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## "SMEs; an important vehicle for transitioning to industrialization via Agriculture": Dr. Nepal

**G**overnor of Nepal Rastra Bank (NRB), Dr. Chiranjibi Nepal was the chief guest of an interaction program titled "SMEs Financing in Nepal" organized by Research Department, NRB on March 26, 2019. On this occasion he expressed that role of Small and Medium Enterprises (SMEs) is an important factor for the country to transition to industrialization via Agriculture in Nepal.

NRB is presently assessing the domestic SMEs scenario.

Governor Dr. Nepal urged for collective effort of all the stakeholders to promote & develop SMEs in Nepal. He informed that, "NRB is always ready to discuss on difficulties faced by SMEs and is also ready to promote & develop SME's in Nepal."

On this occasion, Chairman of the program and Deputy Governor of NRB Mr. Shiba Raj

of the SMEs for economic development especially in the national context. Dr. Gunakar Bhatta, Executive Director of NRB's Research Department had also presented a working paper titled "SMEs Financing in Nepal." He informed that a special study on SMEs is being undergone by his department and will be completed by mid July of 2019. Representatives of BFIs, SMEs entrepreneurs,



Governor Dr. Nepal also mentioned SMEs are not highly prioritized due to ignorance by all kinds of stakeholders. "SMEs had contributed to large number of employment creation in previous years. But, areas & contributions of SMEs are decreasing level in current period." He informed that

Shrestha requested the audience to submit the opinion/advice to NRB for minimization of the difficulties faced by SMEs and BFIs.

Mr. Narayan Prasad Paudel, Executive Director of NRB's Banks and Financial Institutions Regulation Department highlighted on the importance

experts from SMEs sector & capital markets had attended the interaction program.

The program was conducted to collect the opinions/advices for the special study on SMEs. Dipak Raj Lamichhane, Director of NRB's Research Department was the master of ceremony of this program. ■



## "Bank Account for All" campaign launched

Government of Nepal (GoN) has launched a campaign titled "Bank Account for All" to help promote access to banking & financial service for all Nepali citizens.

Rt. Hon'ble Prime Minister of Nepal, K.P. Sharma Oli inaugurated the campaign on April 14, 2019 by opening bank accounts for his father Mr. Mohan Prasad Oli and mother-in-law Mrs. Dhan Maya Shakya at Rastriya Banijya Bank. The campaign is aimed to ensure opening bank accounts to all Nepali citizens by

mid April, 2020. GoN announces in its budget speech to open bank accounts for all Nepali citizens in current fiscal year.

In support of this, Nepal Rastra Bank (NRB) has simplified the process of opening bank account to facilitate the government's campaign to increase people's access to finance. As per the circular issued to all BFIs on April 10, 2019, people can open bank accounts by filling up a simplified KYC form and attaching a copy of government-issued identity cards with their photographs. The limit for annual

transaction under simplified KYC form has been set at Rs.1,00,000. Whereas if the annual transaction increases more than Rs.1,00,000, BFIs are required to fill up detail KYC form.

With this new provision, BFIs can deposit Rs.100 in bank accounts opened under this campaign as part of their corporate social responsibility (CSR) expenses. BFIs are required to spend at least one percent of their total net profit in CSR activities. ■

## Margin Trading Company: New area of Investment for Commercial Bank

Nepal Rastra Bank has created new area of investment for commercial banks through the issuance of new provision. Through this new provision commercial banks can invest in Margin Trading Companies

as subsidiary company. Such subsidiary companies can operate transactions related to securities only. But there is restriction in conducting securities transaction of its own and its holding company. Commercial banks are required to deduct the amount of

such investment from core capital during the computation of capital fund. Commercial banks and their related subsidiary company should disclose the transactions conducted between them under 'Related Party Transactions'. ■

## Hedging Regulation

Government of Nepal (GoN) approved on February 25, 2019 "Hedge Fund Regulations, 2019" for promotion of Foreign Direct Investment (FDI) and reduction of investment risk associated with foreign associations. In this regards, Foreign Exchange Management Department of Nepal Rastra Bank has issued notice on March 10, 2019 for its implementation.

According to Hedge Fund Regulations, the following types of project having foreign Debt investment can be facilitated through hedge fund.

- Hydropower project having capacity 100 Megawatt (MW) or more,
- Transmission line greater than 30 Kilometer (KM) & 200 Kilovolt-amp (KVA),
- Railway longer than 10 Kilometer (KM) & Metro or monorail constructions,
- Fast track constructions longer than 50 Kilometer (KM),
- Other projects specified by GoN.

The projects which want to avail of the hedging facility must be approved for foreign investment

and carrying convertible foreign currencies as per the existing laws. According to the regulations, the limit of hedging fund will be decided by Ministry of Finance on the basis of foreign exchange risks, inflation risks, self capital of projects, debt returning period and as per the mutual understanding between related ministries, banks & investors. The hedging period will be of a maximum 10 years with hedging facility being provided for the convertible foreign currencies as decided by NRB. ■



## Major Financial Indicators

as on Chait End, 2075 (Mid-April, 2019)

		Class "A"	Class "B"	Class "C"	Overall
<b>A. Credit, Deposit Ratios (%)</b>					
1	Total Deposit/GDP	90.36	12.19	2.35	104.90
2	Total Credit/GDP	81.17	10.86	2.19	94.23
3	Total Credit/ Total Deposit	89.84	89.11	93.15	89.83
4	CCD Ratio#	78.34	78.14	75.50	78.21
5	Fixed Deposit/Total Deposit	46.69	44.15	53.17	46.54
6	Saving Deposit/Total Deposit	31.98	34.86	33.50	32.35
7	Current Deposit/Total Deposit	9.24	1.85	0.55	8.19
8	NPL/ Total Loan	1.71	1.13	9.99	1.83
9	Total LLP/Total Loan	2.30	1.71	10.05	2.41
10	Deprived Sector Loan/Total Loan \$	6.21	10.19	6.75	6.65
<b>B. Liquidity Ratios (%)</b>					
1	Cash & Bank Balance/Total Deposit	10.25	12.21	19.17	10.68
2	Investment in Gov. Security/Total Deposit	10.84	3.18	3.36	9.78
3	Total Liquid Assets/Total Deposit	22.30	26.78	35.56	23.11
<b>C. Capital Adequacy Ratios (%)</b>					
1	Core Capital/RWA	12.13	15.12	17.73	12.58
2	Total Capital/RWA	13.59	16.21	18.63	13.99
<b>D. Financial Access</b>					
1	No. of Branches	3,309	1,224	203	4,736
2	No. of Deposit Accounts	21,987,354	4,351,054	572,072	26,910,480
3	No. of Loan Accounts	1,019,220	366,797	41,920	1,427,937
4	No. of Branchless Banking Centers	1,399	1	-	1,400
5	No. of Branchless Banking Customers	155,083	136	-	155,219
6	No. of Mobile Banking Customers	6,341,617	634,751	22,556	6,998,924
7	No. of Internet Banking Customers	877,117	11,079	4,663	892,859
8	No. of ATMs	2,858	282	48	3,188
9	No. of Debit Cards	6,069,277	182,624	29,526	6,281,427
10	No. of Credit Cards	112,756	-	-	112,756
11	No. of Prepaid Cards	64,473	-	-	64,473
<b>E. Interest Rate(%) of Commercial Banks</b>					
1	Weighted Average Interest on Deposit	6.67			
	(a) Saving	4.53			
	(b) Fixed	10.18			
	(c) Call	4.13			
2	Weighted Average Interest on Credit	12.27			

Note: Bank balance includes money at call

Nominal GDP (At Producer's Price) for 2017/18 Rs. 30,07,246 million(Preliminary)

Adjustments are not included in Credit Deposit Ratio Calculation.

Negative core capital has been excluded in calculation of Capital Adequacy Ratios

\$ 6 months prior Total Loan is taken to calculate Deprived Sector Lending

# Chait month end (last day) CCD ratio

Source: Nepal Rastra Bank, Monthly Statistics - Mid April, 2019



## Status of PSO & PSP related Institutions

Number of Payment System Operator (PSO) & Payment Service Provider (PSP) institutions are gradually increasing in Nepal. Nepal Rastra Bank has established Payment System Department (PSD) to provide approval, policy formation, monitoring &

supervision for strengthening payment system. As per the section 28(1) of Payment and Settlement Bylaws, Payment System Operation & Payment Service Provider Institutions are required to obtain approval from NRB before beginning their operations. With the expansion

of PSO and PSP operations, both transaction volume and number of cashless transactions are expected to increase. According to PSD, following are the NRB licensed non-BFIs Payment System Operator (PSO) & Payment Service Provider (PSP) as of mid-May 2019. ■

### Payment System Operator (PSO)

S.N.	Name	Central Office	Approval Date
1	Prabhu Technology Pvt. Ltd.	Kathmandu - 31	June 18, 2017
2	Nepal Clearing House Ltd.	Kathmandu - 31	July 30, 2017
3	Smart Choice Technology Ltd.	Kathmandu - 4	January 1, 2017

### Payment Service Provider (PSP)

S.N.	Name	Central Office	Approval Date
1	IME Digital Solution Ltd.	Kathmandu - 3	June 19, 2017
2	Esewa Fonepay Pvt. Ltd.	Kathmandu - 1	June 19, 2017
3	Cellcom Pvt. Ltd.	Kathmandu - 11	December 23, 2018
4	CG Pay Nepal Pvt. Ltd.	Lalitpur - 2	December 28, 2018
5	Sparrow Pay Pvt. Ltd.	Lalitpur - 3	April 15, 2019

## Mr. Niroula appointed as spokesperson of NRB

Mr. Laxmi Prapanna Niroula, Executive Director, has been appointed as the Spokesperson of Nepal Rastra Bank (NRB) on May 12, 2019. He is also concurrently NRB's Information Officer. Mr. Niroula has wide experience with NRB departments since he joined NRB in 1990 as Assistant Director; including regulation

and supervision departments. He currently heads the Currency Management Department. Spokesperson Mr. Niroula's contact details are as follows:

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