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Nepal Rastra Bank Celebrates its 68th Anniversary

NRB committed for maintaining financial stability: Governor Adhikari



Nepal Rastra Bank (NRB) has completed 67 years since its establishment and stepped into its 68th anniversary with a grand celebration program organized on April 27, 2023 at the bank premises in Baluwatar. The program was inaugurated by Governor Maha Prasad Adhikari. Addressing the program, Governor Adhikari informed that the bank is committed to maintaining macroeconomic stability through financial stability. There is a need to use the financial resources in the productive sector and thus appealed to stakeholders to be active in increasing

productivity for the overall development of the economy.

Governor Adhikari held the view that despite ease in liquidity condition owing to improvements in the external sector, the pressure on inflation due to international price movement remains a challenge. He said, "In comparison to the last fiscal year, we observed a decrease in the trade deficit, increase in remittance inflows in the tourism sector and consequently easier liquidity situation"

Governor Adhikari expressed the view that slowdown in economic

activities was due mainly to lower capital expenditure and contraction in private sector credit growth, leading to a decline in the government's revenue collection. However, he expected that the liquidity of the banking system was improving along with the ease of the external sector and that banks and financial institutions have started reducing interest rates, so the domestic economic activity will improve. He expressed his belief that the revenue collection will improve due to more proactive measures taken to control revenue leakage.





During the speech, the Governor presented details of significant achievements carried out by Nepal Rastra Bank in the current fiscal year, highlighting various important initiatives and accomplishments.

In the Program, former governor Mr. Bijaya Nath Bhattarai was honored for his remarkable contribution to the economic, financial, monetary and managerial sectors of Nepal. Governor Adhikari presented him with a prestigious dosalla as a symbol of recognition and appreciation. On that occasion, former Governor Bhattarai mentioned that bad loans have started to increase due to the recent agitation against the financial sector and commented that such activities could be harmful for financial stability. He drew the attention of the government and related agencies to control such activities in time. Stating that there are various challenges



in the financial sector, he emphasized the need for NRB to make regulation and supervision effective.

During the program, Deputy Governor Dr. Neelam Dhungana Timsina highlighted the positive impact of the external sector management policies adopted by the central bank on the economy and the overall financial stability. She added that the bank is more careful to maintain the overall financial stability. The closing remarks were delivered by Dr. Nephil Matangi Maskay, the

Executive Director of the Office of the Governor.

On the occasion, congratulatory remarks were presented by Chairman of *Nepal Rastriya Karmachari Sangathan Nepal Rastra Bank*, Mr. Resham Bahadur Balchaudi, Chairman of *Nepal Bittiya Sanstha Karmachari Sangh Nepal Rastra Bank*, Mr. Rajeev Sharma Regmi, Acting Chairman of *Nepal Rastra Bank Karmachari Sangh*, Mr. Shankar Prasad Bhattarai and Chairman of *Nepal Rastra Bank Purwa Karmachari Sangh*, Mr. Siddhikrishna Joshi.





On the occasion of the anniversary, 19 employees who completed 20 years of service in the bank were awarded by *Deergha Sewa Padak*. Executive Directors Mr. Rishikesh Bhatta, Mr. Ramu Paudel, Mr. Tulashi Prasad Ghimire and Mr. Guru Prasad Paudel, Directors Mr. Hem Prasad Neupane, Mr. Govinda Prasad Nagila, Mrs. Meena Pandey, Mr. Dilaram Subedi, Mr. Keshav Bahadur KC, Mr. Shailendra Regmi, Mr. Birendra Datta Awasthi, Ms. Neera Talchabhadel and Mr. Thaneshwor Acharya were honored with the Medal. Similarly, Director (I.T) Er. Saurabh Dass Manandhar, Er. Tarun Kumar Jha, Er. Sahdev Chand and Dr. Tej Narayan Thakur, Deputy Director (Electrical) Er. Sachin Gorkhali and Assistant Mr. Udaya Shankar Sharma were also honored with the Medal. The Senior most recipients, Mr. Rishikesh Bhatta, the Executive Director of the Asset and Service Management Department, conveyed his sincere appreciation to the bank for the honor and took the chance to reflect on his twenty-year's journey with Nepal Rastra Bank.

Accordingly, the bank has started providing 'Nepal Rastra Bank Service Award' from this year. According to which, in the first year, the Deputy Director (IT) of Information Technology



Department Er. Ramnath Pandit received the 'Nepal Rastra Bank Sarwotkrista Sewa Puraskar'. Similarly, Deputy Director of Foreign Exchange Management Department Mr. Mani Raj Shrestha, Assistant Director of Pokhara Office Mrs. Yashoda Pokharel, Head Assistant of the Office of the Governor Mr. Lal Kumar Subedi and Office Assistant of Human Resource Management Department Mr. Jhan Prasad Koirala were awarded 'Nepal Rastra Bank Utkrista Sewa Puraskar'.

The bank has started the practice of encouraging the best remittance service providers and payment service providers from this year. According to which, three banks and three remittance companies that bring highest volume of remittances in the country have received certificates of appreciation. Among the banks, Himalayan Bank Ltd, Nepal SBI Bank Ltd and Global IME Bank Ltd

and among the remittance companies IME Remit, City Express Money Transfer and Prabhu Money Transfer were given certificates of appreciation. Likewise, certificates of appreciation have been awarded to Nepal Clearing House Limited and Fonepay Payment Service Limited for their significant contribution in the promotion of electronic payment transactions.

Former governors Dr. Bhes Bahadur Thapa, Mr. Ganesh Bahadur Thapa, Dr. Yuba Raj Khatiwada and Dr. Chiranjeevi Nepal, Board of directors of the bank Mr. Toyam Raya and Mr. Chintamani Siwakoti, former deputy governors, heads of various regulatory bodies, chief executive officers of banks and financial institutions, senior executives and employees of banks, former employees, among others, were present in the program. Mr. Kiran Pandit, Director of the Office of the Governor hosted the program. ■

Governor Adhikari participated in the annual meeting of APG



Governor Maha Prasad Adhikari led Nepal from the annual plenary meeting of the Asia Pacific Group on Money Laundering (APG) held in Vancouver, Canada from June 24 to 29, 2023 and returned on July 3, 2023. In that meeting, the member countries of APG and the Financial Action Task Force (FATF), the World Bank, the International Monetary Fund, the UN Office of Drugs and Crime (UNODC) and others participated as observers and critics.

Mr. Udayraj Sapkota, Secretary of the Office of the Prime Minister and Council of Ministers and Coordinator of the National Coordinating Committee on Asset Laundering, and Dhanraj Gyawali, Secretary of the Ministry of Law, Justice and Parliamentary Affairs and

Coordinator of the Mutual Evaluation Core Committee, participated in the meeting.

The meeting passed the mutual evaluation report of Nepal, Brunei and Laos which was completed this year. In addition, the meeting discussed the annual progress report of Mongolia, Thailand and other countries and passed the monitoring report of those countries .

During the meeting, the preliminary report on Nepal's mutual evaluation was thoroughly discussed, and certain improvements were noted in the situation highlighted within the report. The evaluator also suggested upgrading the previously assigned rating. Furthermore, the meeting emphasized the significance of addressing Nepal's lawmaking and amendment matters with

utmost priority. The follow-up report of the mutual evaluation report passed by the plenary meeting has to be submitted to the APG, and after the mutual evaluation report passed on this occasion is communicated to the global network through FATF, there is a provision that the government should submit to FATF a commitment with an action plan to implement the suggested points. As part of this process, before the country undergoes direct monitoring, the FATF will provide Nepal with an observation period in which the suggested actions are expected to be implemented. These recommendations will serve as a basis for evaluating compliance with the FATF's standards and other internationally adopted subjects.



Governor Adhikari held a sideline meeting with Dr. P. Nandalal Weerasinghe, the Governor of the Central Bank of Sri Lanka, during the course of the main meeting. In this meeting, they discussed the current economic situation of both Nepal and Sri Lanka, the relationship between their respective central banks, and bilateral cooperation. Additionally, Governor Adhikari also engaged in discussions with a delegation from the United States, which included representatives from the US Treasury, the US Department of Justice, and the US Department of State. During the discussions, the issues raised by Nepal's mutual evaluation report

were addressed.

After the APG's annual meeting, Governor Adhikari held discussions at the International Monetary Fund's headquarters in Washington DC, USA. He met with various officials, including Deputy Managing Director Antoinette Sayh, Executive Director of the Southeast Asia Voting Group, and representatives from the Money and Capital Market (MCM), Legal Department, and International Development Finance Corporation (DFC). They talked about safeguard assessment, extended credit facilities, mutual evaluation, and other important bilateral matters.

Executive Director

of Bank Supervision Department Dev Kumar Dhakal, Head of Financial Intelligence Unit Mr. Dirgha Bahadur Rawal and other officials also participated in the meeting.

The APG is a FATF-style Regional Body (FSRB) and it monitors and coordinates the necessary monitoring and coordination for the implementation of FATF standards and policies on money laundering in the Asia Pacific region. It is conducting mutual evaluation of the third phase of Nepal from 2021. Established in 1995, this organization currently has 41 countries in the Asia Pacific region as members. The main secretariat of APG is located in Sydney, Australia. ■

Governor Adhikari attends in the 43rd SAARCFINANCE Governors' Group Meeting and Symposium

Governor Maha Prasad Adhikari participated in the 43rd SAARCFINANCE Governors' Group Meeting and Symposium held in Islamabad, Pakistan from 2nd to 3rd May, 2023.

In the 43rd SAARCFINANCE Governors' Group Meeting held on the first day of the program, Governor





Adhikari mentioned Nepal's successful establishment of overall economic stability despite the challenges posed by the global economy's prevailing difficulties. He discussed the country's upcoming economic outlook in light of the arising complexities. On that occasion, he said that Nepal's financial sector is strong and the recent discomfort in liquidity and interest rates is gradually decreasing.

In that meeting, the Governors of the Central Bank of Maldives, Pakistan and Sri Lanka discussed the challenges faced in the external sector due to the covid crisis as well as the geo-political tension created by the Russia - Ukraine war and the measures taken to solve them and the future economic scenario.

In the meeting, there was a discussion on the agenda including the progress made in the cooperation between the central banks of the SAARC region and the cooperation to be done in the future. In the second session, Deputy Director of NRB, Mr. Sidda Raj Bhatta presented the findings of the study on 'Prospects of Central Bank Digital Currency in the SAARC Region' conducted under the leadership of the Nepal Rastra Bank. Also on that occasion, Director of State Bank of Pakistan Dr. M.

Farooq Arby presented the results of the study on 'The Use of Unconventional Policy Instruments by South Asian Central Banks' completed under the leadership of the State Bank of Pakistan.

In the symposium on 'Climate Change and Green Financing: Initiatives & Outlook in South Asia' organized on the second day of the event, Mr. Narayan Prasad Pokhrel, Director of Nepal Rastra Bank, presented a paper on 'Climate Change and Green Financing in Nepal'.

In that meeting, the representatives of other SAARC countries also presented their working papers. After attending the meeting, the Governor Adhikari returned home on 4th May 2023.

Nepal Financial Inclusion Report - 2023" released to the public

The International Finance Corporation (IFC) has published 'Nepal Financial Inclusion Report - 2023'. At a program organized in Kathmandu on April 28, 2023, the report was jointly released by Governor Maha Prasad Adhikari and United Nations Resident Coordinator for Nepal Hanaa Singer Hamdy.

The report was prepared jointly by the IFC and the United Nations Capital Development

Fund (UNCDF) under the Financial Services Access Project implemented by the Nepal Rastra Bank and the IFC. The report states that there has been significant progress in increasing financial access along with the expansion of branches of banks and financial institutions in Nepal from a geographical point of view. Between 2017 and 2022, the number of ATMs in Nepal has increased by 131 percent. Moreover, as of 2022, around 90 percent of adults now have accounts with banks and financial institutions.

Additionally, the report highlights positive developments in various indicators, including savings, credit, insurance and remittances. These findings indicate significant progress in Nepal's financial inclusion efforts.

During the program, Governor Adhikari expressed his belief that the broadening of financial access has led to an improvement in the quality of life for low-income individuals and has also enhanced the production capabilities of micro, small, and medium enterprises.

Nepal Rastra Bank, International Finance Corporation and United Nations Capital Development Fund representatives took part in the program. ■

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Governor Adhikari Addresses South Asia Leaders Roundtable

Digital financial services integral part of banking system: Governor Adhikari



Governor Maha Prasad Adhikari held the view that digital financial services are an integral part of the financial system.

Governor Adhikari, who is also the Vice Chairman of AFI's South Asian Regional Financial Inclusion Initiative (SARFII), addresses the virtual meeting of the South Asia Leaders Roundtable held on July 5, 2023 organized by SARFII. He said, "Digital financial services are an integral part of our banking system. In times of crisis and uncertainty like Covid, it helps with business continuity."

In the meeting, he pointed out the need to strengthen the international payment system between South Asian countries. In addition, he held the view that everyone should show solidarity to promote financial literacy and inclusion in the South Asia region.

On that occasion, Governor Adhikari discussed the progress made in the fields of political and technical infrastructure development of digital payments in Nepal, international payment mechanism, financial consumer protection, promotion of microfinance services, etc.

In the meeting, Governor Adhikari mentioned that mobile banking has reached two-thirds of the total population of Nepal and informed that there has been a significant increase in the payment transactions through QR code and digital wallet in recent times.

Governor Adhikari expressed the need for the development of essential infrastructure in Nepal to address potential risks associated with the rapid expansion of digital payments. He said, "We have started the practice of conducting a system audit of banks and financial institutions, focusing on cyber security risks."

The meeting was attended by Deputy Governor of Bangladesh Bank Nurun Nahar, Deputy Governor of Central Bank of Srilanka, T M J Y P Fernando, Executive Vice President of Micro Credit Regulatory Authority (MRA) of Bangladesh Mohammad Fasiullah and other officials of Central Bank of SAARC countries. Governor of Maldives Monetary Authority Ali Hashim chaired the meeting.

SARFII was established as a regional mechanism of the AFI in September 2022 with the aim of promoting financial inclusion in South Asia. ■

Governor Adhikari and World Bank South Asia Vice President Razer Hold a Meeting

Bilateral meeting was held on June 9, 2023 between Governor Maha Prasad Adhikari and Vice President of World Bank South Asia Martin Razer.

During the meeting at the NRB, they discussed on Nepalese current macroeconomic and financial condition, the hurdles in the financial sector, the advancements in electronic payments, and the country's future economic plans. On the occasion of the meeting, Governor Adhikari informed Nepal Rastra Bank's insight on policy priorities, along with the current financial situation, financial inclusion, regulatory and supervisory enhancements, and the development of the electric payment system.

On that occasion, Vice President Razer praised the monetary policy and other



policy arrangements adopted by the NRB and expressed the view that the World Bank has taken the improvement seen in the external sector and liquidity situation positively. His viewpoint emphasized the World Bank's dedication to supporting the advancement of green finance and microfinance, the promotion of electronic payment systems, and the prevention of money laundering. Furthermore, he highlighted the World Bank's commitment to enhancing

Nepal's overall financial sector.

During the meeting, Deputy Governors Dr. Neelam Dhungana Timsina and Mr. Bam Bahadur Mishra were also present along with other senior officials from the bank. Similarly, World Bank's Country Director for Nepal Mr. Faris Hadad-Zervos, Operations Manager Ms. Lada Strelkova, International Finance Corporation's Nepal Representative Mr. Babacar S. Faye and other officials were also present. ■

Third Quarterly Review of Monetary Policy released

Nepal Rastra Bank has released the third quarterly review of the monetary policy issued for FY 2079/80.

The monetary policy has

been made somewhat flexible by the review published on 12th May, 2023. The policy stance has been made cautiously flexible in order

to maintain macroeconomic stability based on the current situation and potential scenario of inflation and foreign exchange reserves,



and to support domestic economic activities. It is said in the review.

In the quarterly review, the existing bank rate has been reduced by one percentage point to 7.5 percent while keeping the policy rate unchanged at 7 percent. Additionally, other rates within the interest rate corridor have been maintained at their existing levels. To ease the pressure on maintaining CD ratio below the regulatory limit, the monetary policy has allowed bonds and debenture to be included as deposits while calculating the CD ratio.

Based on the data published by the National Statistics Office, arrangements will be made to provide re-finance facilities within the limits of the resources available in the fund so that the borrowers related to the economic sectors that have been experiencing negative growth for the last two quarters, will get facilities. In view of the laxity seen in the real sector of the economy, banks and financial institutions can analyze the

cash flow of borrowers and restructure/ reschedule the loans related to hotels and restaurants, poultry farming, construction, and other sectors up to 50 million by mid July, 2023 based on their needs and urgency.

Considering the difficulty in loan repayment, and based on the necessity and appropriateness, review mentions that any kind of penalties or charges shall not be imposed for a period of up to three months until the month of Ashad 2080 BS, provided that the natural interest-bearing loans of short-term and working capital remain regular. Moreover, with respect to borrowers from microfinance institutions, the provision for loan restructuring has been made available within the same period based on the assessment of need and appropriateness by the respective institutions. With the implementation of the third quarter review of the monetary policy, the Bank expects that internal and external stability will be maintained and economic activities will be expanded.

After the public release of the third quarterly review of monetary policy, Governor Maha Prasad Adhikari expressed his belief that policy will be supportive to make the country's economy more dynamic. He shared this view during a press conference held in Kathmandu where he discussed the contents of the review.

On this occasion, the Executive Director of Economic Research Department Dr. Prakash Kumar Shrestha presented a paper on the third quarter review of monetary policy 2079-80 and the overall situation of the economy. Executive Director of Bank and Financial Institutions Regulation Department Dr. Gunakar Bhatt delivered the welcome speech.

At the press conference, Deputy Governors Dr. Neelam Dhungana Timsina and Mr. Bam Bahadur Mishra, high officials of the bank, media persons and others were present. Assistant Director of Economic Research Department Ms. Rekha Ghimire conducted the program. ■

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