

QUARTERLY NEWSLETTER

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(JANUARY, 2023)

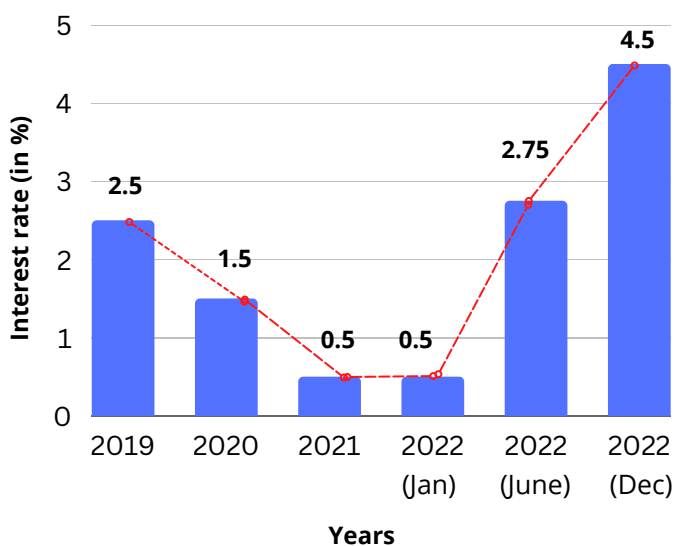


GLOBAL OUTLOOK

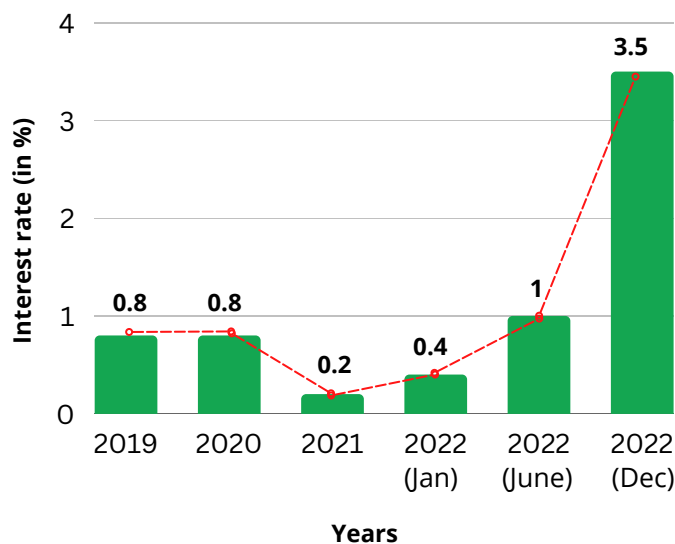
Interest Rate Change in Major Economies

As a result of tightening monetary policy of different countries, a significant change in the interest rate has been observed in major economies. Looking at last four years, the interest rate in major economies were at a stable rate. However, since the start of 2022, interest rates soared in majorities of the financially strong and stable economies.

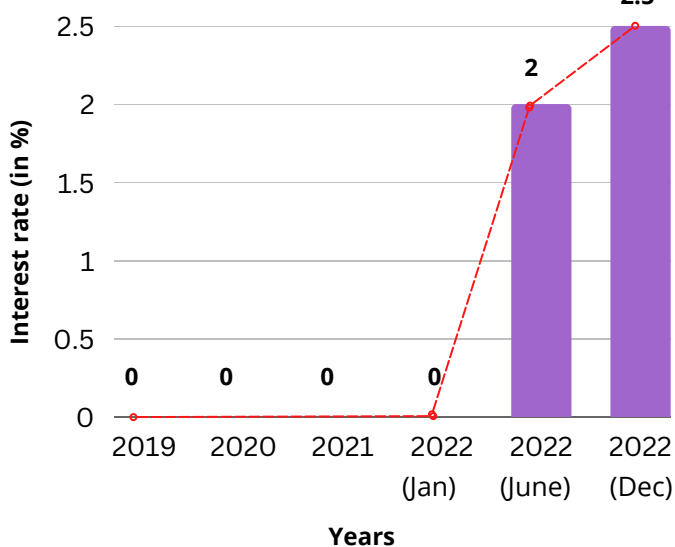
United States



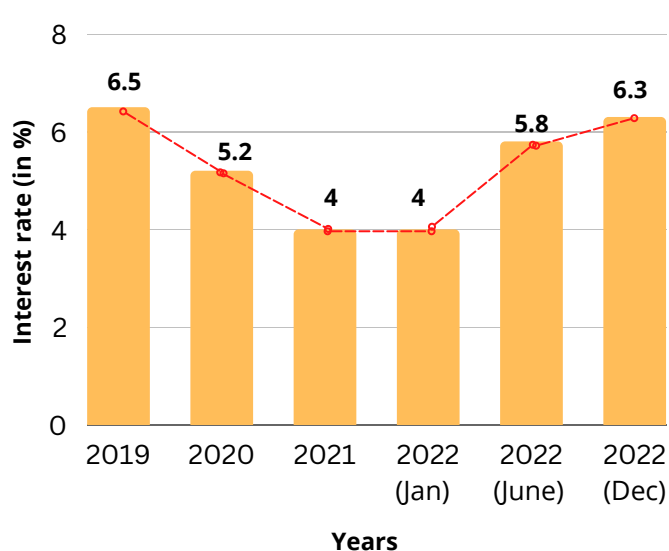
Bank of England



European Central Bank



Reserve Bank of India



World Economic Outlook Growth Projection

	2021 (%)	2022 (Estimate) (%)	2023 (%)	2024 (%)
WORLD OUTPUT	6.2	3.4	2.9	3.1
Advanced Economies	5.4	2.7	1.2	1.4
• United States	5.9	2.0	1.4	1.0
• Euro Area	5.3	3.5	0.7	1.6
• Japan	2.1	1.4	1.8	0.9
• United Kingdom	7.6	4.1	-0.6	0.9
• Canada	5.0	3.5	1.5	1.5
Emerging Market and Developing Economies	6.7	3.9	4.0	4.2
• Emerging and Developing Asia	7.4	4.3	5.3	5.2
• Emerging and Developing Europe	6.9	0.7	1.5	2.6
• Latin America and the Caribbean	7.0	3.9	1.8	2.1
• Middle East and Central Asia	4.5	5.3	3.2	3.7
• Sub-Saharan Africa	4.7	3.8	3.8	4.1

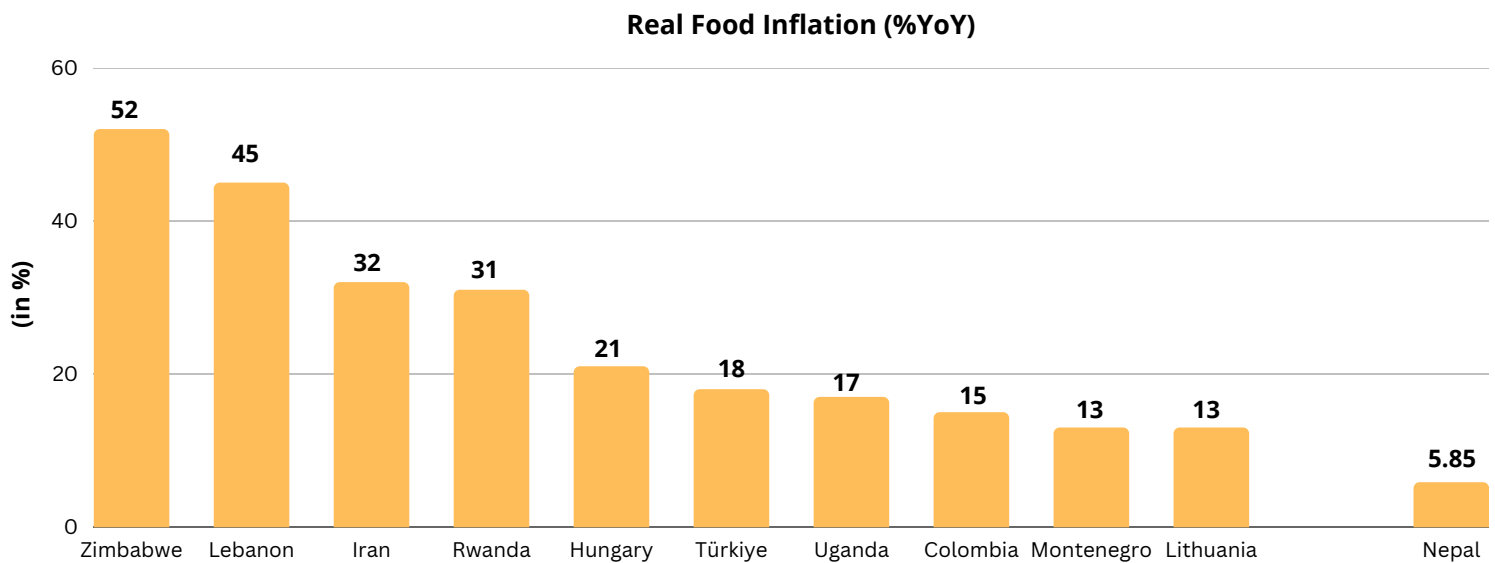
Source: International Monetary Fund, World Economic Outlook, January 2023

India Budget Highlights 2023-2024

- The agriculture credit target will be increased to 20 lakh crore with focus on animal husbandry, dairy and fisheries.
- Capital investment outlay is being increased by 33 per cent to 10 lakh crore, which would be 3.3 per cent of GDP.
- Continuation of the 50-year interest free loan to state governments for one more year.
- For enhancing ease of doing business, more than 39,000 compliances have been reduced and more than 3,400 legal provisions have been decriminalized.
- To unleash innovation and research by start-ups and academia, a National Data Governance Policy will be brought out.
- The KYC process will be simplified adopting a 'risk-based' instead of 'one size fits all' approach. The financial sector regulators will also be encouraged to have a KYC system fully amenable to meet the needs of Digital India.
- For the business establishments required to have a Permanent Account Number (PAN), the PAN will be used as the common identifier for all digital systems of specified government agencies.
- For obviating the need for separate submission of same information to different government agencies, a system of 'Unified Filing Process' will be set-up.
- To facilitate efficient flow of credit, promote financial inclusion, and foster financial stability, A national financial information registry will be set up to serve as the central repository of financial and ancillary information.
- To ease and reduce cost of compliance, financial sector regulators will be requested to carry out a comprehensive review of existing regulations.
- Fiscal support for this digital public infrastructure will continue in 2023-24.

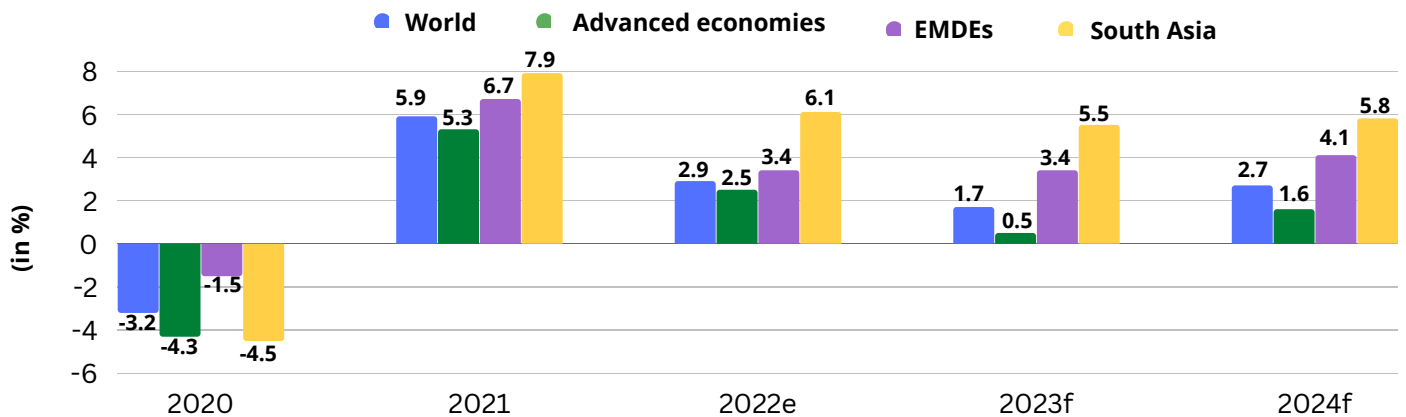
Source: Ministry of Finance, India

Food Price Inflation: Top Ten Countries



Source: International Monetary Fund, Haver Analytics, and Trading Economics (December, 2022)

Real GDP Forecast



Source: World Bank Global Economic Prospects, January 2023 e= estimated f= forecast

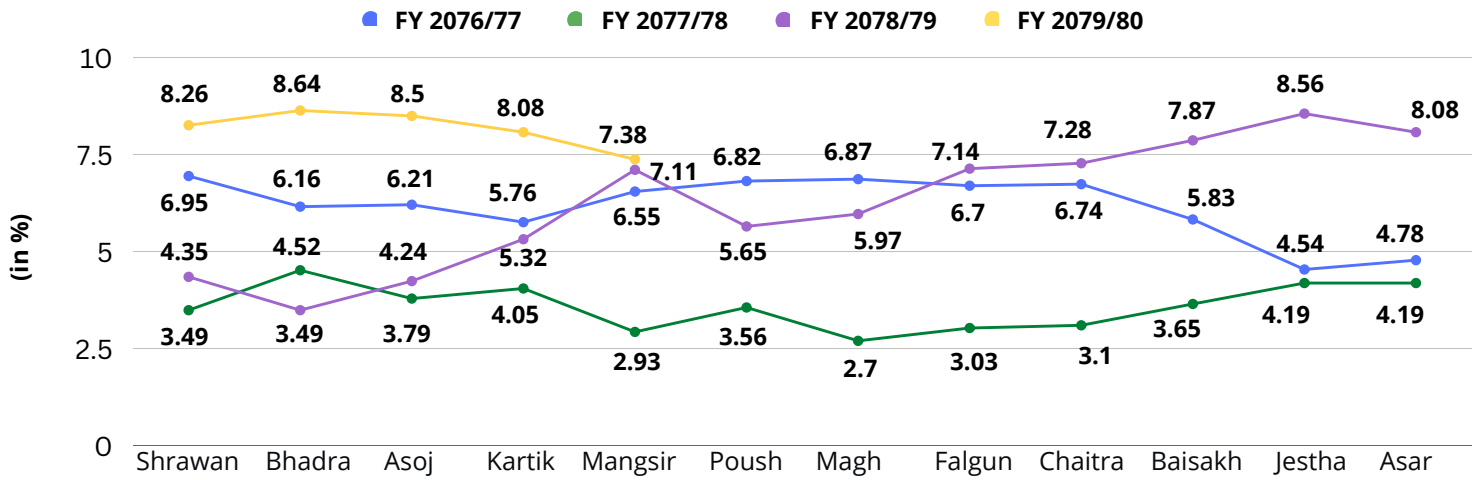
Asian Development Outlook Highlights

- Three main headwinds continue to hamper recovery in developing Asia: recurrent lockdowns in the People's Republic of China, the Russian invasion of Ukraine, and slowing global growth. Growth forecasts for the region are revised down from 4.3% to 4.2% in 2022 and from 4.9% to 4.6% in 2023.
- East Asia's growth forecasts are revised down to 2.9% in 2022—due to the mobility restrictions mentioned above plus deep contraction in Hong Kong, China—and down to 4.0% in 2023.
- The South Asian forecast for 2022 is maintained at 6.5% but revised down marginally for 2023 from 6.5% to 6.3% following a slowdown in Bangladesh and flooding in Pakistan.
- The 2022 forecast for Southeast Asia is upgraded from 5.1% to 5.5% on robust consumption and tourism recovery in Malaysia, the Philippines, Thailand, and Viet Nam. The 2023 forecast is revised down to 4.7% as global demand weakens.
- Growth prospects in the Caucasus and Central Asia are adjusted up from 3.9% to 4.8% in 2022 as spill over from the Russian invasion of Ukraine has been more benign than expected. The growth forecast for the Pacific in 2022 is also revised up, from 4.7% to 5.3% on a strong tourism rebound in Fiji.
- Regional inflation forecasts are revised down slightly for 2022 from 4.5% to 4.4% but upgraded for 2023 from 4.0% to 4.2%. Even with outlook deterioration, developing Asia will grow more than other regions and suffer less inflation than most.
- Multiple risks abound as the three main headwinds could worsen, along with geopolitical risks and climate change.

Source: Asian Development Supplements (December, 2022)

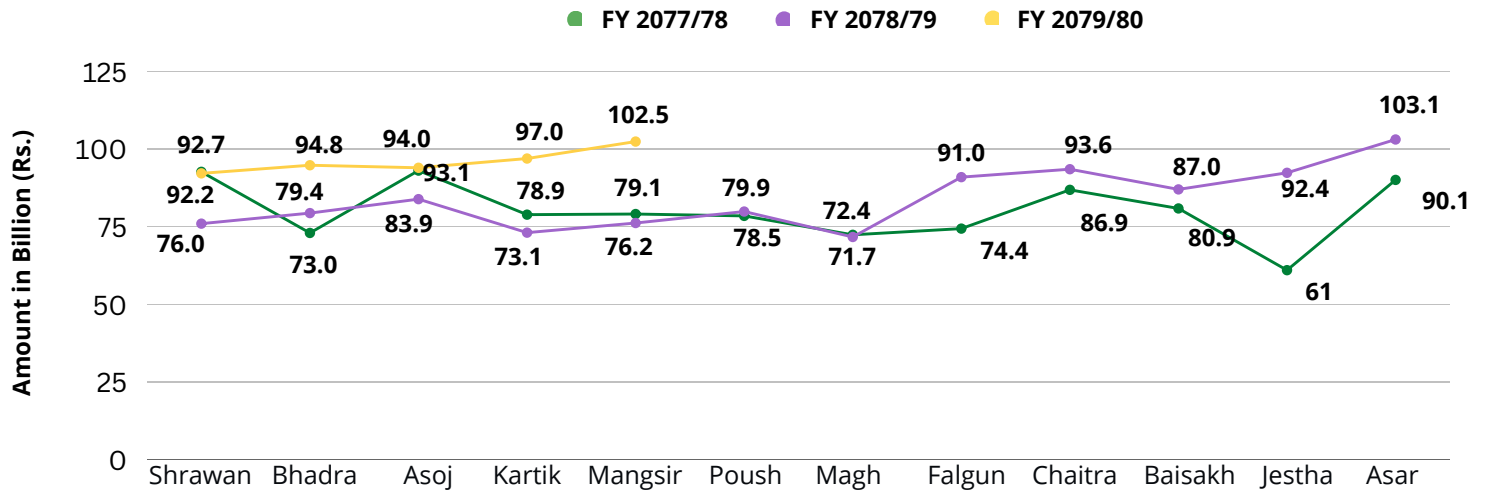
NATIONAL OUTLOOK

Inflation



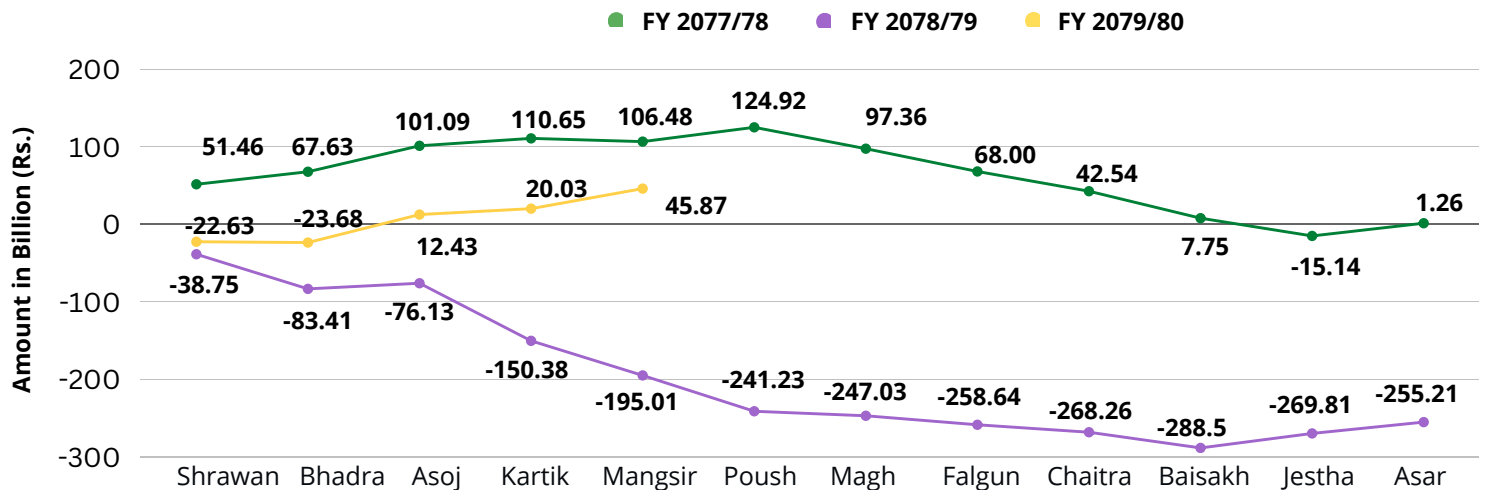
Source: Nepal Rastra Bank (NRB)

Inward Remittance



Source: Nepal Rastra Bank (NRB)

Balance of Payment



Source: Nepal Rastra Bank (NRB)

Export and Import FY 2079/80

TRADE INDICATORS:	Changes (%)			
	FY 2078/79 (First Six Months)	FY 2079/80 (First Six Months)	FY 2079/80	FY 2078/79
Imports (Rs.in `000)	999,342,708	792,666,289	-20.68	51.13
Exports (Rs.in `000)	118,850,960	80,807,421	-32.01	95.48
Trade Deficit (Rs.in `000)	880,491,747	711,858,868	-19.15	46.64
Total Foreign Trade (Rs.in `000)	1,118,193,668	873,473,710	-21.89	54.86
Imports/Exports Ratio (%)	8.41	9.81	16.66	-22.69
Exports Share to Total Trade (%)	10.63	9.25	-12.96	26.23
Imports Share to Total Trade (%)	89.37	90.75	1.54	-2.41

Source: Department of Customs

Government Revenue and Expenditure

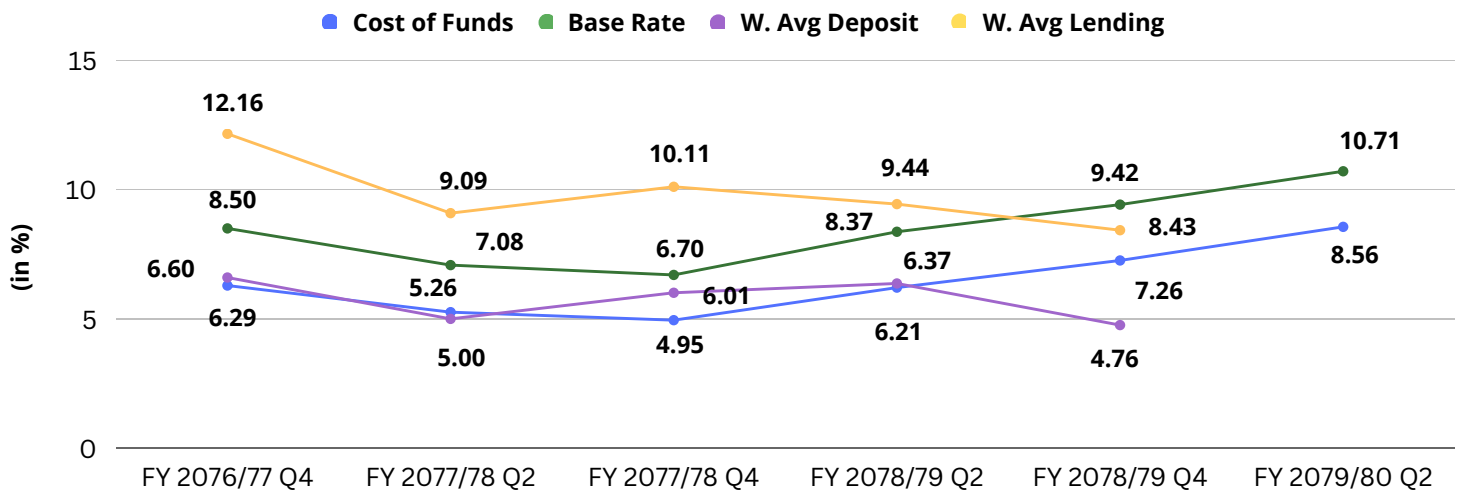
Amount in Lakh (00000)

As of 2079, 30 Poush	Target/Budget	Collected	Percentage	Last Year - Percentage
REVENUE:				
1. Revenue	14,031,470	4,589,868	32.71 %	45.91 %
a) Tax Revenue	12,953,758	4,052,693	31.29 %	46.26 %
b) Non-Tax Revenue	1,077,712	537,175	49.84 %	42.67 %
2. Grants	554,583	48,020	8.66 %	23.17 %
3. Other Receipts	0	310,570	0 %	0 %
TOTAL RECEIPTS OF GON (1+2+3):	14,586,053	4,948,458	33.93 %	47.57 %
EXPENDITURE :				
1.Total Expenditure from Treasury (a+b+c)	17,938,373	5,763,476	32.13 %	31.03 %
a. Recurrent	11,832,351	4,551,270	38.46 %	38.15 %
b. Capital	3,803,845	534,552	14.05 %	13.44 %
c. Financing	2,302,177	677,654	29.44 %	26.12 %

Source: Financial Comptroller General Office

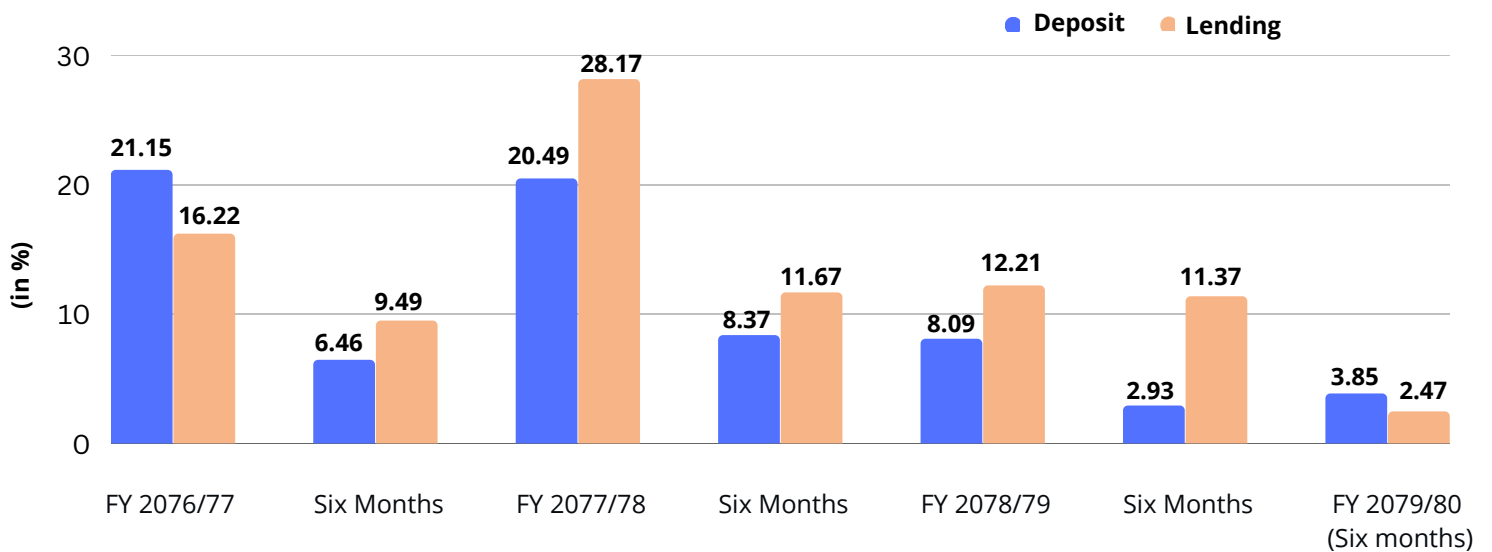
NEPALESE BANKING INDUSTRY

Base Rate, Cost of Funds, W. Avg Deposit and Lending



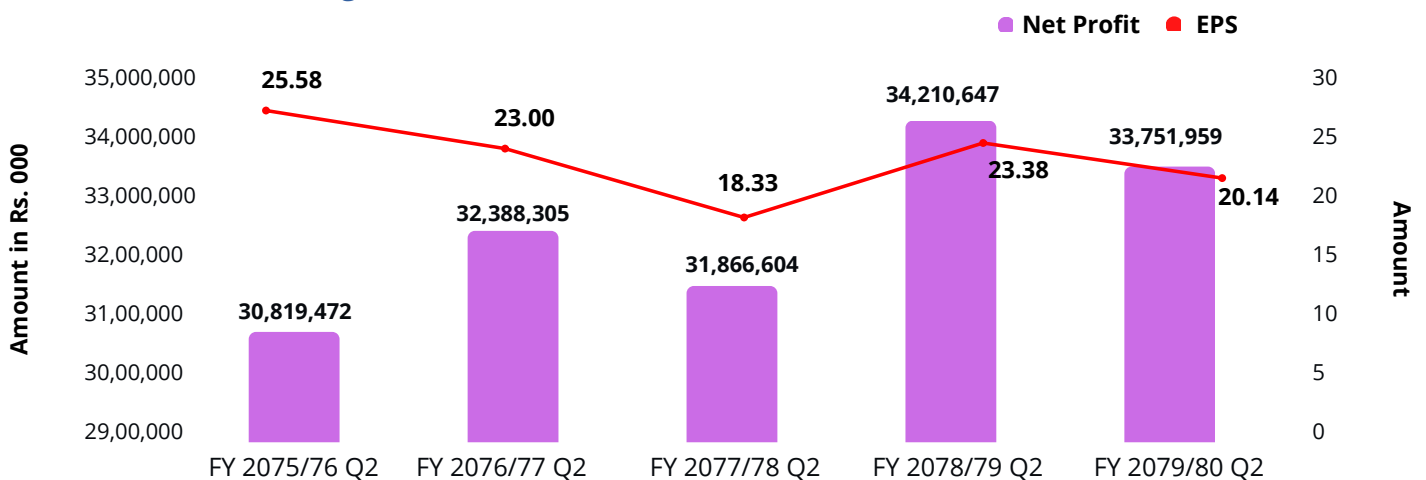
Source: Nepal Bankers' Association

Deposit and Lending Growth



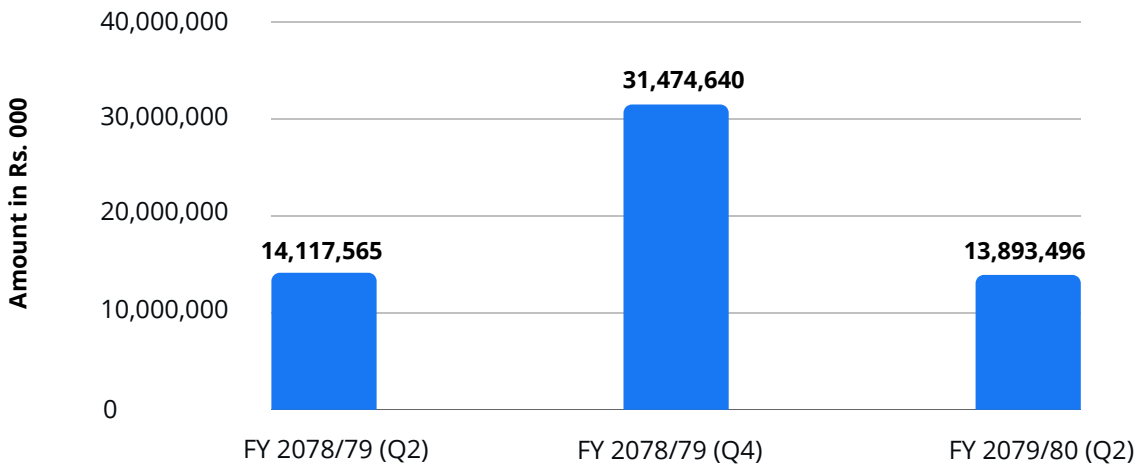
Source: Nepal Bankers' Association

Net Profit and Earning Per Share



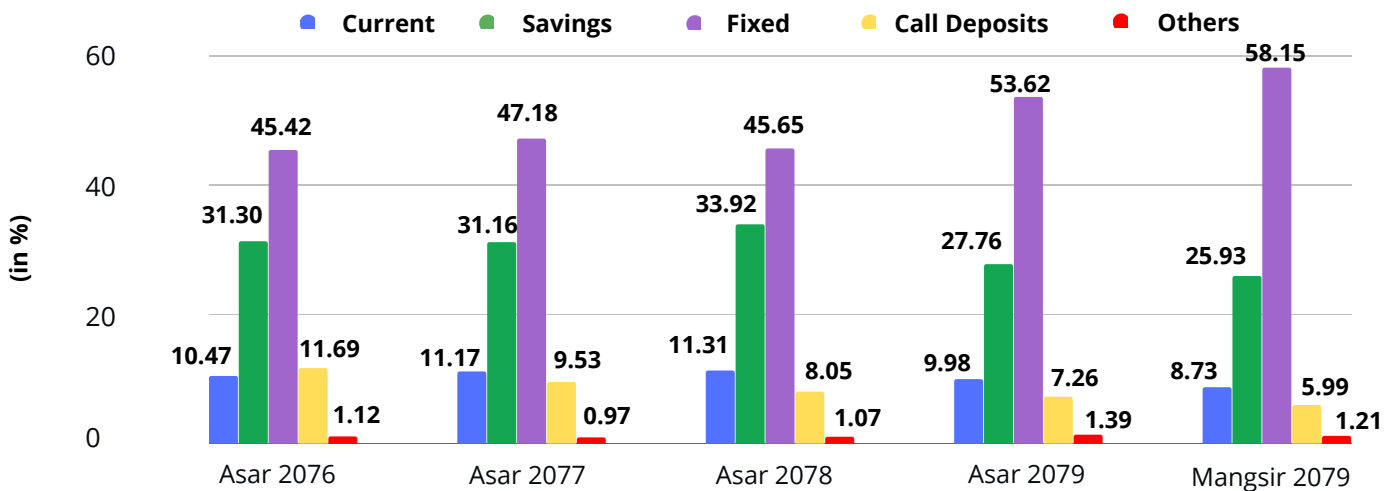
Source: Nepal Bankers' Association

Income Tax Payment



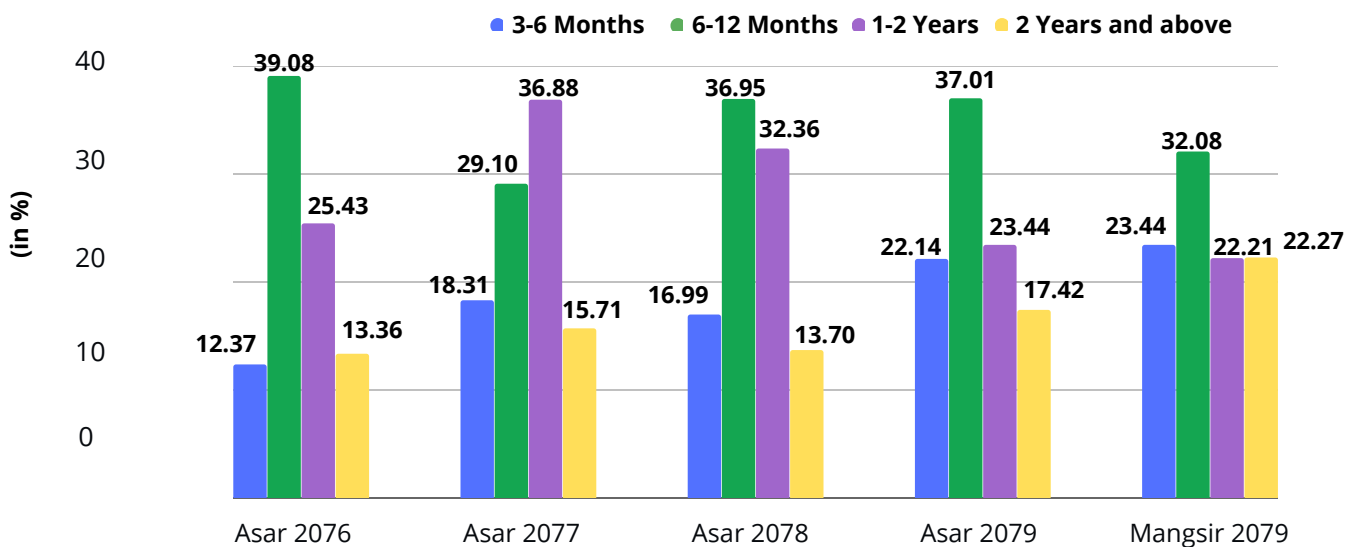
Source: Nepal Bankers' Association

Fixed Deposit Composition



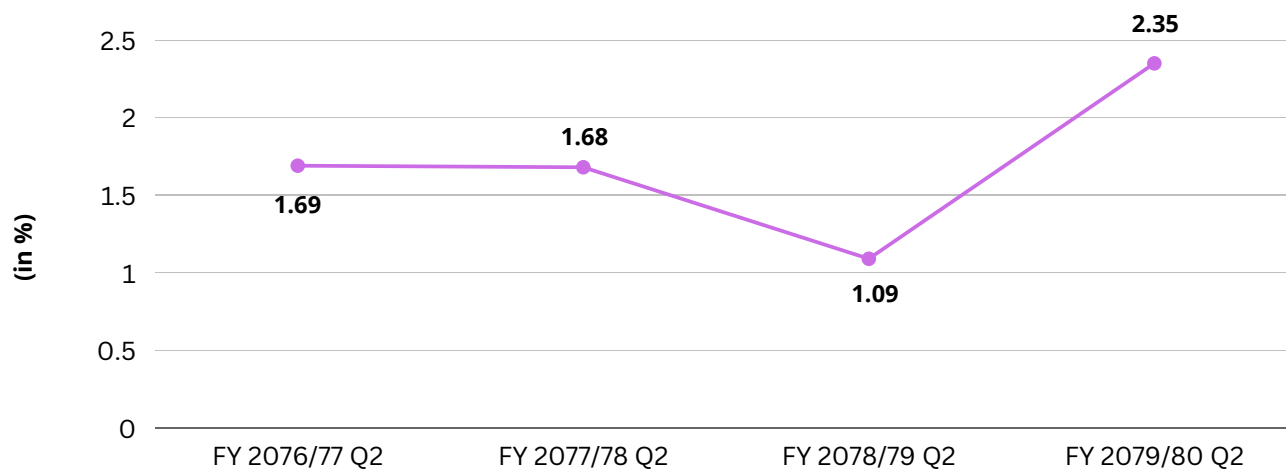
Source: Nepal Bankers' Association

Fixed Deposit Period-wise



Source: Nepal Bankers' Association

Non-Performing Loan



Source: Nepal Bankers' Association

Sector-wise Lending Growth

Amount in Millions (Rs.)

	Mangsir 2076	Mangsir 2079	Change	% Change
Agricultural and Forest Related	146,937	311,818	164,881	112.21
Fishery Related	4,096	12,072	7,976	194.73
Mining Related	6,426	9,772	3,346	52.07
Agriculture, Forestry & Beverage Production Related	510,619	742,709	232,090	45.45
Construction	274,210	159,161	-115,049	-41.96
Electricity, Gas and Water	134,009	253,371	119,362	89.07
Metal Products, Machinery & Electronic Equipment & Assemblage	35,095	72,626	37,531	106.94
Transport, Communication and Public Utilities	69,084	81,749	12,665	18.33
Wholesaler & Retailer	581,288	885,510	304,222	52.34
Finance, Insurance and Real Estate	209,237	305,183	95,946	45.86
Hotel or Restaurant	117,037	178,036	60,999	52.12
Other Services	117,425	185,288	67,863	57.79
Consumption Loans	136,041	755,023	618,982	455.00
Local Government	1,510	1,081	-429	-28.41
Others	323,110	270,395	-52,715	-16.31
TOTAL	2,666,122	4,223,793	1,557,671	58.42

Source: Nepal Rastra Bank (NRB)

NBA ACTIVITIES

KARTIK - POUISH 2079

Meeting with IMF- FSSR

November 9, 2022- Nepal Bankers' Association (NBA) held a meeting with International Monetary Fund, Financial Sector Stability Review (FSSR) mission to Nepal. The meeting mainly discussed on the regulatory and supervisory practices in the Nepalese banking system and the current financial situation. The discussion also covered the main challenges that the banking industry is currently dealing with and the role that the regulatory body is playing in addressing these issues.

It is expected that the meeting's outcome will contribute to further support towards maintaining the financial stability at a time when the financial sector is dealing with several challenges. Officials from IMF FSSR Mission met with some Executive Committee members during the meeting.



Meeting with Milliman Team

November 11, 2022- Nepal Bankers' Association (NBA) held a meeting with representatives from Milliman and Actuarial Society of Nepal to discuss on the current actuarial landscape in Nepal and identify how the banking sector can make use of the expertise of the actuaries to meet market needs. The meeting also discussed about the gaps within the working environment, education systems for the actuarial professionals and talked on potential opportunities where Milliman can support the banking sector.



The consultation was part of UNDP-Milliman Global Actuarial Initiative. UNDP has teamed up with Milliman, one of the largest international actuarial consultancy firms, to provide support to developing countries to help build actuarial capacity, and Nepal has been chosen as one of the countries.

Meeting with SOMTU and BSM

November 16, 2022 - Nepal Bankers' Association held a meeting with representatives from School of Management Tribhuvan University (SOMTU) and Barcelona School of Management - Universitat Pompeu Fabra (UPF-BSM).



The meeting mainly discussed on the relevancy of Environmental, Social and Governance (ESG) in Nepalese banking and financial sector; policy perspective on ESG

and Sustainability issues in the financial sector; and possible opportunities to generate expertise and support from NBA in transforming the higher education towards ESG/Sustainability.

It was also shared during the meeting that SOMTU has initiated the discussions with UPF-BSM to launch Postgraduate program on ESG that will offer technical and strategic keys to make ESG and sustainability one of the central focuses in the management of an organization.

Dr. Govinda Tamang, Acting Director and Dr. Gangaram Biswakarma, Deputy Director from School of Management Tribhuvan University; Mr. Marcos Eguiguren Huerta and Ms. Ana Freire from Barcelona School of Management -Universitat Pompeu Fabra; along with representatives from NBA Mr. Anil Sharma, Ms. Namita Dixit, Ms. Neeku Acharya and Mr. Sharad Negi Tuladhar were present in the meeting.

Meeting with GVE Ltd

December 2, 2022- Nepal Bankers' Association (NBA) held a meeting with representatives from GVE Ltd. The meeting mainly discussed about digital payment system in Nepalese banking industry and various mechanisms used by banks for promoting digital payment system. Similarly, the status of technology used in Nepal's payment system and telecommunication infrastructure was also discussed in the meeting.



Representatives from GVE Ltd. shared a brief experience of payment system being operated in Japan and how such modules could be beneficial for Nepalese banking industry. It was also shared during the meeting that GVE Ltd. would provide necessary assistance for uplifting digital payment system in Nepalese banking industry.

The representatives were from GVE Ltd. and Global Capital Investment Co. Ltd. led by Mr. Koji Fusa, CEO and Mr. Dev Man Hirachan, Chairman respectively; along with NBA Executive Director Mr. Anil Sharma, Mr. Sushil Ratna Bajracharya, Mr. Bikash Shrestha, Mr. Rishi Ram Dhakal, Mr. Binay Regmi were also present in the meeting.

NBA's 36th AGM and Annual Function

December 12, 2022 - Nepal Bankers' Association (NBA) successfully completed its 36th Annual General Meeting (AGM). During the AGM, three Members in the Executive Committee were elected unopposed. Among three elected Members, Mr. Dipak Kumar De, Chief Executive Officer, Nepal SBI Bank Limited and Mr. Santosh Koirala, Chief Executive Officer, Machhapuchchhre Bank Limited were re-elected, while Mr. Sudesh Khaling, Chief Executive Officer, Everest Bank Limited was newly elected as Member.



On the occasion of AGM, NBA also held Annual Function. During the function, Dr. Tilak Rawal was presented with a Certificate of Honour in recognition of his significant and unceasing contribution to the banking industry and the economy. Dr. Rawal has held a number of high-profile positions in various national and international organizations including Governor of Nepal Rastra Bank, Constituent Assembly Member, President of NBA, Executive Chairman of Rastriya Banijya Bank Limited, General Manager of Agricultural Development Bank Limited, among others.

NBA President Mr. Anil Kumar Upadhyay, delivered welcome remarks where he highlighted that establishing a common ground between the Government, Nepal Rastra Bank and the Private Sector is a major challenge at present. Furthermore, he shared about the current market position, resource collection efforts, economic downturn and the strain in liquidity brought on by widening trade imbalance all of which has an impact in the banking sector. He further stated that banks are facing additional challenges including continuous decline in ROE.

After receiving Certificate of Honour, Dr. Rawal, thanked NBA for it and during his address shared about the economic problems observed globally and how Nepal's economy is relatively stronger than a lot of other South Asian nations. He added that everyone should collaborate to tackle the current issues to further strengthen the economy.

Chief Guest of the Program Honorable Governor Mr. Maha Prasad Adhikari said that the country's economy is improving and availability of liquidity in banks is gradually increasing. Additionally, he stated that Nepal Rastra Bank is cautious in controlling inflation and will not leave any efforts behind to achieve economic stability. He further emphasized that we all should put more focus on domestic production and lessen our dependence on remittances.



At the end of the program, Mr. Sunil KC, Vice-President of NBA, said that the NBA is ready to liaise with concerned stakeholders to overcome the current challenges in the economy and stressed that we all should work together. He also expressed gratitude to everyone for their participation.

The Program was attended by the Governor and senior officials from Nepal Rastra Bank, officials from the Ministry of Finance, Representatives from various Associations and Organizations, Board Members and senior management from banks, media and various other industry stakeholders.

Meetings with APG Assessors

December 14, 2022- Nepal Bankers' Association (NBA) along with its Committee Members participated in a discussion program with Asia Pacific Group (APG) AML/CFT Mutual Evaluation team at Office of Prime Minister and Council of Ministers.



During the meeting, APG Mutual Evaluation team and NBA team discussed in different aspects of AML/CFT. Mr. Ashoke SJB Rana, NBA Advisor (CEO, Himalayan Bank Ltd.)

mentioned that growing number of anti-money laundering cases is definitely seen as one of the major challenges worldwide and that Nepalese Banks and Financial Institutions (BFIs) cannot remain untouched from it, however, the banks have been fully committed in complying with the FATF International Standards and Regulations. Mr. Rana also highlighted that the ongoing mutual evaluation is of great importance to us, and BFIs in Nepal are all committed to implement suggestions received.

Meeting was attended by Mr. Ashoke SJB Rana, Mr. Anil Sharma, NBA Executive Director and NBA Compliance Committee members - Ms. Binita Jain, Mr. Sagun Pathak & Mr. Sanjay Pant.

Meeting with the Deputy Prime Minister and Finance Minister

December 28, 2022 – The Executive Committee Members of Nepal Bankers' Association (NBA) met with newly appointed Hon. Deputy Prime Minister and Finance Minister Mr. Bishnu Prasad Paudel at the Ministry of Finance. The members congratulated him and wished for his successful tenure. During the meeting, Mr. Sunil KC, Acting President – NBA, expressed that the banking industry is dedicated and fully committed to support and cooperate for the financial stability and economic development of the nation.



Special General Meeting

January 11, 2023 – Nepal Bankers’ Association (NBA) held its Special General Meeting. The SGM was called after the position of President was vacant as Mr. Anil Kumar Upadhyay’s tenure in his representative Bank (Agricultural Development Bank) ended.



The SGM unopposedly elected Mr. Sunil KC, Chief Executive Officer, NMB Bank Ltd. as the President of NBA. Prior to this, he was the Vice-President of NBA. Mr. KC has more than three decades of experience in the banking industry and has been working as the Chief Executive Officer of NMB Bank Ltd. since Falgun 2073.

The SGM also nominated Mr. Santosh Koirala, Chief Executive Officer, Machhapuchchhre Bank Ltd. for the vacant position of Vice-President.

Thereafter, the newly formed Executive Committee of the Association is as follows-

The newly elected President KC expressed his gratitude to all for their support and trust. He assured that he would put all the dedication towards the further enhancement and success of banking sector. He also requested for everyone’s support, encouragement, assistance and suggestions in the forthcoming days.



In the program held after the SGM, the outgoing President of the Association, Mr. Anil Kumar Upadhyay, was felicitated a certificate of appreciation for his significant contribution to the entire banking sector and for leading the Association to new heights while serving in various positions. Mr. Upadhyay thanked all the fellow CEOs for their support during his tenure as the President and wished the new Executive Committee further success.

- Mr. Sunil KC, CEO, NMB Bank Ltd. – President
- Mr. Gyanendra Prasad Dhungana, CEO, Nabil Bank Ltd. – Immediate Past President
- Mr. Santosh Koirala, CEO, Machhapuchchhre Bank Ltd. – Vice-President
- Mr. Ajaya Bikram Shah, CEO, Laxmi Bank Ltd. – Member
- Mr. Dipak Kumar De, CEO, Nepal SBI Bank Ltd. – Member
- Mr. Krishna Bahadur Adhikari, CEO, Nepal Bank Ltd. – Member
- Mr. Roshan Kumar Neupane, CEO, NIC Asia Bank Ltd. – Member
- Mr. Sudesh Khaling, CEO, Everest Bank Ltd. – Member
- Mr. Suman Sharma, CEO, Sunrise Bank Ltd. – Member
- Mr. Ashoke SJB Rana, CEO, Himalayan Bank Ltd. – Advisor

Provincial Activities

CSR Activity in Madhesh Pradhesh

November 14, 2022 – Nepal Bankers' Association (NBA) Madhesh Pradhesh Committee conducted a Corporate Social Responsibility (CSR) program in Thori VDC, Parsa. The Committee members distributed school bags to school girls of five government schools. In the distribution program, Chairman of Thori VDC was also presented and highly appreciated the initiative and thanked to NBA Madhesh Pradhesh Committee for their contribution. NBA Core Committee Members encouraged students to study hard and also assured that the Committee is willing to provide necessary support (if any) for uplifting literacy level in Thori VDC.



Interaction Program on Contemporary Issues of Banking

December 16, 2022 - NBA Gandaki Province Committee organized a one-day interaction program on Contemporary Issues of Banking at Machhapuchchhre VDC, Pokhara.



Nepal Rastra Bank's Gandaki Province Head, Dr. Ram Saran Kharel was also presented in the meeting along with Gandaki Province heads of member banks. Mainly, the meeting discussed on different dimension of Working Capital Guidelines and its possible impact as felt by banks and business houses/associations. Dr. Kharel assured that the Nepal Rastra Bank (NRB) is ready to provide all necessary support to banks. During the meeting, members also discussed on half-yearly review of Monetary Policy for FY 2079/80.

Other Provincial Engagements

- ▶ November 10, 2022 - On the occasion of International Accounting Day 2022, ICAN organized a program on Importance of Accounting in Tax and Banking System in Rupendehi where NBA Lumbini Provincial Heads attended.
- ▶ December 17, 2022 - Interaction on Investment Possibilities and Opportunities in Province 1 was held at Biratnagar where Province Coordinator Mr. Bibek Bandhu Neupane attended.
- ▶ December 20, 2022 - Hotel Association of Itahari Organized an interaction program on Working Capital Guidelines 2079, at Itahari where Provincial Heads attended the program.
- ▶ December 28, 2022 - Meeting at Biratnagar Metropolitan Office to discuss on hoarding board tax, business tax and other municipal tax, NBA Province 1 Committee Members attended the program.
- ▶ January 3, 2023 - World Wildlife Fund (WWF) Nepal organized Asia's Linear Infrastructure Safe Guarding Nature (ALIGN) Project discussion in Gandaki Province, NBA Province Coordinator and Deputy Coordinator attended the program.



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