

National Launch Ceremony on Financial Inclusion for Nepal: The Supply Side Study Findings and the Roadmap

July 15, 2016

Key Note Remarks by Governor Dr. Chiranjibi Nepal, Nepal Rastra Bank

Honorable Minister of Finance, Mr. Bishnu Prasad Paudel

Honorable Vice Chairman of the National Planning Commission, Dr. Yuba Raj Khatiwada

Her Excellency Ambassador of Denmark to Nepal, Ms. Kirsten Geelan

Respected Executive Secretary of UNCDF, Ms. Judith Karl

Head – UK Aid, Nepal, Dr. Gail Marzetti

Secretaries from Government Ministries, Deputy Governors, Board members of NRB

Distinguished delegates from the diplomatic mission in Nepal, Banking community, friends from media, Ladies and Gentlemen

1. It is a great pleasure for me to deliver the key note remarks at this opening ceremony in front of this august gathering of diplomats, professionals, intellectuals and dignitaries. At the outset, let me extend my deep appreciation to the Embassy of Denmark, UNCDF and other partners for supporting the Government of Nepal by launching UNNATI – Access to Finance Project, that aims at expanding financial access to the rural people and help raise their living standards and reduce the poverty level in the country.

Distinguished delegates, ladies and gentlemen

2. My understanding of financial inclusion is that financial services have to reach to the poor people at a reasonable cost. It means expanding financial institutions and their products to the doorsteps of the poor people to raise their quality of life and reduce the level of poverty. Extending the financial services to the doorsteps of the poor people would create opportunities for them to involve in income generating activities and improve their well-being.
3. The World Bank Findex data showed that about 2 billion people in the world are still out of reach of financial inclusion. With the evidence that more than 700 million people gained financial access between 2011 and 2014, the global community committed to achieving the goal of universal access by 2020 with the support from multilateral agencies, and from both banks and non-bank agencies.

4. Nepal cannot remain isolated from the global community. For Nepal, where about two-third of population lives in rural areas and is dependent on agriculture, the development policy has to be inclusive. The unemployment or the underemployment situation in general, the need for job creation in the rural areas, inadequate infrastructures, and the existing level of poverty in the rural and remote areas call for the need for inclusive growth policy in Nepal.
4. Recognizing the need for inclusive growth policy and programs in Nepal, the Government of Nepal and Nepal Rastra Bank have taken number of policy measures to increase access of financial services to the rural areas. The government of Nepal through the budget for the FY 2016/2017 and the Nepal Rastra Bank through the monetary policy for FY 2016/2017 has recognized that financial access has to reach to the poor people.
5. NRB understands that economically active literate population would contribute to ensuring financial stability and economic development of the country. The access and use of appropriate financial services, such as credit, savings, insurance and payment, offers poor people an opportunity to undertake income generating activities. Opening of new bank branch in the unbanked areas allows people to use banking facilities and this could have positive impacts on local households. As the financial intermediation deepens, it helps in better distribution of capital and risks and decreases the inequality levels.
6. Financial inclusion is a great policy priority for NRB and has been identified as a strategic priority in NRB's Strategic Plan. Financial inclusion has also been identified as an important pillar in the National five-year Financial Sector Development Strategy, which is in the process of approval. NRB has been implementing the deprived sector lending program with a view to expanding financial services to the rural poor. BFIs are required to open branches in the rural areas first in order to establish branches in urban centers. Interest free loans are provided to BFIs for opening branches in the identified rural districts. Special refinancing policies and interest free loans are other facilities offered to encourage lending in the rural sector. Credit facility on subsidized interest rate is offered to the members of cooperatives from Rural Self Reliance Fund. Directives have been issued to protect consumers' right. Financial literacy is given utmost importance and the National Literacy Policy is in the process of approval from the government.

7. The global experience showed that digital financing services reduces the cost of services and helps in enhancing the financial services in the remote areas. Therefore, banks and financial institutions and other payment service providers are being encouraged to use digital products and channels, and to this effect NRB has recently released licensing policy applicable for all payment institutions. Unlocking the existing deposits and credit constraints, developing safety nets for rural borrowers, capacity enhancement, launching of campaign for account openings, strengthening institutional mechanisms and ensuring sound corporate governance are other policy areas of importance, on which NRB will be focusing in the days to come.

Distinguished delegates, ladies and gentlemen,

8. Let me recall that last year in August, we made public the demand side FinScope findings of financial inclusion. The study revealed that 40 percent of adult population is 'banked'; 61 percent of adult population is formally served; 57 percent of adult population is informally served; and 18 percent of adult population is financially excluded. These findings were instrumental in understanding the status of financial inclusion in Nepal and in undertaking appropriate policy measures for NRB to bring rural people into formal financial markets.
9. I am delighted to note that the supply side study along with the roadmap of financial inclusion for Nepal is being released today. My understanding is that this roadmap identifies the broader gaps and offers recommendations for financial inclusion in Nepal. I hope that this conference will discuss in detail these findings, and the outcome of this event will give a solid foundation to develop future financial inclusion strategies for Nepal. NRB is committed in implementing recommendations prescribed in this roadmap. I would like to thank and congratulate all those involved in bringing out this important study to public today.
10. Let me close my remarks by thanking the Honorable Minister of Finance and all other distinguished delegates for their valuable presence in this conference and making this event successful. I wish a great success of this event today.

Thank you