

2.5 Impact of Banking Commissions on Sri Lankan Banking System.

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ABSTRACT

The transition from traditional feudal economy to a modern export - Import economy during the 1830s necessitated a modern banking sector in Sri Lanka. From the 1830s to 2005 Sri Lanka has experienced many changes in its banking sector and finally the country was able to cater to its economy with a well developed financial system.

The objective of this paper is to analyse the role played by various government investigation commissions in bringing these developments in the banking sector. From time to time Sri Lanka has appointed commissions to make recommendations about a particular section of the banking system or banking sector as a whole.

Activities of three commissions appointed by the government, Pochkanawala Commission (1934), Exter Commission (1948) and the Presidential Commission on Finance and Banking (1992) formed the basis of this study

Reports of the commissions, other related documents, historical records and parliamentary legislations were analyzed in order to evaluate the probable impact of the recommendations of these commissions.

Findings of the study: 1. Bank of Ceylon and Agricultural and Industrial Credit Corporation were established on the recommendation of the First Banking Commission. 2. Central Bank of Sri Lanka was established based on the recommendations of the Exter Commission. 3. Recommendation of the Presidential Commission on Finance and Banking helped Sri Lanka to restructure Central Bank, other financial institutions, insurance industry, capital market and debt recovery legislations of Sri Lanka. 4. Some of the very important recommendations made by these commissions were not implemented. 5. Reports of these commissions provide an in depth analysis of the banking system of relevant periods.

Key Words: Banking Commission
Financial System
Banking Sector of Sri Lanka