

Inaugural Speech by
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during
Conference on Leadership Development for the New Normal
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Chairperson of the Program,
Dr. D. Subbarao, Former Governor, Reserve Bank of India,
Dr. Atiur Rahman, Former Governor, Bangladesh Bank
Dr. Chiranjibi Nepal, Former Governor, Nepal Rastra Bank,
Fellow Deputy Governors,
Distinguished Professors and Delegates,
Distinguished Speakers of this Conference,
CEOs of Banks and Financial Institutions,
Ladies and Gentlemen!

A very good morning to you all

1. It is my great pleasure to be here as a part of this conference. Let me begin by extending my gratitude to the **Bank, Finance and Insurance Institute of Nepal (BFIN)** for bringing all of us together today to discuss on a pertinent issue of leadership development in the new normal situation. Also, I would like to thank the organizer for providing me an opportunity to grace this conference as the **Chief Guest** and address it as a Keynote Speaker.
2. I reviewed the program schedule and learned that the topics for discussion are very relevant in the changed context ranging from regulatory facet to technology in banking to the future of banking, similarly, we have two eminent speakers who are well-known for economics and banking in the region.
3. In this today's program, I would like to share my views mainly on two issues. First, I will shed some light on the economic and financial developments

since the appearance of the COVID-19 crisis and the policy measures taken by the NRB. Secondly, I will talk about the growth of digital financial services and the role of leadership in promoting sustainable and inclusive financial services in the new normal.

Developments since COVID-19

4. **As we all are aware, we have passed challenging times created by the COVID-19 pandemic. It has put us in a situation of short-term divergences with longer-term economic implications.** While the global recovery is going on, new variants are creating uncertainty in the recovery path. Vaccination has been proven effective in mitigating the adverse health impacts of the pandemic. However, unequal access to vaccines, vaccine hesitancy, and higher infectiousness have led to divergences in economic recovery. This has made policy measures more challenging and more confronting in the new normal.
5. **Despite these uncertainties, the recovery path seems to be encouraging in Nepal** if we look at the developments during the recent months. With the contraction of output by 2.1 percent in 2019/20, economic activities are rapidly picking up. These have been reflected in an upsurge in credit demand and import volume in recent months.
6. **On the external front, the growth of exports is encouraging. However, the rise in imports and stress on remittances are creating some pressure on current account and foreign reserves.** Nonetheless, we have a comfortable level of foreign reserves sufficient to cover the prospective imports of around 7 months.
7. **On the financial side, deposit and credit demand have increased and cost of borrowing has been low from the last one and half year.** Low borrowing cost has supported the financial health of the firms during these hard times and encouraged entrepreneurs and businesses.

Policy Measures Taken by the NRB during COVID-19

Let me now briefly review about how we responded to the crisis.

8. **NRB brought forward FOUR sets of measures through its policy toolkit** in order to create public confidence during the pandemic, support economic activities and maintain stability.
9. **The first set of measures was targeted at maintaining enough liquidity in the system and reducing the cost of credit.** It included a reduction in policy rates and repo facilities.
10. **The second set of measures was targeted at supporting the survival of the businesses.** It included refinance facilities, additional working capital and term loan facilities, restructuring and rescheduling facilities, payment deferral, and additional grace periods, among others. NRB embarked on a major innovation in the design of refinancing by offering refinancing equal to five times the available funds during the pandemic.
11. **The third set of measures was targeted at safeguarding the health of the financial system.** It included the relaxation on asset classification and provisioning of the banks and financial institutions, recognition of deferred income, and a set of other regulatory forbearances.
12. **And the fourth set of measures was targeted at ensuring a safe and smooth payment system during the pandemic.** Such measures included a temporary waiver of the fees in digital payment transactions and ensuring a smooth payment system.
13. With such measures, we were able to make the lives of the people easier and support economic activities during the hard times. Coordination with the fiscal authorities as well as international communities played a crucial role in making our measures effective. As a result of the coordinated policy efforts, we succeeded in preventing further fallout in economic activities during the pandemic, maintaining public confidence, and safeguarding economic as well as financial stability.

Opportunities from Digital Financial Services

14. Now, let me draw your attention to the recent trend of digital financial services and challenges created by the COVID-19 crisis for the leaders in financial industry.

15. **The recent growth in digital financial services has taken us to a land full of opportunities.** It has been largely driven by the restrictions imposed by the COVID-pandemic. Whatever the cause, **increasing use of digital financial services has lowered transaction costs by maximizing the economies of scale, made it possible to connect the population without access to financial services and has removed the barriers of providing financial services** such as geographical distances, lack of identification and lack of formal income.
16. **In case of Nepal too, the use of digital financial services has increased significantly in recent years.** During the last 16 months, the **average number of monthly transactions through digital instruments has increased by 86 percent, average transaction volume has gone up by 70 percent.** In addition, transactions through QR payments have **gone up by six fold**, and volume of transactions has **increased by almost tenfold.** In addition to digital payments, there is an increasing trend of offering services such as account opening, applying for loans and insurance, fund transfers, remittances and other services through digital channels.

Challenges to Leadership in the New Normal

17. **Use of technology in the financial industry has changed the business models of banks and financial institutions.** In addition, a completely new and complex set of issues are becoming apparent in the new normal. It demands a complete reorientation of the institutions to a new working modality and a set of new decision rules. In such a situation, there is a challenge for the leaders of the financial industry to develop new skills in their human resources. Leaders need to be innovative and proactive to make decisions that are completely new and complex.
18. **We have seen that crises can challenge even the most experienced leaders of the financial industry as it can evolve into most unexpected and complicated scenarios.** Thus, we need to develop a leadership that can contemplate beyond the traditional thought of leadership and take bold and decisive actions for remaining competitive and making the financial industry resilient to the crisis developments. This equally applies to the regulators of financial industry and leaders at the central banks.

Ladies and Gentlemen,

19. Let me sum up my words by reemphasizing the fact that business models in the financial industries have changed a lot in the new normal. Thus, we need to develop a new set of leadership skills to reap benefits from the recent trend in digital finance and making our system safe, developed and resilient. The COVID-19 has taught us a lesson on how to navigate through crisis time.
20. **Finally, I wish a fruitful discussion in the sessions and great success of this conference.**

Thank you for your attention!