



Leasing Industry in Sri Lanka

(Performance since the Pandemic)

Introduction



- Sri Lanka was initially impacted with the Covid-19 outbreak in March 2020. Due to the strict travel restrictions coupled with aggressive contact tracing, the country was able to successfully contain the Covid-19 first wave. However similar to other countries with the emergence of new variants the country was impacted by a second wave in the last quarter of 2020 and a third wave starting from mid-April 2021.
- Due to the pandemic, the country's economy declined by 3.6% in 2020 and sectors such as tourism and construction were impacted significantly due to the measures which were taken to control the spread of the virus. However, since the 3rd quarter 2020 with the relaxation of travel restrictions, the economy started gradually picking up and for the first six months of 2021 the country's economic growth was recorded at 8.0%.
- The government took immediate action to revive the country's economic growth by providing financial assistance to the individuals and families impacted by the lockdown and also by facilitating the provision of medical equipment to provide medical assistance for those infected with Covid-19.
- Aggressive vaccination drive in the country also contributed for a reduction in positive cases and hospitalizations. As of 30th September 2021, 53.5% of the country's total population was fully vaccinated compared to the world average of 33.0% (As of 28th September 2021).

Introduction



- The Central Bank of Sri Lanka (CBSL) also contributed notably to revive the country's economic growth by providing numerous monetary policy easing measures similar to other countries to boost the economic activities. The Saubagya refinance scheme was also introduced to provide liquidity support for the impacted industries and sectors.
- The CBSL through Banks and NBFIs introduced a series of debt moratorium for the impacted individuals and sectors. Along with that certain restrictions were brought in for parate execution and repossession of vehicles of impacted borrowers. However, this move has restricted actions against willful defaulters also which has contributed significantly to increase bad debts among financial institutions especially with respect to NBFIs who are serving the SME and self-employed clientele.



NBFI Sector Performance

NBFI Sector Overview

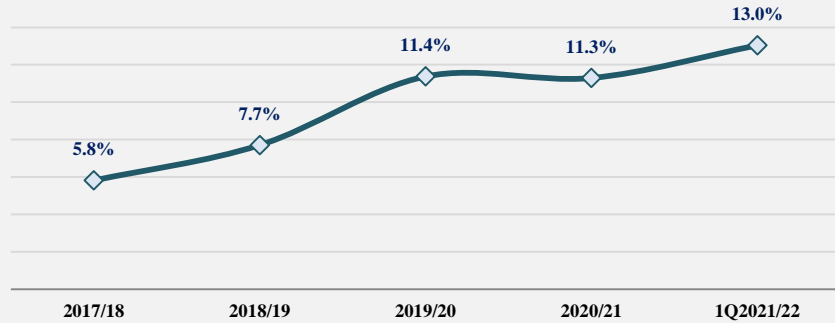


- Number of Licensed Finance Companies : **39**
- Number of Specialised Leasing Companies : **3**

	2017/18	2018/19	2019/20	2020/21	1Q2021/22
Total Assets (LKR.Bn)	1,379.3	1,454.7	1,434.1	1,391.9	1,382.3
Total Loans & Advances (LKR.Bn)	1,141.2	1,204.2	1,205.2	1,167.4	1,171.0
Leasing & HP (LKR.Bn)	601.6	658.7	652.5	622.0	615.9
Total Deposits (LKR.Bn)	691.8	750.8	763.0	757.9	761.6
Total Borrowings (LKR.Bn)	417.9	442.1	390.9	290.3	286.8
Total Capital (LKR.Bn)	166.6	187.6	210.2	267.2	269.8
Branch Network	1348	1394	1446	1530	1530

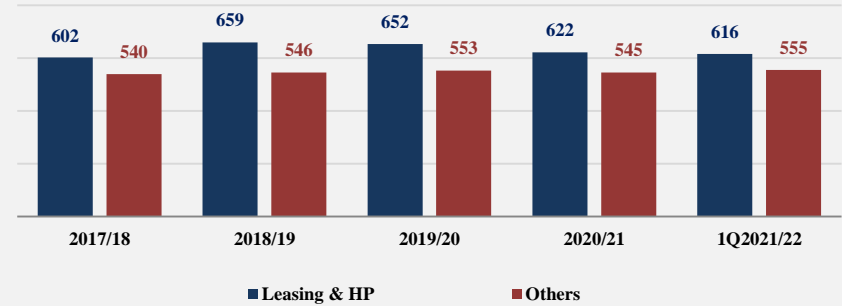
Sector NPL ratio has been increasing due to the pandemic

Gross NPL Ratio



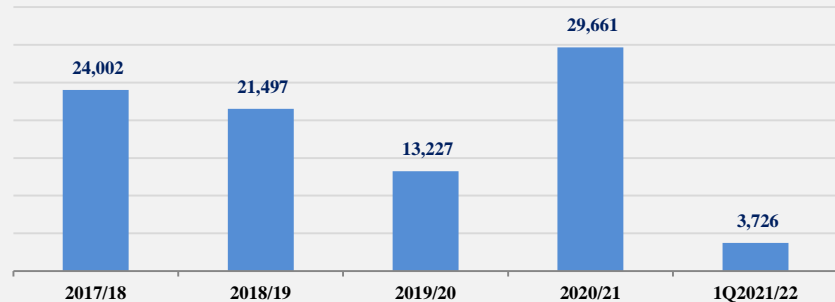
Loans & advances portfolio has been declining gradually due to the subdued economic activities

Loans & Advances (LKR.Bn)



Proactive measures taken by the institutions helped to safeguard the profitability

Net Profits (LKR.Mn)



Capital buffers improved to safeguard against rising bad debts

Total Capital Adequacy Ratio

