Cheatography

Nepal Monetary Policy 2077/78 (2020/21) Cheat Sheet

by reccur via cheatography.com/137043/cs/28688/

Current Economic Situation

Growth	**2.28%**
Inflation	**6.28%**
Gross Domestic Savings (% of GDP)	**18.1%**
Gross National Savings	**46%**
GDP/Total Fixed Capital	**28.1%**
GDP/Total Capital Formation	**50.2%**
Exports	**+0.2%**
Imports	**-15.3%**
Trade Deficit	**16.4%**
Remittance	**-3%**

Banking Sector Situation

Deposit growth	**13.3%**
Credit Growth	**10.7%**
Capital Adequacy Ratio	**13.4 %**
Paidup Capital growth	**8.2%**
Non Performing Loan (NPL)	**1.81%**

Target

GDP Growth	**7%**
Inflation	**7%**
FOREX reserves sufficient for	**7 months**

The nominal GDP has been taken as the basis for monetary projection. Given this, the limit for the growth of broad money (M2) has been set at 18%. Further, 20% limit has been set for private sector lending

Operating Target and Instrument

Repo rate	**3%**
SLF (upper bound of IRC)	**5%**
Deposit Collection Rate (lower bound of IRC)	**1%**
CRR	**3%**
SLR (A|B|C)	**10|8|7%**
Bank rate (LOLR)	**5%**

Agriculture Credit

Class-A required to provide minimum **15%** of total Credit in agricultural sector

Loan loss provision of **0.2%** and **0.6%** to be provided respectively in 1st year and 2nd year for loans provided for farming prescribed fruits.

Relaxation in loan loss provision for loans in *silk, jute and cotton farming sector*

Agricultural Development Bank Limited (ADBL) will be promoted as the Lead Bank to facilitate credit in agriculture sector

Payment System

Establishment of National Payment Switch

License of the PSPs that fail to make at least **3,00,000** customers and at least **6,00,000** monthly average transactions by Shrawan may be revoked.

Corporate Governance and Others

The remuneration and facilities of officers of BFIs shall be reviewed

Class A,B,C,D can charge service fee up to a maximum of 0.75%, 1%, 1.25% and 1.5%, respectively during sanctioning of loan

No penalty interest, fee or compensation from the customer if the payment period of capital or interest is extended due to Covid-19

Waive off any charges for using the ATM Card of one BFI at the ATM of another

Tourism Sector Credit

Priority in providing working capital loan, concessional loan and refinance to the tourism related businesses hit by the COVID-19.

Class-A to extend at min.**15%** of total loans to micro, small and medium enterprises (MSMEs) with loan limit up to Rs. 10 million

Energy Sector Credit

Class-A to provide min. **10%** of total Credit in Energy Sector

Class-A having specialization in energy sector lending will be permitted to issue *'Energy Bond'*

BFIs to extend credit at **base rate +1%** for a period up to **5yrs** to exporting hydropower projects and reservoir-based hydropower projects

Microfinance

Credit limit for business projects with acceptable collateral low-income individuals will be extended to Rs. 1.5 million

The max. interest rate on MFIs Credit = **15%**

No more thatn **0.5%** service fee sector lending

Regulation and Supervision

CCD Ratio : **85%**

BFIs can distribute cash dividend to the extent of **30%** of net distributable profit

No Loan loss and risk weight for the loans disbursed in infrastructure related projects.

Countercyclical buffer has been suspended.

Risk weight placed on operating, market and overall risks set to **3%, 1% and 3%**

Financial Sector Consolidation

Class-A to be given incentives if they start merger and acquisition process by Asar, 2078: CRR waived by **0.5%**, SLR by **1%**

Miscellaneous

Class-B&C to disburse min. **20% & 15%** loan to agriculture, MSMEs, energy and tourism

Loan to Value (LTV) will be set at**60%** for the housing projects that are licensed by the GoN

LTV ratio (KTM Valley) =**40%** and LTV ratio (Outside Valley) =**50%**

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Moratorium, Loan Restructuring and Rescheduling

Working capital loans due in Asar can be renewed by Poush

Defer the installment and interest payment of loans for

relatively less up to **Poush**

relatively more up to **Chaitra**

most affected up to **Asar, 2078**

BFIs can restructure and reschedule loans, which were in performing category in Poush

Extending grace period to those industries hit by COVID-19 (**2yrs** for tourist-standard hotels, 1 year for the hard-hit sectors, **9 months** for the moderately affected sectors and **6 months** for relatively less affected sectors.)

MFIs can extend the time for loan instal-lment payment due as of Asar by maximum **6 months**

Foreign Exchange Management

The Limit of Foreign Money Exchange during import as per provisions related to DAP and DAA shall be kept at **50,000 USD**

The limit of Foreign Money Exchange during import from third country via draft or TT **35,000 USD**

The period of the LC for the import: **180 days.**

The due date of issuance of advance payment certificate : **4 months**

Refinance

Refinance facilities up to **5 times** of the available fund

Special refinance for export and sick industry at **1% (Max. Rs. 50 million)**

MSME refinance at **2% (Max. Rs. 1.5 million)**

General refinance at **3% (Max. Rs. 200 million)**

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