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PRESS RELEASE

Government Strengthens Efforts to Revitalize Small and Medium Enterprises (SMEs)

The extension granted for Parate execution expired on March 31, 2025. With the expiration of the Parate execution, the Government of Sri Lanka remains steadfast in its commitment to facilitate the revitalization of SMEs. To provide support to this sector, a relief period has been extended until December 31, 2025. For SMEs with borrowings below Rs. 25 million, provided they approached their respective banks on or before March 31, 2025, to discuss and secure relief measures. Similarly, SMEs with borrowings between Rs. 25 million and Rs. 50 million were granted an extension until September 30, 2025, while those exceeding Rs. 50 million received a deadline extension until June 30, 2025, to access assistance. These benefits are available exclusively to SMEs that initiated discussions with banks before the March 31, 2025, cutoff date.

Since the initiation of the relief program on December 15, 2024, key government agencies, including the Presidential Secretariat, Ministry of Finance, Planning and Economic Development, the Ministry of Industry and Entrepreneurship Development, the Central Bank of Sri Lanka, the Sri Lanka Banks' Association, and the Department of Development Finance—have continuously monitored the implementation of the relief mechanism on a monthly basis.

It was observed during these monitoring efforts that some SMEs had not approached banks for discussions. In response, the Sri Lanka Banks' Association launched a multilingual awareness campaign in national newspapers across Sinhala, Tamil, and English followed by social media promotions, encouraging SMEs to avail themselves of the benefits.

It was noted that SMEs engaged with banks successfully secured relief benefits, which included interest reductions and extensions to repayment periods. Even though willful defaulters may not reach the banks, bankers are hopeful that despite the Parate extension is expired, many SMEs will come forward within the next few days to secure the benefits offered by the relief mechanism and Banks' Association informed that their members are willing and ready to assist such SMEs.

In the recently approved national budget, the government has allocated Rs. 20,000 million (Rs. 20 billion) as investment and working capital financing. This includes; Rs. 15,000 million for performing & non-defaulting SMEs and Rs. 5,000 million for defaulting SMEs with revival potential.

The challenges relating to disbursement to non-performance sector was discussed extensively by the Ministry of Finance, Planning and Economic Development, the Ministry of Industry and Entrepreneurship Development together with the Central Bank of Sri Lanka, Institute of Chartered Accountants of Sri Lanka and Sri Lanka Banks' Association and have identified options to expedite the releasing of Working Capital assistance to SMEs.

As part of the solution, SMEs that are to be reviewed by the Ministry of Industry and Entrepreneurship Development are channeled to banks for access to the Rs. 5,000 million fund. Disbursement is subject to Central Bank issuing guidelines, supported by a *reporting and recognizing* framework developed by the Institute of Chartered Accountants of Sri Lanka.

This Rs. 20 billion facility is expected to ease urgent investment and working capital financial needs of SMEs. The government is committed to ensuring the timely disbursement of these funds.

Additionally, in a press release dated January 15, 2025, the Ministry announced additional measures for SMEs to ensure sustainability, of which the Advisory Committee was already established in February 2025. The Scorecard/Rating Mechanism developed by the Institute of Chartered Accountants was presented to the Ministry of Finance, Planning and Economic Development, the Ministry of Industry and Entrepreneurship Development, the Central Bank of Sri Lanka, the Sri Lanka Banks' Association and other stakeholders. The Ministry of Industry and Entrepreneurship Development will use this Scorecard/Rating Mechanism when recommending SMEs eligible to access the Rs. 5,000 million facility. This mechanism will also be shared with banks to promote sustainable lending practices.

It is noteworthy that the Government undertook all these efforts to explore solutions for the challenges faced by SMEs in partnership with SME-representing associations, ensuring inclusivity and relevance in the decision-making process.

These comprehensive efforts are part of the government's broader strategy to create sustainability for SMEs to align with the production economy and enhance their contribution to GDP.