

# QUARTERLY NEWSLETTER

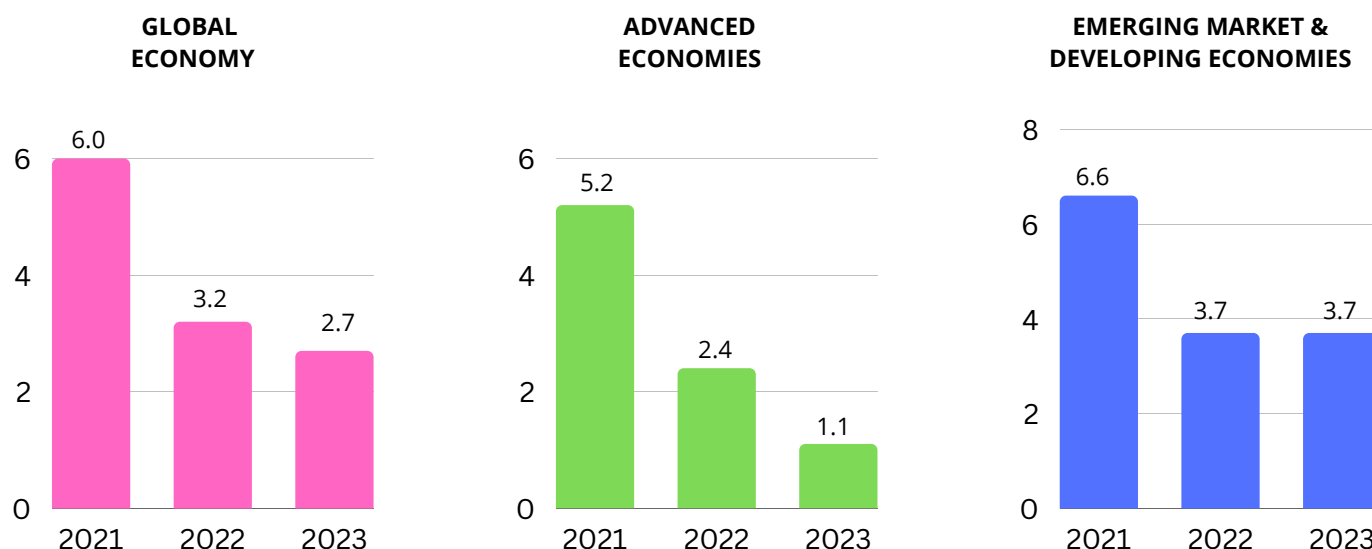
PUBLISHED BY NEPAL BANKERS' ASSOCIATION  
(OCTOBER, 2022)



## WORLD ECONOMIC GROWTH PROJECTIONS

The global economy is experiencing a number of turbulent challenges. In the situation where inflation is higher since several decades, tightening financial conditions in most regions, Russia's invasion of Ukraine, and the lingering COVID-19 pandemic; the World Economic Outlook 2022 (October) has projected the following economic growth -

### GROWTH PROJECTIONS



Source: World Economic Outlook October 2022, IMF

## ASIAN DEVELOPMENT OUTLOOK HIGHLIGHTS

- Developing Asia's recovery continues but is being slowed by global headwinds.
- More flexible pandemic policies are allowing activity to expand, but the "zero-COVID" strategy of the People's Republic of China (PRC) is a notable exception.
- Consumer spending and employment are picking up on reduced mobility restrictions.
- Headline and core inflation are trending up in developing Asia.
- Developing Asia's exports remained strong in the first half of the year, but they are slowing rapidly.
- Tourism is bouncing back in economies that reopened to travelers, and remittances remain healthy.
- Fiscal improvement continues at a slower pace, while the Monetary Policy tightening cycle is mounting across developing Asia.
- Financial conditions deteriorated further on the dimming growth outlook and accelerated monetary tightening.
- This Update revises down the forecasts for developing Asia made in April to 4.3% from 5.2% for 2022 and to 4.9% from 5.3% for 2023.
- The regional inflation forecast is raised to 4.5% from 3.7% for 2022 and to 4.0% from 3.1% for 2023 due to higher energy and food prices.
- Risks to the outlook are skewed to the downside.

## GDP GROWTH RATE (% PER YEAR)

	2019	2020	2021	ADO 2022	UPDATE	ADO 2023	UPDATE
<b>South Asia</b>	<b>4.0</b>	<b>-5.2</b>	<b>8.1</b>	<b>7.0</b>	<b>6.5</b>	<b>7.4</b>	<b>6.5</b>
<b>Afghanistan</b>	<b>3.9</b>	<b>-2.4</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>...</b>
<b>Bangladesh</b>	<b>7.9</b>	<b>3.4</b>	<b>6.9</b>	<b>6.9</b>	<b>7.2</b>	<b>7.1</b>	<b>6.6</b>
<b>Bhutan</b>	<b>5.8</b>	<b>-10.0</b>	<b>4.1</b>	<b>4.5</b>	<b>4.5</b>	<b>7.5</b>	<b>4.0</b>
<b>India</b>	<b>3.7</b>	<b>-6.6</b>	<b>8.7</b>	<b>7.5</b>	<b>7.0</b>	<b>8.0</b>	<b>7.2</b>
<b>Maldives</b>	<b>6.9</b>	<b>-33.5</b>	<b>37.1</b>	<b>11.0</b>	<b>8.2</b>	<b>12.0</b>	<b>10.4</b>
<b>Nepal</b>	<b>6.7</b>	<b>-2.4</b>	<b>4.2</b>	<b>3.9</b>	<b>5.8</b>	<b>5.0</b>	<b>4.7</b>
<b>Pakistan</b>	<b>3.1</b>	<b>-0.9</b>	<b>5.7</b>	<b>4.0</b>	<b>6.0</b>	<b>4.5</b>	<b>3.5</b>
<b>Sri Lanka</b>	<b>2.3</b>	<b>-3.6</b>	<b>3.3</b>	<b>2.4</b>	<b>-8.8</b>	<b>2.5</b>	<b>-3.3</b>

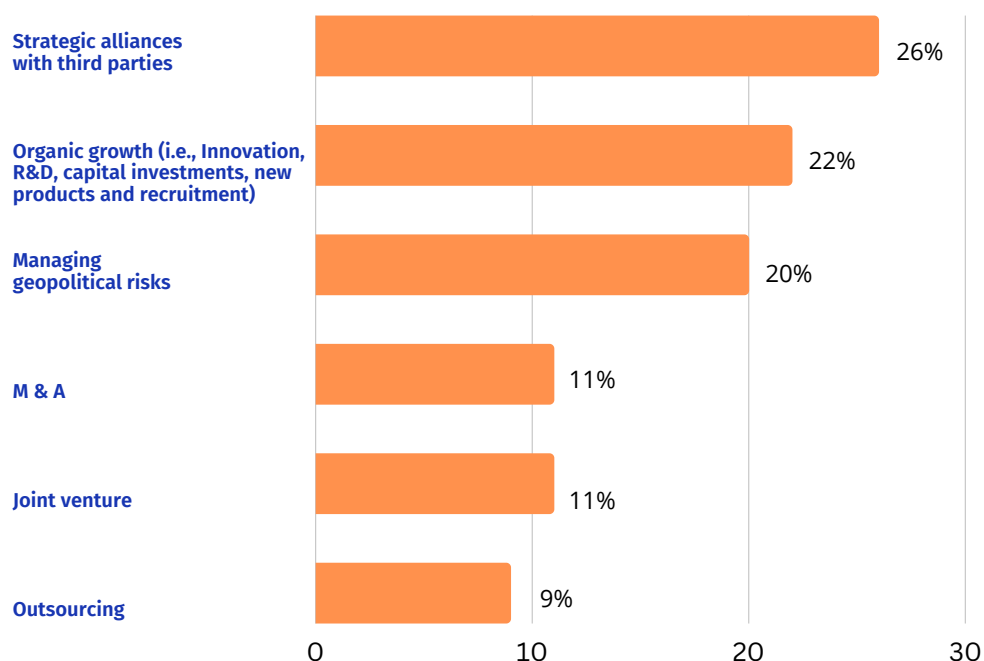
Source: Asian Development Outlook October 2022, ADB

## KPMG 2022 CEO OUTLOOK HIGHLIGHTS

The 2022 CEO Outlook draws on the perspective of 1,325 global CEOs across 11 markets to provide insight into their 3-year outlook on the business and economic landscapes. This year's CEO Outlook focused on four key thematic areas; Economic Outlook, Technology, Talent and ESG respectively. The finding of the survey are as follows -

- CEOs anticipate challenges in the shorter term. Nearly nine out of 10 (86 percent) CEOs believe a recession will happen over the next 12 months, but three out of five (58 percent) feel it will be mild and short and 76 percent have plans in place to deal with it.
- In spite of short-term recession fears, CEOs confidence in the resiliency of the global economy over the next 6 months — a period likely to be fraught with uncertainty and constant change — 73 percent still had a positive outlook, up 13 percentage points from February 2022.
- Seventy-three percent of CEOs believe a recession will upend anticipated growth over the next 3 years, and three-quarters (75 percent) also believe a recession will make post-pandemic recovery harder.
- Seventy-one percent of CEOs predict a recession will impact company earnings by up to 10 percent over the next 12 months.
- Including the threat of rising interest rates and inflation — top the list of most pressing concerns for CEOs today at 15 percent and 14 percent, respectively.
- CEOs indicate that geopolitical uncertainties will continue to impact their strategies and supply chains over the next 3 years.
- CEOs continue to prioritize digital investment — with 72 percent agreeing they have an aggressive digital investment strategy, intended to secure first-mover or fast-follower status.
- More CEOs recognize they're underprepared for a cyber-attack, with 24 percent admitting so in 2022, compared to 13 percent in 2021.
- Two-thirds of CEOs (71 percent) agree the ability to retain talent with the pressures of inflation/rising cost of living are top of mind, as are the long-term impacts to organizations from the pandemic and geopolitical tensions.
- In the long term, 79 percent of CEOs expect their organization's headcount to increase over the next 3 years, and CEOs are still investing in their existing workforce, with half currently focused on boosting productivity.
- CEOs increasingly agree that ESG programs improve financial performance, sitting at 45 percent, an increase from 37 percent 1 year ago.
- Sixty-two percent of CEOs say they will be looking to invest at least 6 percent of revenue in programs that enable their organization to become more sustainable.

## STRATEGIES IMPORTANT FOR ACHIEVING GROWTH OBJECTIVES OVER THE NEXT THREE YEARS



Source: KPMG 2022 CEO Outlook

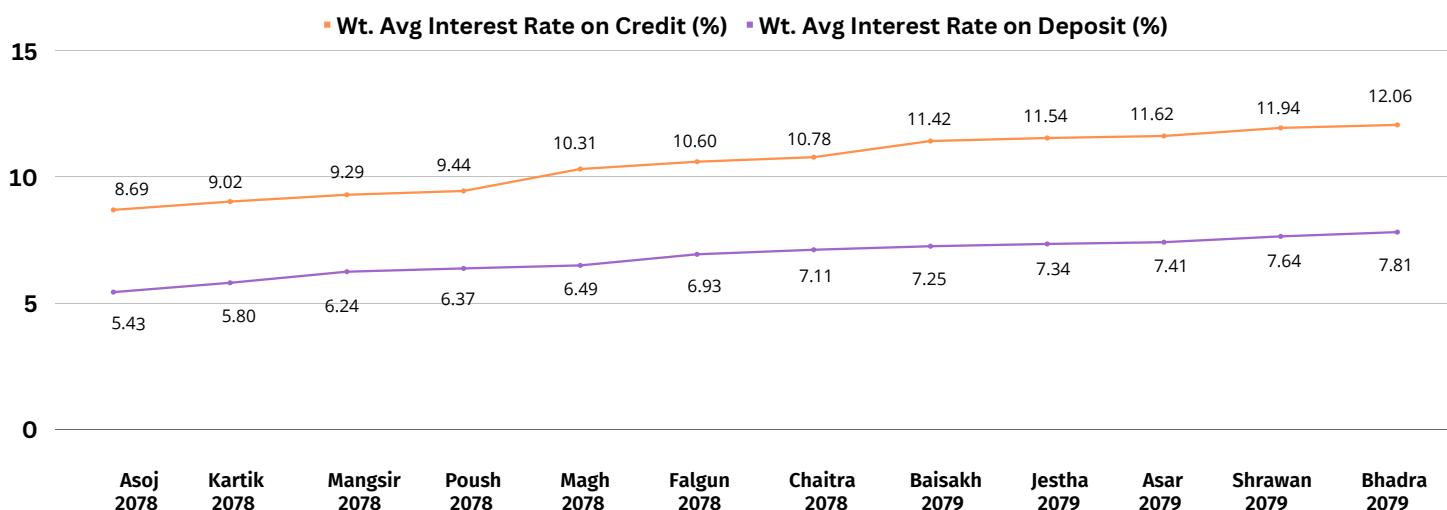
## DEPOSIT & LENDING

Amount in Billions (Rs.)

	Asar-end 2078	Asoj-end 2078	Growth During Q1	Asar-end 2079	Asoj-end 2079	Growth During Q1
Deposit	4201	4269	68	4541	4547	6
Lending	3721	3998	277	4175	4220	45

Source: Nepal Bankers' Association

## CREDIT & DEPOSIT INTEREST RATE



Source: Nepal Rastra Bank (NRB)

## SECTOR WISE LENDING

Amount in Billions (Rs.)

	Bhadra 2078	Bhadra 2079	% Changes Since Bhadra 2078
Agricultural and Forest Related	254.46	298.15	17.16
Fishery Related	9.05	11.87	31.16
Mining Related	8.24	8.89	7.88
Agriculture, Forestry & Beverage Production Related	683.23	724.27	6.00
Construction	360.23	154.76	-57.03
Electricity, Gas and Water	208.71	242.95	16.40
Metal Products, Machinery & Electronic Equipment & Assemblage	65.46	71.22	8.79
Transport, Communication and Public Utilities	77.58	83.85	8.08
Wholesaler & Retailer	796.99	878.21	10.19
Finance, Insurance and Real Estate	300.84	335.47	11.51
Hotel or Restaurant	170.18	177.81	4.48
Other Services	169.31	182.96	8.06
Consumption Loans	204.32	758.56	271.26
Local Government	1.36	1.08	-20.58
Others	557.43	261.01	-53.17
<b>TOTAL</b>	<b>3867.46</b>	<b>4,191.21</b>	<b>8.37</b>



Source: Nepal Rastra Bank (NRB)

## PRODUCT WISE LENDING

Amount in Billions (Rs.)

	Bhadra 2078	Bhadra 2079	% Changes Since Bhadra 2078
Term Loan	841.41	1,058.34	25.78
Overdraft	586.79	649.60	10.70
Trust Receipt Loan/Import Loan	207.17	80.04	-61.36
Demand & Other Working Capital Loan	886.68	1,002.17	13.02
Residential Personal Home Loan (Up to Rs 1.5 Crore)	252.10	283.15	12.31
Real Estate Loan	165.64	227.26	37.20
Margin Nature Loan	88.43	60.31	-31.79
Hire Purchase Loan	139.71	131.75	-5.69
Deprived Sector Loan	257.43	288.30	11.99
Bills Purchased	5.24	2.39	-54.38
Other Product	436.81	407.92	-6.61
<b>TOTAL</b>	<b>3867.46</b>	<b>4,191.21</b>	<b>8.37</b>



Source: Nepal Rastra Bank (NRB)

## FINANCIAL ACCESS OF COMMERCIAL BANKS

	Bhadra 2078	Bhadra 2079	Changes
No. of Branches	4,775	5,054	279
No. of Deposit Accounts	32,927,622	39,880,391	6,952,769
No. of Loan Accounts	1,366,442	1,498,603	132,161
No. of Branchless Banking Centers	1,706	1,472	-234
No. of Mobile Banking Customers	12,638,366	16,512,275	3,873,909
No. of Internet Banking Customers	1,115,532	1,280,515	164,983
No. of ATMs	3,990	4,291	301
No. of Debit Cards	8,459,435	10,707,067	2,247,632
No. of Credit Cards	192,370	258,021	65,651
No. of Prepaid Cards	65,786	111,857	46,071



Source: Nepal Rastra Bank (NRB)

## ELECTRONIC PAYMENT (NUMBER OF TRANSACTIONS)

	FY 2077/78	FY 2078/79	Changes
RTGS	533,841	750,597	216,756
ATM-Cash Withdrawal	74,479,681	100,988,504	26,508,823
ECC	12,295,926	13,920,129	1,624,203
IPS	10,841,023	13,424,453	2,583,430
Connect IPS	18,833,752	39,417,168	20,583,416
Debit Cards	81,648,703	110,830,652	29,181,949
Credit Cards	1,717,397	2,270,929	553,532
Prepaid Cards	130,867	489,507	358,640
Internet Banking	3,179,362	3,355,888	176,526
Mobile Banking	111,923,386	181,545,676	69,622,290
Branchless Banking	639,338	752,248	112,910
Wallet	124,945,099	167,491,933	42,546,834
QR-Based Payments	5,581,779	26,950,009	21,368,230
Point of Sales (POS)	7,547,405	11,773,031	4,225,626
E-Commerce	1,345,364	819,395	(525,969)



Source: Nepal Rastra Bank (NRB)

## OUTSTANDING DEBT OF GOVERNMENT OF NEPAL

Amount in Millions (Rs.)

	Domestic Debt	% of GDP	Foreign Debt	% of GDP	Total Debt	% of GDP
FY 2074/75	390,898.7	11.3%	525,351.3	15.2%	916,250.0	26.5%
FY 2075/76	452,967.7	11.7%	594,614.5	15.4%	1047,582.2	27.1%
FY 2076/77	613,212.0	15.8%	813,973.9	20.9%	1427,185.9	36.7%
FY 2077/78	800,320.1	18.7%	934,147.1	21.8%	1734,467.2	40.6%
FY 2078/79	984,285.2	20.3%	1027,297.1	21.2%	2011,582.3	41.5%

Source: Nepal Rastra Bank (NRB)

## FOREIGN DIRECT INVESTMENT IN NEPAL

Amount in Millions (Rs.)

	No. of Projects	Total Project Cost	FDI	Employment Generated
FY 2074/75	400	61,349.11	55,760.48	13,940
FY 2075/76	345	31,868.05	25,484.44	14,594
FY 2076/77	223	50,749.34	37,805.83	10,839
FY 2077/78	185	49,291.58	32,172.82	5,943
FY 2078/79 (Till Jestha)	207	44,722.01	40,498.20	12,201

Source: Ministry of Industry, Commerce and Supply

## EXPORT & IMPORT DATA

### TRADE INDICATORS:

	FY 2078/79 (First Three Months)	FY 2079/80 (First Three Months)	Changes(%)
Imports (Rs.in `000)	478,523,220	400,998,302	-16.20
Exports (Rs.in `000)	65,052,834	41,820,193	-35.71
Trade Deficit (Rs.in `000)	413,470,386	359,178,109	-13.13
Total Foreign Trade (Rs.in `000)	543,576,054	442,818,494	-18.54
Imports/Exports Ratio (%)	7.36	9.59	2.23
Exports Share to Total Trade (%)	11.97	9.44	-2.53
Imports Share to Total Trade (%)	88.03	90.56	2.53

Source: Department of Customs

## TOP TEN IMPORTS IN FIRST THREE MONTHS

### FY 2078/79

HSCode	Products	Out of Total Import
27101930	Diesel	4.87%
15071000	Crude soya-bean oil	4.31%
85171200	Telephones for cellular networks or for other wireless networks	3.59%
15111000	Crude palm oil	2.73%
27101210	Petrol	2.69%
72071900	Semi-finished products of iron or non-allo steel, <025% carbon, nes	2.69%
27111910	Liquidified Petroleum Gas (LPG)	2.55%
71081300	Gold	2.31%
71069200	Silver	2.13%
72083900	Flat/hot-rolled iron/steel,in colis, width >=600mm, not pickled,<3mm thickness	1.52%

### FY 2079/80

HSCode	Products	Out of Total Import
27101930	Diesel	7.31%
27101210	Petrol	4.54%
27111910	Liquidified Petroleum Gas (LPG)	3.73%
15071000	Crude soya-bean oil	3.50%
15111000	Crude palm oil	2.49%
72031000	Ferrous products obtained by direct reduct on of iron ore,in lumps,pellets or si	2.38%
85171300	Smartphones	2.13%
72253000	Hot-rolled steel alloys, nes, in coils, >= 00mm wide	1.91%
72071900	Semi-finished products of iron or non-allo steel, <025% carbon, nes	1.73%
31053000	Diammonium hydrogenorthophosphate (diammon um phosphate)	1.60%

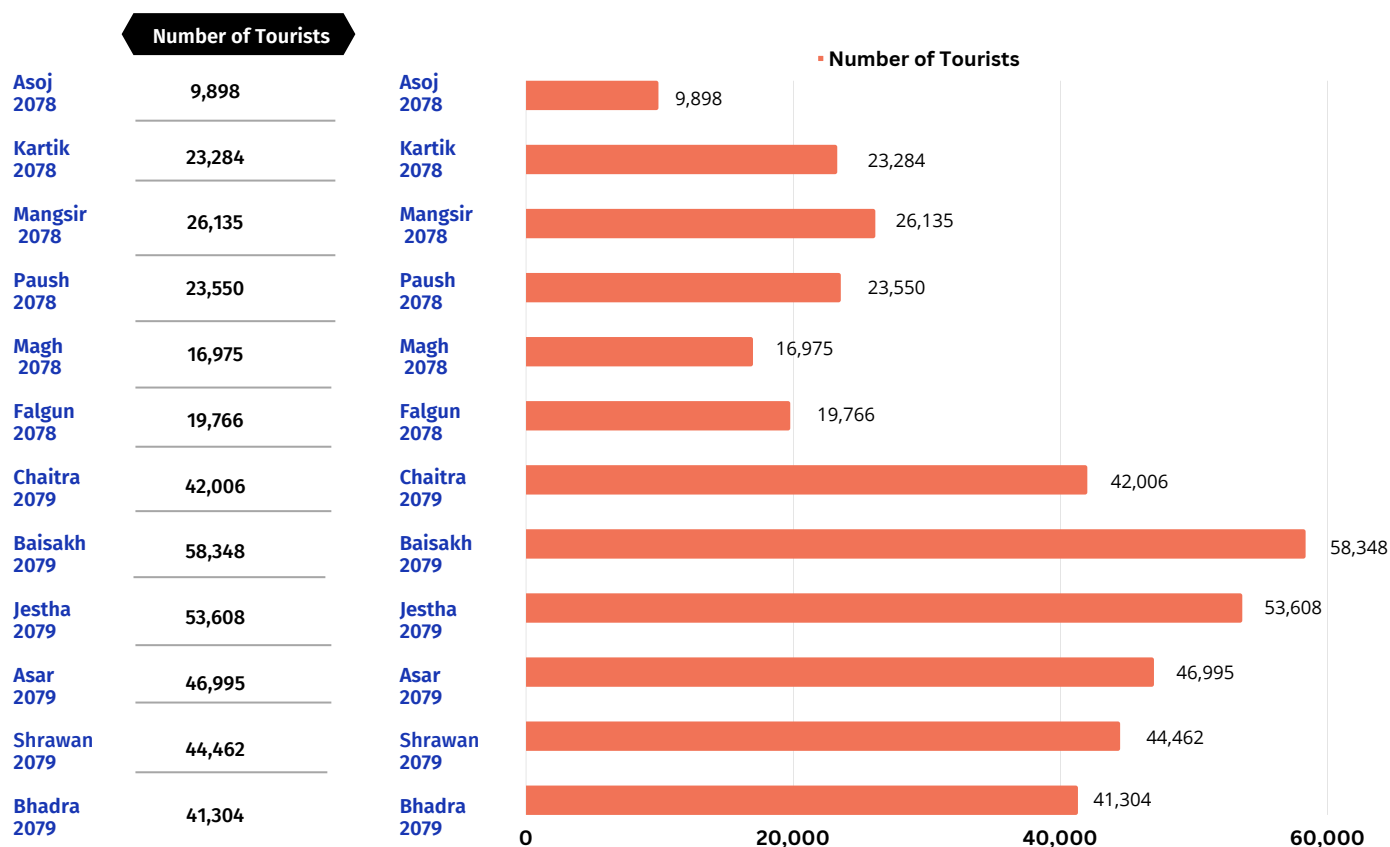
Source: Department of Customs

## LABOR PERMITS ISSUED

	NEW ENTRY			RE-ENTRY			TOTAL		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Shrawan 2078	13,035	765	13,800	11,255	373	11,628	24,290	1,138	25,428
Shrawan 2079	38,200	4,529	42,729	18,597	1,713	20,310	56,797	6,242	63,039
Bhadra 2078	23,456	1,236	24,692	10,762	586	11,348	34,218	1,822	36,040
Bhadra 2079	51,573	6,120	57,693	17,311	1,399	18,710	68,884	7,519	76,403

Source: Department of Foreign Employment

## NUMBER OF TOURIST ARRIVAL IN LAST 12 MONTHS

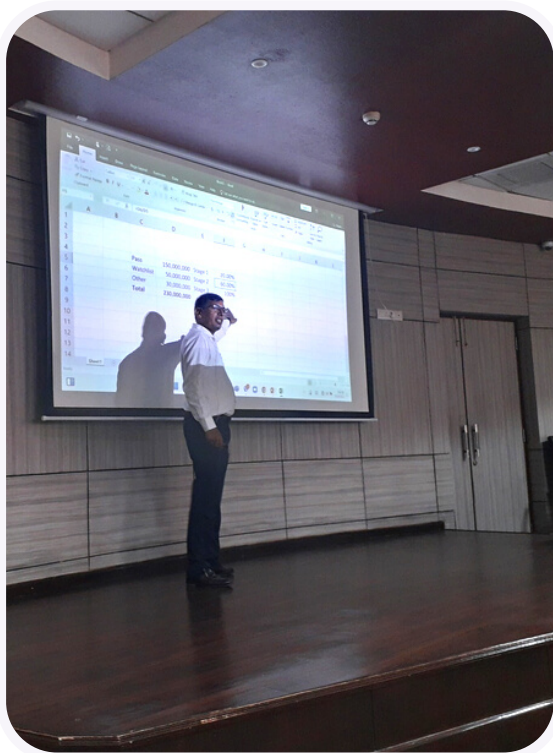


Source: Nepal Tourism Board



# NBA ACTIVITIES

SHRAWAN - ASHOJ 2079



## DISCUSSION ON NEPAL FINANCIAL REPORTING STANDARD (NFRS) 9

**September 29, 2022** - Nepal Bankers' Association (NBA) organized an interactive discussion program on **NFRS 9**. The program objective was to enhance the level of understanding on the subject matter, as well as raise the preparedness level at the banks.

As a resource person, Mr. Jagadish Kumar, Deputy Director of Nepal Rastra Bank, delivered a presentation on NFRS 9 and shared his experience on the subject matter.

The event was highly interactive where Chief Financial Officers (CFOs) and Chief Risk Officers (CROs) of member banks discussed on challenges of implementing NFRS 9 in their banks. Mr. Kumar assured that NRB will provide its full support to banks in implementing NFRS 9. Mr. Satish Raj Joshi, NBA Finance Committee Coordinator highlighted that the Committee Members are actively working on the areas of NFRS 9, and the way forward shall be shared with all for further review/suggestions.

## WORKSHOP ON FINTECH DEVELOPMENT IN NEPAL

**September 20, 2022** - Nepal Bankers' Association (NBA) in collaboration with International Finance Corporation (IFC), organized an interaction on **"Fintech Development in Nepal"**. The objective of the program was to discuss the challenges, opportunities and status of current Digital Financial Service (DFS) market in Nepal.

Mr. Anil Sharma, Executive Director – NBA welcomed all the participants and thanked IFC for arranging the meeting. He highlighted on the growth in digital banking in Nepal along with future opportunities and emerging risks. Further, he expressed that the session would be very much beneficial for the banking industry to learn about DFS space in the international market and the prospects for future expansion.

During the session, Ms. Nilima Chhabil Ramteke - Global Payment Systems Development Specialist from The World Bank delivered a presentation on Fintech Development in Nepal, where she shared the priorities for the banking sector in the DFS and World Bank Group's experiences from Nepal as well as region/global.

In the interaction, the participants expressed Nepal's experience on current status of DFS and also provided suggestions on how digital financial service can be flourished more effectively for developing countries like Nepal and significant role to be played by IFC in such areas.



Mr. Ashim Nepal – Operations Officer (IFC), Mr. Dilip Santlani - Digital Financial Services Expert (IFC), Ms. Suvekshya Bhandari- Consultant (IFC), Mr. Siddhartha Prasai- Country Analyst (IFC), Members from NBA Digital Banking Committee and NBA IT Committee along with officials from NBA participated in the program.



## MEETING WITH IFC

September 12, 2022 – Nepal Bankers' Association (NBA) held a meeting with International Finance Corporation (IFC), World Bank Group, on psychometrics and overall SME finance. The meeting mainly discussed on the present situation of SMEs and the major obstacles that the commercial banks are facing to lend the SMEs.

During the meeting, a novel idea known as "psychometrics" was also discussed, which is planned to be launched in two banks as a pilot project. The meeting also covered potential future cooperation between the two organizations for the advancement of Nepal's banking sector. The meeting was chaired by the NBA President Mr. Anil Kumar Upadhyay.

## FINANCIAL LITERACY PROGRAM IN JAJARKOT

September 6, 2022 – Nepal Bankers' Association (NBA) Karnali Committee, organized one-day interaction program on **"Financial Literacy and Concessional Loan"** with a special focus on current policy and provisions. The program was held at Khalanga, Jajarkot, Karmali Province. The program's primary goal was to discuss with the stakeholders about the different aspects of the concessional loan and to provide information related to financial literacy.

The program was conducted in the presence of Honorable Mr. Ganesh Prasad Singh as the Chief Guest; Mr. Binaya Sigdel, Province Head, Nepal Rastra Bank; Mr. Kali Bahadur Khatri, Chief District Coordination Committee; Mr. Ram Bahadur Shahi, Chief District Officer; Mr. Padam Sodari, Head of Karnali Province, Beema Samiti. The program was chaired by NBA Karnali Committee Coordinator Mr. Rajan Kumar Pokharel.

During the program, Mr. Pokharel made a presentation in which he disseminated policy related information set by the Central Bank on

## INTERACTION PROGRAM ON THE GOVERNANCE OF ESG

September 14, 2022 - Nepal Bankers' Association (NBA) in collaboration with FMO, Dutch Entrepreneurial Development Bank, organized an interaction program on **"The Governance of ESG"**. The objective of the program was to discuss on how corporate governance could be a useful tool to implement sustainability policies, E&S regulations and guidelines.



In the program, Gustavo Rojas-Bermudez, Senior Corporate Governance Officer, FMO delivered a presentation covering the areas such as Materiality of ESG, ESG Governance and Climate Governance and Resilience. The event was highly interactive where the participants shared their experiences in implementing ESG and the potential contribution of the corporate sector can make towards climate governance and resilience.

The Head of ESG, Chief Risk Officers, ESG professionals and other officials from banks and financial institutions, and other organizations participated in the program.

concessional loan and covered various aspects related to financial literacy.



The participation and engagement of local community helped to make the program successful. The participants also requested to conduct similar program in future as well since they found it very effective and informative.

## VISA LEADERSHIP CONCLAVE

**August 31, 2022** – Visa organized “Visa Leadership Conclave – Payment Innovation for Digital Nepal” where Mr. Anil Sharma, Executive Director - Nepal Bankers’ Association (NBA) participated as Guest of Honor. During his address, he shared about Nepal's accomplishments in digital banking as well as its challenges and future prospects; improving knowledge on payment systems; rising cyber security concerns; as well as highlighted the current services offered to customers. He also proposed to have close collaboration and support from all the stakeholders.

The program was graced by Dr. Neelam Dhungana Timsina, Deputy Governor, Nepal Rasta Bank, as the Chief Guest of the event; Guest of Honor - Mr. Mark Templer, DCM, U.S. Embassy Nepal and Mr. Guru Prasad Poudel, Executive Director, Nepal Rastra Bank.

Along with CEOs and senior officials from banks, representatives from PSPs, PSOs and various other organizations were present during the program.



A presentation was shared by Mr. Soumya Basu, Country Manager highlighting how to scale up and adopt more digitization to support the vision of Digital Nepal and showcased the payment solutions. The goal of the program was to bring the financial industry leaders together, recognize the clients, and celebrate its achievements.

## MEETING WITH CIB



**August 23, 2022** - Nepal Bankers’ Association (NBA) held an interaction program with Central Investigation Bureau (CIB) at NBA office in the presence of CIB officials; AIGP Mr. Uttam Raj Subedi, SSP Mr. Dinesh Acharya, SSP Mr. A.M. Chandra Bahadur Dhama and the CEOs of commercial banks. The objective of the program was to discuss and share the different dimension of financial fraud and crimes which is increasing in recent days because of the technological advancement and the misuse of the social media platform. During the program SSP Mr. Dhama delivered a presentation highlighting the current picture of the financial fraud and crimes, NRB regulations,

bank's position, roles and responsibilities of the stakeholders to combat the present challenges. NBA President Mr. Anil Kumar Upadhyay further emphasized that in order to address the numerous security issues that the banking industry faces daily, cooperation and coordination among all stakeholders are crucial. The session was very enlightening and contextual. In the program, all of the attendees actively engaged in sharing their experiences.

## OECD/INFE MEMBERSHIP

**August 3, 2022** - Nepal Bankers’ Association became Affiliate Member of Organization of Economic Co-operation and Development/International Network on Financial Education (OECD/INFE). OECD, whose headquarter is based in France, promotes and facilitates international co-operation between policy makers and other stakeholders on financial education issues worldwide.

It is believed that the new association would help NBA to promote financial education and also build capacity development to implement an innovative and effective financial literacy program.

## NEPAL BANKERS' ASSOCIATION