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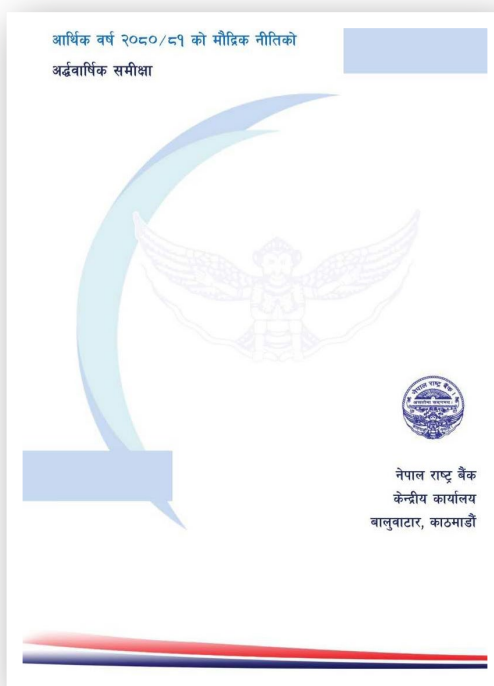
NRB Releases Mid-term Review of Monetary Policy

Nepal Rastra Bank (NRB) has released the mid-term review of the monetary policy issued for the fiscal year 2023/24 on 12 February 2024.

The review is based on the macroeconomic and financial situation of the current fiscal year, the monetary policy and its first quarterly review, the implementation status of the policies and programs, the half-yearly review of the budget, and the outlook national and international economic situation.

Based on the analysis of latest internal and external economic and financial situation and the outlook, the policy stance taken in the annual monetary policy has been continued through the review.

Along with the rates under the interest rate corridor, Cash Reserve Ratio (CRR), Statutory Liquidity Ratio (SLR) and Standing Liquidity Facility (SLF) arrangements have been kept unchanged. To make the interest rate corridor effective, the standing deposit facility has been introduced since mid-February 2024.



It is mentioned in the review that when determining the interest rate of the institutional term deposits, it can be fixed by one percentage point lower than the interest rate provided for individual term deposits. Previously, there was a two-percentage point difference in the interest rate between personal and institutional term deposits. Likewise, loans up to Rs. 20 million provided to the agricultural, small, cottage and medium-scale enterprises allowed to be counted in the 'Regulatory Retail Portfolio'.

The review mentions that there has been a significant improvement in the liquidity position due to a surplus in the current account and the balance of payments. NRB estimates that there has been a gradual improvement in business confidence.

The NRB expects a gradual improvement in credit demand as well as economic activity. This expectation stems from the scenario in the external and financial sectors, policy direction, acceleration of capital expenditure, and implementation of the economic reform action plan announced in the budget. It is expected that the improvement in economic activity will positively impact revenue mobilization, loan recovery, and the investment capacity of banks and financial institutions.

The review mentions that monetary measures will be adjusted as necessary during the third-quarter review of monetary policy, considering domestic economic activity and inflation. The monetary policy for the fiscal year 2023/24 was announced on 23 July 2023. ■

Governor Adhikari attended the 43rd SEACEN Board of Governors' (BOG) Meeting / 59th SEACEN Governors' Conference / High-Level Seminar



Governor Maha Prasad Adhikari participated in the 43rd SEACEN Board of Governors' (BOG) Meeting/ 59th SEACEN Governors' Conference/High Level Seminar held in Mumbai, India during 15-16 February 2024.

The seminar on 'Navigating Economic Headwinds and Advancing Financial Inclusion: Perspectives and Challenges' was completed on the first day of the conference organized by the Reserve Bank of India (RBI). At the seminar, Dr. Mangal Goswami, Executive Director of SEACEN, delivered a welcome speech, while Mr. Shaktikanta

Das, Governor of the RBI, highlighted the purpose and importance of the conference.

On this occasion, panel discussions were held in three sessions on 'The Drivers and Road to Achieving Inflation Targets - Challenges Ahead,' 'Challenges and Implications of Higher for Longer Interest Rates,' and 'Leaving No One Behind: The Role of Digital Public Infrastructure in Financial Inclusion.' During that time, there was a detailed discussion about the challenges faced by the world economy since the outbreak of COVID-19, such as inflation, high interest rates, geopolitical tensions, etc.

Governor Adhikari

participated as a panelist in the third session of the conference. On that occasion, he mentioned that Nepal has achieved significant progress in establishing a digital foundation and informed the audience that the pilot test of "Central Bank Digital Currency" will be initiated by 2026. The conference was attended by governors and senior officials of SEACEN's member institutions.

On the second day of the event, Governor Adhikari attended the 43rd SEACEN Board of Governors' (BOG) Meeting. In a meeting chaired by the Governor of RBI Mr. Das, SEACEN Executive Director Dr. Goswami

presented the activities to be conducted in the year 2023 as well as the implementation status of the current strategic plan.

In the meeting, discussions were held on proposed training and research for the year 2024, budget, organizational results, etc., and the proposals were approved based on the

opinions and suggestions of the participants. Governor Adhikari also shared his opinion on this occasion.

During the meeting, Governor Adhikari held separate bilateral meetings with the governors of the RBI and the National Bank of Cambodia, as well as the managing director of

the Monetary Authority of Singapore. It was announced that the 60th Governors' Conference and 44th Board of Governors meeting of SEACEN will be held in South Korea. Following his participation in the conference, Governor Adhikari returned home on 20th February 2024. ■

Agreement to integrate the payment system of NPI and UPI

On 15th February, 2024, in a program held in Mumbai, Nepal Rastra Bank (NRB) and Reserve Bank of India (RBI) have signed an agreement to establish a bilateral regulatory mechanism to integrate the system of the National Payments Interface (NPI) of Nepal and the Unified Payments Interface (UPI) of India for the development of international electronic payment system.

The Terms of Reference (TOR) of the bilateral agreement were signed in the presence of the Governor of NRB Mr. Maha Prasad Adhikari, the Governor of RBI Mr. Shaktikanta Das, Executive Director of the Foreign Exchange Management Department of NRB, Mr. Tulashi Prasad Ghimire and Chief General Manager of the Payment and Remittance Department of RBI, Mr. Gunbir Singh. On this occasion, the first meeting of the Joint Steering Committee



related to international electronic payments formed between NRB and RBI was also completed.

After the implementation of the agreement to integrate the payment systems of NPI and UPI, it is expected that international electronic payment transactions between the two countries will become easier, more accessible, faster, and more secure. It is believed that citizens of Nepal and India

will be able to pay for remittance transfers, healthcare treatment, and travel expenses within their respective countries.

During Prime Minister Mr. Pushpa Kamal Dahal's visit to India, a memorandum of understanding was exchanged between Nepal Clearing House Limited and India's NPCI International Payments Limited in June 2023 for the inter-linkage between NPI and UPI. ■

Meeting between officials of AIIB and NRB



A meeting was held on March 26, 2024 between the visiting team of the Asian Infrastructure Investment Bank (AIIB) and senior officials of Nepal Rastra Bank (NRB).

The team led by AIIB board member Mr. RMP Rathnayake met with Governor Mr. Maha Prasad Adhikari, Deputy Governor Mr. Bam Bahadur Mishra and other officials of the bank. On the occasion of the meeting, Governor Adhikari discussed the current economic situation of the country including GDP, inflation, foreign exchange reserves and external sector.

He opined that the overall situation of Nepal's financial sector is satisfactory due to the effective regulation and supervision of Nepal Rastra Bank. Additionally, Governor

Adhikari mentioned that the environment is favorable for foreign investment in Nepal and informed the visiting team about the investment approval process and institutional arrangements. He mentioned the insufficiency of internal resources for infrastructure development in Nepal and emphasized the need for organizations like AIIB to increase investment in sectors such as hydropower and transmission lines.

On the occasion of the meeting, AIIB's team leader Rathnayake and other members expressed interest in the policy arrangements for foreign investment in Nepal, infrastructure areas that AIIB can invest in, loan approval process and loan interest rates. Also, they inquired about the policy efforts to address

the challenges created due to climate change in Nepal. Also, they inquired about the policy efforts to address the challenges created due to climate change in Nepal. In the program, there was a bilateral discussion on Nepal's development priorities and opportunities for investment in infrastructure development.

In the meeting, the executive directors of Nepal Rastra Bank, Dr. Nephil Matangi Maskey, Dr. Gunakar Bhatt, Dr. Prakash Kumar Shrestha, Mr. Guru Prasad Poudel and other officials were present.

AIIB was established in 2016 with the main objective of promoting investment in sustainable and green infrastructure development in Asian and other member countries. Its headquarters is located in Beijing, China. ■

'Global Money Week - 2024' Celebrated



'Global Money Week - 2024' kicked off on March 18 with the slogan 'Protect your money, secure your future'. This is the twelfth edition of the Global Money Week, which is celebrated for a week in the month of March every year. On the first day of the campaign, Nepal Rastra Bank

organized the National Launch Event of Global Money Week in collaboration with Nepal Insurance Authority (NIA), Securities Board of Nepal (SEBON) and Department of Co-operative. More than 500 students studying in classes 7 to 12 from seven different schools in Kathmandu participated in the

program. Governor Mr. Maha Prasad Adhikari inaugurated the program.

On that occasion, he highlighted the need to make financial literacy effective in order to achieve the goal of financial inclusion. He said, "The goal of financial inclusion cannot be reached until financial





services reach people at all levels of the state. Financial literacy is an integral part of that." He urged all concerned agencies to conduct awareness programs aimed at children and youth to make the week-long campaign of Global Money Week a success. Governor Adhikari urged the students to be aware of their secure financial future by prioritizing the practice of saving from an early age.

In the opening session of the program, Chairman of NIA Mr. Surya Prasad Silwal, Deputy Governor Mr. Bam Bahadur Mishra, Executive Director of SEBON Dr. Navraj Adhikari, Registrar of Department of Co-operatives Mr. Pitambar Ghimire along with senior officers of regulatory agencies and bankers were present.

In the second session of the program, a panel discussion was held with director of

Financial Inclusion and Customer Protection Division Mr. Kiran Pandit played the role of facilitator and the panelist were Executive Director of NRB Mr. Dev Kumar Dhakal, Executive Director of SEBON Dr. Navraj Adhikari, Director of NIA Mr. Kamal Prasad Regmi, Deputy Registrar of Department Co-operatives Mr. Tolraj Upadhyay and President of NBA Mr. Sunil KC. The panelists informed the students





about the work areas and activities of their respective field and answered the questions raised by the students. After the panel discussion, students from the participating schools delivered various presentations on topics related to the financial system. The program was concluded with the closing remarks by Director of Office of the Governor, Dr. Dilli Ram Pokhrel.

The week-long campaign was conducted in coordination with Nepal Rastra Bank to increase awareness about banking/financial services, the capital market, insurance, and cooperative services. Separate financial awareness programs targeting youth were organized by Nepal Insurance Authority, Nepal Securities Board of

Nepal, Department of Co-operative, and the National Banking Institute. Additionally, banks, financial institutions, payment service providers, and remittance companies also conducted targeted programs during the campaign.

The program included financial awareness interactions and contests among students, awareness programs, the dissemination of audiovisual content and interviews through the media and social networks. Additionally, a program was arranged to allow young students to observe financial service providers. The campaign aimed at promoting financial literacy among young students, expanding financial access, creating self-employment opportunities,

fostering entrepreneurship, and increasing production and income levels. 'Global Money Week' is a global campaign aimed at raising awareness about the importance of financial education among teenagers and young adults.

This campaign is conducted globally every year in conjunction with the Organization for Economic Cooperation and Development (OECD). Global Money Week has been celebrated in Nepal since 2013 in collaboration with NRB. According to the OECD, about 60 million children, adolescents and young people from more than 176 countries have benefited so far. Learn.Save. Earn. is the official slogan of the Global Money Week. ■



NRB-ADBI-APAEA Joint Workshop concluded



Economic Research Department (ERD) organized '1st NRB-ADBI-APAEA Joint Workshop' on Monetary Policy and Central Banking Issues in Asia and the Pacific' in Kathmandu on 29th March.

The workshop was organized by the ERD in collaboration with Asian Development Bank Institute (ADBI) and Asia-Pacific Applied Economics Association (APAEA). Governor Mr. Maha Prasad Adhikari inaugurated the workshop.

Addressing the workshop, Governor Adhikari mentioned that the Central Bank will play an important role in macroeconomic stability and stressed the need for the Central Bank to take the lead in addressing the current challenges such as the changing state of the economy and the uncertainty of the economy. He said, "Uncertainty can be observed in the economy of a development-oriented country like Nepal due to both internal and external factors. To address this, the Central Bank has been

entrusted with the responsibility of leading the economy in the right direction as a monetary authority, guardian of the financial sector, and a policy 'think tank'."

Addressing the workshop virtually, ADBI Dean Mr. Tetsushi Sonobe expressed his belief that the program will be fruitful in enhancing Nepal's capacity for monetary policy research and macroeconomic policy formulation. On that occasion, ADBI's Vice Chair of Research, Mr. Dil Raut, mentioned that the effective implementation of monetary policy in developing countries is challenging and expressed the view that ADBI is ready to assist in the formulation of monetary policy and related research in Nepal. President of APAEA Prof. Paresh Kumar Narayan informed about the efforts made by the organization in developing the capacity of the Central Bank.

On this occasion, Executive Director of ERD, Dr. Prakash

Kumar Shrestha, delivered a welcome speech and provided information about the workshop's purpose, while Assistant Director Ms. Sunita Paudel conducted the program. In the main session of the workshop, a total of six working papers were presented—three from the NRB and three from ADBI—covering contemporary issues in the financial sector, including remittance, the exchange rate system, public debt, and macro-financial policy.

At the end of the session, two employees from NRB also presented their individual working papers. In the program, Deputy Governor Dr. Neelam Dhungana Timsina delivered the closing speech. The workshop was organized with the objective of examining emerging central banking issues and effective monetary and financial policies, as well as highlighting central bank and supervisory practices aimed at boosting financial stability and governance in developing Asia. ■

Handing Over Psychometric Scoring Solutions

The 'Psychometric Scoring Solution' prepared with the technical assistance of the International Finance Corporation (IFC) has been handed over to the Credit Information Center Limited (CICL).

Mr. Babacar S. Faye, Country Representative for IFC in Nepal, handed over the system to Mr. Anil Chandra Adhikari, the Chief Executive Officer of the CICL, during a program held in Kathmandu on March 21, 2024.

The system has been prepared with the aim of psychologically testing the behavior and loan repayment capacity of new borrowers. Borrowers who have not taken loans in the past and want to take small loans without collateral will be psychologically tested through this system. Under this system, various questionnaires will be prepared for psychological testing of potential borrowers. Based on the same test, it is expected that the risk profile of the borrower will be formed and based on its statistical analysis, it will be



easier for banks and financial institutions to grant loans. The implementation of this system is expected to promote financial inclusion in Nepal.

An agreement was reached between Nepal Rastra Bank (NRB) and IFC on February 1, 2022 to prepare this system. A pilot test of the psychometric scoring solution project was conducted at Agriculture Development Bank Ltd and NIC Asia Bank Ltd. It is said that after the system is fully implemented, it will be operated and managed by the Credit Information Center Limited.

During the program, Deputy Governor Mr. Bam Bahadur

Mishra expressed his belief that the system's implementation will make the evaluation process of new borrowers more technology-friendly, simplifying the lending process. The Chief Executive Officer of the CICL expressed confidence in the mechanism's ability to reduce the risk of unsecured loans.

In the program, Executive Director of Banks and Financial Regulation Department Mr. Guru Prasad Paudel and Country Manager of IFC for Nepal, Bangladesh and Bhutan, Mr. Martin Hultman, delivered a welcome speech and discussed various aspects of psychometric scoring solutions. ■

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