

3rd International Conference on Economics and Finance

Inaugural Ceremony

Inaugural Address by Dr. Chiranjibi Nepal, Governor, Nepal Rastra Bank

Honorable Finance Minister,
Member of the National Planning Commission,
Finance Secretary,
Deputy Governors,
Board Members of Nepal Rastra Bank,
Former Governors,
Chairman of SEBON and Insurance Board,
Representatives from Donor Agencies,
CEOs of Banks and Financial Institutions,
Industrialists and Business Personalities,
Conference Participants,
Distinguished Guests,
Media Persons,

Ladies and Gentlemen,

1. It is a matter of great pleasure for me to deliver inaugural address in this august gathering. I highly appreciate your participation in this International Conference on "Economics and Finance" and would highlight that the first International Conference was held in 2012 April and the second International Conference was held in 2015 February. We are organizing this conference after some gap since our main buildings were severely damaged in the disastrous earthquake of 2015 April. Nevertheless, Nepal is in the process of rebuilding and reconstruction along with the ongoing reconstruction of central bank buildings and here we are organizing the third international conference.
2. I am delighted to see many academicians, professionals and experts in this conference. Some of you had participated in our conferences earlier, while some of you may be here for the first time. I am thankful to honorable finance minister, distinguished guests and participants for accepting our invitation and joining us. The conference provides an opportunity for all of us to share our knowledge and experience, which will help to develop new insights and approaches in policy decisions.

Ladies and Gentlemen,

3. Uncertainty is hovering over the global economy. The IMF projects the world economy to expand by 3.3 percent in 2020 and 3.4 percent in 2021. However, the recent corona virus outbreak in neighboring China and in some other parts of the world is building downward risk on growth path.
4. In the context of Nepal, we observed an encouraging growth in the last three years. The 7.3 percent growth on average with contained inflation has unleashed our better prospects. This experience has made us aware that buttressing internal productivity and production helps us to foster growth and subdue inflation.
5. Nepal's external sector situation is comfortable with a surplus balance of payments. As of mid-January, the existing gross foreign exchange reserve is sufficient to finance 8.4 months' of prospective merchandise and services' imports. Despite some challenges, the

financial sector of Nepal has remained stable. The banking sector's lending to national priority sectors such as agriculture, energy and tourism has increased. Interest rates have remained stable. In the recent past, financial expansion has set an exemplary precedence. Nepal's federal structure has encouraged us to widen financial network. Additional 41 percent new branches of banks and financial institutions have been established only in the last one and half year.

Ladies and Gentlemen,

6. As a central bank, the major objective of Nepal Rastra Bank is to formulate monetary, foreign exchange and financial policies to maintain price, external and financial stability. We are committed to this objective along with facilitating growth through resource management.
7. Nepal Rastra Bank is in the process of modernizing monetary policy framework. We have introduced short term interest rate as an operating target. Gradually, the modernization process is moving ahead. Similarly, our efforts in channelizing resources to the most productive sectors of the economy have been paying off. The lending of Banks and Financial Institutions' (BFI) to agriculture, energy and tourism sector has increased. This is evident from the escalated generation of energy through the independent power producers. Four years ago, energy produced by the private sector was 256 MW and today it stands 651 MW. Around 400 MW additional power generation is largely supported by the bank financing.
8. NRB has accorded top priority to consolidation of the banking system. Banks have become stronger after they successfully raised the paid-up capital. This has led to 185 BFIs to enter in the merger process which has resulted in the formation of 45 BFIs.
9. Significant work has been done in modernizing the domestic payment system. We have launched the Real Time Gross Settlement System (RTGS) last year, which now facilitates the clearance and settlement of high-value cheques in real time. The bank has also implemented Supervisory Information System (SIS), which is likely to increase efficiency and effectiveness in data gathering and analysis.
10. Nevertheless, Nepal's financial sector has a number of issues to consider. Priority is to be given to channelize additional resources to agriculture, tourism, energy, SMEs and manufacturing sector. These will help us to manage import and lead to sustainable growth. Building more inclusive and stable financial system is a common agenda for all of us. Recent adverse shocks in the global economy are common threat for all policy makers around the world. The recent Corona outbreak has heightened challenges to policy makers both in ushering growth and maintaining stability. This Conference is an avenue for all of us to foster dialogue in surmounting challenges facing the global, regional and domestic economy.

Ladies and Gentlemen,

11. In this conference, participants will present their findings from research studies on various topics relating to macro economy, monetary policy, financial development, fiscal federalism, growth and inequality, among others. I believe this conference becomes an important platform not only for presenting research findings among scholars but also for sharing ideas for policy design and formulation.
12. The policy dialogue, immediately after this session, on "Inclusive and Sustainable Growth" will help us broaden our understanding on growth and inclusion. I hope this session will not only outline the broader direction for inclusive and sustainable growth agenda for Nepal but also for other countries in the region.

Ladies and Gentlemen,

13. Central banks play significant role in facilitating economic growth and development of nation while maintaining price and financial stability. New ideas, theories and knowledge continuously evolve. It is necessary that central banks remain aware of such emerging ideas and this is one of the reasons why this kind of event is important.
14. Lastly, I once again appreciate the presence of honorable finance minister and participation of researchers, experts, paper presenters and delegates in this conference. I look forward to active participation from all and am expecting that the ideas and outcomes exchanged will help us to better understand economic issues. Constructive suggestions presented will help us design appropriate policies. I am confident that this Conference will set new path in academic milieu and policy sphere. Successful completion of this conference will further encourage us to continue this great tradition in days to come.

Thank You!