

Special Working Capital Loan Scheme to strengthen the Tourism Industry affected by the Easter Sunday Terrorist Attacks

**Department of Development Finance
Ministry of Finance
Sri Lanka
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1. Introduction

The Government has introduced a “Relief Package” to the tourism sector enhancement, in order to mitigate the impacts made upon the tourism industry due to the Easter Sunday terrorist attacks. As per the decisions made by the Cabinet of Ministers at the Cabinet meeting held on 07.05.2019, the institutions or individuals in the tourism sector can obtain a fresh Working Capital (W/C) loan under the “Enterprise Sri Lanka Programme” to recover and strengthen their capacity.

2. Objectives of the Scheme

- 2.1** To provide financial assistance for the institutions or individuals who are engaged in tourism industry to manage their cash flow issues.
- 2.2** To support the tourism industry which was affected due to recent unexpected incidents to recover in sustainable manner.

3. Target Group

3.1 Individuals and institutions providing services to tourism sector who are registered with any of the following institutions;

- a) Sri Lanka Tourism Development Authority
- b) Sri Lanka Tourism Promotion Bureau
- c) Sri Lanka Tourism Convention Bureau
- d) Sri Lanka Institute of Tourism and Hotel Management
- e) The Hotels Association of Sri Lanka

3.2 Individuals and institutions providing services to tourism sector who are having a valid business registration

4. Specifications of the Working Capital Loan Scheme

4.1. Eligible Economic Activities for Loans

4.1.1 Fulfill the working capital requirement of the target beneficiaries.

4.2. Loan Amount

4.2.1 A maximum of one year working capital requirement shall be considered for a borrower based on the following limits of annual turnover and the maximum working capital loan amount.

Existing Annual Turnover - X (Rs. Mn)	Maximum W/C Loan amount (Rs. Mn)
X ≤ 100	20
100 < X ≤ 250	50
250 < X ≤ 750	150
750 < X	250

4.2.3 An institution can obtain only one loan under this scheme.

4.3. Rate of Interest

4.3.1. Effective rate of interest is 13.86% p.a. (during 2019)

4.3.2. Interest subsidy borne by the Government is 10.40% p.a. (during 2019)

4.3.3. Interest rate applicable for the borrower is **3.46% p.a.** (during 2019)

4.3.4. The applicable interest rate will be revised by the DFD at the end of December in each year in order to incorporate the interest rate fluctuations in the market. The applicable interest rate for the respective year will be informed to PFIs by DFD on or before 1st January of every year.

4.4 Period of Loan Repayment

4.4.1 The maximum tenor of the loan is two (02) years.

4.5. Rescheduling of Loans

4.5.1. In the event of reschedulement of the loan facility, interest subsidy shall not be borne by the Government.

5. Duration of the Scheme and Termination

5.1.The implementation of the Scheme will commence with effect from 07th May 2019 and shall be terminated on 31th March 2020.

6. Area of Operation

6.1.The Scheme shall be implemented island wide.

7. Participating Financial Institutions

7.1. The scheme will be implemented through the Licensed Commercial Banks (LCBs) and Licensed Specialized Banks (LSBs).

8. Conditions Applicable to disbursement of all Loans under this Scheme

8.1. Financial Feasibility

Branch Managers of PFIs are required to evaluate the working capital requirement and ensure the financial feasibility of the project before financing and, therefore, they should:

- (a) Determine the volume of loan and the suitability of the applicant based on his/her repayment capacity;
- (b) Confirm the sufficiency of income generation and increment of net income to pay the installment of loan with interest.
- (c) Prepare the budget estimates and cash flow statements for all sub projects for which loans are applied and should be affixed them with the loan applications.
- (d) Calculate the actual fund requirement for Working Capital.

8.2. Security Requirements

PFIs should obtain suitable collateral or personal guarantee to minimize the risk involved in disbursement and recovery of loans.

8.3. Special Conditions

8.3.1. In order to qualify for a working capital loan, an individual should be 65 years or below.

8.3.2. Applicant should **not be** a Government employee, private sector employee or a full time/part time employee in other employment sector.

- 8.3.3. The working capital requirement of the project should be calculated for a maximum of one year depending on the borrower's capacity.
- 8.3.4. No changes can be made to the initial terms and conditions of the loan once a loan is registered under this scheme.
- 8.3.5. The borrowers who have already obtained "Enterprise Sri Lanka" loans can also obtain loans under this scheme.

9. Loan Disbursement Process

9.1 The borrower should submit the loan application to the respective PFI along with the following documents.

- a) Certified copies of the registrations mentioned under section 3.
- b) Certified copies of NIC/ Driving License/ Passport of the borrower/s.
- c) Certified copies of audited financials to the latest year (In situations where audited financials are not prepared, the existing annual turnover document should be certified by a chartered accountant).
- d) Working capital calculation.

9.2 The PFI evaluates the loan applications, prepare separate working capital requirement and forward the financially viable applications to the DFD with the loan appraisal along with the documents in section 9.1.

9.3 The registered loan details and the rejected loan applications will be forwarded to the relevant PFI.