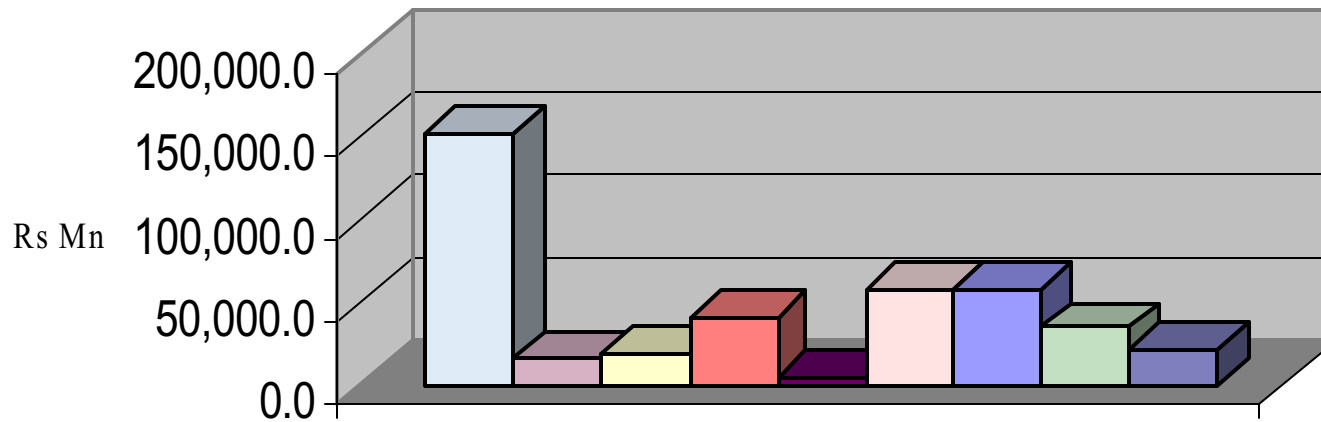


## Sector Wise Analysis of Advances of Banks as at September 2003



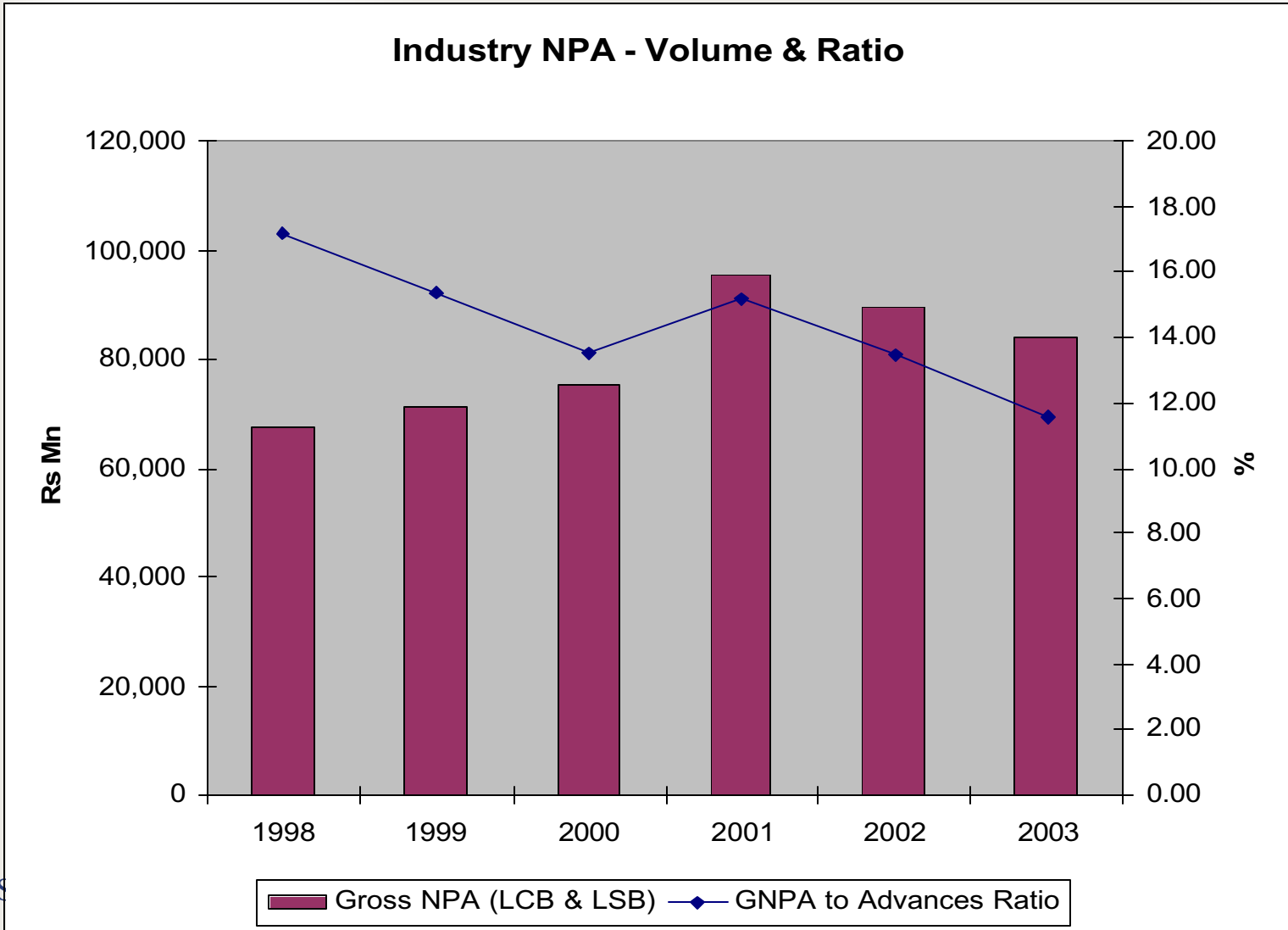
as at September 2003

- |   |  |  |
|---|--|--|
| <ul style="list-style-type: none"> <li>■ COMMERCIAL</li> <li>■ INDUSTRIAL</li> <li>■ CONSUMPTION</li> </ul> | <ul style="list-style-type: none"> <li>■ FINANCIAL</li> <li>■ TOURISM</li> <li>■ SERVICES</li> </ul> | <ul style="list-style-type: none"> <li>■ AGRICULTURAL</li> <li>■ HOUSING &amp; PROPERTY DEVELOPMENT</li> <li>■ OTHERS</li> </ul> |
|---|--|--|

Source: Quarterly Survey of Advances-September 2003, Central Bank of Sri Lanka



### Industry NPA - Volume & Ratio





## The Importance of a CRIB

- NPA levels in Asia are high and are likely to increase
- In 2002, Ernst & Young (NPL Loan Report: Asia 2004) estimates Asia's NPLs at \$2 Trillion up by 33%. Even after a concerted effort at NPL resolution in the recent years, Asian banks and AMC's have more than US\$ 1 trillion of NPLs on their balance sheets and other NPL hot spots in Europe and in Germany hold US\$ 300 billion.
- As a % of GDP, the estimated NPLs range from about 12% to 45% of GDP.
- The success of NPL resolution in Asia has proved that the NPL problem is manageable if the necessary resources, imitative and support is provided by regulators/governments.
- Asia could emerge as the world's growth engine if it succeeds in cleaning up its NPL problem.



## THE IMPORTANCE OF TIMELY AND ACCURATE CREDIT INFORMATION

- Improving credit information systems is one of the fundamentals in arresting the NPA phenomenon in Asia.
- The availability of credit information in the West is much more established and organised. This is necessarily so as the use of plastic money or credit cards has transformed the manner in which business is transacted.
- Other problems include Tax default, reluctance to reveal true financial status, weak credit culture, weak debt recovery laws .
- In order to curb the problem more information on potential borrowers and problem borrowers is required.



## **THE IMPORTANCE OF THE SME AND THE RURAL SECTOR**

- In developing countries or emerging markets SMEs have been identified as the engines of growth
- The importance of adequate credit information on this sector.
- The disciplining mechanism provided by a credit information bureau.



# The importance of a global initiative

- In building and sustaining strong economies and financial systems the importance of –
  - Leadership;
  - Acknowledgement of the problem;
  - Transparency in reporting;
  - Adequate regulation.



# NPA RESOLUTION?

- Is this the answer?
- How do we prevent NPA from coming back onto the books of banks?
- Can the problems recur?
- Inculcate payment discipline among borrowers – the importance of information!



# FUTURE CHALLENGES

- Change of ownership structure
- Expand the users/share holders
- Collection, updating and dissemination of information electronically (ON-LINE)
- Collection of information from other sources (PUBLIC DATA)
- Introduction of the latest ICT
- Consolidation with world/regional leaders
- Developing a product line
- Amend the CRIB Act/introduction of new statute to facilitate information sharing based on international standards

# THANK YOU



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