

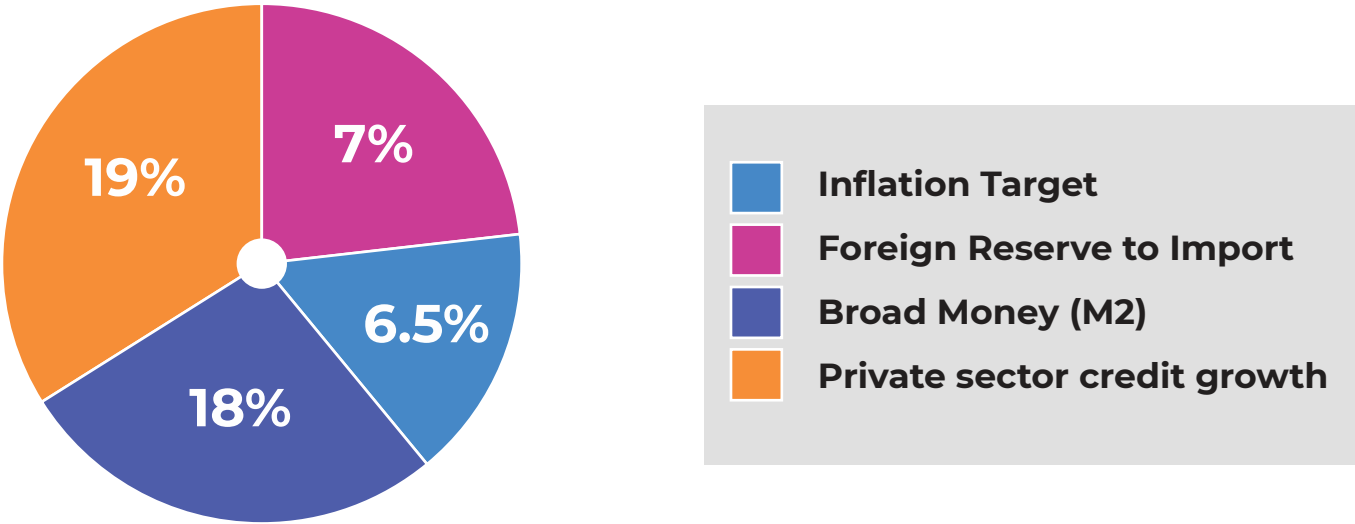


MONETARY POLICY

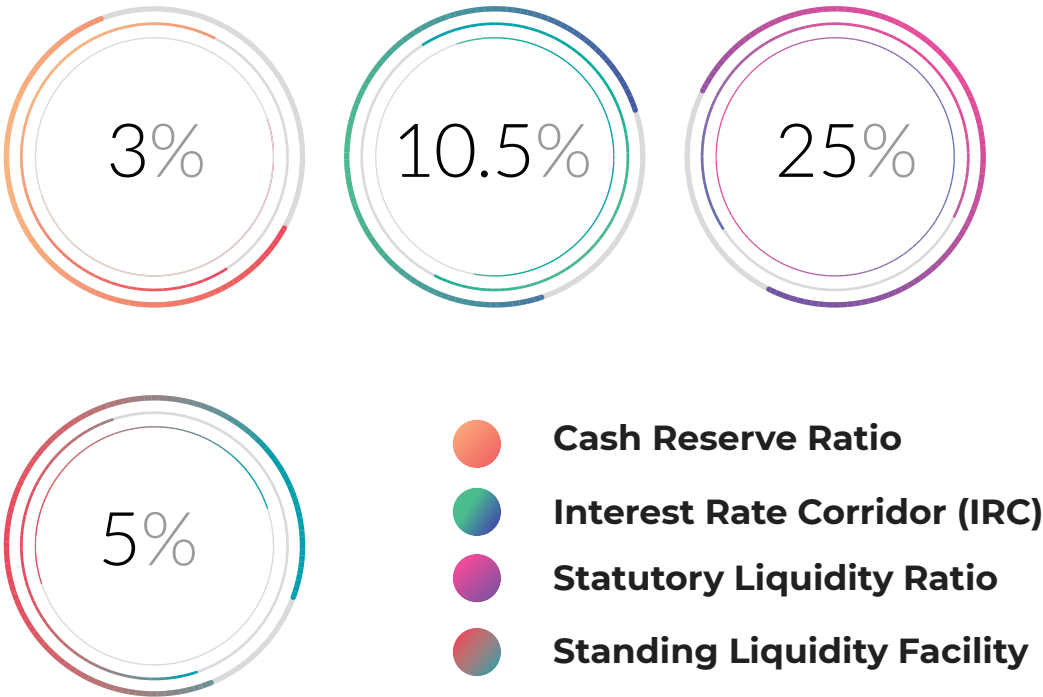
**FISCAL YEAR
2078-79**

The major Highlights of the monetary policies are summarized below.

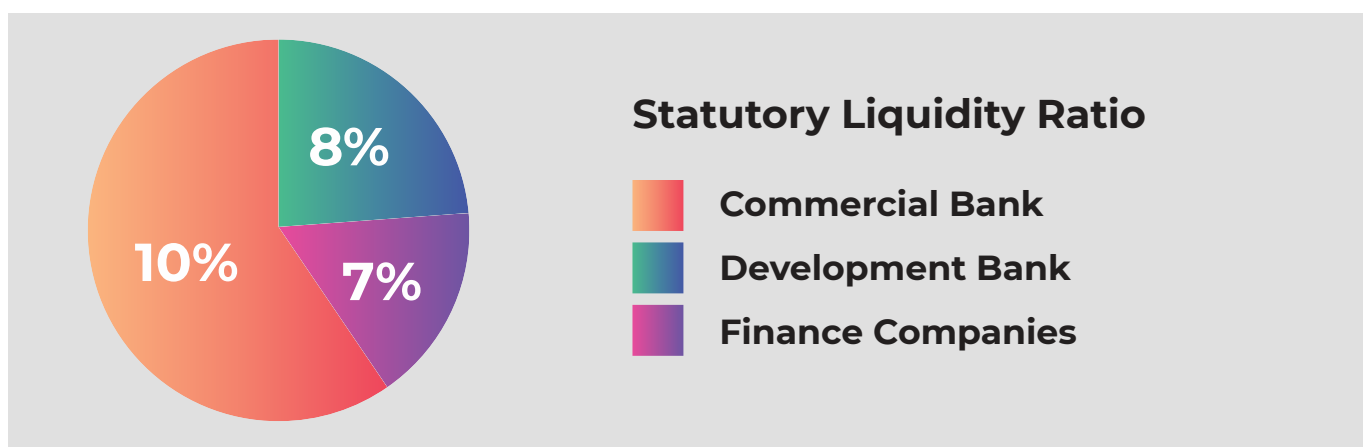
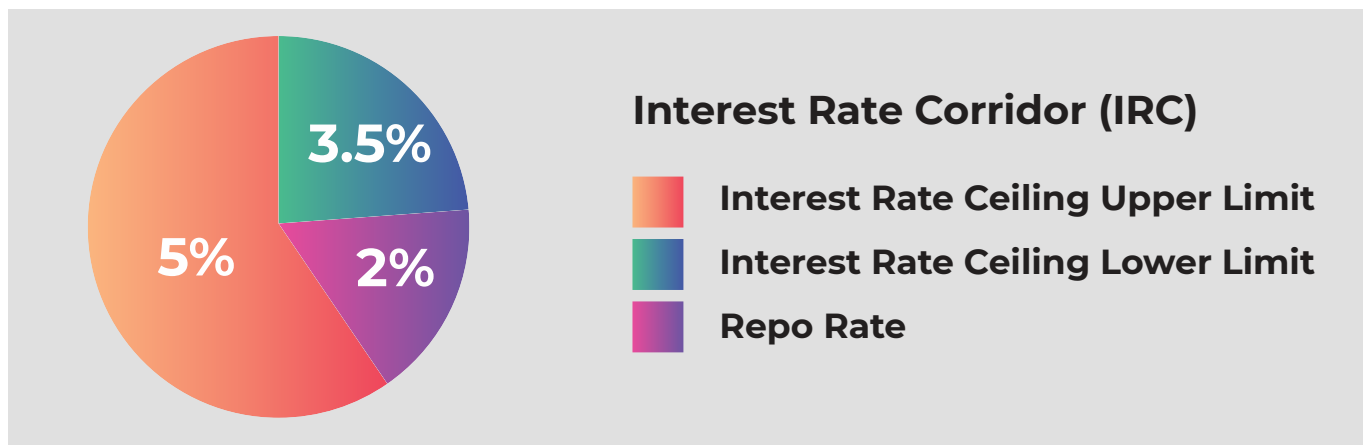
Monetary Policy Target:



Instruments to Meet Monetary Objectives



Instruments to Meet Monetary Objectives



Policies Addressed



Money Source:

- All BFI's including whole sale micro finance can issue debenture up to 25 percent of their paid up capital.
- Remittance inflow through foreign employment shall get additional 1% interest, if the same is deposited in banks.

Loan Disbursement

Commercial banks should at least disburse 15% of their loans, less than 1 Crores at - Energy, Agriculture, SME & MSME's

Deprived Sector Lending

- Loan disbursed to self-entrepreneurs up to 15 lakhs who have lost their job in tourism sector due COVID 19 pandemic can be categorised as Deprived sector loan.
- Hire Purchase loan up to 25 lakh availed by self-entrepreneurs for the purpose of utilizing such loans in the business can be categorized as deprived sector loan.
- Loan against collateral up to 20 lakh availed by women entrepreneurs for micro industry and for self-employment can be categorized as deprived sector lending; however such loans must be insured.
- Loan up to 20 lakh availed for actual agricultural purpose can be categorized as deprived sector lending; however such loans must be insured.

Economic Recovery Programmes

1. For the recovery of industries hit due to the impact of COVID 19 pandemic, loan refinancing package shall be continued as addressed in the previous monetary policy.
2. Industries affected by COVID 19 pandemic such as - tourism,



media, travel, party palace, gym centres, cinema halls and entertainment sectors; loan shall be continued for recovery and continuation of such sectors.

3. Business loans that have been in net loss for 3 years can now be classified under watch list category, scrapping the previous provision of 2 years' net loss.
4. Arrangements will be made, at the discretion of BFIs, to reduce the instalment amount and extend the repayment period of debtors whose financial conditions and cash flow have been negatively affected by the COVID-19 pandemic.
5. Arrangements will be made, at the discretion of BFIs, to extend the payment period till Poush end 2078 of debtors who have not been able to pay EMI / EQI or other principal and/or interest by Ashad end, 2078 due to lockdown.
6. Arrangements will be made for industries severely affected by the COVID-19 pandemic, which are highly reliant on foreign travellers such as – hotel, travel, trekking, and aviation industries, for interest up to Ashad end 2078 to be kept separately and for such interest to not bear any additional charges.
7. Principal and interest that is due till Poush 2078, shall be extended by one year. Payment of such shall be payable in no less than 4 instalments. This provision shall be applicable to restaurants, party palace, public transport, educational institution, entertainment sector; similarly, this provision shall also be applicable to MSME's.
8. Banks have been given the flexibility to restructure loans that has been highly impacted by COVID 19 pandemic. The restructuring of such loans shall be decided by banks by the end of Poush End, 2078.
9. Additional loans up to 2 lakhs to be provided to public transport for operation and maintenance.

Additional Provisions Loan

1. Core Capital to deposit ratio has been scrapped and Credit to Deposit Ratio has now come in to affect. BFI's shall maintain Credit to Deposit not more than 90% by the end of Ashad End, 2079. Bonds and Debenture that are not part of capital shall be included in calculating CD ratio, details of which shall be decided in the upcoming days.
2. Consortium lending capacity limit has now been increased and set to loans above 2 Arba.
3. Sectorial loan limits which commercial banks had to maintain by the end of Ashad end 2078 shall be extended by one year, taking into consideration, the impact of COVID 19 pandemic.
4. Approval to capitalize interest by the end of Ashad end 2078, is not mandatory for projects under construction and under grace period pre-approved by NRB.
5. Margin Lending: Loan to value ratio unchanged.
6. To increase the accessibility of margin loans to small investors and to minimize the risk associated to such loans, an individual or institutional can borrow maximum of Rs 40 million from one BFI and the maximum of such loans shall not be more than Rs 120 Million.
7. Refinancing arrangement to be made for electric vehicle charging stations.
8. Access to credit to be made easier for construction of 100 bed hospitals in areas where such hospitals are not in place.
9. Access to credit to be made easier for industries which use local material.



Enhancing Financial Sector



1. Merger and acquisition among BFI's shall be encouraged.
2. Changes shall be made in foreign exchange act and regulation.
Likewise Banking Offense & Punishment Act shall also be changed.
3. If Commercial Banks merge with one another additional facilities as mentioned shall be applicable till Ashad End 2080.
 - a. Mandatory sectorial loan limit disbursement shall be extended by one year.
 - b. Cash Reserve ratio shall be reduced by 0.5 percent.
 - c. Statutory liquidity ratio shall be reduced by 1 percent.
 - d. Institutional deposit restriction to be increased by 5 percent.
 - e. Cooling period to be relaxed.
 - f. Interest spread to be increased by 1 percent.
 - g. At the time of joint operation, if CD ratio is above the regulatory requirement additional one year shall be provided to be in compliance with the regulatory requirement.
 - h. Post-Unified operation, NRB's approval is not required to merge or close any branch as long as there is one of the branch offices within the radius of one kilometer.
 - i. 'Fit and Proper Test' will not be mandatory for the promoter shareholders who hold 0.10 percent or less shares of the BFIs, in the event of selling such shares.

4. Development banks and Finance companies that have been classified as problematic, if acquired by licensed BFI's, the above benefits discussed in point 3 shall be applicable.

Regulation and Supervision

1. Counter cyclical buffer has been put on hold till Ashad End, 2079.
2. Arrangements shall be made to avail term loans at fixed interest rate, likewise arrangement shall be made to disclose such interest rate publicly.
3. Interest spread shall remain unchanged.

Bank Type	Interest Spread
Commercial Banks	4.4 %
Development Banks	5.0 %
Finance Companies	5.0 %

4. Calculation mechanism of base rate shall be revised. Premium charge above the base rate shall be at the discretion of BFI's. However, for SME loans up to 1 crore, premium above base rate cannot be more than 2%.
5. To strengthen the supervision of BFI's subsidiary, necessary arrangements shall be made with the concerned regulator.
6. Provision of blacklisting of loan clients shall be revisited.
7. The limit for maximum number of annual audit that can be performed by one audit firm shall come in effect after consultation with Nepal Chartered Accountant Association.

Micro Finance Related

1. If wholesale microfinance and retail microfinance merge with one another, the establishment post-merger can operate as both wholesale and retail microfinance.
2. If any commercial banks, development banks and finance companies have cross holding in microfinance companies, arrangements shall be made for such microfinance companies to go in merger or acquisition by Ashad End, 2079.





Siddhartha
Capital Limited
Investing happiness

Sama Marga, Kathmandu
Phone: 01-4420924