



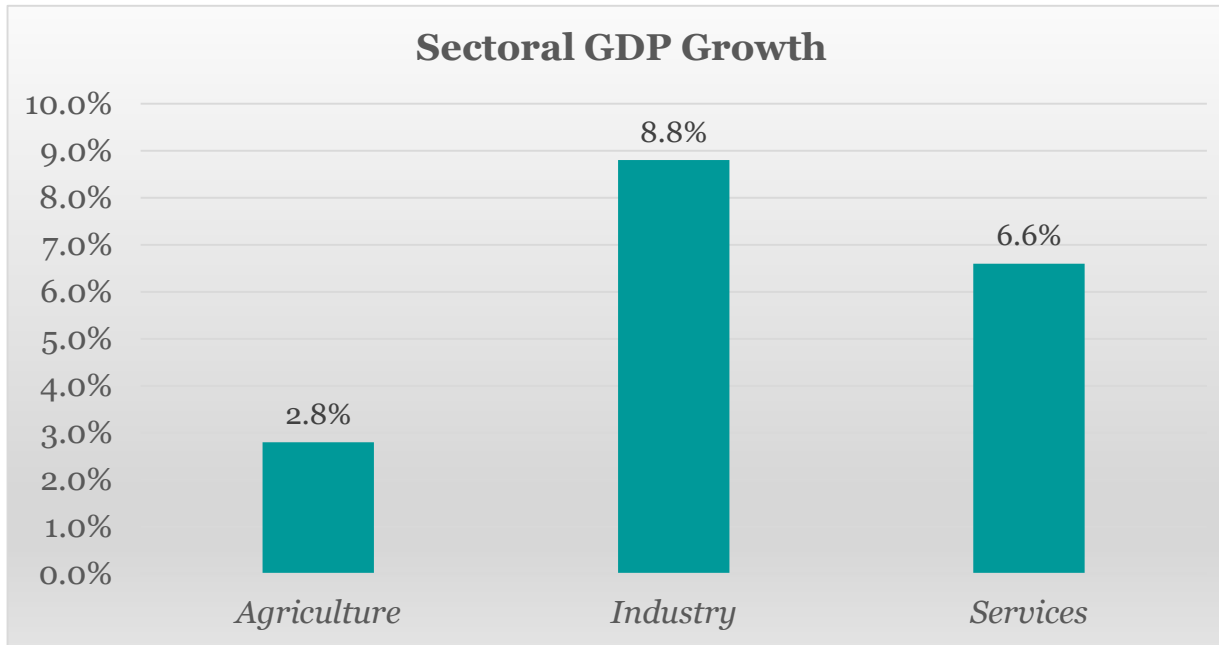
Highlights of Monetary  
Policy

FY 2018/19

- ❑ Current Scenario.....3
- ❑ Objective.....7
- ❑ Highlights of Monetary Policy.....8

# Current Scenario

## GDP Growth Rate



- *GDP Growth for FY 2017/18 is expected to be 5.9%*
- *GDP of Nepal increased to NPR 3.7 trillion*

## Inflation

*4.1% (Down from 4.5%)*

# Current Scenario

## *Balance of Payment*

*Current Account Deficit: NPR 209.21 billion (7% of GDP)*

*Trade Deficit: NPR 1.033 trillion (34.4% of GDP)*

*Remittance Growth : 7.3%*

*Balance of Payment: Deficit by NPR 4.34 billion*

*Foreign Exchange Reserve: Sufficient to cover import of 9.6 months*

# Current Scenario

## *Financial Sectors*

*Priority Sector Lending: 23.6% of total lending (NPR 488.68 billion)*

*Deprived Sector Lending: NPR 129.62 billion*

*Average NPA: 1.66% (Up from 1.56%)*

*Number of Deposit Accounts in Banks and FIs: 20.25 million*

*Number of Loan Accounts in Banks and FIs: 1.287 million*

# Current Scenario

## *Access to Finance*

	<b>'A' Class</b>	<b>'B' Class</b>	<b>'C' Class</b>	<b>'D' Class</b>	<b>Total</b>
Branches	2,919	951	183	2,365	<b>6,418</b>
ATMs	2,624				
Number of Debit cards	5.235 million				
Number of Credit cards	97 thousands				
E-Banking Customer	0.784 million				
Mobile Banking Customer	4 million				
Number of Local Levels with Branches of Commercial Banks	556				

# Objectives



GDP Growth Target- 8%

Inflation Rate: 6.5%

# Highlights of Monetary Policy

1. Spread Rate Reduced to 4.5% from 5% (Effective from 2076 Ashadh)
2. Banks and FIs will be allowed to work as share broker by establishing subsidiary company.
3. Reduction in CRR and SLR Rate.
  - **CRR-** reduced to 4% for all class of banks and FIs (*From 6% for Commercial Banks, 5% for Development Banks and 4% for Finance Companies*)
  - **SLR-** reduced to 10%, 8% and 7% respectively for Commercial Banks, Development Banks and Finance Companies (*From 12%, 9% and 8% respectively*)
4. Reduction in Bank Rate to 6.5% from 7%



# Highlights of Monetary Policy

## Resource Mobilization

1. Limit of Maximum Deposit that can be collected from one organized institution reduced to 15% from 20%
2. Institutional Fixed Deposit can be solicited through bidding by adding up to maximum 1% over the published rate
3. Banks and FIs are allowed to mobilize loan in Indian Currency up to 25% of its core capital. Earlier they were allowed to take loan in other convertible currencies.
4. Necessary provision will be made to allow micro finance institutions to mobilize loan in foreign currency up to 25% of its core capital
5. Banks and FIs will ne encouraged to issued long term bond/debentures. Said long term instruments will be allowed to be included in computing CCD ratio.
6. Limit of deposit in the name of natural person to be insured will be increased to NPR 300,000 from NPR 200,000.

# Highlights of Monetary Policy

## Lending

1. Limit of Personal Revolving Loan reduced to NPR 5 million from NPR 7.5 million
2. Requirement of Independent verification of working capital for approval/renewal of business overdraft/working capital loan in excess of NPR 250 million.
3. In case of margin lending Banks are now required to call margin only in case of reduction of share price by 20% (earlier the limit was 10%)
4. Limit of margin lending reduced to 25% of core capital from 40%
5. It is now compulsory to import goods from India in excess of INR 50 million only through LC

# Highlights of Monetary Policy

## Lending

1. Commercial Banks, now , will be required to lend 10% of total loan to Agriculture Sector and 15% to Energy and Tourism Sector. Earlier Banks were required to invest 25% of total loan in Defined Priority Sector.
2. Commercial Banks will be encouraged to lend in Priority Sector in all Provinces
3. All Banks and Fis are now required to lend 5% of total loan in Deprived Sector. There was different limit for different class of Banks and FIs earlier.
4. Banks and FIs will be encouraged to make lending to Small and Medium Enterprises

# Highlights of Monetary Policy

## Access to Finance

1. Commercial Banks, now , will be required to lend 10% of total loan to Agriculture Sector and 15% to Energy and Tourism Sector. Earlier Banks were required to invest 25% of total loan in Defined Priority Sector.
2. Banks and FIs will not be required to take approval for opening branches in areas other than Metropolitan and Sub-metropolitan cities
3. All Commercial Banks will be required to establish provincial offices in each province.

# Highlights of Monetary Policy

## Others

1. Provision will be made to deposit foreign investment in infrastructure sector in separate fund maintained at NRB and to provide hedging service.
2. Provision will be made to require all Banks and Fis to get itself rated through national/international credit rating agencies.
3. Requirement of borrower rating for approval/renewal of loan of NPR 50 million or more will be introduced.
4. Development Banks and Finance Companies will be required to prepare its Financial Statements as per NFRS
5. System of sharing of the financial statements submitted by the borrower in the banks/FIs and that submitted in tax authority will be strengthened.

# Highlights of Monetary Policy

## Others

1. Tax clearance certificate of borrower will be made compulsory for approval/renewal of loan
2. Provision of compulsory information system audit of commercial banks will be made.
3. Supervisory Information system being implemented by NRB for collection of online data from banks/FIs will be made compatible for NFRS based financial statements.
4. Micro Finance Institutions will be incorporated in the network of CICL and provision of additional loss provision of 2% will be introduced for MFIs not providing credit information.
5. Provision of Branch Audit of Big Branches of Banks, based on loan and deposit size, will be introduced.
6. Commercial Banks will be allowed to import gold for up to a month based on daily limit specified

## For Further Consultation, Please Contact:

SAR Associates,  
Chartered Accountants

64 Bishal Basti “Ka”, Bishal Nagar,  
Kathmandu, Nepal

Tel: +977 (1) 442 0807/ 08/ 10

Fax: +977 (1) 444 0528

Website: [www.sar.com.np](http://www.sar.com.np)

Email: [info@sar.com.np](mailto:info@sar.com.np)

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