

## Refinance Procedure, 2020 Issued

With an aim to ease the refinancing procedure and make it more systematic and effective, Nepal Rastra Bank (NRB) has issued 'NRB Refinance Procedure, 2020' on January 15, 2020 (2076 Magh 1).

This is the first such attempt of NRB's Bank and Financial Institutions Regulation Department (BFIRD) to systematize the refinance procedure. Prior to this, some refinancing arrangements were included in Bank's Unified Directive.

As per the procedure, refinance facility is classified into different types as specified by the Government of Nepal and the NRB. The interest rate to be paid by licensed Banks and Financial Institutions (BFIs) in various types of refinance and the interest rate charged by BFIs to their customers will be fixed by NRB. Refinancing period will initially be for a period of one year and can be subsequently renewed for an additional year.

According to the procedure, the licensed BFIs may apply for refinance at



NRB's BFIRD or the Bank's province level offices. The BFIRD will select the applicant and fix the time period by prioritizing the applications received along with documents based on the following criteria.

- National prioritized sector,
- Customer's business / geographical area of the project,
- Prospects of contribution to the economy and employment through the business/project seeking refinance facility,
- Profitability and the date of establishment,
- Concessions deemed as per debtor's financial position,

Various policy arrangements have been made in the procedure for streamlining the refinancing process. As per the procedure, refinance facility will be provided only on good loan securities. General refinance will not be provided for the overdraft, hire purchase and other working capital nature loans. However, in the case of export refinancing, it can be provided against the collateral for the loan of working capital.

Refinance will be provided up to a maximum of 25 percent of the primary capital of banks and financial institutions. Any client or group will not be eligible to get the refinancing facility through



more than one-licensed BFIs at a time. As per the procedure, the maximum limit of refinance facility based on the collateral of good loan for single customer, will be up to Rs. 500 million. However, this limit may not apply in case of a consortium loan.

Customers who are getting interest subsidy through interest subsidy procedure for the loan will not be able to apply for refinance facility by using the same collateral. To provide general refinance the following aspects are considered and prioritized; new business/entrepreneurs, youth, women and Dalit community entrepreneurs, small and medium enterprises/business, tourism and export industries, backward and remote areas/business base, level of profits, contribution to the economy, employment,

taxes etc.

The procedure also sets out the need of documents and details fulfilling the following conditions to get the refinancing facility. Decision are based on:

- Whether the collateral offered for refinancing is a good loan or not.
- Whether the customer/borrower has submitted all the financial details and documents or not.
- Whether the financial statements of the latest fiscal year submitted by the customer/borrower for obtaining refinance and the details submitted to the concerned tax office are similar or not.
- Whether the debt to equity ratio is at least 80:20 or not.
- Whether the business/project contributes to the economy and is justifiable in general or not.

- Whether it is appropriate or not to provide concessions from refinancing interest rate according to the financial position of the customer/borrower's business/project.
- Whether other conditions for licensed Banks and Financial Institutions and consumers/borrowers have been complied or not.

If the principal/interest of the refinance cannot be recovered on the pre-determined date, an additional penalty of three percent will be levied to the corresponding bank in addition to the interest charges. Such BFIs will not be allowed to apply for refinance facility for next six months from the date of payment of penalty. ■

## Dr. Bhatta appointed as Spokesperson of NRB



Dr. Gunakar Bhatta, Executive Director of NRB's Research Department, has been appointed as the Spokesperson of Nepal Rastra Bank (NRB) from January 1, 2020. As the Spokesperson, Dr. Bhatta is concurrently the Information Officer of NRB too. He did his PhD in economics from Wayne State University of Michigan USA and has in-depth knowledge

of NRB's different objectives, functions and obligations. He started his career in NRB in 2000 as an Assistant Research Officer. Dr. Bhatta's contact details are as follows:

### Telephone Number:

Office: 4441045 and 4419805-7 (Ext. 200)

Mobile: 9851164200,

Res: 4364200

Email: [gunakarb@nrb.org.np](mailto:gunakarb@nrb.org.np)

## RMAB Governor Mr. Dasho Penjore meets with Governor Dr. Nepal



Mr. Dasho Penjore, Governor of Royal Monetary Authority of Bhutan (RMAB) paid a courtesy call to Governor Dr. Chiranjibi Nepal on January 7, 2020 at the Office of the Governor. The main purpose of the visit by Governor Penjore, was to observe the payment system development in Nepal.

During the meeting, idea and information were exchanged about the latest practices of the financial system adopted by their respective banks. On this occasion, Governor Dr. Nepal shared an experience on the recent implementation of Real Time Gross Settlement (RTGS), Electronic Payment System and disaster recovery site. He also highlighted the need to increase investment in information and

technology to enhance cyber security in the financial system. Governor Penjore, briefed the purpose of his visit to Nepal and discussed about the payment gateway system adopted in Bhutan and its implications. Deputy Governor Mr. Chintamani Siwakoti informed about National Payment Switch, which is in plan to be implemented by NRB in near future.

On the occasion, Mr. Bam Bahadur Mishra, Executive Director of the NRB's Payment System Department, briefed the Bhutanese delegation about the legal provisions regarding the use of Visa/Master Card. Executive Director of the NRB's Governor's Office Dr. Nephil Matangi Maskay and Executive Director of the

NRB's Banks and Financial Institutions Department Mr. Dev Kumar Dhakal, Acting Executive Director of the NRB's Foreign Exchange Management Department Mr. Guru Prasad Paudel, Director of the NRB's Governor's Office Mr. Govinda Prasad Nagila and other officials were also present during the meeting. Similarly, the delegates from RMAB included Executive Director Mr. Julein Gurung, Director Mr. Sherab Jamtsho, Chief General Council Mr. Damche Tenzin, Senior ICT Officers Mr. Tashi Yezer and Mr. Kinley Yangden.

On the same day, the RMAB delegation met with the officials of the NRB's Foreign Exchange Management Department,

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## Discussion Program on Financial Literacy Framework



Nepal Rastra Bank, Office of the Governor (OFG) organized a discussion program on the draft of Financial Literacy Framework (FLF), which was prepared by OFG. Deputy Governor Mr. Chinta Mani Siwakoti was the chief guest of the program.

On this occasion, Executive Director of NRB's OFG Dr. Nephil Matangi Maskay, expressed his welcome remarks and informed about the preparation phases of FLF. On the occasion, Deputy Governor Mr. Siwakoti highlighted the importance and necessity of financial literacy and informed that the

financial literacy program has been prepared with the objective of implementing it in a systematic manner. He stressed on the need to expand the financial literacy campaign in a joint effort of NRB and other institutions related to the financial sector.

Mr. Suresh Kumar Dahal, Deputy Director and Ms. Sudha Bista Thapa, Assistant Director at NRB's OFG, presented a working paper related to FLF. The initial phases of FLF, its theoretical and conceptual aspects, implementation framework, expected result, monitoring and evaluation mechanism and other issues were included in the working

paper.

The representatives of Banks and Financial Institutions (BFIs), international development partners, payment service providers, NGOs and different departments of NRB had attended the program. On the occasion, Mr. Saroj Nepal, National Program Director of the United Nations Capital Development Fund (UNCDF), reviewed the program and offered various suggestions. Other participants of the program suggested that the local bodies should also be included in the campaign. It was also stated that the suggestions received in the program will be addressed and necessarily incorporated in finalization of the FLF.

In this program, Mr. Sushil Gyawali, Deputy Director of NRB's OFG delivered his vote of thanks and stressed the necessity of collective efforts from the stakeholders' agencies to conduct financial literacy program more successfully. Acting Assistant Director, Ms. Samita Shrestha was the master of ceremony of the program.

The FLF has been prepared with the financial support of Alliance for Financial Inclusion (AFI). A pilot survey was conducted in Achham, Bardiya and Gorkha districts whose input contributed to development of FLF. ■

## 'NRB with Students' in Pokhara



Nepal Rastra Bank, Office of the Governor (OFG) organized an interaction programme entitled 'NRB with Students' on January 3, 2020 at Janachetan Secondary School, Nirmal Pokhari, Pokhara, Kaski.

Governor Dr. Chiranjibi Nepal was the chief guest of the program. The program was chaired by Mr. Narayan Dutta Adhikari, President of the above-mentioned School Management Committee.

On this occasion, Governor Dr. Nepal emphasized on the importance of financial literacy and acknowledged

that it is the foundation of financial access and inclusion. He also urged the students to communicate the financial literacy related knowledge to their parents. At the program, he stated, "When every citizen becomes financially literate, they will become aware of financial services and financial system. As a result, the expansion of financial access will be oriented towards this target."

Governor Dr. Nepal stressed on the need to impart basic knowledge of financial system to the students starting from the primary level. According to him, the basic curriculum of

the financial system should be included in the syllabus by modifying the existing syllabus for that.

Mr. Govinda Prasad Nagila, Director at NRB's OFG and Dr. Dilli Ram Pokhrel, Director of NRB's Pokhara Office discussed the fundamental contents of financial system. The program was attended by teachers, officials of school management committee and students of class 8-12. The program was welcomed by Mr. Nirmal Bahadur Adhikari, Principal of the school while Mr. Tej Bahadur Khand, Deputy Director of NRB's OFG conducted the program. ■

### RMAB Governor Mr. ....

Payment Systems Department and Head of Law Division. Similarly, the delegation met with the officials of Himalayan Bank Limited and Smart Choice Technology Pvt. Ltd. and discussed about the operation practice of Union Pay International in Nepal, payment system related policies adopted by NRB and other related issues. The RMAB delegation returned after four days visit of Nepal. ■



## IMF mission meets with Governor Dr. Nepal



A delegation of the International Monetary Fund (IMF) 'Article IV Mission' met with Governor Dr. Chiranjibi Nepal on January 5, 2020. The delegation was led by Ms. Laura Isabel Jaramillo Mayor.

The meeting focused on the agenda of this year's Article IV Mission and the current state of Nepalese economy. During the meeting, Mission Chief Ms. Mayor discussed on the Nepalese economy, the risks and challenges of economic growth, policy efforts to mitigate risks, capacity building provided by the IMF and the structure of financial assistance. Similarly, she said that IMF has taken positively the efforts of NRB to reduce Nepal's current account deficit, reduce poverty, increase foreign exchange reserves, and strengthen financial sector

regulation and supervision.

Mission Chief Ms. Mayor expressed concern on the rising prices of petroleum products in the international market and declining remittance rates, which could widen balance of payments deficit. She also expressed her concern with low deposit rates and rising credit flows, pressure on government spending to increase with the implementation of fiscal federalism and risk resulting from low private sector investment.

During the meeting, Governor Dr. Nepal stated that Nepal's economic growth rate is in a positive direction and informed that investment in energy and tourism sector is on the rising pattern. He opined that the prudent regulatory system adopted by NRB would help in reducing the potential

risks despite the increase in the credit flow. Governor Dr. Nepal also informed that the growth rate of foreign direct investment has been encouraging along with the increase in Chinese investment.

During the meeting, Mission Chief Ms. Mayor stressed on the need to make institutional good governance including monetary policy structure, prudent regulation, strengthening of supervision system, governance structure of central bank, strengthening of financial federalism, public finance management and effective private sector investment to reduce the risk of financial sector.

Deputy Governor Mr. Chinta Mani Siwakoti, Executive Directors Dr. Nephil Matangi Maskay, Mr. Dev Kumar Dhakal, Mr. Mukunda Kumar Chhetri, Dr. Gunakar Bhatta, Mr. Bam Bahadur Mishra of OFG, BFIRD, BSD, RD and PSD respectively; Acting Executive Director Mr. Guru Prasad Paudel of NRB's FEMD and other NRB officials had also attended the meeting. Similarly, members of the IMF Article IV mission Mr. Majid Bazarbash, Mr. Patrick Blaggrave, Mr. Kyung-Seol Min, Ms. Jiae Yoo and Ms. Ranjana Pandit were also present. ■

### Publisher

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### Editor:

Shiva Prasad Ghimire

### Editorial Team:

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