, with or without any modifications of any provisions of the Companies Ordinance.

(2) The provisions of the Companies Ordinance, other than the provisions of that Ordinance which are made applicable to the Corporation by regulations made under this Act, shall not apply to the Corporation.

38. The provisions of this Act shall have effect notwithstanding anything to the contrary in any other written law and accordingly, in the event of any conflict or inconsistency between the provisions of this Act and such other law, the provisions of this Act shall prevail.



APPROPRIATION ACT, No. 18 of 1978

(Certified on 27th December, 1978)

AN ACT TO PROVIDE FOR THE SERVICE OF THE FINANCIAL YEAR, 1979, TO AUTHORIZE THE RAISING OF LOANS IN OR OUTSIDE SRI LANKA FOR THE PURPOSE OF SUCH SERVICE, TO MAKE FINANCIAL PROVISION IN RESPECT OF CERTAIN ACTIVITIES OF THE GOVERNMENT DURING THAT FINANCIAL YEAR, TO ENABLE THE PAYMENT, BY WAY OF ADVANCES OUT OF THE CONSOLIDATED FUND OR ANY OTHER FUND OR MONEYS OF, OR AT THE DISPOSAL OF, THE GOVERNMENT, OF MONEYS REQUIRED DURING THAT FINANCIAL YEAR FOR EXPENDITURE ON SUCH ACTIVITIES, TO PROVIDE FOR THE REFUND OF SUCH MONEYS TO THE CONSOLIDATED FUND, AND TO MAKE PROVISION FOR MATTERS CONNECTED WITH, OR INCIDENTAL TO, THE AFORESAID MATTERS.

1. This Act may be cited as the Appropriation Act, No. 18 of 1978.

2. (1) Without prejudice to any other law authorizing any expenditure, the expenditure of the Government, which it is estimated will be rupees sixteen thousand eight hundred and forty-two million eight hundred and fifty-four thousand seven hundred and seventy-four for the service of the period beginning on January 1, 1979, and ending on December 31, 1979, in this Act referred to as the "financial year 1979", shall be met—

(a) from payments which are hereby authorized to be made out of the Consolidated Fund or any other fund or moneys of, or at the disposal of, the Government; and

(b) from the proceeds of loans which are hereby authorized to be raised, whether in or outside Sri Lanka, for and on behalf of the Government, so however, that the aggregate of such proceeds does not exceed rupees eight thousand one hundred and eighty six million.

The sum of rupees sixteen thousand eight hundred and forty two million eight hundred and fifty-four thousand seven hundred and seventy-four herein before referred to may be expended as specified in the First Schedule to this Act.

(2) The provisions of subsection (1) of this section shall have effect without prejudice to the provisions of any other written law authorizing the raising of loans for and on behalf of the Government.

3. (1) The receipts of the Government, during the financial year referred to in section 2, from each activity specified in column 1 of the Second Schedule to this Act shall be credited to the Account of such activity, but the aggregate of the receipts so credited shall not exceed the minimum limit specified



in the corresponding entry in column III of that Schedule. Any receipts from such activity in excess of such minimum limit shall be credited to the Consolidated Fund.

(2) The expenditure incurred by the Government, during the financial year referred to in section 2, on each activity specified in column I of the Second Schedule to this Act shall be paid out of the receipts of the Government from such activity during that financial year, but such expenditure shall not exceed the maximum limit specified in the corresponding entry in column II of that Schedule.

(3) The debit balance, outstanding at the end of the financial year referred to in section 2, of any activity specified in column I of the Second Schedule to this Act shall not exceed the maximum limit specified in the corresponding entry in column IV of that Schedule, and the total liabilities of that activity at the end of that financial year shall not exceed the maximum limit specified in the corresponding entry in column V of that Schedule.

4. Whenever, at any time during the financial year referred to in section 2, the receipts of the Government from any activity specified in column I of the Second Schedule to this Act are insufficient to meet the expenditure incurred by the Government on such activity, the Minister may, from time to time, by Order direct that such sums as he may deem necessary to meet such expenditure shall be payable, by way of advances, out of the Consolidated Fund or any other fund or moneys of, or at the disposal of, the Government, so however, that the aggregate of the sums so advanced does not exceed the maximum limit of expenditure specified in the corresponding entry in column II of that Schedule. Any sums so advanced in respect of such activity shall be refunded to the Consolidated Fund in such manner as the Minister may by Order direct.

5. (1) Any moneys which, by virtue of the provisions of the First Schedule to this Act, have been allocated to Recurrent Expenditure under any Programme appearing under any Head specified in that Schedule, but have not been expended or are not likely to be expended, may be transferred to the allocation of Capital Expenditure within that Programme, or to the allocation of Recurrent Expenditure or Capital expenditure under any other Programme within that Head by order of the Secretary to the Treasury or any other officer authorized by him.

(2) No moneys allocated to Capital Expenditure under any Programme appearing under any Head specified in the First Schedule to this Act shall be transferred out of that allocation.



6. Where the Minister is satisfied —

(1) that receipts from taxes and other sources will be less than the amounts anticipated to finance authorized expenditure; or

(2) that amounts originally appropriated for a particular purpose or purposes are no longer required,

he may, with the approval of the Government, withdraw in whole or in part any amounts previously released, for expenditure under the authority of a warrant issued by him, from the Consolidated Fund or from any other fund or moneys of, or at the disposal of, the Government.

7. The Minister with the approval of the Government, may, on or before May 31, 1980, by order vary or alter any of the maximum limits, specified in column II, column IV and column V or the minimum limits specified in column III of the Second Schedule to this Act. Any such Order shall, if so expressed therein, be deemed to have had effect from such date prior to the date of making of such Order as may be specified therein.

8. Parliament may, by resolution, amend the Second Schedule to this Act, by adding to the appropriate columns of that Schedule, any activity and all or any of the maximum limits relating to such activity.



6. Where the Minister is satisfied - (1) that receipts from taxes and other sources will be less than the amounts anticipated to finance authorised expenditure; or

(2) that amounts originally appropriated for a particular purpose or purposes are no longer required, he may, with the approval of the Government, withdraw in whole or in part any amounts previously released for expenditure under the authority of a warrant issued by him from the Consolidated Fund or from any other fund or moneys of, or at the disposal of, the Government.

7. The Minister with the approval of the Government, may, on or before May 31, 1980, by order vary or alter any of the maximum limits specified in column II, column IV and column V of the minimum limits specified in column III of the Second Schedule to this Act. Any such Order shall, if so expressed therein, be deemed to have had effect from such date prior to the date of making of such Order as may be specified therein.

8. Parliament may, by resolution, amend the Second Schedule to this Act by adding to the appropriate columns of that Schedule, any activity and, also, any of the maximum limits relating to such activity.

9. (1) Any amount which is available under any of the First Schedule to this Act, has been transferred to a programme under this Act and has not been used for the purposes of that programme, may be transferred to the allocation of Capital Expenditure within that programme, or to the allocation of Recurrent Expenditure within that programme, or to any other programme, as may be decided by the Treasury or any other officer authorised by him.

(2) No money allocated to Capital Expenditure under any programme appearing under any Head specified in the First Schedule to this Act shall be transferred out of that allocation.







# NATIONAL PRODUCT AND EXPENDITURE

## TABLE 1

### Gross National Product at Current Factor Cost Prices

Sector	Rupees Million									
	1959	1970	1971	1972	1973	1974	1975	1976	1977	1978
1. Agriculture, Forestry, Hunting and Fishing	2,302.4	3,950.6	3,857.2	4,050.1	5,081.1	8,433.0	8,661.3	8,919.6	11,525.4	12,047.3
2. Mining and Quarrying	31.3	84.1	91.0	95.1	323.6	246.9	315.6	434.4	387.7	738.8
3. Manufacturing	682.1	1,424.6	1,480.1	1,720.3	1,984.5	2,442.1	3,216.7	3,527.6	4,447.2	5,446.0
4. Construction	282.9	744.0	751.1	711.1	802.1	1,011.3	1,018.0	1,164.2	1,133.3	1,965.5
5. Electricity, Gas, Water and Sanitary Services	9.5	101.0	113.0	130.0	136.0	154.0	164.0	171.0	194.0	239.0
6. Transport, Storage and Communications	540.9	1,151.9	1,203.8	1,333.4	1,525.0	1,683.4	1,888.7	2,237.8	2,611.9	2,978.6
7. Wholesale and Retail Trade	800.8	1,795.9	1,814.4	1,985.5	2,455.1	2,560.2	3,076.3	3,627.5	4,337.0	6,750.0
8. Banking, Insurance and Real Estate	50.9	152.2	165.8	191.0	219.9	301.9	335.9	418.6	541.5	844.6
9. Ownership of Dwellings	200.6	398.9	406.7	413.6	420.9	455.7	463.0	467.6	475.8	532.9
10. Public Administration and Defence	301.0	516.5	549.6	575.0	654.4	704.2	797.8	948.0	1,177.4	1,516.4
11. Services	727.6	1,458.5	1,548.6	1,619.4	1,782.0	1,976.4	2,275.8	2,469.6	2,582.1	3,256.7
12. Gross Domestic Product	5,930.0	11,778.2	11,981.3	12,824.5	15,384.6	19,969.1	22,213.1	24,385.9	29,413.3	36,315.8
13. Net Factor Income from Abroad	- 36.7	- 141.8	- 121.0	- 114.7	- 110.6	- 111.1	- 140.3	- 170.5	- 142.6	- 176.9
14. Gross National Product	5,893.3	11,636.4	11,860.3	12,709.8	15,274.0	19,858.0	22,072.8	24,215.4	29,270.7	36,138.9

Estimates for 1976 to 1978 are provisional.

Source: Central Bank of Ceylon



# NATIONAL PRODUCT AND EXPENDITURE

TABLE 2

## Gross National Product at Constant (1959) Factor Cost Prices

Sector	Rupees Million										
	1959	1970	1971	1972	1973	1974	1975	1976	1977	1978	
1. Agriculture, Forestry, Hunting and Fishing	..	2,302.4	3,406.6	3,311.2	3,475.6	3,419.8	3,582.0	3,596.3	3,568.4	3,827.7	3,989.5
2. Mining and Quarrying	..	31.3	65.2	66.6	67.5	266.2	190.9	248.2	354.3	310.6	410.9
3. Manufacturing	..	682.1	1,331.8	1,378.9	1,400.1	1,421.0	1,420.1	1,460.4	1,488.7	1,504.9	1,632.1
4. Construction	..	282.9	577.2	549.5	505.0	516.2	552.8	503.4	531.1	480.0	628.8
5. Electricity, Gas, Water and Sanitary Services	..	9.5	78.3	72.8	78.3	82.9	83.7	90.7	98.6	101.5	122.5
6. Transport, Storage and Communications	..	540.9	913.2	920.3	987.6	1,018.7	1,053.7	1,100.1	1,143.4	1,198.2	1,285.0
7. Wholesale and Retail Trade	..	800.8	1,393.2	1,315.7	1,327.2	1,383.2	1,449.8	1,501.4	1,544.9	1,622.9	1,779.9
8. Banking, Insurance and Real Estate	..	50.9	118.0	128.5	135.6	141.9	164.9	183.6	191.0	229.3	263.4
9. Ownership of Dwellings	..	200.6	301.5	307.4	312.6	318.1	344.4	350.0	353.4	359.6	374.0
10. Public Administration and Defence	..	301.0	458.8	488.1	522.2	566.6	609.1	645.6	675.8	703.4	759.7
11. Services	..	727.6	1,183.7	1,297.0	1,334.0	1,379.4	1,440.6	1,512.8	1,592.9	1,703.5	1,797.1
12. Gross Domestic Product	..	5,930.0	9,827.5	9,836.0	10,145.7	10,514.0	10,892.0	11,192.5	11,542.5	12,041.6	13,042.9
13. Net Factor Income from Abroad	..	- 36.7	- 84.1	- 66.9	- 60.4	- 43.9	- 24.9	- 26.9	- 36.9	- 25.2	- 41.0
14. Gross National Product	..	5,893.3	9,743.4	9,769.1	10,085.3	10,470.1	10,867.1	11,165.6	11,505.6	12,016.4	13,001.9

Estimates for 1976 to 1978 are provisional.

Source: Central Bank of Ceylon



End of Period	CURRENCY			
	(i) Total	(ii) Held by Govt.	(iii) Held by Banks	(iv) Held by Public (i) - (ii) - (iii)
1950	367.4	6.0	36.0	325.4
1951	417.0	5.9	33.8	377.4
1952	388.8	4.8	27.4	356.6
1953	367.1	6.3	25.5	335.3
1954	376.2	7.5	26.9	341.8
1955	425.0	9.0	31.5	384.5
1956	443.4	8.4	33.9	401.1
1957	475.1	9.8	30.4	434.9
1958	578.3	17.7	30.8	529.8
1959	621.3	12.7	43.5	565.0
1960	644.6	10.0	39.3	595.3
1961	763.8	14.2	57.4	692.2
1962	789.4	10.0	66.8	712.6
1963	900.9	8.8	63.7	828.4
1964	932.1	8.2	70.9	853.0
1965	1,002.8	6.6	94.7	901.4
1966	993.7	6.7	104.5	882.5
1967	1,072.8	8.0	84.8	979.9
1968	1,181.9	9.1	106.6	1,066.2
1969	1,212.7	7.2	121.5	1,083.9
1970	1,090.4	9.6	145.7	935.1
1971	1,285.1	1.6	168.1	1,115.3
1972*	1,444.8	2.9	239.5	1,202.3
1973	1,653.0	0.9	215.4	1,436.7
1974	1,829.0	1.2	288.5	1,539.3
1975	1,890.4	0.3	280.3	1,609.8
1976				
March	2,060.4	0.7	271.2	1,788.4
June	2,212.5	0.4	308.1	1,903.9
September	2,269.0	0.6	308.3	1,960.1
December	2,407.2	0.6	326.2	2,080.5
1977				
January	2,474.6	1.6	367.7	2,105.2
February	2,543.7	0.9	325.0	2,217.8
March	2,766.3	1.7	373.7	2,390.9
April	2,899.1	2.9	445.0	2,451.2
May	2,870.3	0.9	449.4	2,419.9
June	3,004.0	4.9	373.5	2,625.6
July	2,986.5	3.3	443.1	2,540.2
August	2,947.7	2.2	416.3	2,529.3
September	2,959.2	3.9	390.3	2,565.0
October	3,011.0	2.1	460.0	2,548.9
November	3,099.1	3.2	480.4	2,615.5
December	3,219.1	1.3	426.2	2,791.7
1978				
January	3,243.0	2.9	475.4	2,764.8
February	3,280.1	1.4	443.2	2,835.6
March	3,519.2	2.2	474.9	3,042.2
April	3,670.2	1.2	597.5	3,071.6
May	3,497.0	1.3	547.4	2,948.4
June	3,391.3	1.4	451.8	2,938.1
July	3,259.0	1.0	451.6	2,806.4
August	3,250.2	3.0	443.9	2,803.3
September	3,280.1	2.5	419.2	2,858.4
October	3,327.1	2.0	462.3	2,862.7
November	3,314.8	2.4	508.5	2,803.9
December	3,508.6	0.9	492.1	3,015.5

- (i) Total amount of currency, including subsidiary notes and coins, issued by the Currency Board up to July 1950, and thereafter by the Central Bank.
- (ii) Currency held by the Treasury and the Kachcheries. Figures prior to 1951 do not include subsidiary notes and coins.
- (v) Total demand deposits held by the Central Bank and the commercial banks.
- (vi) Government demand deposits with the commercial banks and the Central Bank are included in 1950 balances belonging to the Board of Commissioners of Currency.



DEMAND DEPOSITS				(ix)	(x)
(v) Total	(vi) Held by Govt.	(vii) Held by Banks	(viii) Held by Public (v)-(vi)-(vii)	Money Supply (iv)+(viii)	(viii) as percentage of (ix)
925.3	147.6	192.3	585.4	910.7	64.3
977.9	119.2	229.9	628.8	1,006.2	62.5
761.8	52.3	170.3	539.2	895.8	60.2
614.9	43.7	79.7	491.5	826.8	59.4
778.2	51.0	111.9	615.3	957.1	64.3
930.6	93.5	148.7	688.4	1,072.9	64.2
1,011.1	127.8	157.6	725.7	1,126.8	64.4
804.1	87.2	111.6	605.2	1,040.1	58.2
812.0	122.6	142.5	546.9	1,076.8	50.8
853.4	67.7	173.0	612.7	1,177.7	52.0
892.7	73.4	205.7	613.6	1,208.9	50.8
873.6	58.9	218.3	596.4	1,288.6	46.2
1,053.9	126.8	297.0	730.0	1,342.7	46.9
1,124.2	126.9	319.7	677.7	1,506.0	45.0
1,265.4	131.0	365.5	768.8	1,621.8	47.4
1,355.7	133.9	407.6	814.3	1,715.7	47.5
1,429.6	218.2	435.0	776.4	1,658.9	46.8
1,643.8	164.7	651.4	827.7	1,807.6	45.8
1,878.2	232.2	799.0	847.0	1,913.2	44.3
1,734.5	160.9	774.4	799.2	1,883.1	42.4
2,063.5	278.6	753.3	1,031.5	1,966.6	52.4
1,925.5	208.1	683.6	1,033.8	2,149.1	48.1
2,581.8	499.9	803.1	1,278.8	2,481.1	51.5
2,768.4	430.2	997.1	1,341.0	2,777.7	48.3
3,064.3	547.1	1,111.0	1,406.3	2,945.6	47.7
3,024.2	426.8	1,119.0	1,478.4	3,088.1	47.9
2,900.6	293.1	1,005.4	1,602.2	3,390.6	47.2
3,206.0	315.6	1,066.1	1,824.3	3,728.2	48.9
3,545.8	598.7	1,017.7	1,929.3	3,889.4	49.6
4,015.1	702.4	1,227.6	2,085.1	4,165.6	50.1
4,067.4	745.7	1,223.2	2,097.5	4,202.8	49.9
4,192.4	739.7	1,241.3	2,211.4	4,429.3	49.9
4,259.4	707.4	1,233.2	2,318.8	4,709.7	49.2
4,188.4	644.2	1,231.0	2,313.2	4,764.4	48.6
4,357.0	676.0	1,292.6	2,388.3	4,808.2	49.7
4,390.2	797.9	1,270.4	2,321.9	4,947.4	46.9
4,518.0	920.7	1,244.3	2,353.0	4,893.2	48.1
4,666.2	1,038.6	1,245.0	2,382.6	4,911.9	48.5
4,539.3	782.4	1,297.7	2,459.2	5,024.2	48.9
4,483.3	583.1	1,387.6	2,512.6	5,061.5	49.6
4,743.2	680.1	1,424.8	2,638.3	5,253.8	49.8
5,320.4	870.4	1,875.8	2,574.2	5,365.8	48.0
5,806.2	887.7	2,003.9	2,914.6	5,679.4	51.3
5,949.1	949.9	2,004.6	2,994.5	5,830.1	51.4
5,772.5	941.7	1,872.1	2,958.6	6,000.8	49.3
5,875.6	1,084.0	1,838.5	2,953.0	6,024.6	49.0
6,064.4	1,286.4	1,850.6	2,927.4	5,875.7	49.8
5,656.3	1,060.4	1,670.0	2,926.0	5,864.1	49.9
5,229.8	829.6	1,636.8	2,763.4	5,569.8	49.6
5,623.2	699.8	2,203.2	2,720.2	5,523.5	49.2
5,843.6	810.7	2,086.7	2,946.1	5,804.5	50.8
6,118.4	836.2	2,309.5	2,972.7	5,835.4	50.9
6,574.0	1,116.6	2,306.4	3,151.1	5,955.0	52.9
7,177.4	1,942.0	2,314.5	2,920.8	5,936.4	49.2

Source: Central Bank of Ceylon.

(vii) Inter-bank deposits both local and foreign, including from 1950 deposits of international organisations and commercial banks with the Central Bank.

\* These figures are distorted as a result of the strike by employees of commercial banks which began on 1st September 1972 and ended on 17th December 1972.



End of Period	Money Supply		External Assets (net) of Central Bank and Commercial Banks (including outward bills)		Domestic Assets (net) of Central Bank (a)	
	Amount	Cumulative change	Amount	Cumulative change	Amount	Cumulative change
1956 .. ..	1,126.8	53.9	888.4	20.4	75.2	30.2
1957 .. ..	1,040.1	86.7	679.2	209.2	10.7	64.5
1958 .. ..	1,076.8	36.6	596.9	82.2	189.4	200.1
1959 .. ..	1,177.7	101.0	402.0	195.0	414.2	224.8
1960 .. ..	1,208.9	31.1	231.8	170.2	641.1	226.9
1961 .. ..	1,288.6	79.8	153.1	78.6	774.8	133.7
1962 .. ..	1,342.7	54.0	62.0	91.1	935.1	160.3
1963 .. ..	1,506.0	163.3	8.7	53.2	1,070.9	135.7
1964 .. ..	1,621.8	115.8	25.7	16.9	1,146.1	75.3
1965 .. ..	1,715.7	93.8	105.5	79.8	1,130.9	15.2
1966 .. ..	1,658.9	56.8	90.8	196.3	1,338.5	207.5
1967 .. ..	1,807.6	148.7	182.3	91.5	1,475.0	136.5
1968 .. ..	1,913.2	105.6	298.1	115.7	1,781.7	306.7
1969 .. ..	1,833.1	30.1	597.6	299.6	1,932.3	150.6
1970 .. ..	1,966.6	83.5	599.2	1.5	1,967.6	35.3
1971 .. ..	2,149.1	182.5	398.7	200.5	1,904.3	63.3
1972* .. ..	2,481.1	332.0	318.2	80.5	2,216.7	312.4
1973 .. ..	2,777.7	296.6	32.1	350.3	2,190.6	26.0
1974 .. ..	2,945.6	167.8	147.1	179.2	2,162.0	28.6
1975 .. ..	3,088.1	142.6	361.6	214.5	2,322.3	160.3
1976 March .. ..	3,390.6	302.5	147.8	213.9	2,298.7	23.6
June .. ..	3,728.2	640.1	115.9	245.7	2,462.2	139.9
September .. ..	3,889.4	801.2	44.2	317.4	2,387.7	65.5
December .. ..	4,165.6	1,077.4	108.5	470.1	2,768.6	446.3
1977 January .. ..	4,202.8	37.2	42.6	65.9	2,781.3	12.7
February .. ..	4,429.3	263.7	189.2	80.7	2,742.3	26.3
March .. ..	4,709.7	544.1	178.5	70.0	2,825.7	57.1
April .. ..	4,764.4	598.8	272.4	163.9	2,707.7	60.9
May .. ..	4,808.2	642.6	364.3	255.8	2,646.8	121.8
June .. ..	4,947.4	781.8	406.3	297.8	2,756.7	11.9
July .. ..	4,893.2	727.6	536.4	427.9	2,667.4	101.2
August .. ..	4,911.9	746.3	860.0	751.5	2,556.2	212.4
September .. ..	5,024.2	858.6	1,294.9	1,186.4	2,391.1	377.5
October .. ..	5,061.5	895.9	1,538.8	1,430.3	2,163.0	605.6
November .. ..	5,253.8	1,088.2	2,912.5	2,804.0	847.2	1,921.4
December .. ..	5,365.8	1,200.2	3,705.8	3,597.3	529.1	2,239.5
1978 January .. ..	5,679.4	313.6	4,083.2	377.4	302.0	227.1
February .. ..	5,830.1	464.3	4,447.8	742.0	64.5	464.6
March .. ..	6,000.8	634.9	4,572.8	867.0	22.8	506.3
April .. ..	6,024.6	658.8	4,665.4	959.6	191.6	720.7
May .. ..	5,875.7	509.9	4,587.7	881.9	156.4	685.5
June .. ..	5,864.1	498.3	4,465.4	759.6	424.4	953.5
July .. ..	5,569.8	204.0	4,859.3	1,153.5	1,340.5	1,869.6
August .. ..	5,523.5	157.7	4,924.5	1,218.7	1,317.9	1,847.0
September .. ..	5,804.5	438.7	5,058.7	1,352.9	1,079.5	1,608.6
October .. ..	5,835.4	469.6	5,747.0	2,041.2	1,719.0	2,248.1
November .. ..	5,955.0	589.2	5,471.7	1,765.9	931.4	1,460.5
December .. ..	5,936.4	570.6	5,589.9	1,884.1	188.0	717.1

Note: Cumulative changes refer to changes from the beginning of each calendar year. Signs in columns showing cumulative changes indicate effect on money supply.

(a) Domestic assets of the Central Bank exclude the item 'loans and advances to others' but include the Central Bank's holdings of the Sri Lanka Government War Loan re-lent to U.K.

(b) Includes government guaranteed securities, Central Bank issues and from March 1969 cash items purchased on government account.

(c) Includes banks' investments in private securities.



Commercial Banks' non-cash domestic assets		Private loans, overdrafts, bills (local and import bills) and cash items in process of collection (c)		Fixed and savings deposits and other liabilities (net) of commercial banks		Adjustments for items in transit		Government rupee cash (d)	
Government securities, Treasury bills and Government import bills (b)									
Amount	Cumulative change	Amount	Cumulative change	Amount	Cumulative change	Amount	Cumulative change	Amount	Cumulative change
346.2	62.7	363.2	93.2	217.4	31.4	1.7	0.1	176.8	61.0
338.8	7.4	418.5	55.3	255.8	38.4	2.4	0.7	127.5	49.3
299.2	39.6	471.9	53.4	323.9	68.1	7.1	9.6	163.9	36.4
329.4	30.2	481.7	9.7	347.1	23.2	2.5	9.6	99.9	64.0
335.4	6.0	513.2	31.5	419.6	72.5	1.1	1.4	91.9	8.0
356.8	21.4	525.7	12.5	439.2	19.6	0.1	1.0	82.5	9.4
428.1	71.3	567.9	42.2	490.1	50.9	1.8	1.7	158.6	76.1
447.9	19.8	692.9	125.0	545.4	55.4	2.0	0.2	166.9	8.3
451.5	3.6	775.5	82.6	602.6	57.2	4.3	2.3	170.1	3.2
543.8	92.3	786.3	10.8	669.7	67.1	1.1	3.2	180.1	10.0
481.2	62.6	873.3	87.0	699.1	29.4	1.2	0.1	242.9	62.9
556.3	75.1	978.9	105.6	832.0	132.9	1.3	0.1	186.9	56.0
441.4	114.9	1,243.1	264.1	997.4	165.5	1.1	0.2	256.3	69.4
454.4	13.0	1,469.2	226.1	1,191.3	193.8	0.6	1.7	184.5	71.9
648.5	194.1	1,616.6	147.4	1,357.8	166.5	0.5	1.1	308.6	124.2
697.8	49.3	1,759.6	143.0	1,576.9	219.1	4.2	4.7	241.2	67.4
827.3	129.5	2,186.3	426.7	1,881.3	304.3	14.9	19.2	534.8	293.6
536.3	291.0	2,163.7	22.6	1,669.7	211.5	8.4	6.5	466.8	68.0
423.4	112.9	3,235.4	1,071.7	2,208.2	538.5	66.7	75.1	586.6	119.8
415.3	8.1	3,402.7	167.3	2,244.4	36.1	20.2	46.5	466.3	120.3
420.9	5.6	3,488.8	86.2	2,292.2	47.8	44.8	65.1	333.0	133.3
438.6	23.3	3,720.9	318.2	2,419.8	175.4	4.9	25.2	352.8	113.5
823.0	407.7	3,912.9	510.2	2,600.1	355.7	46.3	26.0	636.2	169.9
782.1	366.8	3,984.8	582.1	2,756.5	512.2	17.1	3.1	739.0	272.6
735.2	46.8	4,275.4	290.6	2,911.5	154.9	63.8	46.7	784.1	45.2
631.4	150.7	4,493.0	508.2	2,947.2	190.7	97.5	80.4	776.8	37.9
648.9	133.2	4,777.4	792.6	3,048.4	291.9	80.7	63.6	753.1	14.1
635.4	146.7	4,863.3	878.4	3,069.0	312.5	37.9	20.8	683.2	55.7
618.1	164.0	5,001.4	1,016.6	3,143.0	386.5	34.0	16.9	713.4	25.6
638.4	143.7	5,267.9	1,283.1	3,325.2	568.7	41.3	24.2	838.0	99.0
643.4	138.7	5,286.5	1,301.7	3,316.7	560.2	37.0	19.9	960.8	221.8
668.8	113.3	5,382.3	1,397.5	3,527.5	771.0	51.5	34.4	1,079.5	340.5
658.5	123.6	5,279.2	1,294.4	3,688.8	932.3	13.8	3.2	924.6	185.6
677.0	105.1	5,280.3	1,295.5	3,886.2	1,129.7	13.1	4.0	724.5	14.4
790.9	8.8	5,703.0	1,718.2	4,215.2	1,458.7	33.1	16.0	817.8	78.8
914.1	132.0	5,785.5	1,800.7	4,627.6	1,871.1	21.3	4.2	962.2	223.2
878.0	36.1	6,063.1	277.6	4,710.5	82.9	18.1	3.2	954.5	7.7
855.8	58.3	6,582.3	796.8	5,087.6	460.0	37.2	58.5	995.5	33.3
856.7	57.4	6,978.7	1,193.2	5,473.5	845.9	34.1	12.8	990.7	28.5
867.2	46.9	7,400.1	1,614.6	5,660.7	1,033.1	76.4	55.1	1,132.3	170.1
960.9	46.8	7,505.2	1,719.7	5,652.4	1,024.8	32.9	54.2	1,336.3	374.0
1,001.5	87.4	7,727.8	1,942.3	5,789.8	1,162.2	7.1	28.4	1,109.3	147.1
849.1	65.0	8,121.4	2,335.9	5,974.5	1,346.9	70.0	91.3	875.1	87.1
754.9	159.2	8,279.9	2,494.4	6,168.6	1,541.0	198.7	220.0	750.6	211.6
757.1	157.0	8,443.0	2,657.5	6,567.4	1,939.8	66.1	44.8	873.4	88.8
855.9	58.2	8,616.3	2,830.8	6,926.5	2,298.9	154.9	133.6	893.2	69.0
787.1	127.0	8,757.3	2,971.8	6,931.3	2,303.7	14.7	36.0	1,183.7	221.5
800.6	113.5	8,812.0	3,026.5	6,965.6	2,338.0	99.7	121.0	2,012.8	1,050.6

Source: Central Bank of Ceylon.

(d) Consists of Government deposits with the Central Bank and commercial banks (according to banks' books) and currency held by Government.

\* These figures are distorted as a result of the strike by employees of commercial banks which began on 1st September 1972 and ended on 17th December 1972.



# MONEY AND BANKING

## Assets and Liabilities

End of Period	AS						
	Cash on hand	Due from Central Bank	Due from domestic banks	Cash items in process of collection	Foreign currency on hand and balances due from banks abroad	Invest	
						Treasury bills	Govt. securities (a)
1955 .. ..	31.5	138.5	12.8	18.1	156.1	34.6	248.9
1956 .. ..	33.9	149.9	18.4	22.2	97.6	52.5	293.8
1957 .. ..	30.4	90.3	23.7	19.6	55.8	39.4	299.4
1958 .. ..	30.8	95.5	29.5	35.6	48.8	14.0	285.2
1959 .. ..	43.5	92.3	35.5	23.5	50.9	45.9	283.5
1960 .. ..	39.3	136.8	7.7	24.7	56.3	47.9	287.5
1961 .. ..	57.3	83.4	29.1	24.8	46.3	63.6	293.2
1962 .. ..	66.8	104.5	44.4	64.4	40.7	111.4	316.8
1963 .. ..	63.7	106.5	33.1	82.1	32.5	104.3	317.7
1964 .. ..	70.9	143.0	38.3	74.5	53.7	93.8	328.6
1965 .. ..	94.7	137.9	44.6	71.1	44.7	127.2	328.0
1966 .. ..	104.5	88.0	49.5	107.1	60.1	115.9	324.6
1967 .. ..	84.8	143.9	43.7	56.9	66.5	108.6	267.6
1968 .. ..	106.6	141.6	39.6	52.5	77.1	110.8	275.5
1969 .. ..	121.5	136.6	30.8	42.0	52.5	44.9	258.3
1970 .. ..	145.7	224.9	34.9	180.3	44.1	281.4	356.8
1971 .. ..	168.1	209.6	25.8	113.6	69.7	320.8	368.1
1972* .. ..	239.5	248.4	118.3	306.5	127.6	370.4	365.3
1973 .. ..	215.4	488.1	98.1	149.9	94.7	153.6	344.3
1974 .. ..	288.5	486.1	14.1	280.8	90.1	59.6	325.1
1975 .. ..	280.3	220.2	61.2	224.4	78.3	50.4	325.1
1976 March ..	271.2	99.6	36.6	209.1	113.6	49.9	326.9
June ..	308.1	126.3	171.3	421.3	134.5	80.1	324.7
September ..	308.3	174.2	65.0	467.8	75.9	131.5	580.0
December ..	326.2	251.1	74.7	343.2	92.8	65.3	569.5
1977 January ..	367.7	294.1	67.2	311.1	130.1	5.2	571.3
February ..	325.0	341.8	45.4	300.3	133.1	2.5	570.9
March ..	373.7	344.7	144.6	376.0	122.4	2.5	571.2
April ..	445.0	313.3	200.6	510.3	128.9	0.5	569.3
May ..	449.4	376.1	248.8	582.4	121.3	...	569.5
June ..	373.5	380.3	220.6	694.5	97.7	...	569.6
July ..	443.1	363.7	279.0	699.5	97.5	...	571.1
August ..	416.3	399.1	220.7	800.9	83.2	...	570.5
September ..	390.3	397.1	250.4	816.5	138.8	1.0	570.5
October ..	460.0	499.7	204.9	799.8	102.0	10.7	571.5
November ..	480.4	568.2	96.3	717.1	124.7	125.5	570.0
December ..	426.2	579.3	138.9	713.9	298.5	12.4	556.4
1978 January ..	475.4	720.5	167.0	692.9	285.8	117.7	572.6
February ..	443.2	724.9	328.6	783.8	236.6	109.6	558.7
March ..	474.9	718.5	154.0	914.2	363.8	148.8	558.7
April ..	597.5	756.1	154.5	1,134.6	426.6	134.5	557.8
May ..	547.4	746.8	144.9	1,196.7	360.6	166.5	570.7
June ..	451.8	646.7	198.2	1,312.9	378.0	180.2	575.5
July ..	451.6	565.6	104.4	1,321.5	349.8	157.4	556.1
August ..	443.9	509.0	61.3	1,270.1	312.4	85.1	552.5
September ..	419.2	857.7	144.7	1,325.4	388.4	76.2	550.8
October ..	462.3	815.2	157.8	1,445.4	338.6	137.9	550.9
November ..	508.5	755.6	190.3	1,325.2	398.5	113.5	549.5
December ..	492.1	615.1	234.8	1,179.6	267.1	100.4	547.7

Note: The number of reporting banks is 15 in 1956 and 1957, 14 from 1958 to 1960, 13 in 1961, 12 from 1962 to 31st March 1974 and 11 thereafter.

(a) Includes government guaranteed securities and Central Bank issues.

(b) Fixed and other assets consist of banks' property, furniture, fittings and sundries (commission, interest, etc., and adjustments).



of Commercial Banks

Rupees Million

SETS

Other investments	Loans and advances						Fixed and other assets (b)	Total assets or liabilities
	Bills purchased and discounted			Overdrafts	Loans	Total		
	Local	Import	Export					
—	0.6	21.5	68.6	184.3	49.1	324.1	35.4	999.8
0.2	0.3	39.1	63.4	247.6	56.7	407.1	48.2	1,123.9
0.2	0.9	37.7	53.6	285.4	75.1	452.7	48.5	1,060.1
0.2	0.7	70.6	65.7	286.8	78.3	502.1	47.2	1,088.9
0.2	1.0	59.9	50.7	311.1	85.9	508.7	49.5	1,133.5
0.2	2.4	53.3	55.4	294.7	138.1	543.9	52.1	1,196.5
0.2	0.4	67.3	58.6	300.4	136.1	562.8	101.3	1,262.1
0.2	0.6	55.7	60.8	279.7	167.7	564.4	66.2	1,379.6
0.9	...	91.6	72.8	331.9	213.0	709.4	78.2	1,528.4
0.9	—	77.8	53.6	372.3	279.4	783.1	71.5	1,658.4
0.9	...	138.4	47.1	383.0	281.7	850.2	115.2	1,814.4
0.9	—	75.9	52.4	391.9	338.1	858.3	137.3	1,846.4
2.7	—	235.7	53.4	418.9	444.8	1,152.8	195.2	2,122.7
2.7	0.1	144.5	80.2	497.8	600.7	1,323.2	212.8	2,342.5
5.1	—	210.8	85.9	626.0	737.0	1,659.7	212.7	2,564.3
5.4	—	38.0	106.5	589.1	814.2	1,547.7	300.8	3,122.0
5.2	—	36.8	115.5	721.7	891.4	1,765.5	429.0	3,475.1
5.0	1.0	171.0	192.7	832.1	962.6	2,159.4	844.8	4,785.3
3.3	—	51.6	202.0	870.8	1,127.6	2,252.1	486.0	4,285.5
4.0	—	125.6	303.8	1,023.3	1,844.0	3,296.7	515.1	5,360.1
3.5	—	282.3	316.7	1,060.2	1,873.8	3,533.0	519.8	5,296.1
5.6	—	214.7	326.6	1,116.8	1,987.2	3,645.3	550.4	5,308.4
19.6	—	99.0	350.6	1,166.2	2,048.9	3,664.7	519.4	5,770.1
19.6	—	177.2	429.9	1,149.8	2,210.6	3,967.5	462.3	6,252.2
18.3	—	227.4	479.8	1,130.5	2,413.1	4,250.8	595.0	6,586.8
19.3	—	351.9	458.2	1,201.2	2,551.1	4,562.4	507.9	6,836.4
20.2	—	163.2	482.5	1,175.0	2,892.4	4,713.1	511.6	6,964.0
15.4	—	279.7	500.7	1,236.0	2,945.5	4,961.9	555.4	7,467.9
17.5	—	243.0	560.8	1,255.4	2,902.7	4,962.0	580.2	7,727.6
17.1	—	250.0	511.7	1,255.8	2,945.1	4,962.6	574.2	7,901.6
17.1	—	347.7	590.5	1,317.3	2,960.3	5,215.8	601.3	8,170.2
17.1	—	322.0	594.2	1,350.5	2,969.8	5,236.5	545.8	8,253.4
17.1	0.2	305.4	613.6	1,344.2	3,012.9	5,276.3	653.8	8,438.0
17.1	—	314.7	674.7	1,237.7	2,980.7	5,207.9	618.2	8,407.8
16.1	—	379.3	665.0	1,245.2	2,934.9	5,224.4	628.3	8,517.5
17.1	0.2	503.3	771.4	1,389.0	3,171.7	5,835.6	996.5	9,531.6
15.6	0.1	703.1	944.4	1,359.6	3,338.5	6,345.7	1,164.6	10,251.5
14.7	0.1	596.6	984.3	1,473.2	3,473.3	6,527.6	1,047.3	10,621.4
10.1	...	579.3	953.9	1,545.3	3,851.8	6,930.3	866.1	10,991.7
8.4	0.2	545.6	963.5	1,578.5	4,081.3	7,169.1	746.9	11,257.2
8.0	...	847.3	865.6	1,613.5	3,972.1	7,298.5	696.8	11,764.9
8.0	—	752.6	921.0	1,617.5	4,155.7	7,446.8	685.4	11,873.8
8.1	—	768.3	823.2	1,608.9	4,275.6	7,476.0	691.2	11,918.5
8.1	...	882.2	914.7	1,720.8	4,324.8	7,842.5	809.3	12,166.3
8.0	—	716.2	995.6	1,815.7	4,587.7	8,115.2	1,114.6	12,472.3
8.0	...	820.1	942.7	1,800.1	4,619.6	8,182.5	968.5	12,921.5
7.5	...	753.8	1,025.0	1,859.7	4,717.0	8,355.5	1,190.0	13,461.3
7.5	...	746.8	1,053.5	1,916.3	4,885.8	8,602.4	1,111.3	13,562.3
6.3	...	717.7	1,049.1	1,985.5	5,075.6	8,827.9	1,565.7	13,836.6

Source: Central Bank of Ceylon.

\* These figures are distorted as a result of the strike by employees of commercial banks which began on 1st September, 1972 and ended on 17th December, 1972.



MONEY AND BANKING

Assets and Liabilities

End of Period	Paid up capital, reserve funds and undistributed profits (c)	LIABILITIES					
		Demand deposits					
		Inter-bank		Sri Lanka Government	Resident constituents	Non-resident constituents	
		Domestic	Foreign				
1955	23.3	4.6	4.9	60.4	664.3	11.2	
1956	25.5	2.5	3.3	68.3	709.7	8.9	
1957	27.0	6.1	3.5	85.0	593.1	8.3	
1958	28.5	0.9	2.5	112.7	536.3	9.9	
1959	29.5	0.4	2.8	61.8	599.8	8.9	
1960	32.7	0.9	5.1	71.5	595.6	11.8	
1961	41.5	0.4	2.8	58.6	582.1	13.3	
1962	49.0	0.4	2.1	126.1	618.2	9.4	
1963	54.4	0.7	1.4	125.9	662.3	11.8	
1964	58.8	0.3	1.3	129.4	754.0	11.4	
1965	67.9	0.4	2.6	132.5	791.1	12.4	
1966	83.9	1.2	1.0	126.0	756.7	14.2	
1967	91.2	0.5	2.0	111.6	804.7	17.5	
1968	97.3	2.8	2.2	136.7	823.0	17.5	
1969	111.8	3.3	1.2	131.1	780.5	15.4	
1970	129.6	0.2	1.9	200.7	1,005.3	17.3	
1971	154.2	0.2	1.5	167.3	1,008.9	21.0	
1972*	161.9	2.7	5.4	482.4	1,241.4	19.9	
1973	170.6	12.1	1.8	410.0	1,311.9	20.9	
1974	214.0	...	2.3	492.1	1,377.2	22.8	
1975	238.9	...	2.5	412.6	1,442.5	24.7	
1976 March	321.5	...	3.3	283.8	1,563.8	25.4	
June	309.2	...	7.7	304.0	1,788.5	30.1	
September	293.7	...	3.8	552.2	1,889.3	34.6	
December	281.4	...	3.4	677.5	2,037.8	32.4	
1977 January	400.8	...	2.6	624.7	2,058.3	32.6	
February	383.7	...	7.3	545.1	2,162.6	36.5	
March	381.9	...	2.1	489.7	2,279.7	31.7	
April	381.9	...	2.2	482.2	2,273.8	31.9	
May	367.7	...	2.7	482.8	2,350.2	31.8	
June	401.9	...	3.0	501.0	2,284.1	31.1	
July	403.4	...	2.9	510.1	2,312.2	35.2	
August	384.2	...	2.5	475.3	2,333.8	40.6	
September	367.0	...	2.9	520.4	2,412.9	34.6	
October	370.6	...	3.4	453.6	2,469.4	31.6	
November	387.6	...	5.3	556.9	2,595.1	29.5	
December	374.0	...	11.9	780.5	2,525.5	33.7	
1978 January	479.6	...	14.4	746.6	2,870.4	34.3	
February	563.0	...	11.6	699.8	2,951.6	36.3	
March	556.9	...	13.3	629.2	2,912.7	36.6	
April	565.3	...	14.0	745.2	2,908.1	38.7	
May	556.7	...	9.3	828.2	2,883.8	34.5	
June	561.8	...	9.4	705.1	2,887.9	31.2	
July	561.9	...	6.0	574.4	2,721.9	30.4	
August	529.7	...	5.7	538.8	2,678.0	36.0	
September	532.1	...	9.7	651.5	2,895.9	38.0	
October	537.0	...	8.1	678.8	2,928.9	33.2	
November	517.1	...	9.8	727.6	3,105.2	35.4	
December	520.3	...	7.5	908.5	2,863.2	41.5	

(c) Paid-up capital applies only to local banks.

(d) Includes Central Bank.



TABLE 5 (Contd.)

## of Commercial Banks

Rupees Million

## T I E S

Time and savings deposits			Total-all deposits			Borrowings			Other liabilities
Sri Lanka Government	Resident constituents	Non-resident constituents	Demand	Time and savings	Total	Domestic		Foreign	
						Inter-bank (d)	Other		
13.3	150.2	1.8	745.4	165.4	910.8	10.0	3.0	9.8	43.0
40.6	185.7	1.7	792.6	228.1	1,020.7	17.4	2.0	7.5	50.7
30.5	213.9	1.7	696.0	246.1	942.1	23.5	2.0	5.8	59.6
23.6	253.3	7.7	662.2	284.6	946.8	25.7	2.0	6.2	79.6
19.6	293.5	6.3	673.7	319.4	993.1	34.6	2.0	9.0	65.3
8.6	357.0	6.6	684.9	372.2	1,057.1	25.4	2.0	5.9	73.4
9.4	346.9	7.5	657.3	363.8	1,021.0	49.7	—	5.3	144.6
21.9	396.4	8.2	756.1	426.4	1,182.5	43.5	5.0	1.8	97.7
31.2	457.6	10.4	802.1	499.2	1,301.3	70.2	5.0	1.2	96.2
30.9	508.6	11.6	896.4	551.1	1,447.5	56.6	—	0.4	95.1
39.6	548.6	18.5	939.1	606.7	1,545.8	49.3	—	1.6	149.8
18.0	557.2	27.3	899.1	602.6	1,501.7	90.5	—	2.3	168.0
14.2	655.5	31.1	936.3	700.8	1,637.1	143.6	—	1.4	249.3
15.0	766.8	44.4	982.2	826.2	1,808.5	126.4	—	8.5	301.7
16.3	933.7	35.6	931.5	985.6	1,917.1	201.0	—	11.5	322.9
20.4	1,111.5	36.7	1,225.5	1,168.6	2,394.0	213.9	—	3.6	380.8
31.4	1,250.7	35.2	1,199.0	1,317.3	2,516.2	228.2	—	10.6	565.8
31.9	1,455.7	37.4	1,751.8	1,525.0	3,276.8	192.8	—	82.7	1,071.0
35.6	1,336.6	39.6	1,756.7	1,411.8	3,168.6	324.6	—	12.7	609.0
38.3	1,582.4	40.2	1,894.5	1,660.8	3,555.3	694.3	—	9.7	886.9
39.2	1,647.8	41.1	1,882.4	1,728.2	3,610.5	592.2	—	18.1	836.3
39.2	1,779.8	42.7	1,876.4	1,861.8	3,738.2	527.5	—	22.5	698.6
36.8	1,858.3	41.2	2,130.5	1,936.3	4,066.8	645.7	—	17.9	730.4
36.8	1,978.3	41.1	2,480.0	2,056.2	4,536.2	651.3	—	21.5	749.4
36.1	2,116.7	38.6	2,751.1	2,191.4	4,942.6	419.5	—	28.5	914.7
35.8	2,181.3	42.3	2,718.0	2,259.5	4,977.5	636.4	—	26.8	794.9
36.3	2,231.5	43.4	2,751.6	2,311.2	5,062.9	687.2	—	30.0	800.1
44.0	2,294.1	45.6	2,803.1	2,383.9	5,187.0	998.2	—	18.8	882.1
36.1	2,405.6	44.7	2,790.1	2,486.3	5,276.5	1,214.3	—	37.8	817.0
36.3	2,443.8	45.5	2,867.4	2,525.5	5,392.9	1,246.1	—	34.5	860.5
35.1	2,534.4	46.3	2,819.3	2,615.8	5,435.1	1,336.2	—	53.2	943.9
36.7	2,581.3	50.0	2,860.5	2,668.1	5,528.6	1,458.1	—	35.6	827.7
38.7	2,720.4	47.5	2,852.3	2,806.6	5,658.9	1,333.3	—	32.4	1,029.2
138.2	2,804.8	42.7	2,970.8	2,985.7	5,956.5	951.6	—	40.1	1,092.6
139.2	2,986.5	44.5	2,957.9	3,170.2	6,128.1	873.2	—	32.7	1,113.0
134.5	3,190.8	46.5	3,186.8	3,371.8	6,558.7	896.1	—	102.5	1,586.8
90.5	3,303.3	47.6	3,351.7	3,441.5	6,793.2	975.0	—	42.0	2,067.3
63.9	3,488.8	54.0	3,665.7	3,606.7	7,272.4	1,046.3	—	87.6	1,735.5
44.2	3,626.0	51.1	3,699.4	3,721.3	7,420.7	1,253.5	—	40.9	1,713.6
46.8	3,917.7	56.5	3,592.0	4,021.0	7,613.0	1,320.4	—	77.7	1,689.2
47.1	4,015.5	57.4	3,706.0	4,119.9	7,825.9	1,587.6	—	66.7	1,719.4
47.7	4,079.4	50.7	3,755.8	4,177.8	7,933.7	1,685.5	—	47.1	1,650.9
47.6	4,265.3	51.0	3,633.6	4,363.8	7,997.5	1,659.5	—	96.8	1,602.9
44.4	4,448.5	59.3	3,333.8	4,552.2	7,886.0	1,912.0	—	92.3	1,714.1
47.8	4,486.1	53.8	3,258.6	4,587.7	7,846.3	1,805.2	—	77.4	2,213.7
60.2	4,524.9	59.9	3,595.2	4,645.0	8,240.1	1,645.5	—	84.9	2,419.1
55.0	4,703.4	50.3	3,649.1	4,808.7	8,457.8	1,531.0	—	109.7	2,825.8
64.7	4,792.8	47.8	3,878.0	4,905.4	8,783.5	1,452.6	—	124.3	2,684.8
69.8	4,907.9	47.7	3,820.7	5,025.5	8,846.3	1,287.7	—	127.0	3,055.3

Source: Central Bank of Ceylon.

\* These figures are distorted as a result of the strike by employees of commercial banks which began on 1st September 1972 and ended on 17th December 1972.



		A S S				
		International reserve				
End of Period		Cash and balances abroad including Treasury bills	Foreign bills discounted	Foreign Government and non- governmental securities (a)	Special Drawing Rights	Total (b)
1956		544.3	—	192.8	—	737.0
1957		334.4	18.3	238.1	—	590.8
1958		312.7	11.1	214.9	—	538.7
1959		198.9	6.7	181.0	—	386.7
1960		90.0	4.9	95.4	—	190.2
1961		92.2	—	92.5	—	184.7
1962		86.1	—	66.0	—	152.1
1963		48.2	—	66.0	—	114.2
1964		67.6	—	68.3	—	135.9
1965		180.5	—	101.6	—	282.2
1966		42.7	—	100.3	—	143.0
1967		154.6	—	105.8	—	260.4
1968		133.4	—	102.1	—	235.5
1969		63.9	—	101.3	—	165.2
1970		91.1	—	102.7	0.2	194.0
1971		129.0	—	109.0	0.2	238.2
1972		97.3	—	112.1	76.0	285.4
1973		287.1	—	113.5	79.9	480.5
1974		220.7	—	113.4	86.0	420.1
1975		230.3	—	114.4	93.4	438.0
1976	March	375.8	—	114.4	107.9	598.1
	June	373.6	—	120.4	114.8	608.8
	September	391.7	—	112.8	117.8	622.3
	December	561.3	—	140.6	121.0	822.9
1977	January	480.3	—	142.1	122.7	745.2
	February	601.8	—	142.1	122.7	866.6
	March	558.0	—	119.2	102.6	779.8
	April	543.9	—	119.2	124.1	787.3
	May	700.1	—	119.2	104.4	923.7
	June	694.9	—	119.2	98.6	912.7
	July	792.6	—	119.2	101.1	1,013.0
	August	1,107.4	—	124.9	84.1	1,316.4
	September	1,453.8	—	141.3	101.8	1,696.9
	October	1,724.1	—	142.1	102.9	1,969.1
	November	3,174.7	—	270.5	86.4	3,531.6
	December	3,883.6	—	275.1	167.9	4,326.5
1978	January	4,241.9	—	274.5	167.9	4,684.3
	February	4,449.4	—	272.4	294.2	5,016.0
	March	4,435.6	—	267.5	294.2	4,997.3
	April	4,543.2	—	253.8	294.2	5,091.2
	May	4,422.4	—	252.3	262.7	4,937.4
	June	4,343.9	—	253.5	248.1	4,845.6
	July	4,663.8	—	259.6	248.1	5,171.6
	August	4,771.7	—	262.8	591.9	5,626.4
	September	4,465.1	—	341.7	591.9	5,398.7
	October	5,382.9	—	353.1	560.1	6,296.1
	November	5,069.8	—	337.9	512.4	5,920.1
	December	5,274.6	—	345.5	512.4	6,132.4

(a) Includes from February 1964, securities acquired from government institutions.

(b) According to local books at cost or face value, whichever is less.



of the Central Bank

TABLE 6

Rupees Million

Domestic assets					Total assets or liabilities	International reserve as a percentage of currency and demand liabilities
Loans and advances			Government and Government guaranteed securities	Other assets and accounts		
To Government		To others (d)				
Special loans (c)	Provisional advances					
—	—	—	10.6	7.0	754.7	111.2
—	32.6	3.0	52.8	7.6	686.8	101.0
—	107.6	—	153.4	66.1	865.8	73.8
37.0	132.4	—	344.4	60.5	960.9	48.2
37.0	154.3	21.0	568.7	14.2	985.5	22.2
39.3	153.9	20.6	709.5	19.2	1,127.2	18.8
39.5	156.7	—	885.4	18.6	1,252.3	13.9
39.7	163.5	37.9	1,024.9	28.2	1,408.4	9.3
39.9	170.1	19.1	1,148.1	72.0	1,585.1	10.4
61.2	176.7	6.3	1,109.4	90.2	1,726.0	19.8
82.4	182.0	42.7	1,265.3	176.6	1,892.0	9.3
84.4	192.7	102.0	1,375.2	508.9	2,523.6	14.6
86.9	227.7	89.2	1,644.6	680.8	2,964.8	11.3
89.5	217.6	150.1	1,756.6	805.3	3,184.3	8.1
93.2	243.4	148.8	1,882.8	770.4	3,332.6	10.0
93.2	304.4	168.5	1,863.1	788.0	3,455.4	11.7
93.2	326.4	92.5	2,052.4	1,074.5	3,924.4	12.4
95.8	360.3	208.0	2,134.0	1,397.6	4,676.2	17.9
98.5	399.4	654.5	2,191.6	1,322.2	5,086.3	13.9
101.1	487.5	574.2	2,272.3	1,491.3	5,364.5	14.2
101.1	493.7	500.4	2,272.2	1,502.8	5,468.4	19.0
101.1	561.7	523.8	2,351.1	1,698.6	5,845.2	18.2
101.1	526.4	629.3	2,294.6	1,943.2	6,117.1	18.3
101.1	499.0	388.5	2,624.0	2,130.4	6,565.9	22.0
101.1	536.1	613.0	2,683.5	2,087.9	6,766.9	19.2
101.1	512.1	686.0	2,686.8	2,104.4	6,957.0	21.4
73.5	534.0	896.1	2,686.7	2,047.8	7,017.9	18.0
73.5	472.3	1,054.7	2,689.3	2,066.7	7,143.9	17.9
73.5	379.7	1,041.9	2,689.4	2,101.0	7,209.2	20.6
73.5	495.1	1,163.0	2,688.7	2,040.2	7,373.1	19.4
73.5	446.8	1,223.9	2,683.4	2,038.6	7,479.2	21.2
73.5	401.4	1,157.9	2,683.2	2,092.2	7,724.6	26.9
73.5	559.7	747.6	2,484.3	2,179.4	7,741.3	36.4
73.5	394.3	715.1	2,462.5	2,200.4	7,814.9	42.2
73.5	430.2	848.3	2,343.5	3,775.2	11,002.3	73.8
73.5	543.9	884.6	2,420.1	3,280.5	11,529.1	80.5
73.5	552.8	926.5	2,294.9	3,716.5	12,248.5	84.1
73.5	247.0	977.7	2,195.4	3,816.2	12,325.9	87.8
73.5	863.1	1,214.4	1,756.4	3,886.4	12,791.0	84.9
73.5	885.9	1,485.4	1,772.4	3,951.6	13,260.0	84.5
31.1	989.9	1,572.6	1,727.7	3,947.4	13,206.1	82.4
31.1	995.2	1,502.0	1,684.6	3,901.2	12,959.6	86.5
31.1	193.0	1,834.6	1,590.6	3,932.0	12,752.8	96.8
—	437.4	1,719.3	1,425.8	3,953.3	13,162.3	98.8
—	587.3	1,397.3	1,447.6	4,396.1	13,227.0	94.5
—	278.3	1,407.5	1,353.3	4,449.4	13,784.5	105.3
—	453.4	1,208.3	1,490.6	4,195.0	13,267.4	95.5
—	955.5	1,075.9	2,119.7	3,956.4	14,239.9	85.9

Source: Central Bank of Ceylon

(c) Represents membership subscriptions to International Financial Organisations.

(d) From February, 1975 Loans and advances to others include amounts granted under Medium and Long Term Credit Fund.



# MONEY AND BANKING

## Assets and Liabilities of

Rupees Million

End of Period	LIABILITIES						
	Capital accounts			Currency issue			Securities outstanding (e)
	Capital	Surplus	Total	Notes in circulation	Coins in circulation	Total	
1956 .. .. .	15.0	12.0	27.0	419.2	24.1	443.4	10.0
1957 .. .. .	15.0	12.0	27.0	448.1	27.0	475.1	8.9
1958 .. .. .	15.0	12.0	27.0	550.1	28.2	578.3	—
1959 .. .. .	15.0	18.0	33.0	589.9	31.4	621.3	—
1960 .. .. .	15.0	23.0	38.0	610.7	33.8	644.6	—
1961 .. .. .	15.0	25.0	40.0	727.6	36.2	763.8	—
1962 .. .. .	15.0	30.0	45.0	750.8	38.6	789.4	—
1963 .. .. .	15.0	40.0	55.0	858.8	42.0	900.9	—
1964 .. .. .	15.0	52.0	67.0	880.2	51.9	932.1	53.4
1965 .. .. .	15.0	53.0	68.0	944.4	58.4	1,002.8	53.4
1966 .. .. .	15.0	53.0	68.0	934.1	59.6	993.7	28.4
1967 .. .. .	15.0	53.0	68.0	1,010.8	62.0	1,072.8	—
1968 .. .. .	15.0	54.0	69.0	1,115.4	66.5	1,181.9	—
1969 .. .. .	15.0	55.0	70.0	1,142.2	70.6	1,212.7	—
1970 .. .. .	15.0	56.0	71.0	1,014.2	76.2	1,090.4	—
1971 .. .. .	15.0	57.0	72.0	1,202.1	83.0	1,285.1	—
1972 .. .. .	15.0	58.0	73.0	1,359.1	85.6	1,444.8	—
1973 .. .. .	15.0	59.0	74.0	1,562.4	90.6	1,653.0	—
1974 .. .. .	15.0	60.0	75.0	1,730.3	98.7	1,829.0	—
1975 .. .. .	15.0	61.0	76.0	1,788.1	102.3	1,890.4	—
1976 March .. .. .	15.0	62.0	77.0	1,956.4	104.0	2,060.4	—
June .. .. .	15.0	62.0	77.0	2,106.3	106.1	2,212.5	—
September .. .. .	15.0	62.0	77.0	2,156.8	112.3	2,269.0	—
December .. .. .	15.0	62.0	77.0	2,290.8	116.3	2,407.2	—
1977 January .. .. .	15.0	62.0	77.0	2,356.9	117.7	2,474.6	—
February .. .. .	15.0	62.0	77.0	2,424.4	119.3	2,543.7	—
March .. .. .	15.0	62.0	77.0	2,644.8	121.5	2,766.3	—
April .. .. .	15.0	62.0	77.0	2,775.6	123.4	2,899.1	—
May .. .. .	15.0	62.0	77.0	2,746.4	123.9	2,870.3	—
June .. .. .	15.0	62.0	77.0	2,879.6	124.4	3,004.0	—
July .. .. .	15.0	62.0	77.0	2,861.7	124.9	2,986.5	—
August .. .. .	15.0	62.0	77.0	2,821.7	126.0	2,947.7	—
September .. .. .	15.0	62.0	77.0	2,832.1	127.1	2,959.2	—
October .. .. .	15.0	62.0	77.0	2,882.8	128.2	3,011.0	—
November .. .. .	15.0	62.0	77.0	2,969.9	129.2	3,099.1	—
December .. .. .	15.0	62.0	77.0	3,088.4	130.7	3,219.1	—
1978 January .. .. .	15.0	63.0	78.0	3,111.0	132.1	3,243.0	—
February .. .. .	15.0	63.0	78.0	3,146.7	133.4	3,280.1	—
March .. .. .	15.0	63.0	78.0	3,384.2	135.0	3,519.2	—
April .. .. .	15.0	63.0	78.0	3,533.4	136.9	3,670.2	—
May .. .. .	15.0	63.0	78.0	3,358.8	138.2	3,497.0	—
June .. .. .	15.0	63.0	78.0	3,252.1	139.1	3,391.3	—
July .. .. .	15.0	63.0	78.0	3,119.0	140.1	3,259.0	—
August .. .. .	15.0	63.0	78.0	3,107.8	142.4	3,250.2	—
September .. .. .	15.0	63.0	78.0	3,135.8	144.3	3,280.1	—
October .. .. .	15.0	63.0	78.0	3,180.8	146.3	3,327.1	—
November .. .. .	15.0	63.0	78.0	3,165.9	148.8	3,314.8	—
December .. .. .	15.0	63.0	78.0	3,356.5	152.1	3,508.6	—

(e) Central Bank's own securities issued under section 91 (1) (b) of the Monetary Law Act.



TABLE 6 (Contd.)

the Central Bank

Rupees Million

TIES							Other liabilities and accounts
Borrowings abroad	Deposits					Total	
	Government	Government agencies and institutions	Commercial banks	International organisations, foreign government and foreign banking institutions	Others		
—	59.5	7.1	150.1	1.8	1.0	219.5	54.8
—	2.2	3.8	89.9	12.3	1.7	109.8	66.1
—	9.9	0.7	91.5	47.6	1.4	151.2	109.3
—	5.8	4.0	95.4	74.5	1.8	181.5	125.2
—	1.9	6.2	140.3	59.4	2.5	210.3	92.6
—	0.3	1.0	86.6	128.4	3.1	219.4	104.0
—	0.8	2.4	106.7	187.9	3.5	301.3	116.6
—	1.0	3.5	108.5	209.0	3.5	325.6	127.0
—	1.6	3.3	147.9	216.1	3.8	372.7	159.8
—	1.3	10.7	140.1	264.5	4.5	421.1	180.8
—	92.2	5.5	89.6	343.1	5.4	535.9	266.0
57.1	53.1	5.4	146.8	502.1	6.7	714.1	611.5
28.6	95.5	6.5	142.3	651.6	10.8	906.8	778.5
255.9	29.9	3.2	137.2	632.7	12.5	815.6	830.1
411.5	77.9	8.9	224.6	526.6	9.5	847.6	912.1
338.8	40.8	3.9	205.6	476.2	19.5	746.0	1,018.4
352.2	17.5	17.5	311.1	483.9	17.7	847.8	1,206.6
245.2	20.2	8.2	496.6	486.6	23.4	1,035.1	1,668.8
261.9	54.9	6.3	420.3	688.4	28.7	1,198.5	1,721.8
302.3	14.1	11.1	242.9	873.6	58.1	1,199.9	1,895.9
312.6	9.3	12.9	153.7	848.3	57.6	1,081.8	1,936.6
306.8	11.5	5.6	180.5	877.9	50.0	1,125.5	2,123.4
304.6	46.6	5.3	170.8	843.1	57.6	1,123.4	2,343.1
308.9	24.9	15.0	277.7	946.5	69.2	1,333.2	2,439.6
315.5	122.1	6.7	274.1	946.5	65.6	1,415.0	2,484.7
310.4	194.5	12.3	288.5	945.4	61.3	1,502.1	2,523.7
279.1	217.7	7.5	306.6	924.5	99.7	1,555.9	2,339.6
252.4	162.0	7.4	316.5	912.3	99.0	1,497.3	2,418.1
252.5	193.3	6.4	386.8	903.1	128.6	1,618.2	2,391.2
257.4	297.0	6.6	386.4	881.0	129.9	1,700.9	2,333.8
260.2	410.5	5.6	371.6	869.8	130.3	1,787.8	2,367.6
268.8	563.2	8.2	392.8	849.7	130.6	1,944.5	2,486.5
307.8	262.0	11.7	429.6	865.1	131.5	1,700.0	2,697.3
310.8	129.5	11.5	533.5	850.7	130.9	1,656.1	2,760.0
571.7	123.2	13.5	583.7	835.8	132.5	1,688.7	5,565.8
552.3	89.9	14.8	606.5	1,257.3	188.0	2,156.6	5,524.1
529.3	141.1	9.6	749.5	1,240.1	183.3	2,323.5	6,074.6
528.4	250.1	6.5	815.0	1,178.0	184.5	2,434.1	6,005.3
534.7	312.5	9.0	732.6	1,126.2	189.0	2,369.3	6,289.8
545.1	338.8	6.1	732.3	1,092.1	187.1	2,356.5	6,610.1
547.0	459.2	8.9	813.3	1,028.0	186.5	2,495.9	6,588.2
509.2	355.2	6.7	694.6	966.0	185.6	2,208.1	6,773.0
510.6	255.2	9.9	662.7	968.0	185.3	2,081.1	6,824.0
513.1	161.0	5.8	683.7	1,413.7	180.5	2,444.7	6,876.2
187.8	159.2	12.2	688.2	1,388.7	181.6	2,430.0	7,251.1
188.2	157.4	10.2	694.5	1,606.9	181.3	2,650.2	7,541.0
186.2	389.0	10.0	716.3	1,580.2	186.1	2,881.6	6,806.7
155.1	1,033.6	15.8	737.7	1,569.3	273.3	3,629.6	6,868.6

Source: Central Bank of Ceylon



Rupees Million

Other liabilities and accounts	Deposits				Government securities and investments	Borrowings abroad
	Total	Others	Government securities and investments	Commercial banks		
24,800.0	219.8	1.0	1.8	120.1	7.1	—
66,178.1	109.8	0.0	13.3	65.0	1.2	—
100,352.1	124.2	0.0	47.6	94.7	0.7	—
125,254.1	181.9	0.0	74.8	97.4	4.0	—
21,600.1	210.3	0.0	80.2	140.7	6.3	—
104,000.1	219.4	0.0	128.4	88.7	1.6	—
116,600.1	301.3	0.0	187.9	108.7	2.4	—
117,000.1	325.0	0.0	209.0	108.2	3.2	—
120,800.1	371.7	0.0	216.1	147.9	7.3	—
120,800.1	421.1	0.0	264.5	180.1	10.7	—
266,000.0	725.9	0.0	381.1	360.8	2.8	—
611,200.1	714.4	0.0	302.1	466.8	2.4	—
778,200.1	608.8	0.0	621.6	425.7	6.2	—
830,100.1	615.6	0.0	621.7	477.7	3.2	—
912,100.1	847.6	0.0	528.6	428.6	8.9	—
1,018,400.1	716.0	0.0	476.3	404.6	1.9	—
1,108,600.1	847.8	0.0	427.9	411.1	17.8	—
1,608,800.1	1,012.1	0.0	480.6	498.6	8.2	—
1,721,000.1	1,198.3	0.0	688.4	420.3	6.2	—
1,892,400.1	1,199.9	0.0	673.6	441.9	11.1	—
1,936,600.1	1,081.8	0.0	848.3	424.7	15.0	—
2,122.3	1,122.3	0.0	877.9	430.2	2.6	—
2,212.1	1,122.4	0.0	843.1	420.2	2.3	—
2,332.2	1,332.2	0.0	946.2	447.7	12.0	—
2,484.7	1,412.0	0.0	946.2	474.1	0.7	—
2,713.7	1,501.1	0.0	947.4	488.2	11.2	—
2,729.6	1,522.0	0.0	924.2	308.0	7.8	—
2,418.1	1,427.3	0.0	912.3	316.2	7.4	—
2,381.2	1,618.2	0.0	907.1	360.8	6.4	—
2,387.8	1,700.9	0.0	881.0	380.4	6.8	—
2,488.2	1,787.8	0.0	863.6	471.0	2.6	—
2,492.2	1,944.2	0.0	840.7	393.8	2.1	—
2,492.2	1,700.0	0.0	862.1	419.6	11.7	—
2,460.0	1,626.1	0.0	820.7	377.2	11.2	—
2,603.8	1,688.7	0.0	838.8	387.7	13.2	—
2,514.1	1,756.6	0.0	1,227.3	600.2	14.8	—
6,074.6	2,722.2	0.0	1,240.1	749.2	0.6	—
6,002.3	2,424.1	0.0	1,178.0	812.0	6.2	—
6,289.8	2,369.3	0.0	1,156.2	742.6	9.0	—
6,610.1	2,356.2	0.0	1,027.1	732.7	6.1	—
6,262.2	2,422.9	0.0	1,022.0	813.3	8.9	—
6,729.0	2,308.1	0.0	966.0	694.6	6.7	—
6,824.0	2,081.1	0.0	283.0	667.7	9.9	—
6,462.7	2,444.7	0.0	1,412.7	621.7	2.8	—
7,221.1	2,440.0	0.0	1,387.7	622.7	12.2	—
7,241.0	1,660.1	0.0	1,604.9	694.2	10.2	—
6,400.7	1,881.6	0.0	1,280.1	716.4	10.0	—
6,600.6	2,629.6	0.0	1,262.1	721.7	12.8	1,032.6

Source: Central Bank of Ceylon



Purchases and Sales of Foreign Exchange by the Central Bank

Rupees Million

Period	Purchases			Sales			Net Purchases (+) Sales (-)
	Spot	Forward	Total	Spot	Forward	Total	
1968	1,350.1	589.5	1939.6	1,746.0	339.3	2,085.3	- 145.7
1969	1,809.2	360.5	2169.7	1,619.0	713.8	2,332.8	- 163.1
1970	2,039.1	192.4	2231.4	1,596.3	651.2	2,247.5	- 16.1
1971	2,072.5	267.9	2340.4	1,708.6	716.3	2,424.9	- 84.5
1972	2,175.9	407.5	2583.4	1,627.7	734.4	2,362.1	+ 221.3
1973	2,229.1	1,019.1	3248.2	2,435.5	907.9	3,343.4	- 95.2
1974	3,358.8	1,942.3	5500.9	3,782.6	1,774.7	5,557.5	- 56.1
1975	3,807.3	1,994.6	5801.9	4,143.2	1,299.5	5,442.7	+ 359.9
1976	2,039.6	4,179.1	6218.6	3,573.8	1,664.1	5,237.7	+ 980.6
1977	1,133.3	3,126.6	4260.0	1,150.3	4,530.0	5,680.3	-1,420.3
1978	1,809.5	9,564.6	11,374.1	7,214.1	1,911.2	9,125.2	+2,248.9
1977 January	18.8	399.4	418.2	162.8	237.1	399.9	+ 18.3
February	40.3	368.0	408.3	106.1	127.8	233.9	+ 174.4
March	83.1	270.4	353.5	107.5	361.1	468.6	- 115.1
April	50.5	130.7	181.2	24.4	361.3	385.7	- 204.5
May	101.2	229.7	330.9	125.9	500.5	626.4	- 295.5
June	24.9	183.9	208.8	48.4	317.3	365.7	- 156.9
July	106.2	180.0	286.2	38.1	401.0	439.1	- 152.9
August	197.6	117.3	314.9	52.0	504.0	556.0	- 241.1
September	145.7	183.9	329.6	138.5	425.0	563.5	- 233.9
October	88.1	217.7	305.8	107.5	337.3	444.8	- 139.0
November	36.8	376.6	413.4	165.6	412.5	578.1	- 164.7
December	240.1	469.0	709.2	73.5	545.1	618.6	+ 90.6
1978 January	290.6	420.8	711.4	35.7	376.5	412.2	+ 299.2
February	235.3	472.8	708.1	108.9	362.8	471.7	+ 236.4
March	225.9	530.6	756.5	335.0	207.4	542.4	+ 214.1
April	172.6	583.0	755.6	518.7	70.7	589.4	+ 166.2
May	72.5	914.1	986.6	658.7	95.7	754.4	+ 232.2
June	154.9	639.9	794.9	355.6	178.0	533.6	+ 261.3
July	90.7	653.6	744.3	798.7	172.1	970.8	- 226.5
August	87.0	898.0	985.1	970.5	94.8	1,065.3	- 80.2
September	75.7	1,095.6	1,171.2	769.4	74.3	843.7	+ 327.5
October	121.5	1,144.0	1,265.5	839.1	27.8	866.9	+ 398.6
November	167.3	1,179.3	1,346.7	1,021.3	186.5	1,207.8	+ 138.9
December	115.4	1,032.8	1,148.2	802.5	64.6	867.0	+ 281.2

Source: Central Bank of Ceylon



Items	1966/67	1967/68	1968/69	1969/70
<b>I. NET CASH SURPLUS/DEFICIT (-)</b> ..	<b>-606.8</b>	<b>-715.7</b>	<b>-787.6</b>	<b>-935.6</b>
<b>1.1 Revenue</b> ..	<b>1,954.8(g)</b>	<b>2,156.4(g)</b>	<b>2,497.3(g)</b>	<b>2,736.4(g)</b>
<b>1.2 Expenditure (a)</b> ..	<b>-2,561.6</b>	<b>-2,872.1</b>	<b>-3,284.9</b>	<b>-3,672.0</b>
1.2.1 Recurrent expenditure ..	-1,895.3(f)	-2,186.2(f)	-2,384.2	-2,658.9(h)
1.2.2 Capital expenditure ..	-624.7	-714.4	-852.0(f)	-812.0(f)
1.2.3 Expenditure chargeable to National Development Reserve ..	...	...	...	...
1.2.4 Unissued stores and materials (b) ..	-2.5	3.6	1.1	-21.9
1.2.5 Advances to government departments, corporations and public officers (b) ..	-55.9	-70.9	-60.8	-124.9
1.2.6 Ceylon-China trade account (b) ..	15.1	95.2	12.1	-55.8
1.2.7 Miscellaneous (b) ..	1.7	0.6	-1.1	1.5
<b>2. FINANCING OF THE DEFICIT</b>				
<b>2.1 Net Cash Receipts or Payments (-) resulting from loan operations and grants</b> ..	<b>629.2</b>	<b>751.8</b>	<b>676.4</b>	<b>961.2</b>
<b>2.1.1 Domestic non-market borrowing and repayments (including sundry loans)</b> ..	<b>72.3</b>	<b>9.8</b>	<b>52.2</b>	<b>15.5</b>
2.1.1.1 Administrative borrowing ..	40.6	1.4	-23.2	1.8
2.1.1.2 Deposits (c) ..	43.5	-9.0	69.4	7.3
2.1.1.3 Miscellaneous funds (d) ..	-1.4	-2.6	2.2	3.4
2.1.1.4 Loans to public institutions (e) ..	-10.4	20.0	3.8	3.0
<b>2.1.2 Domestic market borrowing and repayments</b> ..	<b>348.3</b>	<b>551.8</b>	<b>270.6</b>	<b>719.5</b>
2.1.2.1 Rupee loans ..	340.0	350.0	340.0	552.6
Less: contributions to sinking funds and direct repayments ..	67.5	75.7	85.3	93.2
2.1.2.2 Treasury bills ..	75.3	248.8	-6.8	196.6
2.1.2.3 Central Bank advances ..	7.0(f)	30.4(f)	22.2(f)	42.6(f)
2.1.2.4 Tax reserve certificates ..	-6.5	-1.7	0.5	20.9
<b>2.1.3 Foreign Finance</b> ..	<b>208.6</b>	<b>190.2</b>	<b>353.6</b>	<b>226.2</b>
2.1.3.1 Project loans ..	42.4	38.8	93.9	53.3
Less: contributions to sinking funds and direct repayments of public debt from revenue ..	44.9	47.8	47.0	72.5
2.1.3.2 Non-project (commodity) loans ..	193.9	178.9	312.2	229.1
Less: repayments ..	2.1	8.7	25.0	46.5
2.1.3.3 Grants ..	19.3	29.0	19.5	62.8
<b>2.2 Changes in cash balances</b> ..	<b>22.4</b>	<b>36.1</b>	<b>-111.2</b>	<b>25.6</b>
2.2.1 Cash balances (including readily realisable assets) ..	-21.5	48.4	-62.9	30.6
2.2.2 Foreign aid counterpart funds ..	43.9	-12.3	-48.3	-5.0

\* For a Period of 15 months.

- (a) Consists of government expenditure excluding contributions to sinking funds, direct repayments of public debt from revenue, and special payments (e.g. subscriptions) to international financial organizations. Also excludes book adjustments arising from losses on "advance accounts" operations incurred and financed in previous financial years. Hence, these figures may not tally with the figures published in the Accounts of the government of Sri Lanka.
- (b) Indicates net change as at the end of financial year.
- (c) From suitors, contractors, etc.
- (d) From Widows' and Orphans' Pension Fund, Public Service Provident Fund, etc.
- (e) These loans are to the Agricultural and Industrial Credit Corporation, and the Local Loans and Development Fund.



TABLE 8

Surplus/Deficit (-)

Rupees Million

1970/71	1971/72*	1973	1974	1975	1976	1977	1978 (Provisional)
-1,083.3	-1,294.7	- 991.7	-1,034.8	-2,103.1	-2,914.4	-2,126.8	- 6,142.0
2,815.3 (g)	4,102.0 (g)	4,034.0 (g)	4,786.9 (g)	5,083.5 (g)	5,738.9 (g)	6,686.0 (g)	11,632.5 (g)
-3,898.6	-5,396.7	-5,025.7	-5,821.7	-7,186.6	-8,653.3	-8,812.8	-17,774.5
-2,980.5	-4,232.8	-3,856.6	-4,505.7	-5,153.1	-5,554.5	-6,147.7	-10,407.6
-809.7(f)	-1,096.4	-1,110.1(f)	-1,277.0(f)	-1,960.4 (f)	-2,786.5	-2,235.0 (f)	- 5,440.9(f)
...	—	—	—	—	—	—	—
-8.7	-22.1	- 24.7	-10.7	-59.4	-18.5	-22.6	-116.7
-25.5	-22.3	- 133.8	-150.7	- 1.2	-241.2	-369.4	-1,627.7
-72.7	-35.2	99.4	124.7	-12.3	-49.0	- 43.1	- 199.6
-1.5	12.0	—	-2.3	- 0.2	-3.6	5.1	17.9
960.2	1,438.7	929.3	996.2	2,072.6	2,947.5	2,618.4	6,084.5
140.5	248.6	243.3	-53.6	378.7	484.6	505.3	404.3
-29.2	-6.8	29.3	14.6	201.0	79.9	453.0	-224.0
153.1	253.6	202.6	-69.9	202.7	331.1	35.7	613.2
13.6	-1.4	8.4	-1.3	-27.9	70.6	13.7	12.1
3.0	3.2	3.0	3.0	3.0	3.0	3.0	3.0
585.3	834.8	507.5	671.4	980.4	1,505.4	858.2	1,710.2
595.0	650.0	760.0	920.0	1,039.1	1,457.2	1,500.0	1,750.0
107.4	169.3	196.2	289.8	247.8	293.2	422.6	489.9
487.6	480.7	563.8	630.2	791.3	1,164.0	1,077.4	1,260.1
73.2	302.0	- 78.4	0.3	99.0	347.1	-225.1	123.8
3.9(f)	40.1	33.9 (f)	39.1(f)	88.1 (f)	11.5	17.3 (f)	338.1(f)
20.6	12.0	- 11.9	1.8	2.0	-17.2	-11.4	-11.8
234.4	355.3	178.5	378.3	713.5	957.5	1,254.9	3,970.0
141.1	116.6	275.1	79.0	275.3	326.7	393.8	1,665.3
82.8	119.8	97.1	119.1	129.0	138.2	145.9	154.0
58.3	-3.2	178.0	-40.1	146.2	188.5	247.9	1,511.3
169.0	406.6	90.8	318.6	379.6	632.6	885.1	2,128.0
52.8	122.7	136.9	152.6	216.6	230.1	378.7	347.4
116.2	283.9	- 46.1	166.0	163.1	402.5	506.5	1,780.6
59.9	74.6	46.6	252.4	404.2	366.5	500.5	678.1
-123.1	144.0	- 62.9	-38.6	-30.6	33.2	491.8	- 57.7
3.3	109.8	- 45.1	-10.0	32.2	22.1	135.8	- 77.9
-126.4	34.2	- 17.8	-28.6	-62.8	11.1	355.9	20.1

Source: Central Bank of Ceylon

- (f) Excludes payments to international financial organisations amounting to Rs. 2.0 million in 1966/67, Rs. 2.5 million each year in 1967/68, 1968/69 and 1969/70, Rs. 1.2 million in 1970/71, Rs. 2.6 million in 1973, Rs. 2.7 million in 1974 and Rs. 2.6 million in 1975 financed through special loans from the Central Bank. In 1977 and 1978 includes net repayments of Rs. 27.6 million and Rs. 73.5 million from these sources to the Central Bank. Capital expenditure in 1978, excluded a sum of Rs. 173.6 million being a repayment of foreign administrative borrowing.
- (g) The figures of revenue given in this Table differ from those published in the Government Accounts. For explanations see foot note (b) to Table 9.
- (h) Excludes a sum of Rs. 39.2 million being FEECs payable on repayments of foreign loans, which has been shown under recurrent votes in the Government Accounts and a further sum of Rs. 3.5 million being loss on food purchases and distribution account in respect of the financial year 1969/70. This sum of Rs. 3.5 million is included in the figure for "Advances to government departments, corporations and public officers."



PUBLIC FINANCE

TABLE 9

Revenue and Expenditure of the Government of Sri Lanka (a)

Rupees Million

Period	Revenue (b)			Expenditure (c) (e)			Capital expenditure (f) (g)	Expenditure chargeable to National Development Reserve	Net receipts (-) or payments on advance account activities(f)
	Total	Government enterprises (d)	Other	Expenditure (f)		Total			
				Government enterprises (d)	Other				
1957-58	1,280.0	162.1	1,117.9	205.7	1,074.4	1,280.1	282.6	3.0	- 63.4
1958-59	1,330.4	178.7	1,151.7	217.7	1,214.5	1,432.2	303.4	2.4	5.8
1959-60	1,403.8	190.8	1,213.0	226.1	1,285.8	1,511.9	306.6	1.5	1.3
1960-61(h)	1,513.9	191.4	1,322.5	225.7	1,315.1	1,540.8	419.9	1.5	14.2
1961-62	1,620.6	203.7	1,416.9	240.2	1,340.5	1,580.7	480.6	0.7	14.6
1962-63	1,593.4	209.5	1,383.9	249.0	1,347.4	1,596.4	402.3	0.3	13.7
1963-64	1,759.0	226.6	1,532.4	261.1	1,573.0	1,834.1	402.5	0.2	16.1
1964-65	1,816.4	228.5	1,587.9	271.8	1,531.6	1,803.4	471.2	0.1	27.9
1965-66	1,833.3	247.4	1,585.9	285.4	1,575.1	1,860.5	528.4	...	10.4
1966-67	1,954.8	250.3	1,704.5	290.8	1,604.5	1,895.3	624.7	...	41.6
1967-68	2,156.4	273.5	1,882.9	304.8	1,881.4	2,186.2	714.4	...	28.5
1968-69	2,497.3	294.3	2,203.0	331.3	2,052.9	2,384.2	852.0	...	48.7
1969-70	2,736.4	238.7	2,497.7	270.4	2,388.5	2,658.9	812.0	...	201.1
1970-71	2,815.3	252.9	2,562.4	289.2	2,691.3	2,980.5	809.7	...	108.4
1971-72(i)	4,102.0	378.9	3,723.1	375.1	3,857.7	4,232.8	1,096.4	...	67.6
1973	4,034.0	314.1	3,719.9	330.1	3,526.6	3,856.7	1,110.1	...	59.1
1974	4,787.0	392.4	4,394.6	393.5	4,112.2	4,505.7	1,277.0	...	39.0
1975	5,083.5	416.4	4,667.1	435.5	4,717.6	5,153.1	1,960.4	...	73.1
1976	5,738.9	437.5	5,301.4	462.5	5,092.0	5,554.5	2,786.5	...	312.3
1977	6,686.0	473.9	6,212.1	505.5	5,642.2	6,147.7	2,235.0	...	430.0
1978(j)	11,632.5	678.5	10,954.0	558.4	9,849.2	10,407.6	5,440.8	...	1,926.1
1979(k)	11,431.0	631.0	10,800.0	613.7	10,339.2	10,952.9	7,333.5	...	200.0

See foot-notes at the end of Appendix

Source: Central Bank of Ceylon



## Revenue of the Government of Sri Lanka

Rupees Million

Heads of Revenue	1976	1977	1978		1979
	Amount	Amount	Approved estimates	Amount (provisional)	Approved estimates
1. Taxes on production and expenditure ..	3,730.8	4,503.7	8,607.6	9,217.2	8,975.8
1.1 General sales and turnover taxes ..	749.4	711.1	982.0	1,143.4	1,175.0
1.1.1 B.T.T. (non-manufacturing) ..	142.5	211.4	200.0	240.9	280.0
1.1.2 B.T.T. (manufacturing) ..	568.9	450.7	742.0	833.9	895.0
1.1.3 Banks debits tax ..	38.0	49.0	40.0	68.6	—
1.2 Selective sales taxes ..	918.4	1,407.1	1,306.1	1,884.0	1,700.1
1.2.1 Excise on liquor ..	190.3	241.0	292.0	554.6	425.0
1.2.2 Excise on tobacco ..	451.7	591.0	550.0	758.6	850.0
1.2.3 Tea tax (ad-valorem) ..	276.3	575.0	414.0	510.4	345.0
1.2.4 Administrative levy on Coconut Oil ..	—	—	50.0	60.3	80.0
1.2.5 Other ..	0.1	0.1	0.1	0.1	0.1
1.3 Import levies ..	475.9	517.8	1,715.0	1,469.3	1,475.0
1.3.1 Customs ..	470.9	511.8	n.a.	1,454.0	n.a.
1.3.2 Other licence fees on aid and gift imports ..	5.0	6.0	n.a.	15.3	n.a.
1.4 Export levies ..	420.8	620.1	4,477.7	4,236.1	4,500.1
1.4.1 Tea ..	166.8	280.2	3,046.0	2,781.0	3,070.0
1.4.2 Rubber ..	197.4	260.6	1,127.0	1,001.0	1,080.0
1.4.3 Coconut ..	5.2	14.1	250.0	344.9	295.0
1.4.4 Other ..	51.4	65.2	54.7	109.2	55.1
1.5 Receipts from FEECs (net) ..	1,073.5	1,156.7	—	328.8	—
1.5.1 Government departments (net) ..	973.5	1,104.4	—	328.8	—
1.5.2 Non-Government sector (net) ..	0.5	—	—	—	—
1.5.3 Miscellaneous ..	99.5	52.3	—	—	—
1.6 Licence taxes ..	64.1	53.6	56.0	74.3	82.8
1.7 Property transfer taxes ..	28.7	37.4	37.8	81.1	42.8
1.8 Surplus of government monopolies ..	—	—	33.0	...	—
2-3. Taxes on corporate and non-corporate Income ..	935.5	936.5	1,076.0	1,102.5	1,152.0
4. Gross receipts from government trading enterprises ..	482.8	513.7	524.4	678.5	631.0
5. Interest, profits and dividends received ..	225.7	370.7	251.9	152.1	211.2
6. Sales and charges ..	109.8	124.9	99.1	189.3	96.4
7. Social security contributions ..	29.5	37.4	37.9	49.8	39.7
8. Other current transfers and receipts ..	81.3	56.4	59.9	82.7	58.8
9-11. Capital transfers and sales of existing capital goods ..	87.4	91.7	84.0	66.5	137.5
12. Repayments of loans and advances ..	56.1	51.0	89.2	93.9	128.7
<b>TOTAL</b> ..	<b>5,738.9(a)</b>	<b>6,686.0(a)</b>	<b>10,830.0</b>	<b>11,632.5(c)</b>	<b>1,1431.0</b>

Source: General Treasury.

(a) Figures of revenue for 1976, 1977 and 1978 (Provisional) differ from the published figures in the Government Accounts due to the reasons given in footnote (b) of Table 9.



Voted Expenditure of

Ministry	Recurrent			Total provision 1978
	Actual 1977	Approved estimates 1978	Supplementary provision 1978	
1. His excellency the President, Prime Minister, Supreme Court judges etc. ..	38.3	31.5	14.9	46.4
2. Defence ..	378.9	345.5	87.1	432.6
3. Foreign Affairs ..	65.9	67.1	7.6	74.7
4. Plan Implementation ..	28.1	26.3	13.3	39.6
5. Lands and Land Development ..	201.2	211.5	7.0	218.5
6. Trade and Shipping ..	60.5	63.0	5.9	68.9
7. Education ..	860.4	911.1	57.8	968.9
8. Higher Education ..	50.1	62.0	12.8	74.8
9. Power and Highways ..	19.5	21.1	0.4	21.5
10. Labour ..	16.4	21.3	0.9	22.5
11. Public Administration, & Home Affairs ..	498.3	1,173.2	26.1	1,199.3
12. Rural Development ..	4.5	6.4	0.1	6.5
13. Local Govt. Housing & Construction ..	124.2	130.8	27.3	158.1
14. Industries and Scientific Affairs ..	63.4	75.4	168.5	243.9
15. Finance & Planning ..	1,154.9	3,239.5	34.9	3,274.4
16. Transport ..	271.3	293.1	216.4	509.6
17. Plantation Industry ..	54.8	60.7	0.2	60.9
18. Justice ..	71.4	78.7	7.7	86.4
19. Agriculture Development & Research ..	182.8	224.3	287.4	511.7
20. Fisheries ..	9.2	12.7	20.4	33.1
21. Mahaveli Development ..	—	0.2	0.2	0.4
22. Youth Affairs & Employment ..	—	—	7.5	7.5
23. Rural Industrial Development ..	107.4	99.2	0.4	99.6
24. Posts and Telecommunication ..	198.1	206.2	10.3	216.5
25. Health ..	462.7	491.1	37.9	529.0
26. State ..	66.4	74.3	9.4	83.7
27. Social Services ..	56.5	50.2	69.4	119.6
28. Cultural Affairs ..	8.9	10.4	0.5	10.9
29. Parliamentary Affairs ..	5.1	6.9	—	6.9
30. Food & Co-operative ..	1,080.8	2,096.5	0.2	2,096.7
31. Textile Industry ..	0.5	14.1	—	14.1
32. Coconut Industry ..	7.0	0.4	—	0.4
<b>Total</b> ..	<b>6,147.7</b>	<b>10,104.9</b>	<b>1,132.4</b>	<b>11,237.3</b>

(a) Excludes the net receipt or payment on advance account activities for which a ministry-wise classification is not available. These figures also exclude contributions to sinking funds and direct repayments of public debt from revenue, special payments to international financial organisations and all book debits arising from the transfer of advances for loan works and losses on advance account activities incurred and financed in previous financial years. These figures may, therefore, differ from figures published in government accounts.



the Government of Sri Lanka (a)

Rupees Million

Expenditure		Capital Expenditure					
Actual (Provisional) 1978	Approved estimates 1979	Actual 1977	Approved estimates 1978	Supplementary provision 1978	Total Provision 1978	Actual (Provisional) 1978	Approved estimates 1979
41.0	39.4	0.4	1.2	0.8	2.0	2.1	125.9
429.7	505.5	56.9	46.5	131.8	178.4	130.5	227.2
74.0	97.2	3.1	1.7	1.1	2.9	2.6	3.0
23.7	271.8	361.8	168.4	426.9	595.3	425.7	402.3
215.9	193.3	215.9	253.3	64.6	317.9	206.2	420.7
64.2	69.0	25.4	29.8	0.7	30.5	27.5	118.4
962.9	1,044.2	34.1	48.4	3.9	52.3	39.9	71.0
76.8	100.2	9.8	15.9	6.8	22.7	26.5	66.4
21.4	105.9	77.5	147.8	175.5	323.3	229.1	522.4
22.1	27.3	3.2	1.6	...	1.6	2.8	2.5
675.9	605.0	0.7	1.0	5.3	6.3	6.0	3.1
6.0	7.8	8.2	7.2	0.4	7.6	3.4	8.2
155.2	182.5	128.3	313.5	61.3	374.8	281.3	900.4
242.3	69.0	449.8	538.0	272.3	810.3	988.7	684.4
3,050.7	3,482.1	68.9	2,219.8	14.6	2,105.0	1,683.1	599.7
508.1	330.0	208.1	272.0	207.5	479.5	474.1	702.1
60.8	1.5	62.5	32.0	5.9	37.9	35.3	62.1
83.2	89.0	2.4	1.6	—	1.6	1.7	6.9
509.5	120.5	133.8	116.9	30.0	146.9	113.9	660.8
31.5	14.3	36.9	115.1	22.2	137.3	73.6	111.9
0.4	0.9	149.3	327.6	313.4	641.0	506.9	979.0
3.6	83.0	—	—	0.3	0.3	0.3	25.7
99.4	23.9	16.6	20.1	0.7	20.8	16.8	71.2
213.5	243.4	47.8	36.9	28.6	65.5	49.0	260.9
523.3	649.5	22.1	37.2	56.3	93.5	79.9	212.4
83.2	86.7	6.7	3.9	—	3.9	3.9	17.0
101.8	107.8	87.4	0.1	3.5	3.6	3.3	1.1
10.8	17.6	4.6	4.8	—	4.8	4.3	8.6
6.7	10.8	1.6	2.3	—	2.3	1.6	1.8
2,095.8	2,358.1	4.7	3.0	—	3.0	2.8	3.0
13.5	15.2	0.3	8.6	—	8.6	6.7	25.2
0.4	0.7	6.7	11.3	—	11.3	11.3	28.9
10,407.6	10,952.9	2,235.5	4,788.0	1,834.5	6,492.5	5,440.8	7,333.5

Source: Central Bank of Ceylon



End of period		EXTERNAL DEBT							
		Sterling loans			Project loans		Non Project loans (d) (h)	Total	
		Gross	Sinking funds (b)	Net	I.B.R.D. loans	Other (c)		Gross	Net
September	1950	125.4	49.7	75.7	—	—	—	125.4	75.7
	1951	125.4	52.1	73.3	—	—	—	125.4	73.3
	1952	125.4	52.9	72.5	—	—	—	125.4	72.5
	1953	125.4	59.7	65.7	—	—	—	125.4	65.7
	1954	192.1	66.0	126.1	—	—	—	192.1	126.1
	1955	192.1	64.3	127.8	12.9	—	—	205.0	140.7
	1956	192.1	67.4	124.7	19.3	—	—	211.4	144.0
	1957	192.1	72.8	119.3	39.6	...	—	231.7	158.9
	1958	192.1	82.7	109.4	57.4	8.3	—	257.8	175.1
	1959	178.6	77.8	100.8	60.9	32.5	5.5	277.5	199.7
	1960	167.9	70.9	97.0	67.2	42.5	16.1	293.7	222.8
	1961	167.9	76.4	91.5	76.4	42.9	19.8	307.0	230.6
	1962	167.9	86.1	81.8	102.1	55.4	19.8	345.2	259.1
	1963	167.9	95.6	72.3	123.3	96.1	19.8	407.1	311.5
	1964	107.9	38.6	69.3	134.7	147.2	22.3	412.1	373.5
	1965	107.9	42.7	65.2	139.7	218.3	23.4	489.3	446.6
	1966	83.3	27.7	55.6	138.4	251.9	75.2	548.8	521.1
	1967	83.3	31.3	52.0	138.1	242.7	275.2	739.3	708.0
	1968	89.3	35.9	53.3	164.3	289.1	531.6	1,074.3	1,038.3
	1969	89.3	38.2	51.1	156.0	345.7	784.7	1,375.7	1,337.5
	1970	71.4	27.5	43.9	146.7	374.8	985.5	1,578.4	1,550.9
	1971	71.4	32.5	38.9	163.8	446.1	1,118.8	1,800.1	1,767.5
December	1972	78.0	40.0	38.0	131.0	574.5	1,609.0	2,392.5	2,352.5
	1973	78.0	44.8	33.2	125.7	730.3	1,861.3	2,795.3	2,750.5
	1974	78.0	52.2	25.8	119.5	729.1	2,009.3	2,935.9	2,883.7
	1975	—	—	—	153.7	997.0	2,554.2	3,704.9	3,704.9
	1976	—	—	—	175.4	1,371.6	3,421.0	4,962.0	4,968.0
	1977	—	—	—	289.9	2,897.8	7,405.8	10,593.5	10,593.5
	1978*	—	—	—	277.2	4,555.9	9,749.2	14,582.3	14,582.3

Note: Data for all years up to 1971 relate to financial years ending on 30th of September. Data for 1972 relate to the financial year 1971/72 covering a period of 15 months from October 1971 to December 1972. The fiscal year coincides with calendar year with effect from 1973.

- (a) The figures are the amounts outstanding at the given dates. They exclude Ceylon Government War Loan re-lent to the U.K. government which was fully repaid to the subscribers by the end of June, 1959 and promissory notes issued in favour of the I.M.F., the I.B.R.D., the I.D.A. and the A.D.B. which stood at Rs. 4,395.4 million, Rs. 44.7 million, Rs. 18.0 million and Rs. 23.9 million respectively at the end of December, 1978. National Housing Debentures Rs. 81,000,000 less sinking funds Rs. 39,878,019 = Rs. 41,121,981, State Mortgage Bank Debentures Rs. 32,250,000 and suppliers' credits negotiated by government departments are also excluded. The liability in respect of these suppliers' credits amounted to Rs. 443.0 million as at the end of December, 1978.
- (b) Represents the market value of investments held by the Joint Investment Fund on behalf of the sinking funds.
- (c) Represents the amounts withdrawn and outstanding on the loans contracted with the U.S.A., U.S.S.R., Canada, Denmark, People's Republic of China, Federal Peoples' Republic of Yugoslavia, U.K., Federal Republic of Germany, Polish People's Republic, German Democratic Republic, India, I.D.A. and A.D.B., Netherlands, Kuwait and O.P.E.C.
- (d) Represents the amounts withdrawn and outstanding on the loans contracted with the U.S.A., Canada, Federal Republic of Germany, U.K., Japan, France, India, People's Republic of China, Hungary, U.S.S.R., Italy, U.A.E. and O.P.E.C.



## Public Debt (a)

Rupees Million

DOMESTIC DEBT							TOTAL			
Rupee loans			Treasury bills	Tax reserve certificates	Central Bank advances (f)	Other (g)	Total		Gross	Net
Gross	Sinking funds (b) (e)	Net					Gross	Net		
436.0	70.0	366.0	78.6	—	14.3	—	528.9	458.9	654.3	534.6
582.0	110.3	471.7	30.0	—	14.2	—	626.2	515.9	751.6	789.2
684.3	123.4	560.9	92.5	—	72.0	2.7	851.5	728.1	976.9	800.6
730.5	117.5	612.9	184.0	—	70.5	58.6	1,043.6	926.0	1,169.0	991.7
782.1	127.1	655.0	105.0	—	65.8	—	952.9	825.8	1,145.0	951.9
829.3	135.9	693.4	60.0	—	—	—	889.3	753.4	1,094.3	894.1
881.9	151.3	730.7	68.0	—	—	—	949.9	798.7	1,161.3	942.7
961.8	167.8	794.0	65.0	9.1	96.3	—	1,132.2	964.4	1,363.9	1,123.3
1,006.8	200.6	806.2	140.0	8.3	82.5	—	1,237.6	1,037.0	1,495.4	1,212.1
1,101.8	234.6	867.3	320.0	14.1	123.6	—	1,559.5	1,325.0	1,837.0	1,524.7
1,216.8	246.6	970.1	550.0	6.2	163.7	—	1,936.7	1,690.0	2,230.4	1,912.8
1,396.6	241.9	1,154.7	750.0	10.9	186.5	—	2,234.7	2,102.1	2,651.0	2,332.7
1,515.3	263.9	1,251.4	1,000.0	12.8	165.6	—	2,693.7	2,429.8	3,038.9	2,688.9
1,683.6	276.3	1,407.3	1,125.0	19.1	202.5	...	3,030.2	2,753.9	3,437.3	3,065.4
1,909.4	312.8	1,596.6	1,250.0	32.5	183.3	0.1	3,375.3	3,062.5	3,787.4	3,436.0
2,149.6	370.2	1,779.4	1,300.0	32.7	213.1	0.1	3,695.5	3,325.3	4,184.8	3,771.6
2,474.6	448.0	2,026.6	1,425.0	32.2	262.6	0.1	4,194.5	3,746.5	4,743.3	4,267.6
2,784.8	507.8	2,276.9	1,500.0	25.7	271.6	0.1	4,582.2	4,074.3	5,321.5	4,782.3
3,117.9	545.5	2,572.4	1,750.0	24.0	304.5	0.1	5,196.5	4,651.0	6,270.8	5,689.3
3,409.1	611.4	2,797.7	1,750.0	24.5	329.3	0.1	5,513.0	4,901.6	6,888.7	6,239.1
3,924.9	608.9	3,316.0	1,950.0	45.4	374.4	0.1	6,294.8	5,685.9	7,873.2	7,236.8
4,511.9	642.2	3,869.6	2,025.0	66.0	379.5	0.2	6,982.6	6,340.4	8,782.8	8,108.0
5,103.4	830.4	4,273.0	2,325.0	78.0	419.6	0.2	7,926.2	7,095.8	10,318.7	9,448.3
5,812.2	1054.3	4,757.9	2,250.0	66.1	456.1	0.2	8,584.6	7,530.3	11,379.9	10,280.8
6,590.5	1301.0	5,289.5	2,250.0	67.9	497.9	37.9	9,444.2	8,143.2	12,380.1	11,026.9
7,560.1	1604.6	5,955.5	2,350.0	69.8	588.6	290.9	10,859.4	9,254.8	14,564.3	12,959.7
9,001.2	2038.7	6,962.5	2,700.0	51.0	600.1	339.0	12,691.4	10,652.7	17,659.4	15,620.7
10,391.6	2551.8	7,839.8	2,500.0	40.6	617.4	842.8	14,392.4	11,840.6	24,985.9	22,434.1
12,049.1	3204.1	8,845.0	2,635.0	29.5	955.5	698.5	16,367.5	13,163.4	30,949.8	27,745.7

Source: Central Bank of Ceylon

(e) Includes supplementary sinking funds.

(f) Includes special loans granted by the Central Bank to the government in terms of the Bretton Woods Agreement Act No. 20 of 1950 as amended by Section 4 of the Bretton Woods Agreement (Amendment) Act No. 19 of 1959, the International Development Association Agreement Act. No. 7 of 1961 and the Asian Development Bank Agreement (Ratification) Act No. 21 of 1966. The first special loan which amounted to Rs. 14.3 million was granted by the Central Bank to the government in August, 1950 to meet its obligations to the I.B.R.D. The government repaid the loan in full in May, 1952 and converted Rs. 12.7 million of its paid up subscriptions to the I.B.R.D. into a promissory note. The special loans were resumed in October, 1959 and had been repaid in full by the end of August, 1978.

(g) Includes loans from semi-government agencies or foreign loans channelled through government or semi-government agencies and outstanding National Development Bonds

(h) Includes IMF Trust Fund Loan amounting to Rs. 779.3 million at the end of December, 1978.

▪ Provisional



# EXTERNAL FINANCE

## Balance of Payments

Item	1976		
	Credit	Debit	Net
<u>Goods and Services</u>			
1. Merchandise .. .. .	4,707.3	5,416.6	-709.3
2. Non-monetary gold .. .. .	—	—	—
3. Freight and Merchandise insurance .. .. .	17.0	23.9	- 6.9
4. Other transportation .. .. .	197.9	70.2	+127.7
4.1 Passenger fares .. .. .	30.2	24.0	+ 6.2
4.2 Port Expenditures .. .. .	156.7	37.9	+118.8
4.3 Other .. .. .	11.0	8.3	+ 2.7
5. Travel .. .. .	198.4	23.9	+174.5
6. Investment income .. .. .	32.8	203.0	-170.2
6.1 Direct investment .. .. .	0.3	13.0	- 12.7
6.2 Other .. .. .	32.5	190.0	-157.5
7. Government expenditure n.i.e. .. .. .	50.0	35.9	+ 14.1
8. Other services .. .. .	146.5	173.5	- 27.0
8.1 Non merchandise insurance .. .. .	6.5	13.5	- 7.0
8.2 Other .. .. .	140.0	160.0	- 20.0
<b>Total goods and services .. .. .</b>	<b>5,349.9</b>	<b>5,947.0</b>	<b>-597.1</b>
<u>Transfer Payments</u>			
9. Private .. .. .	109.0	53.3	+ 55.7
10. Official .. .. .	491.6	—	+491.6
<b>Total Current Account .. .. .</b>	<b>5,950.5</b>	<b>6,000.3</b>	<b>- 49.8</b>
<u>Capital &amp; Monetary Gold</u>			
<b>Non-monetary sector .. .. .</b>			
11. Direct Investment .. .. .	2,214.5	1,623.9	+590.6
12. Other private long-term .. .. .	0.5	0.3	+ 0.2
13. Other private short-term .. .. .	59.9	108.1	- 48.2
14. Other private short-term .. .. .	548.2	608.9	- 60.7
14. Central Government .. .. .	1,605.9	906.6	+699.3
14.1 Long-term loans .. .. .	942.9	232.5	+710.4
14.2 Other long-term .. .. .	301.0	353.5	- 52.5
14.3 Other short-term .. .. .	362.0	320.6	+ 41.4
<b>Monetary Sector .. .. .</b>	<b>313.0</b>	<b>844.0</b>	<b>-531.0</b>
15. Government - Assets .. .. .	—	5.9	- 5.9
16. Government - Liabilities .. .. .	—	—	—
17. Commercial Banks - Assets .. .. .	—	177.6	-177.6
18. Commercial Banks - Liabilities .. .. .	16.8	—	+ 16.8
19. Central Bank - Assets .. .. .	—	384.9	-384.9
20. Central Bank - Liabilities .. .. .	19.6	85.7	- 66.1
21. Transactions with I. M. F. .. .. .	276.6	189.9	+ 86.7
22. Allocation of SDR's .. .. .	—	—	—
23. Monetary Gold .. .. .	—	—	—
24. Valuation Adjustment .. .. .	—	—	—
25. Errors and Omissions .. .. .	—	9.8	- 9.8

### (a) Provisional

The balance of payment data are largely based on exchange control records. The above presentation conforms as far as possible to international practice as followed by the International Monetary Fund in their Balance of Payments Yearbooks and International Financial Statistics.

Item 1. Exports are recorded on f. o. b. valuation; imports on c. i. f. value.

Item 5. Includes educational remittances and official travel. Passage collections by foreign shipping and airlines are included in Item 4.1—Passenger fares.

Item 10. Indicates outright grants received in the form of food aid, commodity aid and project aid.

Item 14.2 Credit entries refer mainly to an increase in liabilities resulting from imports under Suppliers' Credits. The debit entry in respect of such imports is in the merchandise account and is recorded on an arrivals basis. Debit entries refer to a decline in liabilities and are recorded at the time of settlement or payment for such imports.



TABLE 13

for 1976 - 78

Rupees Million

1977			1978(a)		
Credit	Debit	Net	Credit	Debit	Net
6,640.0	6,290.0	+ 350.0	13,206.5	15,350.0	-2,143.5
—	—	—	—	—	—
18.0	25.0	— 7.0	30.0	50.0	— 20.0
220.0	80.0	+ 140.0	288.6	267.6	+ 21.0
30.0	28.0	+ 2.0	22.5	120.0	— 97.5
178.0	41.7	+ 136.3	240.0	80.0	+ 160.0
12.0	10.3	+ 1.7	26.1	67.6	— 41.5
304.0	33.0	+ 271.0	750.0	444.2	+ 430.0
102.6	256.0	— 153.4	313.8	550.7	— 236.9
0.7	11.0	— 10.3	—	65.9	— 65.0
101.9	245.0	— 143.1	313.8	484.8	— 171.0
51.2	40.0	+ 11.2	108.3	75.0	+ 33.3
227.4	185.5	+ 41.9	451.6	435.4	+ 16.2
7.0	19.4	— 12.4	11.4	32.5	— 21.1
220.4	166.1	+ 54.3	440.2	402.9	+ 37.3
7,563.2	6,909.5	+ 653.7	15,148.8	17,172.9	-2,024.1
189.7	67.3	+ 122.4	609.8	267.7	+ 342.1
490.0	—	+ 490.0	900.0	—	+ 900.0
8,242.9	6,976.8	+ 1,266.1	16,658.6	17,440.6	— 782.0
1,580.2	1,254.6	+ 325.6	3,824.6	1,225.0	+2,599.6
4.3	13.9	— 9.6	23.5	—	+ 23.5
2.5	31.7	— 29.2	7.8	—	+ 7.8
212.2	300.8	— 88.6	113.6	—	+ 113.6
1,361.2	908.2	+ 453.0	3,679.7	1,225.0	+2,454.7
1,184.1	430.6	+ 753.5	3,679.7	673.5	+3,006.2
135.1	286.6	— 151.5	—	397.5	— 397.5
42.0	191.0	— 149.0	—	154.0	— 154.0
1,080.3	4,393.1	— 3,312.8	844.5	2,705.9	—1,861.4
3.0	—	+ 3.0	—	24.5	— 24.5
—	—	—	—	35.6	— 35.6
—	670.3	— 670.3	—	73.3	— 73.3
32.3	—	+ 32.3	88.5	—	+ 88.5
—	3,503.6	— 3,503.6	—	1,805.9	—1,805.9
108.1	—	+ 108.1	—	326.2	— 326.2
936.9	219.2	+ 717.7	756.0	440.4	+ 315.6
—	—	—	—	—	—
—	—	—	—	—	—
1,680.0	—	+ 1,680.0	344.2	—	+ 344.2
41.1	—	+ 41.1	—	300.4	— 300.4

Source: Central Bank of Ceylon.

Items 15-22 The change in capital of the monetary sector is based on local records.

Items 19-20 Central Bank liabilities and assets—Includes changes in balances due from Sri Lanka (liabilities) under payments agreement account with the People's Republic of China.

Item 21 The figures shown in the credit column relate to drawings from and service charges paid in Sri Lanka Rupees, to the International Monetary Fund. Figures in the debit column are in respect of repurchases or repayments, made in instalments, to the I.M.F., in respect of earlier drawings. Gold contributions to the I.M.F., consequent to successive increases in Sri Lanka's quota, are also shown in the debit column.



End of period	Government (a)	Government agencies and institutions (b)	Currency Board/ Central Bank (c)
1940	29.3	67.2	80.2
1941	99.9	95.6	105.9
1942	51.6	66.4	192.0
1943	135.8	81.5	229.7
1944	259.8	103.7	313.9
1945	420.6	142.3	460.5
1946	393.5	184.4	415.2
1947	178.9	206.9	440.5
1948	157.4	222.3	459.9
1949	86.8	235.8	514.9
1950	76.8	265.7	565.1
1951	76.1	291.3	668.4
1952	65.9	310.6	401.1
1953	70.2	228.4	245.1
1954	61.5	225.8	524.5
1955	111.7	237.2	655.2
1956	134.6	243.1	737.0
1957	112.3	249.4	590.8
1958	24.5	255.5	538.7
1959	16.0	229.7	386.7
1960	20.0	219.4	190.2
1961	18.9	223.2	184.7
1962	22.7	227.6	152.1
1963	15.7	227.1	114.2
1964	0.8	107.0	135.9
1965	11.3	54.6	282.2
1966	4.8	57.3	143.0
1967	3.7	64.9	260.4
1968	1.8	68.4	235.5
1969	1.2	72.3	165.2
1970	0.4	57.6	194.0
1971	12.4	62.3	238.2
1972	53.7	67.3	285.4
1973	3.3	70.7	480.5
1974	0.5	74.3	420.1
1975	0.7	0.2	438.0
1976	6.6	0.2	822.8
1977	3.5	0.4	4,326.5
1978	27.9	0.5	6,132.4
1977 January	5.9	0.2	752.6
February	5.4	0.2	866.6
March	3.8	0.2	779.8
April	4.7	0.2	787.3
May	4.8	0.2	923.7
June	1.6	0.2	912.7
July	4.2	0.2	1,013.0
August	5.0	0.2	1,316.4
September	5.2	0.2	1,696.9
October	3.0	0.2	1,959.1
November	4.1	0.4	3,531.6
December	3.5	0.4	4,326.5
1978 January	16.9	0.4	4,684.3
February	30.8	0.4	5,016.0
March	31.1	0.4	4,997.2
April	7.5	0.4	5,091.2
May	86.5	0.4	4,937.4
June	120.3	0.4	4,845.6
July	76.1	0.4	5,171.6
August	94.1	0.4	5,626.4
September	81.9	0.5	5,398.7
October	19.5	0.5	6,296.1
November	54.3	0.5	5,920.1
December	27.9	0.5	6,132.4

Note:—The figures in the above table differ from statistics on external assets published in the Annual Reports and Bulletins up to December 1961. The differences where they occur are explained more fully in the footnotes that follow.

(a) Figures up to 1959 include War Loan re-lent to U.K. Government, less the part held by the Currency Board/Central Bank. Figures upto 1952 agree with previously published statistics. Any difference thereafter is due to the inclusion of balances due to Sri Lanka under payments agreement with the People's Republic of China. Except for these balances, which are recorded according to local records, the basis of valuation throughout is at face value according to records abroad.

(b) As previously published - i.e. at face value according to records abroad. Includes foreign assets held by the Sterling Loans Sinking Fund.



Commercial Banks(d)	Total External Assets	Changes in total external assets between periods	Total external assets net of Sterling Loan Sinking Funds
147.7	324.4	+ 49.3	309.3
133.3	434.7	+ 110.3	416.2
211.4	521.4	+ 86.7	500.4
224.6	671.6	+ 150.2	648.2
282.6	960.0	+ 288.4	932.5
236.5	1,259.9	+ 299.9	1,229.0
217.2	1,210.3	- 49.6	1,175.5
121.0	947.3	- 263.0	906.0
158.3	997.9	+ 50.6	952.1
126.2	963.7	- 34.2	917.8
225.3	1,132.9	+ 169.2	1,083.0
181.0	1,216.8	+ 83.9	1,162.8
96.2	873.8	- 343.0	815.2
96.7	640.4	- 233.4	577.2
132.5	944.3	+ 303.9	876.5
224.7	1,228.8	+ 284.5	1,154.5
161.0	1,275.7	+ 46.9	1,194.4
109.4	1,061.9	- 213.8	973.3
114.5	933.2	- 128.7	837.9
101.6	734.0	- 199.2	655.4
111.7	541.3	- 192.7	457.7
104.9	531.7	- 9.6	440.9
101.5	503.9	- 27.8	406.7
105.3	462.3	- 41.6	358.8
107.3	351.0	- 111.3	304.7
91.8	439.9	+ 88.9	407.6
112.5	317.6	- 122.3	281.9
119.9	448.9	+ 131.3	407.0
157.3	463.0	+ 14.1	417.4
138.4	377.1	- 85.9	327.5
150.6	402.6	+ 25.5	366.6
185.2	498.1	+ 95.5	456.0
320.3	726.7	+ 228.6	680.1
296.7	851.2	+ 124.5	801.2
393.9	888.8	+ 37.6	835.3
395.0	833.9	- 54.9	833.9
572.6	1,402.2	+ 568.3	1,402.2
1,242.8	5,573.2	+4,171.4	5,573.2
1,316.2	7,477.0	+1,903.8	7,477.0
588.8	1,347.0	- 55.2	1,347.0
615.6	1,487.8	+ 140.8	1,487.8
623.1	1,406.9	- 80.9	1,400.9
689.7	1,481.9	+ 75.0	1,481.9
633.0	1,561.7	+ 79.8	1,561.7
688.2	1,602.7	+ 41.0	1,602.7
691.7	1,709.1	+ 106.4	1,709.1
696.9	2,018.5	+ 309.4	2,018.5
813.5	2,515.8	+ 497.3	2,515.8
767.0	2,739.3	+ 223.5	2,739.3
896.1	4,432.2	+1,692.9	4,432.2
1,242.8	5,573.2	+1,141.4	5,573.2
1,270.1	5,971.7	+ 398.1	5,971.7
1,190.5	6,237.7	+ 266.0	6,237.7
1,327.3	6,356.0	+ 118.3	6,356.0
1,292.2	6,391.3	+ 35.3	6,391.3
1,281.6	6,305.9	- 85.4	6,305.9
1,201.2	6,167.5	- 138.4	6,167.5
1,264.7	6,512.8	+ 345.3	6,512.8
1,308.0	7,028.9	+ 516.1	7,028.9
1,331.1	6,812.2	- 216.7	6,812.2
1,363.6	7,679.7	+ 867.5	7,679.7
1,452.0	7,426.9	- 252.8	7,426.9
1,316.2	7,477.0	+ 50.1	7,477.0

Source: Central Bank of Ceylon

(c) The assets of the Currency Board were transferred to the Central Bank on August 28, 1950. Figures upto 1949 are as previously published. Thereafter the figures are as published under International Reserve in the balance sheet of the Central Bank (see Table 6). The International Reserve also includes balances due to Sri Lanka on bilateral clearing accounts other than with the People's Republic of China.

(d) All figures are according to local records, and upto 1947 are as previously published. From 1949 they agree with foreign balances of commercial banks as shown in Table 5. These balances are the sum of foreign currency on hand and balances due from banks abroad, and export bills purchased and discounted.



## Central Bank Trade Indices (1967=100) - Exports

Period	Export Volume					Export Prices					All Imports Price Index	Terms of Trade (a)
	*Tea	Rubber including liquid latex	3 Major coconut products	20 Minor products	All Exports	*Tea	Rubber including liquid latex	3 Major coconut products	20 Minor products	All Exports		
1938 .. ..	50	39	120	113	57	33	40	13	15	28	23	125
1948 .. ..	62	71	95	83	68	89	73	96	58	85	57	149
1949 .. ..	63	68	93	96	68	99	66	103	61	89	69	129
1950 .. ..	63	91	107	105	75	114	160	128	78	121	73	165
1951 .. ..	64	79	129	112	76	119	264	141	105	146	93	157
1952 .. ..	66	73	149	96	77	104	184	87	82	113	93	122
1953 .. ..	70	75	132	103	79	111	161	107	72	115	93	125
1954 .. ..	76	73	123	114	82	140	142	99	82	128	86	149
1955 .. ..	76	77	157	114	86	148	164	80	83	134	83	162
1956 .. ..	73	67	147	107	81	135	157	82	89	125	83	151
1957 .. ..	78	72	103	103	79	125	149	88	95	120	88	136
1958 .. ..	86	71	96	97	84	123	130	99	92	118	81	145
1959 .. ..	80	71	123	101	82	122	151	116	85	122	83	148
1960 .. ..	86	81	105	108	87	120	169	102	94	122	83	148
1961 .. ..	90	68	148	105	90	117	136	79	85	112	82	136
1962 .. ..	95	77	166	106	97	114	135	81	87	109	77	142
1963 .. ..	96	72	131	103	93	112	127	89	97	109	85	129
1964 .. ..	95	87	175	97	102	113	119	94	100	111	105	105
1965 .. ..	104	92	137	100	105	110	118	120	107	113	100	112
1966 .. ..	92	103	108	95	96	105	116	108	102	107	98	109
1967 .. ..	100	100	100	100	100	100	100	100	100	100	100	100
1968 .. ..	96	113	118	116	103	114	104	163	108	117	126	93
1969 .. ..	93	108	97	118	98	108	141	137	113	117	134	88
1970 .. ..	96	122	94	122	102	110	128	150	111	118	140	84
1971 .. ..	96	98	109	125	99	113	111	151	114	117	150	78
1972 .. ..	87	98	135	128	97	125	96	117	118	118	158	75
1973 .. ..	95	122	45	157	98	124	172	145	149	137	209	65
1974 .. ..	81	97	50	151	85	158	269	435	207	213	370	58
1975 .. ..	98	121	90	106	102	185	191	283	207	199	433	46
1976 .. ..	92	104	84	147	97	214	304	295	218	239	383	62
1977 .. ..	85	102	31	198	89	385	324	487	296	382	471	81
1978 .. ..	89	104	64	191	95	680	686	868	599	698	877	80

Source: Dept. of Statistics,  
Central Bank of Ceylon.

1. Indices from 1964 onwards are based on the experience of the 3 years 1965-67 and are not strictly comparable with the figures prior to 1964. Figures prior to 1964 which had been calculated on the experience of the 5 years 1954-58 (base year 1958) have been spliced to the new index (base 1967=100).

$$(a) \frac{\text{Export price index}}{\text{Import price index}} \times 100$$

\* Instant tea, not included.



Central Bank Trade Indices (1967=100) - Imports

Period	Import Volume							Import Price						
	Consumer Goods				Intermediate goods	Investment goods	All Imports	Consumer Goods				Intermediate goods	Investment goods	All Imports
	Food and Drink	Textiles	Other consumer goods	Combined				Food and Drink	Textiles	Other Consumer Goods	Combined			
1938	57	110	66	62	48	58	58	23	30	19	23	41	16	23
1948	70	128	114	78	49	65	69	89	148	49	60	99	31	57
1949	71	164	129	84	59	74	76	88	118	44	81	87	31	69
1950	79	179	126	90	60	85	82	91	125	48	84	95	35	73
1951	80	172	206	99	72	105	93	102	145	64	109	115	43	93
1952	80	197	191	99	69	108	93	117	118	66	104	126	47	93
1953	83	200	191	102	67	103	94	119	114	70	105	117	50	93
1954	80	187	143	94	70	88	87	106	105	69	96	110	48	86
1955	80	205	209	101	74	128	98	96	100	74	91	115	48	83
1956	90	238	240	115	71	158	109	97	101	74	91	114	47	83
1957	91	195	257	114	102	155	116	102	110	71	96	127	50	88
1958	97	256	286	127	78	154	118	91	99	74	88	116	49	81
1959	108	228	369	142	95	202	136	93	102	73	89	110	54	83
1960	101	221	423	141	95	180	133	92	107	73	89	109	59	83
1961	93	192	140	105	92	157	107	90	110	71	88	103	55	82
1962	87	190	129	99	102	178	108	89	103	68	86	99	45	77
1963	83	108	71	82	97	143	93	97	103	93	97	100	48	85
1964	114	203	149	126	96	104	114	117	97	83	112	99	94	105
1965	75	125	94	82	92	90	86	104	108	91	103	100	92	100
1966	122	166	129	127	104	113	118	99	103	91	99	100	90	98
1967	100	100	100	100	100	100	100	100	100	100	100	100	100	100
1968	98	79	97	96	112	97	101	132	127	139	133	120	115	126
1969	93	76	108	93	104	172	108	134	193	142	140	125	127	134
1970	107	82	120	106	86	116	102	130	198	152	139	136	148	140
1971	83	65	90	82	96	106	90	143	199	153	149	152	147	150
1972	118	23	121	109	76	88	88	173	199	127	171	152	120	158
1973	96	51	119	92	47	84	79	233	132	177	218	230	140	209
1974	58	17	149	62	46	50	56	451	294	152	408	386	208	270
1975	67	5	134	67	56	96	69	563	427	178	514	400	207	433
1976	59	13	267	69	68	113	75	379	383	282	372	488	254	383
1977	104	29	131	100	64	131	97	414	587	420	435	685	257	471
1978	77	59	154	81	74	213	132	659	1387	884	781	1419	484	877

Source: Department of Statistics  
Central Bank of Ceylon.

1. Indices from 1964 onwards are based on the experience of the 3 years 1965-67 and are not strictly comparable with the figures prior 1964. Figures prior to 1964 which had been calculated on the experience of the 5 years 1954-58 (base year 1958) have been spliced to the new index (base 1967=100).



## Central Bank Trade Indices (1967=100) — Value

Period	IMPORT VALUES							EXPORT VALUES				
	CONSUMER GOODS				Intermediate Goods	Investment Goods	All Imports	•Tea	Rubber including Liquid Latex	3 Major Coconut Products	20 Minor Products	All Exports
	Food & Drink	Textiles	Other Consumer Goods	Combined								
1938	12	29	35	14	18	15	15	16	17	17	16	16
1948	67	215	145	79	53	52	71	55	51	91	46	58
1949	68	226	155	80	53	62	72	61	44	101	56	62
1950	78	256	165	92	59	74	83	70	144	149	78	93
1951	90	332	360	113	85	116	106	76	206	192	112	113
1952	105	321	345	124	90	139	117	68	133	139	75	88
1953	103	244	315	117	82	113	109	78	120	146	73	93
1954	86	194	225	98	79	98	92	105	102	127	87	107
1955	78	235	330	95	86	126	94	113	125	135	85	116
1956	89	285	390	109	84	169	107	98	104	127	85	102
1957	94	262	435	114	134	170	121	96	106	93	90	98
1958	92	294	500	115	94	164	112	106	92	98	81	102
1959	104	268	630	126	110	210	127	98	106	146	85	104
1960	96	274	700	122	108	197	122	103	135	110	98	109
1961	86	244	225	100	103	167	104	104	93	122	84	101
1962	80	229	185	93	106	164	99	107	106	136	85	109
1963	82	135	95	85	99	141	91	107	92	119	92	105
1964	123	223	105	129	91	92	113	108	103	164	111	113
1965	74	132	81	78	96	81	83	114	108	165	105	118
1966	119	170	119	123	109	109	117	97	119	117	96	103
1967	100	100	100	100	100	100	100	100	100	100	100	100
1968	128	99	96	124	134	120	126	109	117	198	125	121
1969	122	151	114	124	124	222	140	100	153	133	131	115
1970	137	168	138	139	97	155	131	106	156	142	131	120
1971	118	133	88	117	117	105	115	108	109	165	134	116
1972	117	42	128	113	118	120	115	109	93	157	140	113
1973	164	67	83	151	86	108	128	118	210	83	251	151
1974	264	43	106	237	168	107	201	128	261	236	265	171
1975	334	20	146	298	175	150	246	181	231	232	196	196
1976	211	52	193	199	118	181	175	197	315	224	261	225
1977	286	143	107	262	141	195	221	329	330	207	329	316
1978	505	824	669	561	439	815	718	603	715	581	595	620

Source: Department of Statistics  
Central Bank of Ceylon.

1. Indices from 1964 onwards are obtained by expressing total values of a particular period as a per cent of the annual values for 1967 which is taken as the base year. Figures prior to 1964 which had been calculated using 1958 as the base year have been spliced to the new index and are not strictly comparable.

\* Instant tea is not included.



Cost of Living Index Numbers - Colombo Town

Period	All Items	November, 1938—April, 1939=100								
		Commodity-wise					Sector-wise			
		Food	Clothing	Fuel and Light	Rent	Miscellaneous	Domestic Group (a)	Import Group (b)	Export Group (c)	
1939 (d)	108 (e)	112	112	102	97	104	n.a.	n.a.	n.a.	
1948	260	286	423	219	133	257	n.a.	n.a.	n.a.	
1950	272	319	347	221	116	253	246	258	522	
1951	283	321	442	243	116	263	265	263	522	
1952	281	315	429	226	118	276	274	266	418	
	Nov. 38 - Apr. 39 =100	1952 = 100 (f)								
1957	288.9	102.8	104.9	84.4	97.3	101.5	106.9	104.9	98.1	126.8
1958	295.1	105.0	105.8	87.5	101.0	101.5	113.1	109.2	97.0	135.0
1959	295.6	105.2	104.7	92.1	102.4	101.5	115.3	108.0	97.1	153.1
1960	290.8	103.5	100.8	95.1	102.7	101.5	117.5	108.9	93.7	138.4
1961	294.5	104.8	99.8	103.9	104.4	101.5	122.8	112.3	94.6	119.1
1962	298.7	106.3	100.9	108.2	105.6	101.5	124.9	113.9	96.7	113.8
1963	305.7	108.8	103.0	118.2	103.0	101.5	126.6	113.4	102.5	117.7
1964	315.3	112.2	106.4	127.2	103.2	101.5	129.3	116.7	106.6	115.3
1965	316.1	112.5	107.3	126.8	100.7	101.5	128.3	116.4	106.4	127.2
1966	315.6	112.3	109.1	117.0	95.9	101.5	127.3	116.8	105.4	127.6
1967	322.6	114.8	112.7	116.7	96.5	101.5	128.9	117.1	111.2	123.9
1968	341.3	121.5	121.2	120.1	103.2	101.5	133.6	123.2	117.3	142.4
1969	366.8	130.5	127.9	130.9	124.9	108.4	147.1	134.3	123.5	148.2
1970	388.3	138.2	136.6	137.3	136.1	109.8	153.2	142.9	129.3	157.3
1971	398.7	141.9	139.1	145.0	140.8	109.8	159.5	148.9	129.7	157.9
1972	423.7	150.8	147.5	163.4	145.9	109.8	169.4	161.6	136.1	140.6
1973	464.8	165.4	164.8	186.1	164.4	109.8	170.0	167.8	162.5	171.9
1974	522.0	185.8	189.7	204.6	221.0	109.8	178.3	176.1	195.7	251.4
1975	557.3	198.3	204.3	208.2	237.1	109.8	191.9	189.5	213.5	214.5
1976	563.9	200.7	202.1	211.7	265.2	109.8	203.8	195.5	209.2	219.8
1977	570.9	203.2	203.3	223.8	257.5	109.8	208.4	200.6	195.6	317.5
1978	640.20	227.8	237.5	226.2	262.1	109.8	224.8	228.8	243.8	358.2
1977 January	567.6	202.0	201.5	220.6	266.1	109.8	207.8	198.9	202.1	259.9
February	569.3	202.6	202.3	221.6	266.1	109.8	207.8	198.6	202.4	275.3
March	569.9	202.8	203.0	222.9	258.1	109.8	207.8	198.5	201.1	292.8
April	569.9	202.8	203.7	222.8	251.1	109.8	207.1	198.3	199.5	308.6
May	572.7	203.8	205.2	223.7	251.1	109.8	207.1	199.0	199.6	319.7
June	527.9	203.9	205.3	224.2	251.1	109.8	207.2	199.2	199.7	319.2
July	573.8	204.2	205.5	224.2	254.7	109.8	207.2	199.7	199.7	319.7
August	571.0	203.2	203.6	224.2	258.4	109.8	207.4	200.9	194.1	329.8
September	567.6	202.0	201.5	225.4	258.4	109.8	207.4	202.0	187.1	340.9
October	568.7	202.4	202.1	225.4	258.4	109.8	207.4	202.3	187.3	344.2
November	572.1	203.6	203.0	225.4	258.4	109.8	210.6	204.0	187.3	347.8
December	574.9	204.6	203.1	225.4	258.4	109.8	215.4	205.4	187.2	351.2
1978 January	575.2	204.7	203.1	225.4	258.4	109.8	216.1	204.9	187.4	357.9
February	622.4	221.5	230.0	225.4	258.4	109.8	217.0	225.5	234.5	357.9
March	622.7	221.6	230.1	225.4	258.4	109.8	217.3	225.6	234.6	357.9
April	625.2	222.5	231.3	225.9	258.4	109.8	217.9	227.0	234.7	358.2
May	632.8	225.2	235.7	225.9	258.4	109.8	217.9	228.3	240.1	358.2
June	637.9	227.0	238.3	225.9	262.1	109.8	218.1	228.7	244.2	358.2
July	642.6	228.7	240.6	225.9	264.2	109.8	219.3	229.3	248.3	358.3
August	651.6	231.9	243.3	225.9	264.2	109.8	227.2	231.8	253.1	358.3
September	664.8	236.6	248.1	225.9	264.2	109.8	236.2	234.3	261.9	358.3
October	665.1	236.7	248.1	226.9	264.2	109.8	236.2	234.4	262.1	358.3
November	669.1	238.1	250.2	227.6	264.2	109.8	236.8	236.5	262.2	358.3
December	672.4	239.3	251.6	228.4	269.8	109.8	237.0	238.7	262.3	358.3

Source: The Department of Census and Statistics, and Central Bank of Ceylon.

Note: Annual figures shown are averages of monthly figures.

(a) Comprises items of domestic origin. Weight 60 per cent from 1968. Previous weight 51 per cent.

(b) Comprises imported goods. Weight 35 per cent from 1968. Previous weight 44 per cent.

(c) Comprises domestic goods mainly exported. Weight 5 per cent.

(d) August-December.

(e) January-December average-104.

(f) Colombo Consumers' Price Index—from January 1956, onwards: index numbers on base 1952=100 with the following percentage weights for the groups (based on an average total expenditure of Rs. 202.24 in 1949-1950) Food 61.9; Clothing 9.4; Fuel and light 4.3; rent 5.7; miscellaneous 18.7.



Minimum Wage Rate Index Numbers of Workers in  
Wages Boards Trades

Period	Workers in Agriculture (a)		Workers in Industry and Commerce (c)		Workers in Wages Boards Trades (d)	
	Minimum Wage Rate Index	Real Wage Rate Index (b)	Minimum Wage Rate Index	Real Wage Rate Index	Minimum Wage Rate Index	Real Wage Rate Index
1939 = 100						
1939 ..	100	100				
1948 ..	315	122				
1950 ..	373	136	n. a.	n. a.	n. a.	n. a.
1951 ..	463	161				
1952 ..	468	163				
1952 = 100						
1953 ..	101.5	99.9	101.0	99.4	101.5	99.9
1954 ..	103.1	102.0	100.7	99.6	102.5	101.4
1955 ..	106.6	106.1	101.4	101.0	105.9	105.4
1956 ..	107.1	106.9	102.9	102.7	106.4	106.2
1957 ..	108.7	105.6	104.5	101.5	107.8	104.7
1958 ..	110.2	105.2	116.1	110.9	110.8	105.6
1959 ..	110.2	104.8	128.8	122.4	112.3	106.7
1960 ..	110.2	106.5	128.1	123.8	111.8	108.0
1961 ..	110.7	105.6	128.4	122.5	112.3	107.2
1962 ..	111.9	105.2	129.5	121.8	113.6	106.9
1963 ..	113.3	104.2	130.9	120.3	115.2	105.9
1964 ..	116.0	103.5	132.8	118.4	117.8	105.0
1965 ..	116.3	103.4	132.8	118.0	118.2	105.0
1966 ..	116.3	103.5	133.2	118.6	118.1	105.1
1967 ..	120.4	104.9	138.9	121.0	122.2	106.4
1968 ..	138.8	114.3	161.6	133.1	141.2	116.3
1969 ..	138.8	106.3	161.7	123.9	141.2	108.2
1970 ..	140.2	101.5	166.1	120.2	142.9	103.4
1971 ..	141.6	99.8	176.1	124.2	145.3	102.3
1972 ..	148.5	98.4	181.4	120.3	156.9	100.7
1973 ..	168.1	101.5	199.7	120.7	169.9	102.7
1974 ..	210.0	113.0	235.8	126.9	212.5	114.3
1975 ..	241.2	121.6	275.2	138.7	244.5	123.3
1976 ..	246.4	122.8	282.3	140.7	250.0	124.6
1977 ..	310.2	152.6	304.0	149.6	308.8	151.9
1978 ..	451.1	197.7	377.6	166.0	441.8	193.9
1977 January ..	248.6	123.0	282.9	140.0	252.0	124.7
February ..	248.6	122.6	282.9	139.6	252.0	124.4
March ..	315.3	155.5	301.7	148.8	313.2	154.5
April ..	310.7	153.2	301.7	148.8	308.8	152.3
May ..	311.2	152.7	301.7	148.0	309.3	151.8
June ..	311.2	152.6	301.7	148.0	309.3	151.7
July ..	309.7	151.7	301.7	147.8	308.3	151.0
August ..	309.2	152.2	301.7	148.5	307.4	151.3
September ..	310.7	153.8	300.7	148.9	308.8	152.9
October ..	318.9	157.5	300.7	148.6	316.2	156.2
November ..	320.4	157.4	301.7	148.2	317.7	156.0
December ..	407.7	199.3	368.2	179.9	402.0	196.5
1978 January ..	407.7	199.2	368.2	179.9	402.0	196.4
February ..	430.6	194.4	374.3	169.0	423.5	191.2
March ..	432.1	195.0	374.7	169.1	424.5	191.6
April ..	434.7	195.4	375.7	168.8	427.0	191.9
May ..	443.2	196.8	376.7	167.3	434.9	193.1
June ..	446.9	196.9	377.7	166.4	438.2	193.1
July ..	455.1	199.0	378.4	165.5	445.6	194.8
August ..	457.6	197.3	379.6	163.7	448.0	193.2
September ..	468.0	197.7	381.2	161.1	457.1	193.2
October ..	472.5	199.5	381.2	161.0	461.3	194.9
November ..	485.7	203.9	381.9	160.4	473.0	198.7
December ..	478.6	199.9	382.2	159.7	466.7	195.0

Source. Department of Labour and Central Bank of Ceylon.

Note: From January, 1953, indices of real wage rates are calculated by using the Colombo Consumers' Price Index.

(a) Prior to 1953, minimum wage rate index refers to wage rates of tea growing and manufacturing, rubber growing and manufacturing trades only; from 1953 it includes the coconut growing trade also.

(b) Prior to 1953, index of real wage rates was calculated by using the cost of living index for estate labour.

(c) Includes coconut manufacturing, engineering, printing, match manufacturing, motor transport, tea, export, building, dock, harbour and port transport, rubber export and cinema trades only.

(d) Combined index for workers in agriculture and workers in industry and commerce.



Wage Rate Index Numbers of Government Employees  
(1952=100)

Period	Technical and Clerical Employees		Minor Employees		All Central Government Employees (a)		Government School Teachers	
	Minimum Wage Rate Index	Real Wage Rate Index	Minimum Wage Rate Index	Real Wage Rate Index	Minimum Wage Rate Index	Real Wage Rate Index	Minimum Wage Rate Index	Real Wage Rate Index
1955	106.9	106.4	110.4	109.9	108.7	108.2	110.2	109.7
1956	108.7	108.5	113.0	112.8	111.0	110.8	113.2	113.0
1957	111.2	108.2	116.0	112.8	113.8	110.7	113.9	110.8
1958	122.3	116.5	130.4	124.2	126.7	120.7	117.4	111.8
1959	122.3	116.3	130.4	124.0	126.7	120.4	117.4	111.6
1960	122.3	118.2	130.4	126.0	126.7	122.4	117.4	113.4
1961	122.3	116.7	130.4	124.4	126.7	120.9	117.4	112.0
1962	122.3	115.0	130.4	122.6	126.7	119.2	117.4	110.4
1963	122.3	112.4	130.4	119.9	126.7	116.5	117.4	107.9
1964	122.3	109.0	130.4	116.2	126.7	112.9	117.4	104.6
1965	122.3	108.7	130.4	115.9	126.7	112.6	117.4	104.4
1966	122.3	108.9	130.4	116.1	126.7	112.8	117.4	104.6
1967	125.4	109.2	136.2	118.6	131.3	114.5	119.4	104.0
1968	140.1	115.4	163.0	134.3	152.6	125.7	129.6	106.7
1969	144.4	110.6	168.0	128.6	157.3	120.4	132.5	101.5
1970	157.2	113.8	182.9	132.4	171.3	124.0	141.1	102.1
1971	157.2	110.9	182.9	129.0	171.3	120.8	141.1	99.5
1972	157.4	104.4	183.4	121.6	171.7	113.8	141.2	93.6
1973	163.0	98.6	194.2	117.5	180.1	108.8	144.3	87.3
1974	181.4	97.7	220.5	118.7	202.8	109.2	159.1	85.7
1975	197.5	99.5	246.3	124.2	224.2	113.0	171.8	86.6
1976	206.9	103.1	262.2	130.9	237.2	118.2	181.6	90.5
1977	209.2	103.0	266.1	131.0	240.3	118.3	184.7	90.9
1978	234.5	105.7	308.7	135.8	275.2	121.0	203.9	89.7
1977 January	206.9	162.4	262.2	129.8	237.2	117.4	182.9	90.6
February	206.9	102.1	262.2	129.4	237.2	117.1	182.9	90.3
March	206.9	102.0	262.2	129.3	237.2	117.0	182.9	90.2
April	206.9	102.0	262.2	129.3	237.2	117.0	182.9	90.2
May	206.9	101.5	262.2	128.7	237.2	116.4	182.9	89.8
June	206.9	101.5	262.2	128.6	237.2	116.3	182.9	89.7
July	206.9	101.3	262.2	128.4	237.2	116.2	182.9	89.6
August	206.9	101.8	262.2	129.0	237.2	116.7	182.9	90.0
September	206.9	102.4	262.2	129.8	237.2	117.4	182.9	90.6
October	206.9	101.2	262.2	129.5	237.2	117.2	182.9	90.4
November	206.9	101.6	262.2	128.8	237.2	116.5	182.9	89.8
December	234.5	114.6	308.7	150.9	275.2	134.5	203.9	99.7
1978 January	234.5	114.7	308.7	150.8	275.2	134.4	203.9	99.6
February	234.5	105.9	308.7	139.4	275.2	124.2	203.9	92.1
March	234.5	105.8	308.7	139.3	275.2	124.2	203.9	92.0
April	234.5	105.4	308.7	138.8	275.2	123.7	203.9	91.7
May	234.5	104.1	308.7	137.1	275.2	122.2	203.9	90.6
June	234.5	103.3	308.7	136.0	275.2	121.2	203.9	89.8
July	234.5	102.5	308.7	135.0	275.2	120.3	203.9	89.2
August	234.5	101.1	308.7	133.1	275.2	118.6	203.9	87.9
September	234.5	99.1	308.7	130.5	275.2	116.3	203.9	86.2
October	234.5	99.1	308.7	130.4	275.2	116.2	203.9	86.2
November	234.5	98.5	308.7	129.7	275.2	115.6	203.9	85.6
December	234.5	98.0	308.7	129.0	275.2	115.0	203.9	85.2

Source: Dept. of Labour and Central Bank of Ceylon

Notes: The index Numbers are calculated on fixed weights, based on the numbers employed as at 30 September, 1959. The wage rates used in the calculation of the Index Numbers are the initial salaries and wages in each representative scale.

(a) Combined index for clerical and technical employees and minor employees.



## FOOTNOTES TO TABLE 9

- (a) This Table covers all the items of revenue and expenditure that enter into the computation of the net cash surplus/deficit.
- (b) The actual figures of revenue from 1961/62 onwards differ from the published figures in the government accounts due to the following adjustments:
- (1) Inclusion of receipts from the national developments tax viz. Rs. 18.6 million, Rs. 17.5 million, Rs. 2.9 million, Rs. 1.1 million, Rs. 0.5 million, Rs. 0.2 million, Rs. 0.1 million and Rs. 0.2 million in 1961/62, 1962/63, 1963/64, 1964/65, 1965/66, 1966/67, 1967/68 and 1970/71 respectively,
  - (2) Exclusion of transfers to revenue of Rs. 20.6 million from the National Flood Relief Fund in 1961/62, a book credit of Rs. 26.8 million from the Food Commissioner in 1965/66, a book transfer of Rs. 44.2 million of profit from "Advance Accounts" activities in 1967/68 and a book credit of Rs. 38.7 million from the Food Commissioner in 1968/69 and transfer of revenue of Rs. 9.5 million from Contingencies Fund and Rs. 13.1 million being surplus from "Advance Accounts" activities of the Civil Medical Stores over the previous years in 1971/72, Rs. 64.8 million being deposits of Public Corporations written off by crediting revenue account Rs. 7.8 million being advances to Government Departments and transfer to revenue of Rs. 1.1 million from the National Development Fund in 1974 and
  - (3) Exclusion of the value of equipment and other aid gifted by foreign governments and agencies viz. Rs. 4.7 million, Rs. 2.8 million, Rs. 1.6 million, Rs. 1.5 million, Rs. 18.1 million, Rs. 0.1 million, Rs. 1.6 million, Rs. 0.1 million, Rs. 0.1 million, Rs. 2.6 million, Rs. 1.0 million, Rs. 2.6 million, Rs. 3.0 million, and Rs. 9.1 million Rs. 11.0 million, Rs. 5.1 million and Rs. 13.9 million in 1961/62, 1962/63, 1963/64, 1964/65, 1965/66, 1966/67, 1967/68, 1968/69, 1969/70, 1970/71, 1971/72, 1973, 1974, 1975, 1976, 1977, and 1978 respectively.
- (c) For purposes of computing the net cash surplus/deficit, expenditure, is defined to include recurrent expenditure, capital expenditure, expenditure chargeable to the National Development Reserve and the net receipt or payment on "Advance Accounts" activities. The difference between revenue and the total expenditure thus defined gives the value of the net cash surplus/deficit.
- (d) Comprises the Railway Department, Electrical Department (until November, 1969 when it was converted into a corporation), Department of Posts and Telecommunications, Department of Information and Broadcasting (until January 5, 1967 when the Broadcasting department was converted into a corporation) and the Colombo Port Commission.
- (e) Excludes contributions from revenue to public debt sinking funds and direct repayments of public debt from revenue and special payments to international financial organisations.
- (f) Excludes book adjustments (debits and credits) arising from transfer to recurrent expenditure and capital expenditure of advances for loan works and losses on "Advance Accounts" activities incurred and financed in previous financial years. Hence the figures will not tally with the figures published in the state Accounts of the Republic of Sri Lanka.
- (g) Includes expenditure chargeable to foreign loans, advances for loan works, foreign loan expenditure awaiting charge to votes and also expenditure met from foreign grants from 1960/61 onwards.
- (h) From 1960/61 onwards the practice of classifying expenditure into "Expenditure chargeable to Revenue" and "Expenditure chargeable to Loan Funds" was discontinued. Instead, the Government's total expenditure was divided into three major categories viz. General Administrative Services, Social Services, and Economic Services. The expenditure under each of the categories was divided into recurrent and capital expenditure. The recurrent expenditure consisted the votes 1, 2, 4, and 6 and the capital expenditure 3, 5, and 7 onwards.
- In 1971/72 the Programme Budget Format was presented for 3 ministries and in 1973 for 16 ministries. Since 1974 the "Votes system" was discontinued and the expenditure is presented in Programme Budget Format in respect of all Heads of expenditure under the Government Budget. Under this system, the recurrent expenditure consists of the sum of projects one onwards of two digits and capital expenditure of projects 101 onwards.
- Since a similar classification is not available for the years prior to 1960/61 - expenditure chargeable to revenue and expenditure chargeable to loan funds are assumed to be comparable to recurrent expenditure and capital expenditure respectively.
- (i) For a period of 15 months.
  - (j) Provisional
  - (k) Approved estimates.







