

Nepal Rastra Bank and International Finance Corporation signed an agreement to work jointly to improve access to finance in Nepal

Nepal Rastra Bank (NRB) and International Finance Corporation (IFC), Executive Director of Microfinance Promotion and Supervision Department Mr. Janak Bahadur

enabled policy reforms critical for improving access to finance for Micro, Small and Medium Enterprises (MSMEs) in Nepal. MSMEs play a significant role in Nepal and these businesses are likely to assume even more important role in the development of Nepali economy. Access to finance will supplement the growth of MSMEs in the country. Nepal can achieve a greater economic growth by linking more MSMEs and individuals to formal financial sector to access various financial services.



a member of the World Bank Group, signed an advisory agreement on March 22, 2019 in presence of NRB Governor Dr. Chiranjibi Nepal to work jointly towards improving access to

Adhikari and Mr. M. Rehan Rashid, resident representative of IFC Nepal, signed the agreement.

NRB and IFC will work jointly to formulate data

The proposed three-year partnership between NRB and IFC is expected to bridge the gap in promoting access to finance in Nepal and help formulate and implement policy reforms as well as contribute in the development of new financial instruments. ■

Developing Financial Literacy Framework by Nepal Rastra Bank

Nepal Rastra Bank in collaboration with Alliance of Financial Inclusion has initiated the process of formulating Financial Literacy Framework. The Framework is being

developed by the Office of the Governor under the initiation of Governor Dr. Chiranjibi Nepal.

Financial literacy is a part of NRB objective "To increase the access of the financial service and increase the public confidence

towards the banking and financial system" under the NRB Act., 2058 Section 4(b).

The Financial Literacy Framework of Nepal Rastra Bank aims to systemize and streamline the fragmented and diversified



financial literacy programs run in the country by various financial institutions and by the central bank.

The project comprises of developing operating guidelines, training manuals, monitoring

and evaluation methodologies; producing learning materials for financial literacy; developing need assessment and impact evaluation templates; developing financial literacy mobile app; and revising existing financial learning

materials. Such framework will be refined on the basis of the feedback from an intervention that will be conducted with nine different groups under pilot testing and with focus group discussions. ■

Access to Finance in Nepal is on the Rise

Increasing number of banking and financial institutions has resulted in greater access to finance. As of mid-April 2019, 174 licensed institutions have 8,205 branches, providing services

to 3,559 population per branch on an average. As of mid-April 2018, 151 licensed institutions were providing services through 5,948 branches to 4,845 population per branch on an average. The government announced

to have a commercial bank's branch in each of the 753 local levels in the budget speech of FY 2017/18. At least a commercial bank's branch has already been established in 724 local levels. ■

Bank and Financial Institutions and their branches

Particulars	Number of BFI's			Number of Branches		
	Mid July 2017	Mid July, 2018	Mid April, 2019	Mid July, 2017	Mid July, 2018	Mid April, 2019
Commercial Bank	28	28	28	2274	3023	3309
Development Bank	40	33	23	769	993	1224
Finance Companies	28	25	24	130	186	203
Micro Finance Institutions	53	65	89	1895	2449	3469
Infrastructure Development Bank			1			
TOTAL	149	151	174	5068	6651	8205

Presence of Commercial Bank in local levels

Province	Number of Local levels	Number of Local levels with Commercial Bank's presence		No. of local levels where banks branch is yet to be established
		Mid July 2018	Mid April 2019	
Province 1	137	112	132	5
Province 2	136	122	135	1
Province 3	119	107	118	1
Gandaki	85	74	82	3
Province 5	109	99	108	1
Karnali	79	54	67	12
Sudur Paschim	88	53	82	6
TOTAL	753	631	724	29



Bank of Korea Knowledge Partnership Program (BOK - KPP) in Nepal Rastra Bank

Research under the topic of "Financial Inclusion and literacy, Policies and Programs" will be conducted by the Bank of Korea under its Knowledge Partnership Program for the year 2019 in coordination with the Office of the Governor of Nepal Rastra Bank

Similar research works were conducted under the BOK-KPP in 2017 and 2018.

The 2017 BOK-KPP was conducted on "Development of a macroeconomic model for economic forecasting" in coordination with the Research Department and the 2018 BOK-KPP research was focused on "Payment and Settlement System Development" in coordination with the Payment Systems Department. The results and recommendations of the past

projects have significantly enhanced individual and collective capacities of NRB staff and departments.

The BOK-KPP is a platform to share Republic of Korea's best knowledge and practices and the BOK's policy implementation experiences. It has also been instrumental in enhancing mutual understanding between BOK and NRB. ■

Nepal Infrastructure Bank begins its Operation

Nepal Infrastructure Bank has come into an operation with an objective invest in infrastructure development sector. The Bank was inaugurated at a formal ceremony held on March 06, 2019 by finance minister Dr. Yubaraj Khatiwada. The minister highlighted that the need for a long-term investment in tourism, hydropower, urban development. He advised the Bank to not compete for small deposits and target long-term instruments such as certificate of deposits, bonds for its resource mobilization. He also assured that the government will help the Bank

in getting funds from international markets.

Governor Dr. Chiranjibi Nepal highlighted on the need for Infrastructure Bank in Nepali



context and expressed that these institutions can be a catalyst to improve country's infrastructure. He instructed the Bank to focus

on gathering long-term resources and investing in infrastructure development projects. Dr. Nepal further emphasized that the establishment of such institutions could be a milestone to achieve economic development. Anuj Agrawal, chairman of the bank, and chief executive officer Anil Gyawali also addressed the gathering.

The Bank has authorized capital of Rs. 40 billion, issued capital of Rs. 20 billion and paid up capital of Rs. 12 billion. It must issue shares to public within three years from the date of establishment. ■

Interdiction of Carrying Cash in Both Nepali Currency and in Foreign Currencies

Foreign exchange management department of Nepal Rastra Bank issued a notice on April 19, 2019 and revised the cash carrying limit of both Nepali currency and foreign currencies by Nepali nationals and foreign citizens while coming to or

leaving Nepal. As per the circular, a person, either national or a foreign citizen, cannot carry more than Rs. 5000 Nepali currency in cash while entering or exiting Nepal. Similarly, any Nepali or foreign national holding more than 5000 US dollars or equivalent to other convertible currencies in

cash while entering Nepal must declare and get sanction for the same at the customs office.

If a Nepali citizen, while going abroad, is carrying 5000 US dollars or equivalent convertible currencies in cash, s/he must have a logged the same in the passport. Total currencies in cash



along with accumulated savings of foreign currencies exchanged previously should not exceed a total of 5000 US dollars or equivalent convertible currencies. However, if an individual is going for medical treatment and other specific reasons, one can produce proof of foreign

currencies exchanged and carry such currencies in cash.

Similarly, foreign nationals cannot carry more than 5000 US dollars or equivalent convertible currencies in cash of while leaving Nepal. However, self-declarations made to customs office while entering Nepal for currency

brought within prescribed ceiling can be carried while leaving Nepal, again after making self-declarations. In case of any difficulties in implementing the above circular can be addressed by filing an application at Nepal Rastra Bank. ■

Nepal's External Sector in Fiscal Year 2018/19 (Based on Eight-Month Data)

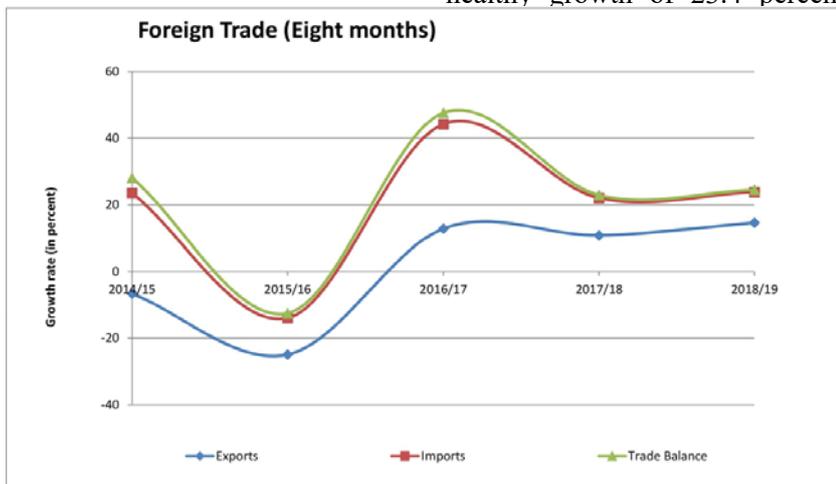
Research Department of Nepal Rastra Bank has released current macroeconomic and financial situation of Nepal based on the data of eight months of FY 2018/19. According to the report, Balance of Payment (BOP) registered a deficit of Rs. 58.99 billion, which is 34.26 billion higher when compared to the same period of previous fiscal year. Such deficit is accountable primarily due to widening trade deficit. The surge in imports

merchandise imports, leading to decline in export- import price index of 2.7 percent in the review month compared to a decrease of 4.2 percent in the corresponding month of the previous year, deficit net service receipts is also a major cause for imbalance in current account. In the review period, under service account, travel payments increased by 21 percent whereas travel receipt increased only by 9.5 percent.

Remittance has shown a healthy growth of 23.4 percent

Capital transfer and foreign direct investments (FDI) in Nepal have also shown a bleak picture compared to the same review period of the previous year. Capital transfer was Rs. 11.56 billion and FDI was Rs. 6.66 billion in the current year's review period against Rs. 11.94 billion and Rs. 14.24 billion of capital transfer and FDI growth respectively in the previous year's same review period.

Gross foreign exchange reserve shrunk by Rs. 40.88 billion as of mid-March 2019 compared to reserves in mid-March 2018. Based on eight months of imports in the current fiscal year, the foreign exchange holdings of the banking sector is sufficient to cover the prospective merchandise imports of 9.1 months, and merchandise and service imports of 7.9 months. The ratio of reserve-to-GDP, reserve-to-imports and reserve-to-M2 stood at 35.3 percent, 66.1 percent and 31.6 percent respectively as of mid-March 2019. The price of oil in the international market increased whereas the price of gold decreased in the current review period. Similarly, Nepali currency vis-à-vis US dollar depreciated 1.5 percent in mid-March 2019 compared to that of mid-July 2018. ■



of items such as petroleum products, readymade garments, M.S. billet, aircraft spare parts, electrical goods, among others resulted in export-import ratio to 6.5 percent, from 7 percent in the corresponding period of the previous fiscal year.

Besides increased

in the review period compared to mere 4.9 percent growth in the same period of previous fiscal year. However, the number of Nepali workers seeking jobs in the international market has declined by 38.3 percent in the review period which declined only by 5.4 percent during the same period in the previous year.

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