Special credit scheme to develop North

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*Rs.3,000 m earmarked to be disbursed initially under loan scheme *Loan Scheme envisages meeting investment needs of people President Mahinda Rajapaksa officially launched a Special Development Credit Scheme titled ‘Awakening North’ which is exclusively designed for the development of the Northern Province by the Central Bank of Sri Lanka (CBSL) at a meeting at Temple Trees yesterday with CEOs of Banking Institutions to discuss the contribution of the banking sector in the Northern Province development.
Senior Presidential Advisor Basil Rajapaksa MP, Deputy Finance Minister Ranjith Siyambalapitiya, Central Bank Governor Ajith Nivard Cabraal, CEOs of participating credit institutions and senior bank officials attended the meeting. CBSL has introduced a Special Loan Scheme under the title ‘The Awakening North’ to provide credit facilities for capital investment for the resumption of economic activities in agriculture, livestock, fisheries, micro and small enterprises. This could boost the livelihood development of the people in the Northern Province. Rs.3,000 million is earmarked to be disbursed initially under the Loan Scheme at a concessionary rate of interest among the eligible Micro, Small and Medium scale Enterprises (MSMEs) through Participating Financial Institutions (PFIs) identified by the CBSL. The Northern Province comprising the districts of Jaffna, Killinochchi, Mannar, Vavuniya and Mullaitivu, covers a land area of 8,290 sq. km, represents 13.5 percent of the total land area of the country. The estimated population is around 1.3 million or approximately six percent of the total population of the country. Accordingly, the new Loan Scheme primarily envisages meeting the investment needs of the people to restart their livelihood activities. Under this scheme, they could obtain facilities from the banking sector to commence new income generating activities (IGAs). The Northern Province has many resources. Its natural resources including forests, agricultural land, wetlands, lagoons, bays and places of tourist attraction would provide a solid base for economic development in the Province. The major irrigation schemes, - Iranamadu, Giants Tank, Muthuaiyankaddukulam, Pavatkulam, Thannimairippukulam and Vavunikulam, and other minor irrigation schemes spread out in the Province will facilitate the agricultural and livestock development activities of the people. There are many viable IGAs already identified to restore the livelihood of the people, with the assistance of the banking sector. Even under the conflict situation, the Northern Province produced 10 percent of the total annual paddy production of the country. In the production of Other Field Crops (OFCs) such as red onions (40 percent of country total), Chilies (10 percent), Green Gram (14 percent), Ground Nut (25 percent) etc., the Northern Province contributes significantly to the total production of the country. It has been estimated that 129,000 fishermen, representing 20 percent of the total fishermen of the country, live in 219 fishing villages in the Northern Province. The total fish production in the Northern Province stood at 25,900 MT, representing 12 percent of the country’s total in the year 2006. This shows that IGAs in the fisheries sector could be developed substantially in the coastal areas with the provision of banking facilities to the potential borrowers in the Northern Province. Under the proposed Loan Scheme, credit facilities would be available for agriculture and related activities, livestock development projects, fisheries and related activities, micro and small scale enterprises and trade and other self- employment projects. The PFIs are requested to provide 90 percent of the total sub project cost, subject to a maximum limit of Rs. 200,000 per borrower. The rate of interest to the borrower is 12 percent and the repayment period could be extended up to the maximum of five years including a maximum grace period of six months depending on the nature of the activity. The PFIs are eligible to obtain refinance from the CBSL in respect of loans granted under the scheme at six percent per annum. The following Financial institutions which operate branches in the Northern Province, have been identified as the PFIs under “The Awakening North” Loan Scheme. Bank of Ceylon, People’s Bank, Hatton National Bank, Commercial Bank, Seylan Bank and SANASA Development Bank. The PFIs are permitted to provide credit facilities to eligible borrowers to commence new income generating activities or to expand their existing IGAs. As usual, the prospective borrowers are required to provide at least 10 percent equity contribution of the estimated cost of the project. The borrower could bring the equity capital in the form of cash, kind, material or managerial capacity. Security/collateral for such borrowing could be determined by the PFIs in negotiation with the borrower according to the creditworthiness of the IGA and the respective borrower. The Loan Scheme could be made a part of the efforts of the Government to rebuild the Northern Province. The Regional Development Department of the CBSL will be responsible for the implementation of the Loan Scheme. The Loan Scheme will be in operation with effect from July 2009. Courtesy: dailynews.lk