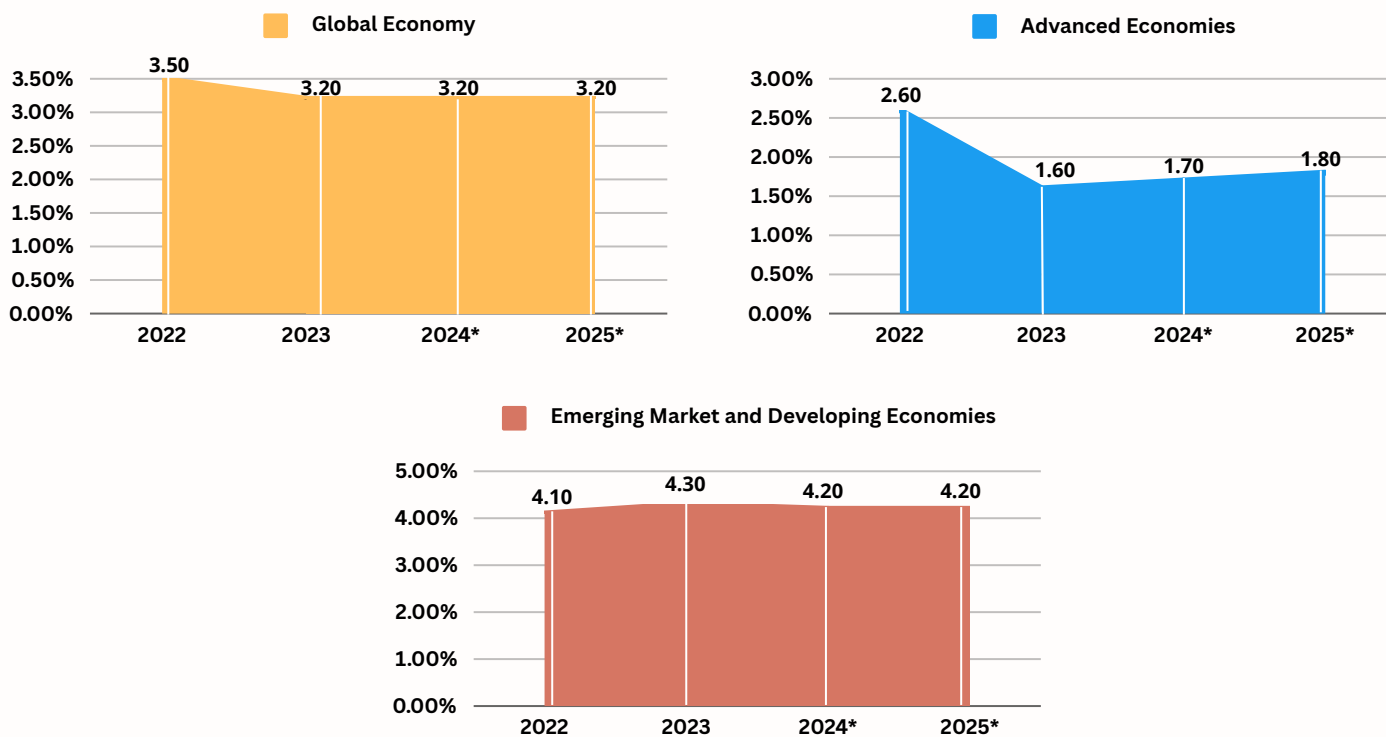


# QUARTERLY NEWSLETTER

PUBLISHED BY NEPAL BANKERS' ASSOCIATION

## Global Context

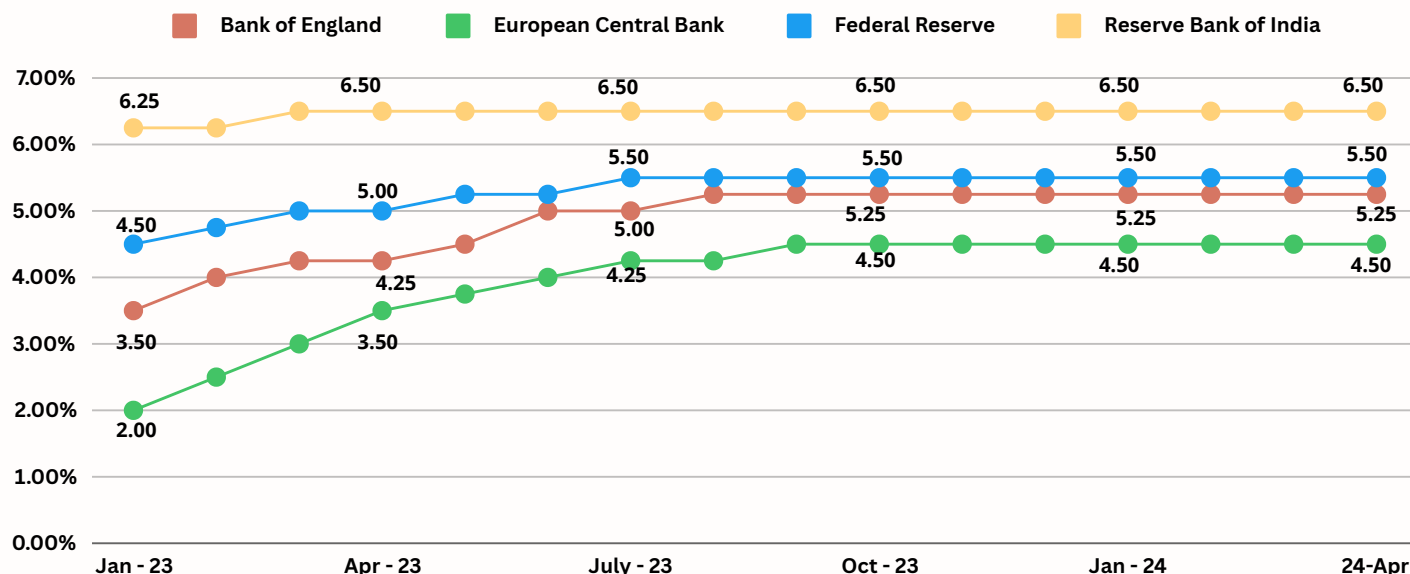
### Real GDP Growth Projections



\*Projections

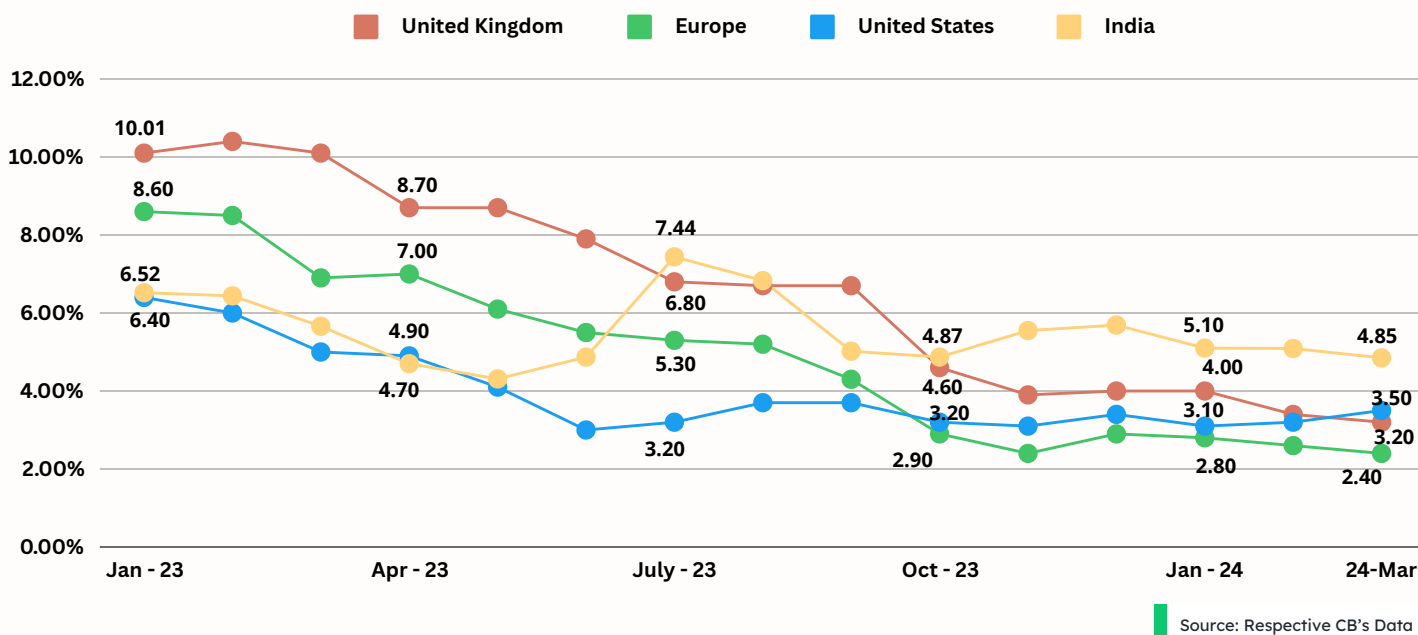
Source: World Economic Outlook, IMF, April 2024

## Central Bank's Interest Rate in Major Economies



Source: Respective CB's Data

## Inflation in Major Economies



## ADB's GDP Growth Projection in South Asia (in %)

|                   | 2022  | 2023E | 2024F | 2025F |
|-------------------|-------|-------|-------|-------|
| <b>SOUTH ASIA</b> | 6.6   | 6.4   | 6.3   | 6.6   |
| AFGHANISTAN       | -20.7 | -6.2  | ....  | ....  |
| BANGLADESH        | 7.1   | 5.8   | 6.1   | 6.6   |
| BHUTAN            | 5.2   | 4.0   | 4.4   | 7.0   |
| INDIA             | 7.0   | 7.6   | 7.0   | 7.2   |
| MALDIVES          | 13.9  | 4.4   | 5.4   | 6.0   |
| NEPAL             | 5.6   | 1.9   | 3.6   | 4.8   |
| PAKISTAN          | 6.2   | -0.2  | 1.9   | 2.8   |
| SRI LANKA         | -7.3  | -2.3  | 1.9   | 2.5   |
|                   |       |       |       |       |
| <b>CHINA</b>      | 3.0   | 5.2   | 4.8   | 4.5   |

Source: Asian Development Outlook, April 2024

E = Estimated, F = Forecasted

## *Asian Development Outlook Highlights: April, 2024*

- Developing Asia's growth momentum continued during 2023, driven by domestic demand. Strong consumption and investment which accelerated during the second half of the year supported economic activity. Growth varied across subregions, however. In East Asia, growth rebounded to 4.7% in 2023 from 2.9% in 2022, as the People's Republic of China (PRC) removed all pandemic-related mobility restrictions early in the year.
- External demand remained fragile last year as goods exports bottomed out before semiconductors turned the corner in the fourth quarter. Export growth for high-income technology exporters turned positive in the last quarter of 2023, rising by 5.4% as demand for semiconductors and electronics began to gain traction.
- Tourism revenues increased further, while remittances largely stabilized. International tourism continued to recover, reaching 73% of pre-pandemic levels by the end of 2023. Both travel receipts and international arrivals rose.
- Financial markets performed well, overcoming spikes in global risk aversion. Equity markets across developing Asia climbed gradually during 2023. Better-than-expected economic growth and the gradual end of monetary tightening cycles contributed to easing financial conditions.
- Global inflation is ebbing, but food price inflation can exacerbate food insecurity and poverty: After surging for two years, global inflation eased in 2023 but remained above the 2010-2019 average.
- Inflation continued to moderate, but for the region excluding the PRC, both headline and core inflation remain elevated relative to pre-pandemic levels. Monetary policy tightening in 2022–2023 and the further easing of some supply-side pressures helped to gradually stabilize prices.
- Growth in developing Asia will remain healthy at 4.9% in 2024 and 2025, despite a slowdown in the PRC. While growth in the PRC will decline from 5.2% in 2023 to 4.8% this year and 4.5% next year, it will accelerate in the rest of developing Asia—from 4.8% in 2023 to 5.0% this year and 5.3% in 2025.
- Stronger growth in South Asia and Southeast Asia will offset lower growth in other subregions. India is expected to affirm its position as a major growth engine within Asia, driven by strong investment, recovering consumption, and gains in electronics and services exports.
- Inflation is forecast to drop further as monetary policies remain relatively tight despite some easing. Developing Asia's inflation is projected to fall from 3.3% in 2023 to 3.2% in 2024 and 3.0% in 2025. In most subregions, the decline will come from lower global inflationary pressures and more stable fuel prices.
- Public debt relative to GDP has stabilized across much of developing Asia, but it remains high compared to pre-pandemic levels and vulnerable to higher-for-longer interest rates. Improved growth has helped lower debt ratios.
- An escalation in conflict and geopolitical tensions would worsen regional prospects. Trade and shipping routes have been disrupted since October due to ongoing conflicts in the Middle East. Attacks on vessels transiting through the Red Sea have led to supply chain disruptions and the re-routing of cargo ships to avoid the area, a key trading route connecting Europe and Asia.
- The path of US monetary policy poses risks. While the Federal Reserve is expected to start loosening its monetary policy stance in mid-2024, uncertainty remains. Slower-than-expected disinflation in the US could delay easing.

- Intensified property market stress in the PRC could affect the region's outlook. A worse-than expected deterioration in the PRC's property market would further dampen consumer sentiment and domestic demand.
- Adverse weather and climatic conditions could threaten the outlook. The average global surface temperature in January 2024 was the highest on record for the month.

Source: Asian Development Outlook, April 2024

### *Policy Recommendations (Financial Stability Report, IMF, April 2024)*

- Central banks should avoid premature monetary easing and appropriately push back against overly optimistic market expectations for policy rate cuts that could add to the easing of financial conditions and complicate the last mile of disinflation. Where progress on disinflation is enough to suggest that inflation is moving sustainably toward the target, central banks should gradually move to a more neutral stance of policy.
- Authorities should strengthen efforts to contain debt vulnerabilities, including in emerging market and frontier economies. In China, robust policies to restore confidence in the real estate sector are critical. Supervisory and regulatory authorities should use appropriate tools, including stress tests and early corrective action, to ensure that banks and nonbank financial institutions are resilient to strains in commercial and residential real estate and to the credit cycle downturn.
- Further progress on resolution frameworks and a readiness to apply them is critical to address the problems of weak or failing banks, without undermining financial stability or risking public funds. Quantitative tightening and the reduction in balance sheets need to proceed with care.
- Central banks should carefully monitor market functioning issues and mobilize to address potential market stresses. Ensuring that banks are prepared to access central bank liquidity and intervening early to address liquidity stress in the financial sector can mitigate financial instability.
- Given the potential risks of the fast-growing private credit market, authorities should consider a more proactive supervisory and regulatory approach. It is key to close data gaps and enhance reporting requirements to comprehensively assess risks.
- Authorities should also strengthen cross-sectoral and cross-border regulatory cooperation and make risk assessments consistent across financial sectors.
- A cybersecurity strategy can strengthen the cyber resilience of the financial sector, accompanied by effective regulation and supervisory capacity, as well as by improved reporting of cyber incidents. Delivering critical services to address disruptions is crucial to limit potential damage to the financial system.
- Financial firms should develop and test response-and-recovery procedures to remain operational in the face of cyber incidents. Given the global nature and systemic implications of cyberattacks, cross-border coordination is crucial.

Source: Financial Stability Report, IMF, April 2024

## *Executive Summary of Nepal Development Update: April, 2024*

- Nepal's economy saw improved growth in the first half of FY24 (H1FY24) compared to FY23, supported by the services sector, helping its economic growth rebound from a low of 1.9 percent in FY23 to a forecast of 3.3 percent in FY24.
- Private consumption drove growth on the domestic demand side, supported by a substantial increase of remittance inflows. However, since H1FY21, remittances growth has not supported higher imports of consumption goods.
- The external position strengthened, as the current account balance recorded a surplus, fueled by rising remittances and a shrinking trade deficit.
- Official remittance inflows reached an eight-year peak in H1FY24, driven by increased outmigration and currency depreciation.
- Nepal also experienced a notable improvement in its fiscal deficit, with the half-year deficit shrinking to 0.4 percent of GDP in H1FY24 (from 1.4 percent in the same period last year), primarily attributed to reduced spending.
- To mitigate the revenue shortfall, the government adjusted its FY24 budget downward through mid-term reviews, revising both revenue and spending targets.
- Average consumer price inflation decreased from 8 percent year-on-year (y/y) in H1FY23 to 6.5 percent (y/y) in H1FY24, primarily attributed to declines in nonfood and services inflation.
- Nepal's poverty rate fell due to migration and remittances, alongside consumption increases.
- The monetary policy stance remained cautiously accommodative in H1FY24.
- The banking sector remained stable and profitable despite challenges. Overall, asset quality remained solid, but there were signs of deterioration.
- The services sector is expected to be the key driver of growth in the coming years.

## National Context

### Government Revenue and Expenditure

Amounts in Lakh (00000)

|                                |                                           | 2080          |            |            | 2081          |            |            |
|--------------------------------|-------------------------------------------|---------------|------------|------------|---------------|------------|------------|
|                                |                                           | Target/Budget | 31 Baishak | Percentage | Target/Budget | 31 Baishak | Percentage |
| REVENUE:                       | 1. Revenue                                | 14,031,470    | 7,562,531  | 53.90 %    | 14,225,417    | 8,319,332  | 58.48%     |
|                                | a) Tax Revenue                            | 12,953,758    | 6,846,346  | 52.85 %    | 13,054,796    | 7,468,328  | 57.21%     |
|                                | b) Non-Tax Revenue                        | 1,077,712     | 716,185    | 66.45 %    | 1,170,621     | 851,004    | 72.70%     |
|                                | 2. Grants                                 | 554,583       | 48,020     | 8.66 %     | 499,430       | 27,580     | 5.52%      |
|                                | 3. Other Receipts                         | 0             | 362,907    | 0 %        | 0             | 223,368    | 0%         |
| TOTAL RECEIPTS OF GON (1+2+3): |                                           | 14,586,053    | 7,973,458  | 54.66 %    | 14,724,847    | 8,570,280  | 58.20%     |
| EXPENDITURE :                  | 1.Total Expenditure from Treasury (a+b+c) | 17,938,373    | 10,477,610 | 58.41 %    | 17,513,121    | 10,568,924 | 60.35%     |
|                                | a. Recurrent                              | 11,832,351    | 7,867,426  | 66.49 %    | 11,417,841    | 7,525,573  | 65.91%     |
|                                | b. Capital                                | 3,803,845     | 1,256,796  | 33.04 %    | 3,020,744     | 1,118,829  | 37.04%     |
|                                | c. Financing                              | 2,302,177     | 1,353,388  | 58.79 %    | 3,074,536     | 1,924,522  | 62.60%     |
|                                |                                           |               |            |            |               |            |            |

Source: Financial Comptroller General Office

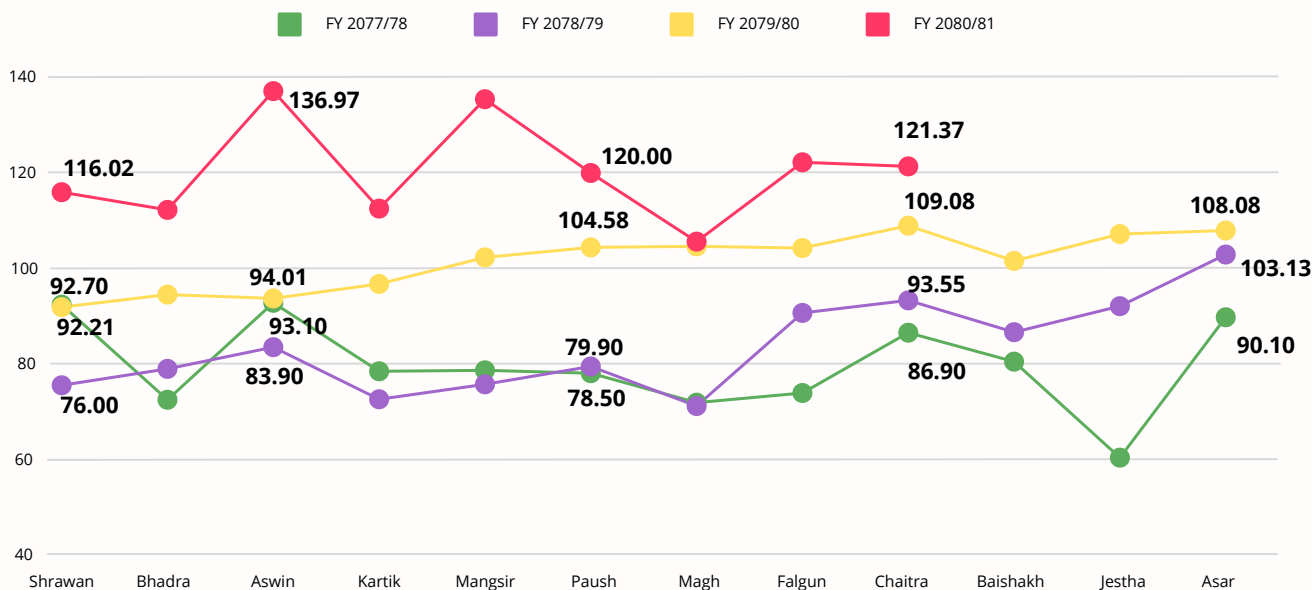
### Foreign Trade Direction (Based on First Nine Months of FY 2080/81)

| TRADE INDICATORS                 | PREVIOUS YEAR | CURRENT YEAR  | CHANGE (%) |
|----------------------------------|---------------|---------------|------------|
| Imports (Rs.in `000)             | 1,201,508,991 | 1,167,369,808 | -2.84      |
| Exports (Rs.in `000)             | 118,279,962   | 113,946,007   | -3.66      |
| Trade Deficit (Rs.in `000)       | 1,083,229,029 | 1,053,423,801 | -2.75      |
| Total Foreign Trade (Rs.in `000) | 1,319,788,953 | 1,281,315,815 | -2.92      |
| Imports/Exports Ratio (%)        | 10.16         | 10.24         | 0.84       |
| Exports Share to Total Trade (%) | 8.96          | 8.89          | -0.75      |
| Imports Share to Total Trade (%) | 91.04         | 91.11         | 0.07       |

Source: Department of Customs

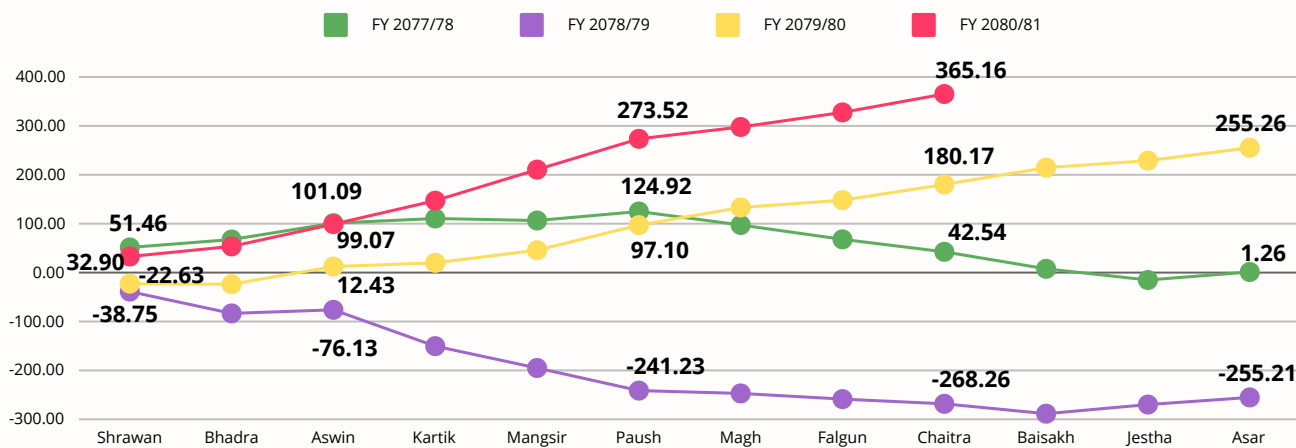
## Remittance Inflow

Amounts in Billion



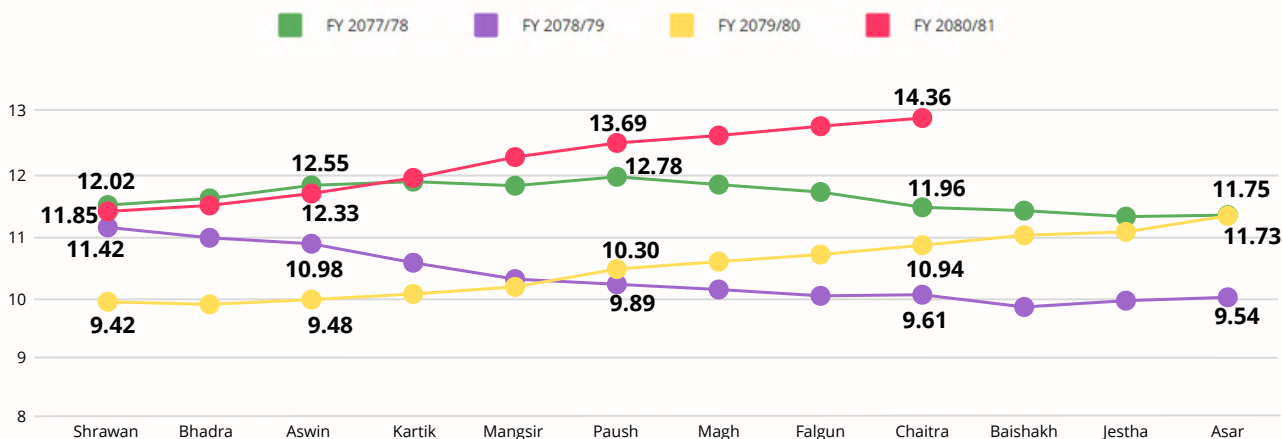
## Balance of Payment

Amounts in Billion (Rs.)

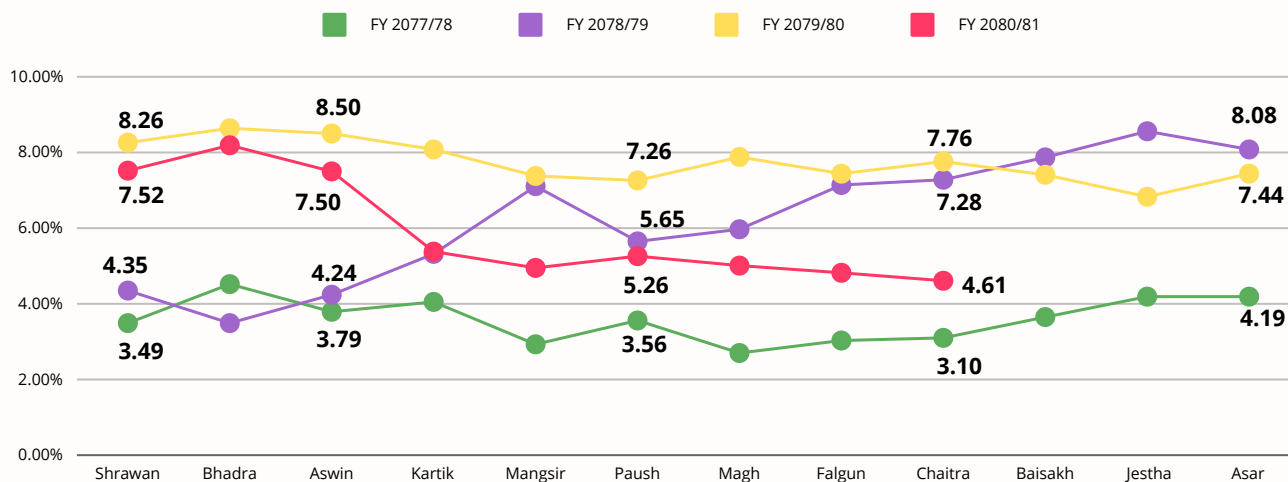


## Gross Foreign Exchange Reserve

Amounts in Billion (USD)

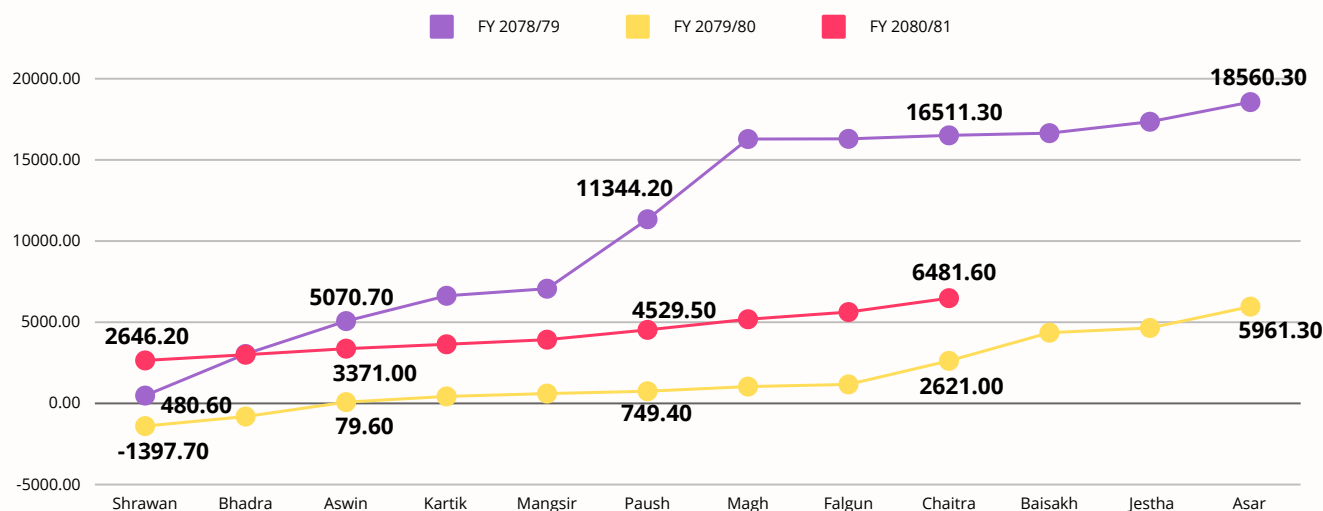


## Inflation

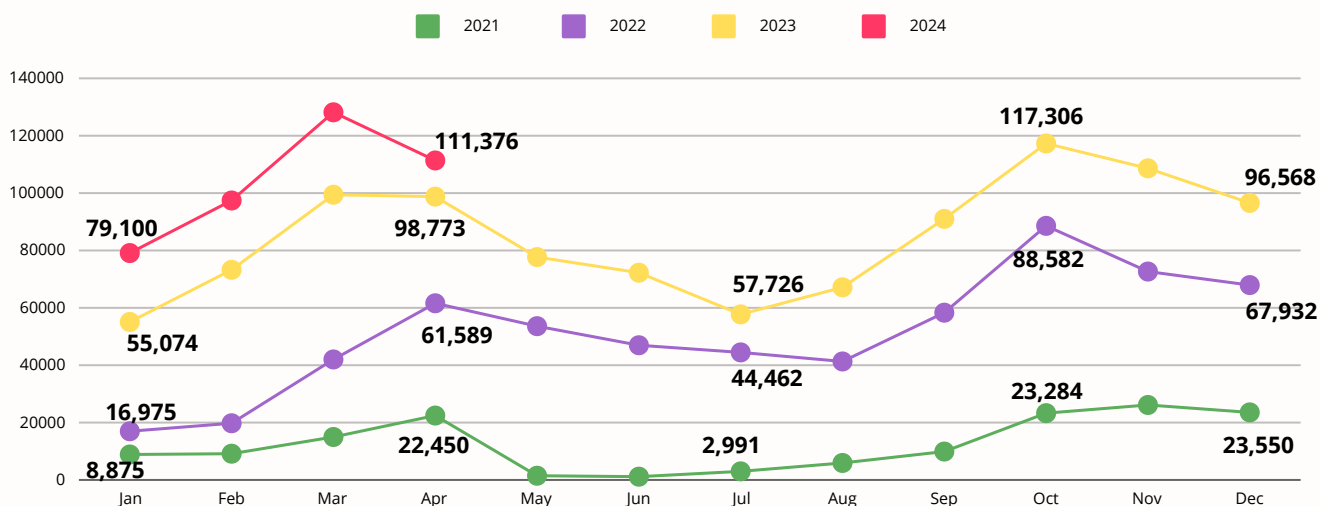


## Trend of Foreign Direct Investment in Nepal

Amounts in Million (Rs.)

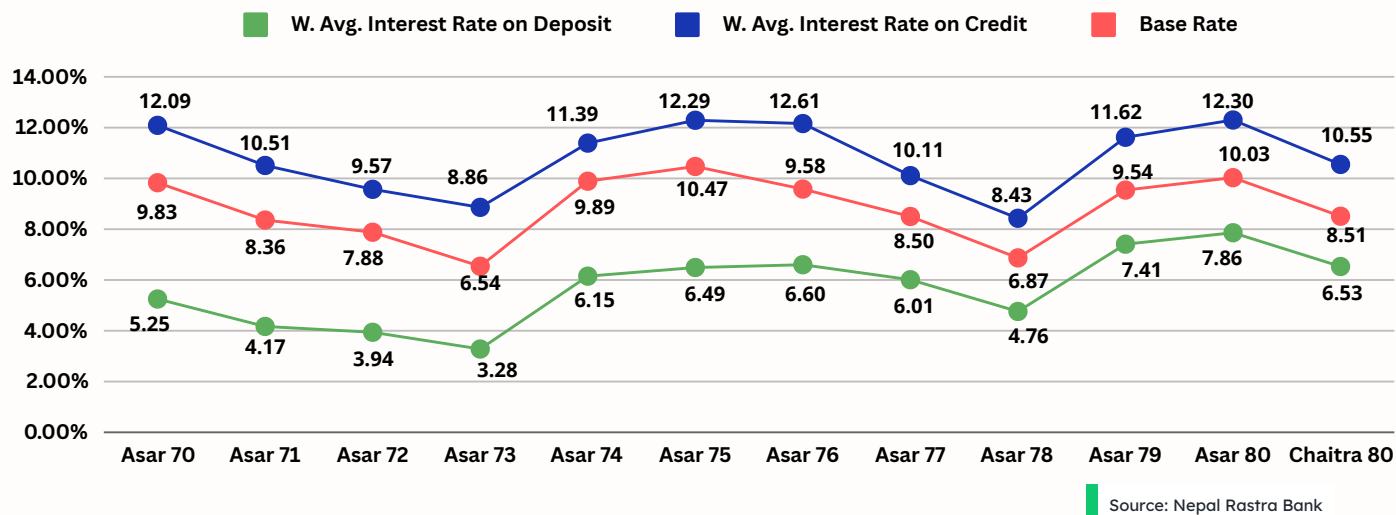


## Number of Tourists Arrivals

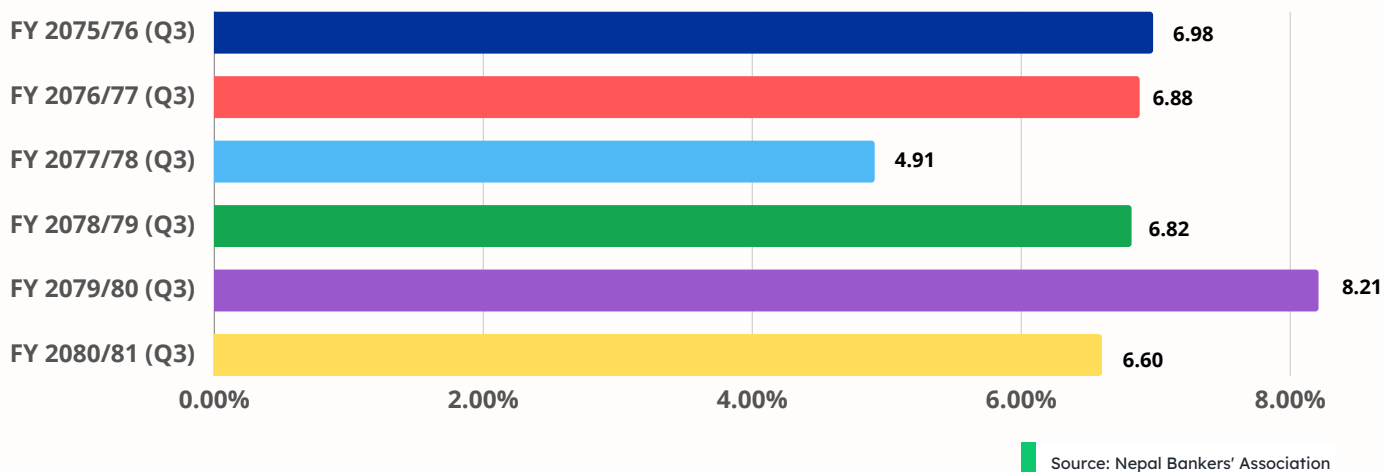


## Nepalese Banking Industry

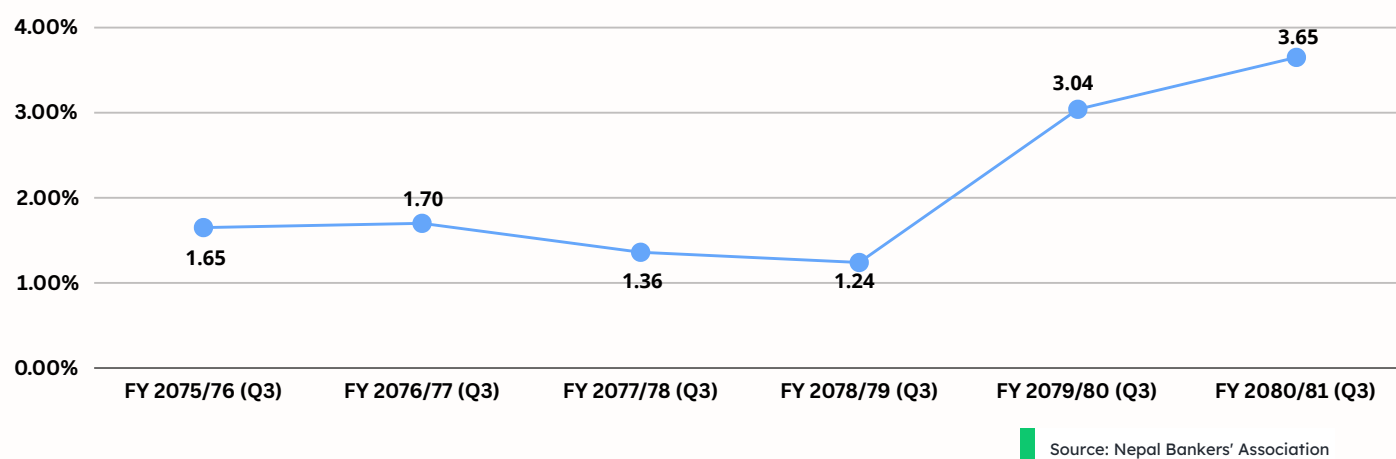
### Commercial Bank's Weighted Avg. Interest Rate & Base Rate



### Avg. Cost of Fund of Commercial Banks



### Avg. NPL of Commercial Banks



## Deposit & Lending of Commercial Banks

### FY 2079/80

Amount in Billions (Rs.)

|         | Shrawan 1, 2079 | Asar 31, 2080 | Growth | Growth (%) |
|---------|-----------------|---------------|--------|------------|
| Deposit | 4541            | 5046          | 505    | 11.12 %    |
| Lending | 4175            | 4318          | 143    | 3.42 %     |

### FY 2080/81

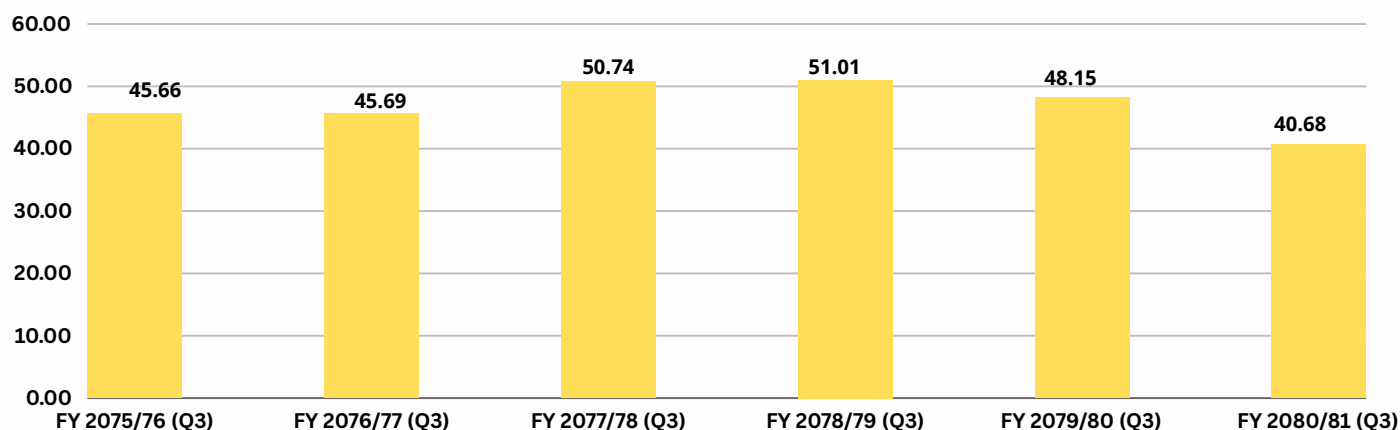
Amount in Billions (Rs.)

|         | Shrawan 1, 2080 | Baisakh 31, 2081 | Growth | Growth (%) |
|---------|-----------------|------------------|--------|------------|
| Deposit | 5046            | 5468             | 422    | 8.36 %     |
| Lending | 4318            | 4522             | 204    | 4.72 %     |

Source: Nepal Bankers' Association

## Avg. Net Profit of Commercial Banks

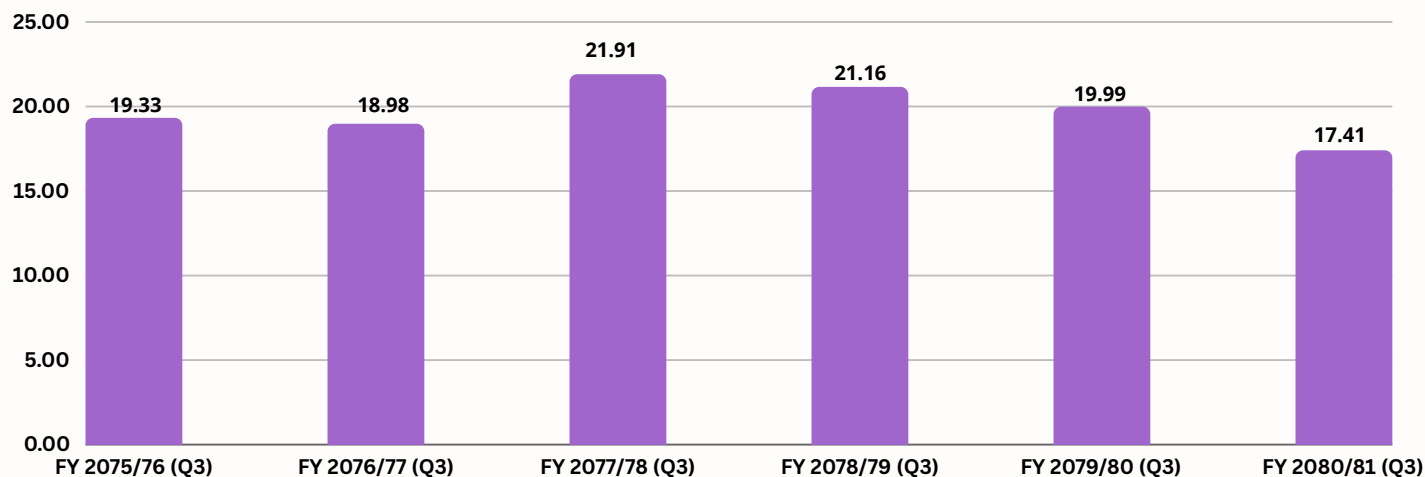
Amounts in Billions (Rs.)



Source: Nepal Bankers' Association

## Avg. Income Tax paid by Commercial Banks

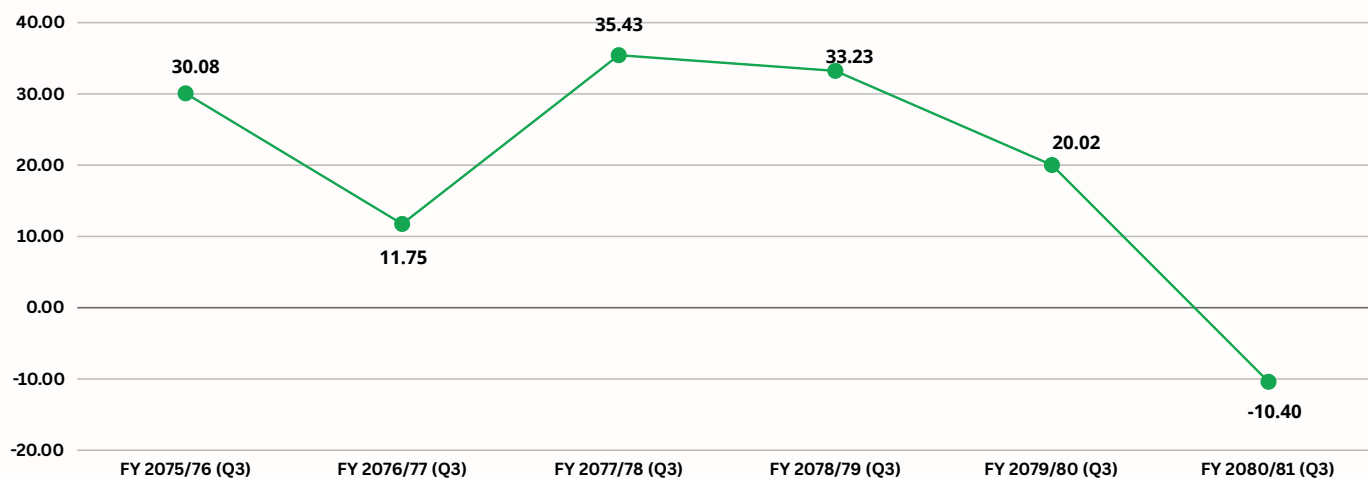
Amounts in Billions (Rs.)



Source: Nepal Bankers' Association

### Avg. Distributable Profit of Commercial Banks

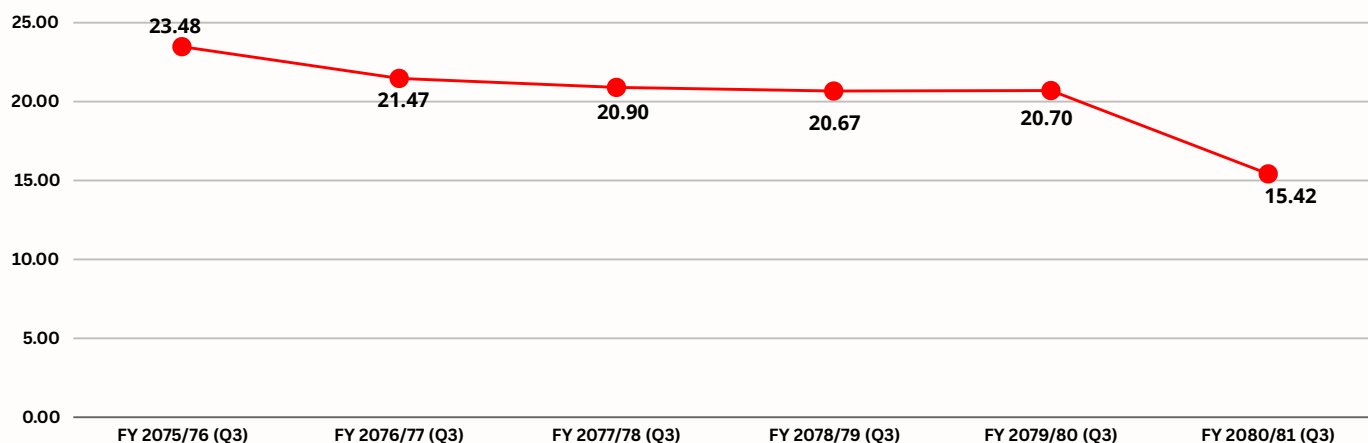
Amounts in Billions (Rs.)



Source: Nepal Bankers' Association

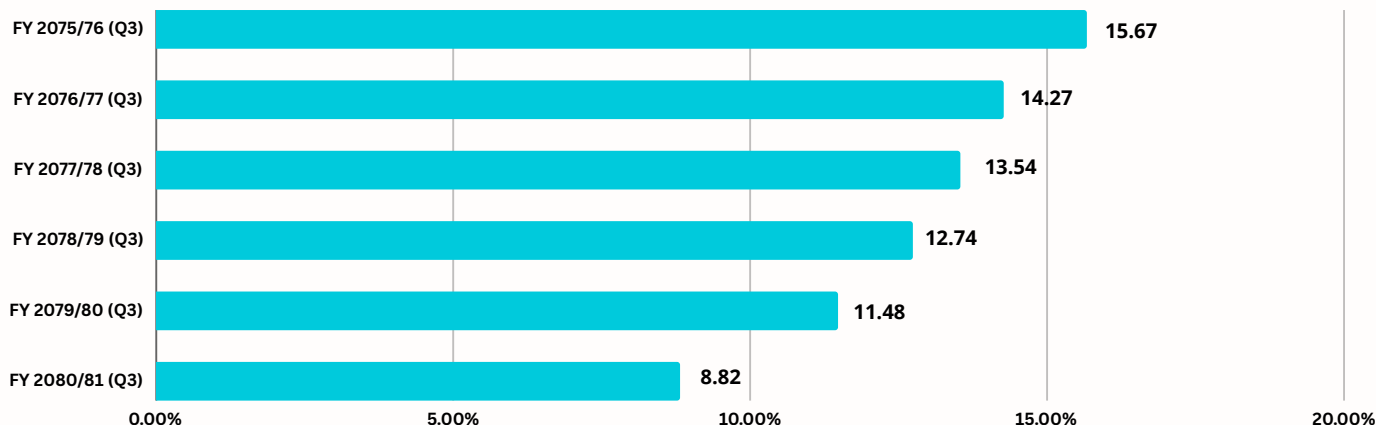
### Avg. Earning Per Share of Commercial Banks

Amount in Rs.



Source: Nepal Bankers' Association

### Avg. Return on Equity of Commercial Banks



Source: Nepal Bankers' Association

## Sector-wise Lending

|                                                               | Amounts in Billion (Rs.) |                | CHANGES<br>SINCE | (%)CHANGES<br>SINCE |
|---------------------------------------------------------------|--------------------------|----------------|------------------|---------------------|
|                                                               | Chaitra 2079             | Chaitra 2080   | Chaitra 2079     | Chaitra 2079        |
| Agricultural and Forest Related                               | 329.92                   | 324.62         | -5.30            | -1.61%              |
| Fishery Related                                               | 12.44                    | 14.48          | 2.04             | 16.40%              |
| Mining Related                                                | 11.13                    | 11.79          | 0.66             | 5.93%               |
| Agriculture, Forestry & Beverage Production Related           | 751.59                   | 820.14         | 68.55            | 9.12%               |
| Construction                                                  | 174.43                   | 196.06         | 21.63            | 12.40%              |
| Electricity, Gas and Water                                    | 280.27                   | 341.56         | 61.29            | 21.87%              |
| Metal Products, Machinery & Electronic Equipment & Assemblage | 72.96                    | 69.51          | -3.45            | -4.73%              |
| Transport, Communication and Public Utilities                 | 84.40                    | 78.97          | -5.43            | -6.43%              |
| Wholesaler & Retailer                                         | 900.85                   | 931.25         | 30.40            | 3.37%               |
| Finance, Insurance and Real Estate                            | 296.58                   | 316.55         | 19.97            | 6.73%               |
| Tourism Services                                              | 177.61                   | 194.45         | 16.84            | 9.48%               |
| Other Services                                                | 184.08                   | 181.95         | -2.13            | -1.16%              |
| Consumption Loans                                             | 762.21                   | 808.86         | 46.65            | 6.12%               |
| Local Government                                              | 1.08                     | 1.17           | 0.09             | 8.33%               |
| Others                                                        | 272.23                   | 244.60         | -27.63           | -10.15%             |
| <b>TOTAL</b>                                                  | <b>4312.03</b>           | <b>4536.01</b> | <b>223.98</b>    | <b>5.19%</b>        |

Source: Nepal Rastra Bank

## Product-wise Lending

|                                     | Amounts in Billion (Rs.) |                | CHANGES<br>SINCE | (%)CHANGES<br>SINCE |
|-------------------------------------|--------------------------|----------------|------------------|---------------------|
|                                     | Chaitra 2079             | Chaitra 2080   | Chaitra 2079     | Chaitra 2079        |
| Term Loan                           | 1250.92                  | 1640.04        | 389.12           | 31.11%              |
| Overdraft*                          | 179.91                   | 87.45          | -92.46           | -51.39%             |
| Cash Credit Loan*                   | 489.17                   | 616.28         | 127.11           | -                   |
| Trust Receipt Loan/Import Loan      | 80.70                    | 73.30          | -7.40            | -9.17%              |
| Demand & Other Working Capital Loan | 979.81                   | 748.76         | -231.05          | -23.58%             |
| Residential Personal Home           | 282.00                   | 310.31         | 28.31            | 10.04%              |
| Real Estate Loan                    | 208.97                   | 216.05         | 7.08             | 3.39%               |
| Margin Nature Loan                  | 58.10                    | 67.52          | 9.42             | 16.21%              |
| Hire Purchase Loan                  | 111.87                   | 114.15         | 2.28             | 2.04%               |
| Deprived Sector Loan                | 268.26                   | 267.28         | -0.98            | -0.37%              |
| Bills Purchased                     | 3.02                     | 5.88           | 2.86             | 94.70%              |
| Other Product                       | 399.06                   | 388.90         | -10.16           | -2.55%              |
| <b>TOTAL</b>                        | <b>4312.03</b>           | <b>4536.01</b> | <b>223.98</b>    | <b>5.19%</b>        |

Source: Nepal Rastra Bank

### Financial Access of Commercial Banks

|                                   |              |              | CHANGES<br>SINCE | (%)CHANGES<br>SINCE |
|-----------------------------------|--------------|--------------|------------------|---------------------|
|                                   | CHAITRA 2079 | CHAITRA 2080 | CHAITRA 2079     | CHAITRA 2079        |
| NO. OF BRANCHES                   | 5,066        | 5,042        | -24              | -0.47               |
| NO. OF DEPOSIT ACCOUNTS           | 42,809,628   | 46,892,032   | 4,082,404        | 9.54                |
| NO. OF LOAN ACCOUNTS              | 1,516,843    | 1,554,703    | 37,860           | 2.50                |
| NO. OF BRANCHLESS BANKING CENTERS | 1,331        | 1,178        | -153             | -11.50              |
| NO. OF MOBILE BANKING CUSTOMERS   | 17,694,428   | 20,663,461   | 2,969,033        | 16.78               |
| NO. OF INTERNET BANKING CUSTOMERS | 1,322,103    | 1,334,692    | 12,589           | 0.95                |
| NO. OF ATMS                       | 4,340        | 4,704        | 364              | 8.39                |
| NO. OF DEBIT CARDS                | 11,318,525   | 11,606,180   | 287,655          | 2.54                |
| NO. OF CREDIT CARDS               | 284,972      | 282,889      | -2,083           | -0.73               |
| NO. OF PREPAID CARDS              | 123,700      | 1,63,548     | 39,848           | 32.21               |

Source: Nepal Rastra Bank

### Uses of Payment System

|                                   |              |              | CHANGES<br>SINCE | (%)CHANGES<br>SINCE |
|-----------------------------------|--------------|--------------|------------------|---------------------|
|                                   | CHAITRA 2079 | CHAITRA 2080 | CHAITRA 2079     | CHAITRA 2079        |
| PAYMENT SYSTEM OPERATORS (PSO) *  | 10           | 10           | 0                | 0.00%               |
| PAYMENT SERVICE PROVIDERS (PSP) * | 27           | 27           | 0                | 0.00%               |
| PSP AGENTS                        | 13,706       | 15,339       | 1,633            | 11.91%              |
| WALLET USERS                      | 17,560,253   | 22,277,423   | 4,717,170        | 26.86%              |
| ATM MACHINES (TERMINALS)          | 4,729        | 5,096        | 367              | 7.76%               |
| DEBIT CARDS                       | 12,118,371   | 12,714,861   | 596,490          | 4.92%               |
| CREDIT CARDS                      | 285,127      | 284,672      | -455             | -0.16%              |
| PREPAID CARDS**                   | 127,770      | 166,965      | 39,195           | 30.68%              |
| MOBILE BANKING CUSTOMERS          | 20,434,031   | 24,053,629   | 3,619,598        | 17.71%              |
| INTERNET BANKING CUSTOMERS        | 1,798,866    | 1,904,773    | 105,907          | 5.89%               |

\* Other than BFls

\*\* Also includes card issued by PSPs

Source: Nepal Rastra Bank

# NBA ACTIVITIES

MAGH - CHAITRA 2080

## MoU signed between NBA and KUSOM

January 29, 2024 - Nepal Bankers' Association signed a Memorandum of Understanding (MoU) with Kathmandu University School of Management (KUSOM). On behalf of NBA, Mr. Sunil KC, President and on behalf of KUSOM, Prof. Bijay KC, Dean signed the MoU.

The primary goal of this engagement is to enhance research and knowledge sharing through joint research activities, collaborative knowledge-generating engagements, exchange of information and internship opportunities.



The collaboration between the two parties will carry out several initiatives such as identification of research topic areas and carry out necessary research, provide internship opportunities for students of KUSOM at the banks, organize guest lecture/ talk programs, seek academic input and support on banking related issues, jointly conduct programs and events. Apart from this, the collaboration will explore additional work avenues such as journal publication and others as per the need.

## Policy Dialogue on Hedging Facility Mechanism and Monetary Policy 2080/81

January 30, 2024 - Nepal Bankers' Association and USAID Trade and Competitiveness jointly organized a Policy Dialogue program on "Implementation of Institutional Mechanism for Hedging Facility and Suggestions for the Q2 Review of Monetary Policy 2080/81". The main objective of the program was to discuss on some of the policy arrangements in the Monetary Policy 2080/81 and the various implementation aspects and concerning issues related to hedging.

Highlighting the purpose of the program, in his welcome speech NBA President, Mr. Sunil K.C highlighted the crucial role of Foreign Direct Investment to fulfill the goals of Nepal's economic growth which in turn would support towards commitments Nepal has made to the international arena. He further said that in order to achieve the Sustainable Development Goals, Nepal needs huge investment and relying solely on domestic resources won't be adequate and hence, it becomes vital for the Government to implement necessary measures.



During the program, Mr. Sishir Dhungana made a presentation where he pointed out that despite the initiation of the policy for the hedging facility and the Hedging Regulations, 2079 by the Government of Nepal, there are some challenges in implementation. Furthermore, he also highlighted how hedging facility can be made effective, what sort of role can be played by various stakeholders and who are the responsible bodies for policy implementation, procedures to be adopted to obtain hedging facilities and so on.

During the presentation, he also discussed and suggested some policy arrangements for half-yearly Monetary Policy review with special focus on Stressed Loan Resolution Framework, Banking Offence Amendment Bill, Working Capital Guidelines, investment in PEVC, Centralized KYC, among others.

Similarly, Joint Secretary of Ministry of Finance, Mr. Mahesh Acharya, said that the Government of Nepal is serious about hedging and is ready to make it effective by making necessary amendments in the Policy/Procedures.



Chief Guest of Program, Deputy Governor of Nepal Rastra Bank, Mr. Bam Bahadur Mishra said that the economic prosperity of the country is only possible if the morale and self-confidence of the industrialists, businessmen and banks is high, and Nepal Rastra Bank takes this into consideration while formulating policy guidelines. Throwing more light on the issue of hedging, he said that even now, banks are utilizing the facility of hedging in one way or another and the bank can leverage these facilities based on their individual capacity and technical efficiency.

At the end of the program, NBA Vice-President, Mr. Santosh Koirala concluded the program by expressing his gratitude to everyone for their presence and acknowledging the collective contribution made by all towards the success of the program.

The program was attended by the Executive Directors and officials from Nepal Rastra Bank, representatives of various concerned agencies, officials/representatives of various Associations, Chief Executive Officers and officials of commercial banks, among others.

## Workshop on International Project Financing

February 7, 2024 - Nepal Bankers' Association, USAID-Urja Nepal and WWF Nepal jointly organized a Workshop on International Project Financing. The main objective of the workshop was to bridge the gap between local project financing practices and international practices. The workshop also aimed to create awareness among local stakeholders about international project financing aspects, share knowledge and best practices, and facilitate discussions on how Nepal can integrate these into its energy financing landscape.

Deputy Chief of Party of Urja Nepal Mr. Aditya S. Banerjee highlighted the importance of large-scale project financing at present context and also emphasized that Urja Nepal is keen to collaborate with relevant stakeholders to enhance their knowledge and skills and also to provide support especially large-scale project financing related to energy sector. During the program, Energy Specialist of USAID Nepal, Mr. Shankar Khagi highlighted that despite many potentials of energy sector development, Nepal has yet to fully capitalize on it. Mr. Khagi underscored the comparative advantage of clean energy production in Nepal, citing its cost-effectiveness in comparison to other nations. He also pointed the immense potential for Nepal to harness these benefits.

During the program, NBA President Mr. Sunil KC highlighted that the government has outlined optimistic and encouraging targets, emphasizing the importance of strategic investment in infrastructure and energy projects which requires a massive influx of investment in Nepal. To fulfill the funding gap, relying solely on domestic resources won't be adequate. In this context, he said the significance of large scale project financing is important, and programs like this would be very beneficial for bankers and other concerned stakeholders to enhance their knowledge needed to innovate financing structures and foster collaboration which is essential for large-scale project financing in Nepal.



At the event, Country Representative of WWF Nepal, Mr. Ghana Shyam Gurung addressed about the common misconception that wildlife conservation opposes development. He stressed that both development and wildlife conservation can coexist harmoniously. Furthermore, he emphasized the necessity for collaboration among all stakeholders to enhance Nepal's economic growth. And only by working together, the efforts towards achieving sustainable development goals can be synergized.

Chief Guest of the Program, Senior Deputy Governor of Nepal Rastra Bank, Dr. Neelam Dhungana Timsina, said that Nepal Rastra Bank is formulating policies aligning with the international practices and standards, in order to promote and regulate this sector in a more effective and efficient manner. She further stressed that sooner or later, Nepalese financial sector has to align and comply with these policies, and follow the same path as the international community, hence there is need of preparedness and proactiveness, so that no one lag behind or miss out on the opportunities and benefits of large-scale project financing.

Throughout the program, various presentations were delivered, each focusing on different aspects of International Project Financing. The discussion followed by the presentation was very productive and fruitful, where the participants asked relevant questions and shared their opinions, The program was attended by government officials, DFIs, officials from Commercial banks and concerned stakeholders.

## Meeting with IMF Mission Team

February 8, 2024 - Nepal Bankers' Association (NBA) held a meeting with the delegates from International Monetary Fund (IMF) – led by Ms. Anne-Marie Gulde-Wolf, Deputy Director, Asia and Pacific Department. The primary objective of the meeting was to discuss on current economic and financial situation of Nepal, regulatory and supervisory perspective, business environment, expectation from the monetary policy, preparations of asset quality review, among others. The discussion revolved around the main challenges that the banking and financial sector is currently facing and the role that needs to be played by the concerned stakeholders to move towards a positive direction.

During the meeting, NBA Advisor Mr. Ashoke SJB Rana, EC Member Mr. Dipak K. De and other officials discussed about Nepal's current economic and financial position, along with challenges faced by the banking sectors and possible ways to address them. The meeting was very interactive and helpful to understand the IMF's perspective. It also provided an opportunity for NBA to express concerns faced by the banking industry, along with possible opportunities in the horizon.



## Interaction Program on Current Issues & Financial Literacy

February 23, 2023 -Nepal Bankers' Association (NBA) in collaboration with Financial Literacy Nepal (FLN) successfully organized an interaction program on Current Issues & Financial Literacy at Pokhara. The primary objective of the program was to interact on various pertaining challenges and issues in the banking and capital market, and also to understand how financial literacy can help to address them.



In the opening remarks, Executive Director of NBA, Mr. Anil Sharma extended a warm welcome to all the participants and highlighted the importance of the program, which primarily focused on two key areas: the ongoing challenges and concerned issues within the capital market and the current issues concerning the banking sector and financial literacy. Mr. Sharma emphasized that the program is expected to immensely beneficial to everyone involved by enhancing their capacity, knowledge and skills.

During the program, Former Executive Director of Securities Board of Nepal (SEBON), Mr. Niraj Giri delivered a presentation covering various aspects of securities market. He talked into both the legal framework and practical dimensions including the role of regulatory bodies in overseeing market activities, and the procedures involved in issuing and trading securities. Additionally, he also shed light on practical aspects such as market trends, investment strategies, and risk management techniques relevant to securities market.



Similarly, Former NBA President Mr. Bhuwan Dahal delivered presentation on current banking and financial issues. He discussed various topics such as the public perception of the banking sector and the reasons behind the growing negative sentiments. He also exposed the reality behind some of the myths and misconceptions about the industry. Using data and evidence, he highlighted the current state of the banking sector and argued that it was stable, resilient, and well-regulated by the central bank's policies. He also shared his expertise with the participants and answered their queries and concerns.

During the program, Gandaki Province Head and Director of Nepal Rastra Bank, Ms. Arya Joshi shed light on the importance of the financial literacy in the current changing banking and financial landscape. She further highlighted that the issues of financial literacy shouldn't be area of interest of a particular single group of people, but rather all concerned stakeholders should work together and collective afford is most for the effectiveness of the financial literacy program.



The Chief Guest of the Program, Former Governor of Nepal Rastra Bank and Economic Advisor of Rt. Hon. President, Dr. Chiranjibi Nepal shared his experience and insights and provided suggestions on how to address the current banking and financial issues. He mentioned the positive outcomes of the policies that were introduced during by NRB few years back, and how they have in due course helped to improve the performance and stability of the banking sector. He emphasized the need for enhancing financial literacy among the concerned stakeholders.

He stated that there was still a lot of work to be done in the area of financial literacy, and that without providing people with adequate financial education and skills, it would be very hard to cope with the banking challenges on coming days.



More than 50 officials from various commercial and development banks participated in the program.

## Program on Current Scenario in the Banking Sector and the Way Forward

February 26, 2024 - Nepal Bankers' Association (NBA) successfully organized a Program on "Current Scenario in the Banking Sector and the Way Forward" at NBA's newly constructed Training Hall. The primary aim of the program was to engage in a comprehensive discussion regarding the present situation of banking affairs in Nepal and to delve into potential strategies and pathways forward for the banking industry.



During the program, NBA President, Mr. Sunil K.C. delivered a comprehensive presentation on the current status of the banking sector. He highlighted key global market trends, national macro-economic situation and stressed the major issues related to the banking industry. Mr. K.C. emphasized that the Nepalese banking sector has been contributing significantly to the nation's economic development by paying substantial amounts in taxes. He acknowledged the pivotal role banks have played in advancing the country's economic growth. However, he also noted a concerning trend of decreasing ROE within the banking sector. Despite this challenge, Mr. K.C. highlighted the robust regulatory framework established by the Nepal Rastra Bank, focusing that it has ensured the overall soundness of the banking industry.

The Chief Guest of the program Honorable Governor Mr. Maha Prasad Adhikari thanked NBA for organizing such a timely and insightful event. He highlighted that Nepalese banking sector is stable and sound, he also expressed concern regarding the prevalence of misconceptions among the public. He urged all stakeholders to collaborate diligently to address these issues and help to maintain trust in the banking system. He also emphasized that there is need of collective effort in safeguarding the integrity and resilience of the banking sector. He emphasized that the repercussions of a single bank's challenges could extend far, affecting other banks. He also urged all stakeholders, specially to media to recognize and appreciate the sensitivity of the banking issues in order to mitigate risks and safeguard the stability of the financial sector.



The program was participated by the Executive Directors of Nepal Rastra Bank; Representatives from CBFIN, Development Bankers Association Nepal, Nepal Financial Institutions Association, Nepal Microfinance Bankers' Associations, Officials from NAFIJ and SEJONN, CEOs from member banks, among others.

## Program on Opportunities to Build Digital Nepal

February 27, 2024 - Nepal Bankers' Association, in collaboration with VISA organized a program titled "Opportunities to Build Digital Nepal". The main objective of the program was to explore the potential of digital technology to transform the economy and improve the businesses through digitalization, where the experts from various sectors shared their insights and experiences on how digital services can support especially SMEs and Corporates in Nepal.

During the program, Mr. Nishant Kumar, Product Lead, Visa Commercial Solutions delivered a presentation focusing on VISA Commercial Solutions. He highlighted on the utilization of commercial cards tailored for business and corporate purposes, and how the SME debit and credit cards are designed to cater to the needs of SMEs for managing their business expenses efficiently.

After the presentation, the program was followed by a panel discussion on Digital Service to Support SMEs and Corporates, where distinguished panelists Ms. Niva Shrestha, Director of Payment System Department of Nepal Rastra Bank, Ms. Shruti Gupta, the Vice-President and Head of Commercial and Money Movement Solution of VISA., Mr. Sanjib Subba, Chief Executive Officer of Nepal Electronic Payment System and Mr. Bijendra Suwal, NBA representative and Former Deputy Chief Executive Officer of Nepal Investment Mega Bank, shared their valuable insights and perspectives on leveraging digital services to support for both SMEs and corporate entities, offering a comprehensive understanding of the evolving landscape of digital finance in Nepal.



During the program, NBA President, Mr. Sunil KC delivered remarks where he expressed gratitude towards VISA for their partnership and extended his thanks to all participants. He emphasized the pivotal role VISA could play in materializing Nepal's vision of Digital Nepal by facilitating a comprehensive transformation of the economy through digitalization. Additionally, Mr. KC highlighted the importance of providing substantial support and advancement to the SME sector, recognizing its significance in the Nepalese economic landscape.

The Chief Guest of the program, Deputy Governor of Nepal Rastra Bank, Mr. Bam Bahadur Mishra mentioned about the pivotal role that Visa has played in driving forward the digitalization efforts in Nepal. Furthermore, he highlighted the proactive stance of NRB as a regulatory body, ensuring that any obstacles hindering the government's Digital Nepal initiative are promptly addressed. He assured that the NRB remains committed to facilitate a conducive environment for digital development in the nation. Additionally, he pointed out the vast market potential that Nepal possesses at this emerging stage of its digital journey.



The program was concluded with the closing remarks from Country Manager of VISA, Mr. Saumya Basu, where he expressed appreciation to all participants for their participation and contributions throughout the event. The program was attended by Dr. Gunakar Bhatta, Executive Director, Payment Systems Department of NRB, NRB officials, officials from Bank and Financial Institutions, among others.



## Interaction Program on Contemporary Issues in Banking

March 3, 2024 - Nepal Bankers' Association – Sudurpashchim Chapter and Banker's Club Dhangadhi, jointly organized an Interaction and Discussion Program on Contemporary Issues in the Banking Industry at Dhangadhi. The main objective of the program was to conduct an in-depth discussion on current banking issues, bringing together banking experts and stakeholders to exchange insights and perspectives.

During the program, the Chief Guest of the Program Dr. Gunakar Bhatt, Executive Director, Payment Systems Department of Nepal Rastra Bank, highlighted an overview of the Nepalese banking sector's current status. He emphasized pivotal role that the banking industry has played for the economic development of the country. Furthermore, he said that Nepalese banking sector is sound, competitive and resilient. Dr. Bhatt also addressed the various concerns raised by the participants.

The program was participated by Mr. Shanti Prasad Pandey, Officiating Director of Nepal Rastra Bank Dhangadhi, NRB officials from Dhangadhi, Sudurpashchim Province Heads and Branch Managers of the BFIs, members of Banker's Club Dhangadhi, among others.



## Meeting with the Finance Minister

March 7, 2024 - The Executive Committee Members of Nepal Bankers' Association (NBA) met the newly appointed Hon. Finance Minister Mr. Barsha Man Pun at the Ministry of Finance. The Committee members extended their congratulations and best wishes for his successful tenure.



In the meeting, NBA President Mr. Sunil KC highlighted the current status of the Nepalese banking sector, underlining the pivotal role played by banks in fostering Nepal's economic growth. He also highlighted that currently banks have adequate loanable funds but the demand has been slow. Additionally, he expressed concerns over the increasing number of attacks on the banking industry including arrest of bank staffs recently – these incidents are not only detrimental to the industry, but it may also adversely affect the country's economy in a long run. On behalf of the banking sector, he further ensured that Nepalese banking industry is dedicated and fully committed to support the policies and plans laid out by the Government.

Hon. Finance Minister expressed that the Government will not let the morale of bankers down and the Government is there to facilitate and support as required. He further mentioned that the Government is keen to set up investment friendly environment and the focus of the Government is towards the Investment Summit planned in Baisakh 2081.

During the meeting, Hon. Finance Minister further said that the Government shall take proper action to end the atmosphere of fear and intimidation observed in the banking sector. He also expressed the commitment and determination to find solutions to resolve the challenges faced by the banking industry and requested for continuation of necessary support and coordination from the financial sector in the days to come as well.

## Workshop on Energy Infrastructure Insurance

March 19, 2024 - Nepal Bankers' Association (NBA), Independent Power Producers Association (IPPAN) and USAID-Urja Nepal jointly organized a Workshop on Energy Infrastructure Insurance. The workshop aimed to discuss and emphasize the critical role that the insurance plays in mitigating risks associated with energy infrastructure projects. Showcasing the international best practices and success stories in insuring energy infrastructure the program also aimed to identify common bottlenecks and challenges hindering the adoption of insurance in the energy sector.

Urja Nepal Objective 3 Lead Ms. Usha Khatiwada delivered the opening remarks and provided an overview of the workshop. During the program, Energy Specialist of USAID Nepal, Mr. Shankar Khagi emphasized the pivotal role of the energy sector can play in driving Nepal's economic towards the posteriority. He also highlighted the Urja Nepal's efforts to enhance the reliability and affordability of the energy sector for all, particularly focusing on making hydro energy more cost-effective and environmentally sustainable.

During the program, IPPAN President Mr. Ganesh Karki emphasized the abundant potential for hydroelectric power generation in Nepal. He pointed out that despite the country's rich resources, absence of substantial support from the banking sector poses a significant barrier. As energy producers increasingly prioritize large-scale projects, the demand for capital rises substantially. Mr. Karki stressed that Nepalese banks have a pivotal role to play in bridging this financial gap.

NBA President Mr. Sunil KC highlighted the substantial investment made by banks, exceeding 325 billion into Nepal's hydropower sector. He expects a further surge in investment in the energy sector in near future, given its paramount importance as Government's priority. Mr. KC also emphasized Nepal's vulnerability to climate change, acknowledging the risks associated with climate-related issues. In response to these challenges, he stressed the necessity of implementing robust strategies to effectively manage and mitigate the risks posed by climate change within the energy sector. Furthermore, he said, insurance serves as a safeguard, providing protection against potential risks and uncertainties associated with energy ventures.



Keynote Speaker of the Program, Mr. Surya Silwal, Chairman of Nepal Insurance Authority highlighted that insurance constitutes as a strong pillar of the financial sector, particularly in Nepal, where significant financial losses occur annually and the role of insurance in protecting against such losses is high. He further emphasized the need of awareness in insurance and collective action in addressing the issues related to insurance. In his address, as a regulatory authority, he expressed willingness to engage with stakeholders and resolve their concerns.

Throughout the workshop, various presentations and panel session were delivered covering a range of topics including insurance products, re-insurance in the energy sector, opportunities for the insurance sector in Nepal's energy industry, international perspectives on insurance, and risk engineering and loss assessment in hydropower. The discussion followed by the presentation was very productive and fruitful, where the participants asked relevant questions and shared their opinions. The program was attended by government officials, officials from Commercial banks, IPPAN officials, concerned stakeholders among others.



## Program on Fintech's Role in Increasing Access to Finance for MSMEs

April 2, 2024 - Nepal Bankers' Association (NBA) in collaboration with United Nations Capital Development Fund (UNCDF), Fintech Alliance Nepal (FAN) and Aloj organized an interaction program on Fintech's Role in Increasing Access to Finance for MSMEs. The main objective of the program was to facilitate the exchange of knowledge and foster collaboration among key stakeholders, particularly banks, development finance institutions (DFIs) and Fintech companies, regarding the potential role of the Fintech industry in increasing access to finance for MSMEs.

UNCDF, Country Relationship Manager, Mr. Saroj Nepal commenced the event with an opening remark underscoring the significance of the program. He emphasized the pivotal role that MSMEs have been playing in driving both economic and social development within the country. He also pointed out numerous obstacles including substantial funding gap and limited access to finance as some of the major challenges that the MSMEs have been facing.

During the program, CEO of Aloj Global, Ms. Tiffany Tong made an insightful presentation entitled "Global Trends in Productive Lending – Opportunities & Challenges". She highlighted the international landscape, offering insights into leveraging Fintech to boost access to finance for MSMEs. Ms. Tong explained global best practices and shared exemplary cases of employing Fintech solutions to address the financing needs of MSMEs. Furthermore, she also touched upon climate/green finance impact tracking and productive lending to MSMEs.

At the event, UNESCAP representative, Ms. Christina Margaret Morrison delivered the remarks focusing on the importance of MSMEs for both developed and developing countries. Furthermore, she said that in the context where Nepal is graduating from least developed country, the role of MSMEs will become even more critical in shaping the country's economic landscape and fostering sustainable development in Nepal.

Director of the PSD Department of Nepal Rastra Bank, Mr. Laxmi Prasad Prasai shared insights into Central Bank's initiatives aimed to boost the MSMEs sector. He emphasized the concerted efforts made by Nepal Rastra Bank to prioritize and support the MSMEs sector, recognizing its significance in the country. He also emphasized the importance of collective action from various sectors to effectively address the hurdles slowing the growth and development of MSMEs.

Delivering a closing remark, NBA Senior Research Officer, Mr. Kapil Gautam expressed gratitude to all the participants. He highlighted the importance of collaboration among concerned stakeholders to address the significant challenges encountered by MSMEs and urged everyone for the collective effort. Mr. Gautam further reiterated Nepal Bankers' Association's commitment to support such initiatives.

During the program, representatives from various MSMEs shared their success stories, illustrating how Fintech solutions aided them in overcoming diverse challenges. The program was followed by a panel discussion where the esteemed panelists from banking sector, development partners and Fintech experts shared their valuable insights on the subject matter. The event was attended by officials from Nepal Rastra Bank, representatives from MSMEs, officials from Commercial Banks, representatives from DFIs and Fintech companies, among others.



## Monthly Press Meet

April 4, 2024 - Nepal Bankers' Association (NBA) organized a media interaction program at NBA Office. The program was part of regular press meet where the information related to economic, banking and finance was disseminated to the economic journalists.



The program commenced with a presentation by NBA Executive Director, Mr. Anil Sharma, where he provided insights into both national and global economic landscapes. He shared that the interest rates in major global economies are stable, and we are observing a downward trend in global inflation – however, the global GDP growth is not expected to increase in the next two years as per the reports. He also highlighted some of the country's macroeconomic indicators which are positive; the interest rate is continuously on the decline, but despite that, we have not been able to observe credit growth as expected. He also shared the challenges observed in the economy and some of the focus areas for NBA to concentrate upon in the days ahead.

NBA President Mr. Sunil KC, expressed gratitude to the media colleagues for their ongoing support. He emphasized that while banking sector have adequate availability of loanable funds, the pace of credit growth remains sluggish, posing a significant concern for the banking industry. He further said that people's confidence has declined and to overcome from this, all the relevant stakeholders including the Government has a vital role to play.

Additionally, Mr. KC shared some of the concerns faced by banks such as Government's recent decision to withdraw local level funds (as deposit) from the banks, challenges faced by some banks related to land ceiling, banks not able to receive reimbursement of interest subsidized loans, among others. He stressed out the need for greater focus and intervention of the Government in addressing these matters. Highlighting the performance of the Nepalese banking sector, he said that Nepalese banking sector is sound and resilient performing quite well in comparison to other South Asian countries. He also shared that two important Acts (BAFIA and BOPA) are being amendment and the Bill is presented in the House – NBA expects to hold consultation with the concerned Government agencies to address some of the provisions in the amendment Bill. Emphasizing the importance of responsible media reporting, Mr. KC underscored the crucial role that the media plays in shaping public perceptions of the banking sector, particularly in the backdrop where there are some false news about the banking industry are being observed.

During the program, NBA Executive Committee Member and CEO of Rastriya Banijya Bank, Mr. Kiran Kumar Shrestha highlighted that in order to stimulate the sluggish economic growth, public spending by the Government needs to be increased. He emphasized the potential transformative impact of such investments, particularly in infrastructure development and other large-scale national projects, which are likely to generate a multiplier effect in the economy. He stated that Nepalese banking industry is transparent, competitive and resilient due to well-organized regulations of Central Bank and the banking industry is becoming more efficient.



The program was actively participated by several economic journalists representing different media.





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