Main Objectives

Covid Relief & Economic Recovery
Credit Growth Control
Promotion of Merger & Acquisition

International Economic Status of 2021

Growth rate	6%
Developed economies growth	5.6%
China & India Economic growth	8.1% & 9.5%
Worldwide trade growth	9.7%
Petroleum price increment	56.6%
Public Expenditure to GDP	97.3%

Status of Nepal 2077/78

Economic Growth	
Economic growth rate	4.01%
Gross Domestic Savings to GDP	6.6%
Gross National Savings to GDP	31.4%
Gross Fixed Capital Formation to GDP	27.3%
Inflation	3.6%
Government Expenditure	Rs. 1180.95B
▸ Current	Rs. 851.68B
▸ Capital	Rs. 228.30B
▸ Financial Management	Rs. 100.97B
Revenue Collection by Govt.	Rs. 938.32 B

Foreign Trade, Remittance & BOP status	
Export increment	44.4%
Import increment	28.7%
Trade deficit increment	27.3%

Status of Nepal 2077/78 (cont)

remittance increment	9.8% (total remittance Rs. 961.05 B)

Financial Sector	
Deposit mobilization	Rs. 4662.73 B(21.4% increment)
Credit	Rs. 4084.81 B(27.3% increment)
Paid Up Capital	Rs. 390.43 B(10.8% increment)
CAR	(A: 14.1%, B: 13.2% & C: 22.0%)
NPL	(A: 1.5%, B: 1.5% & C: 6.2%)

Economic Scenario for 2078/79

Indicator	Estimation/Projection
Worldwide Inflation (Developed Economies)	2.1%
Worldwide Inflation (Emerging & Developing Economies)	4.7%
Worldwide Economic Growth	6.0% (2021) & 4.9% (2022)
Agro Sector Production Growth	Satisfactory due to fav. climate, fertilizers & increase in agri credit access
Economic Growth	Improve (Due to Vaccine availability)
Inflation	Impact (due to increase in crude oil prices, & currency fluctuation

Economic Scenario for 2078/79 (cont)

Balance of Payment	Impact (due to increased imports & reduced no. of Nepalese going for foreign employment)
Foreign Exchange Reserves	Satisfactory
Liquidity	Impact (due to increase in credit demand after economic revival)

Monetary Policy Review 2077/78

Indicators	Target	Status
Broad Money Supply	18%	21.8%
Private Lending Growth	20%	26.3%
Interbank Rate	1%-5% corridor	4.14%
Liquidity Injection	NRs. 438.28 billion (Repo 67.94 billion & SLF 370.34 billion)	
Liquidity Absorption	NRs. 303.29 bil.(Reverse Repo 109.54 billion, Deposit coll. Bid 193.75 billion)	
91 days Avg. T-Bill rate	4.55%	

Directions of Monetary Policy 2078/79

• Balanced Direction to match revival of economy through economic growth alongwith economic and financial stability.

By **reccur**
cheatography.com/reccur/

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Directions of Monetary Policy 2078/79 (cont)

• Continuity of current fixed exchange rate mechanism for overall price & foreign sector stability in monetary management.
• Available financial resources to be targeted towards production increment, creating employment, entrepreneurship development and sustainable & inclusive economic development.
• Liquidity management by stabilizing interest rates through effective implement-ation of interest rate corridor.
• Promotion and strengthen good governance of BFIs for financial sector development & stability. Financial interm-ediary to be made strong and effective
• Cash transaction to be minimized by promoting electronic medium of payment.
• Promotion of financial access and financial inclusion through development of financial infrastructure & financial literacy

Economic & Monetary Goals

Inflation within	6.5%
Foreign exchange reserves to sustain import of goods and services for	7 months
Broad money supply growth	18%
private sector lending growth	19%

Operating Goals and Instrument

CRR	3%
Bank Rate	5%
SLF Rate	5%
Deposit Collection Rate of IRC	**2%** (increase from 1%)
Repo Rate	**3.5%** (previously 3%)

Operating Goals and Instrument (cont)

SLR	10%, 8% and 7% for A,B & C class

Provisions for Financial Sector for 2078/79

Source Mobilization

"B" & "C" class and Wholesale Lending "D" class to issue debentures of 25% ofpaid up capital (like commercial banks)

Agri and Energy Bonds provisions to continue

Additional 1% interest on deposit from remittance through banking system from Nepalese in foreign employment

Credit Disbursement

MSME Loans <Rs. 1 crore (15% of total portfolio) to continue

Focal desk for agriculture, MSME loans in commercial banks undergoing govt. trans. in local levels

Deprived sector loans to be gradually diverted towards MSME sectors

Deprived Sector Loan (DSL)

Business loans upto Rs. 15 lakhs to employees loosing job in tourism to be taken in DSL

Auto Loan upto Rs. 25 lakhs for self employment to be taken in DSL

Loan to women entrepreneurs for Micro Industries and self employment in project collateral upto Rs. 20 lakhs counted in DSL (compulsory insurance)

Loan upto Rs. 20 lakhs to actual farmer in project collateral to be counted in DSL (compulsory insurance)

Credit Repayment Period Addition, Restru-cturing & Rescheduling

Current provision of 2 years continuous loss to be classified into watchlist category to be increased to 3 years

Provisions for Financial Sector for 2078/79 (cont)

Facility to BFIs to self reduce instalment amount & increase repayment period for loans having adverse impact on financial position & cash flow position due to Covid 19

EMI/EQI upto Asar 2078 during lockdown period may be extended to 2078 Poush

No fine/penal charge on interest accrual on loans disbursed to hotel, travel, trekking and airlines upto Asar 2079.

Principal and interest repayment upto Poush 2078 period to be increased by 1 year for loans highly impacted by Covid-19 & to MSME whose cash flow is blocked.

Restructuring and Rescheduling on highly impacted loans due to Covid 19 till Poush 2078

Additional Rs. 2 lakhs loan for repair & maintenance of public transportation

Other Provisions relating to credit

Credit to Deposit Ratio to be maintained within 90% till Ashadh 2079 (Current 85% provision of CCD to be removed)

Consortium limit of Rs. 1 billion to be increased to Rs. 2 billion

Special refinance to BroadBand Internet in rural areas

Compliance to Specified Sectoral Loan by "A" class may be done in lumpsum till 2079 Ashadh.

Interest capitalization of ongoing projects in moratorium period pre approved by NRB to be continued till 2079 Ashadh

Provision on interest capitalization on long term agricultural loans

Loan to vaccine manufacturing company at base rate of BFIs.

Policy reforms for loan facilitation in case of business change by MSMEs

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Provisions for Financial Sector for 2078/79 (cont)

LTV ratio on margin lending loan same (70%)

Maximum margin lending loan from 1 BFI to be Rs. 4 cr. & from all BFIs to be Rs. 12 cr.

Professionals impacted by covid 19 to be provided loans upto specific limit.

Refinance facility for charging station establishment

Easy loan disbursal to establish up to 100 bed hospitals in local levels not having hospitals

Provision of credit to institutions providing technical & business training.

Facilitation for financial resources to establish industries based on domestic raw materials

Additional Facilities for Merger till 2080 Ashadh end

1 year addition to comply specified sector loan.

0.5% relaxation in CRR & 1% relaxation in SLR till 1 year of joint operation

Per institutional deposit limit to be increased by 5%

Relaxation in 6 months cooling period to Directors & top management

1% relaxation in interest spread rate

• No approval of NRB required to merge branches within 1 km.

• No approval of NRB required to merge branches within 1 km.

• All above facilities for BFIs acquiring problematic BFIs

• Provision for candidacy in director either from promoter group or ordinary group option to be given to shareholders.

Provisions for Financial Sector for 2078/79 (cont)

• Provision to open corporate office at a suitable place within workscope as well as to open correspondence office in province capital and Kathmandu to promote merger & acquisition for province level BFIs

Regulatory and Supervisory Provisions

• Countercyclical buffer suspension till 2079 Ashadh
• Fixed interest rates on term loans
• Spread rate same (4.4%)
• Base rate calculation method review & Only 2% premium addition for loans <= Rs. 1 crores to operate business
• Project based lending to be made effective
• Working Capital Loan Directions
• Supervisory Information System (SIS)
• Co-ordination with other regulatory bodies & stakeholders for joint supervision of subsidiary companies of BFIs.
• Policy co-ordination & technical support to regulators for regulation & supervision of co-operatives.
• Blacklisting provision to be reviewed.
• Change in regulation mechanism of institutions licensed for hire-purchase transactions.
• Independent audit of refinance, business continuity loan & effectiveness as well as utilization of subsidized loan.
• Directions of CSR
• No approval for liaison office in Karnali & Sudurpaschim province.
• E-KYC to be developed.
• Co-ordination with ICAN for limit in external audit by audit firms

Microfinance

• Retail lending to be allowed to MFIs after merger/ acquisition of Wholesale lending MFIs with retail lending MFIs.
• Merger within 2079 Ashadh of microfinance having cross holding of A, B and C class.
• Maximum 5 lakhs loan to be allowed per co-operatives member for joint farming and livestock.
• Required study of MFIs to work as financial representative of commercial bank.
• National level MFIs to comply NFRS

Payment System

• 2079/80 as Electronic Payment Transaction Promotion year.
• National Payment Switch establishment to be completed.
• Special Refinance to PSO, PSP and ISP
• Review of electronic transaction limit and policy reform for suitable electronic transaction fee.
• Required facilitation in all revenue & other payments to Govt. through banking and electronic mode.
• Social security allowance to be made easily available through electronic payment from bank branches performing govt. transaction
• Digital Lending Framework formulation & implementation
• Study of Central Bank Digital Currency
• Electronic application provision for Citizen Saving Certificate & Foreign Employment Saving Certificate.
• Study for cloud infrastructure for safety of payment system
• Study on PSPs to provide loan upto specified limit through digital mode for MSMEs and start up business

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Foreign Exchange Management

• Review on exchange facility for abroad service agreement by Nepalese entities.
• Up to 25,000$ exchange facility from “A” class to airway service provider for service import
• Credit Information not compulsory for payment in draft/TT upto specified limit.
• Direct payment facility to abroad through “A” class by National Priority Projects
• Existing list of importable goods &services from India to be reviewed
• No renewal fees on foreign exchange license till 2079 Ashadh
• Management of service import like apps, software & online advertisement through co-ordination with regulators/stakeholders
• Merger of remittance companies
• Review of maximum cash limit that Nepalese citizens can keep in convertible foreign exchange, time period & its exchange
• Review & support in import of medical supplies for Covid-19
• Study on possibility to send remittance through agency account of NRB in countries having difficulty to remit in US$
• Study the situation of utilization of card upto USD 500 to promote ecommerce and make it more effective.
• Study on implementation status of Foreign Investment & Loan Management Byelaws, 2078

Customer Interest Protection

• Formulation of Financial Customer Protection laws
• At least one branch and ATM lounge of BFIs to be disabled friendly in local levels having branches more than specific limit

Customer Interest Protection (cont)

• BFIs to keep the link of grievance portal of NRB in their website.
• Required provisions for uniformity in credit lending and KYC documents.
• Required study to be done for Province Financial Institution to increase financial access in Karnali & Sudurpaschim Province
• Special monitoring & supervision for identification, measurement, evaluation and management of high risk sectors pointed by NRA,2020

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