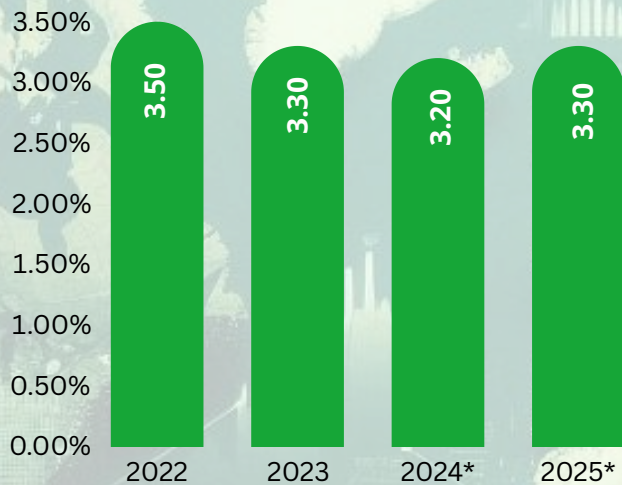


# QUARTERLY NEWSLETTER

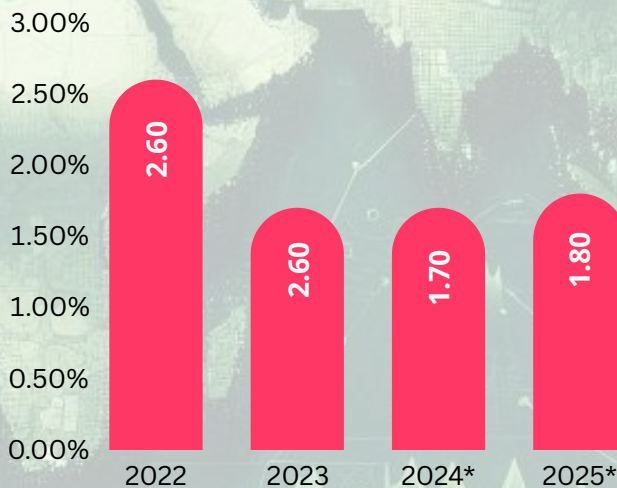
PUBLISHED BY NEPAL BANKERS' ASSOCIATION

## Global Context

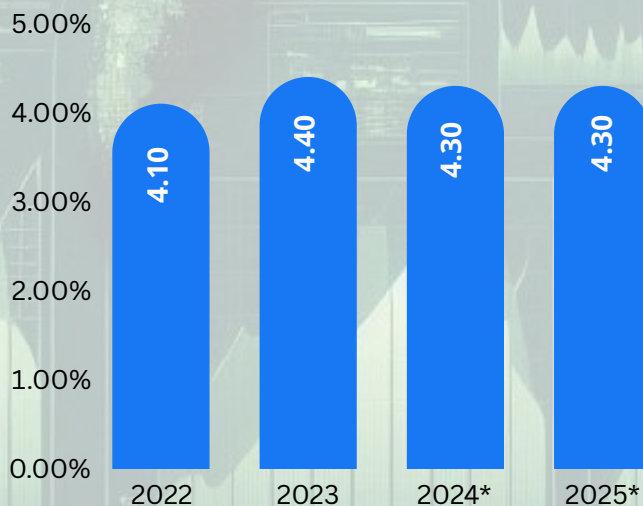
### Real GDP Growth Projections



## GLOBAL ECONOMY



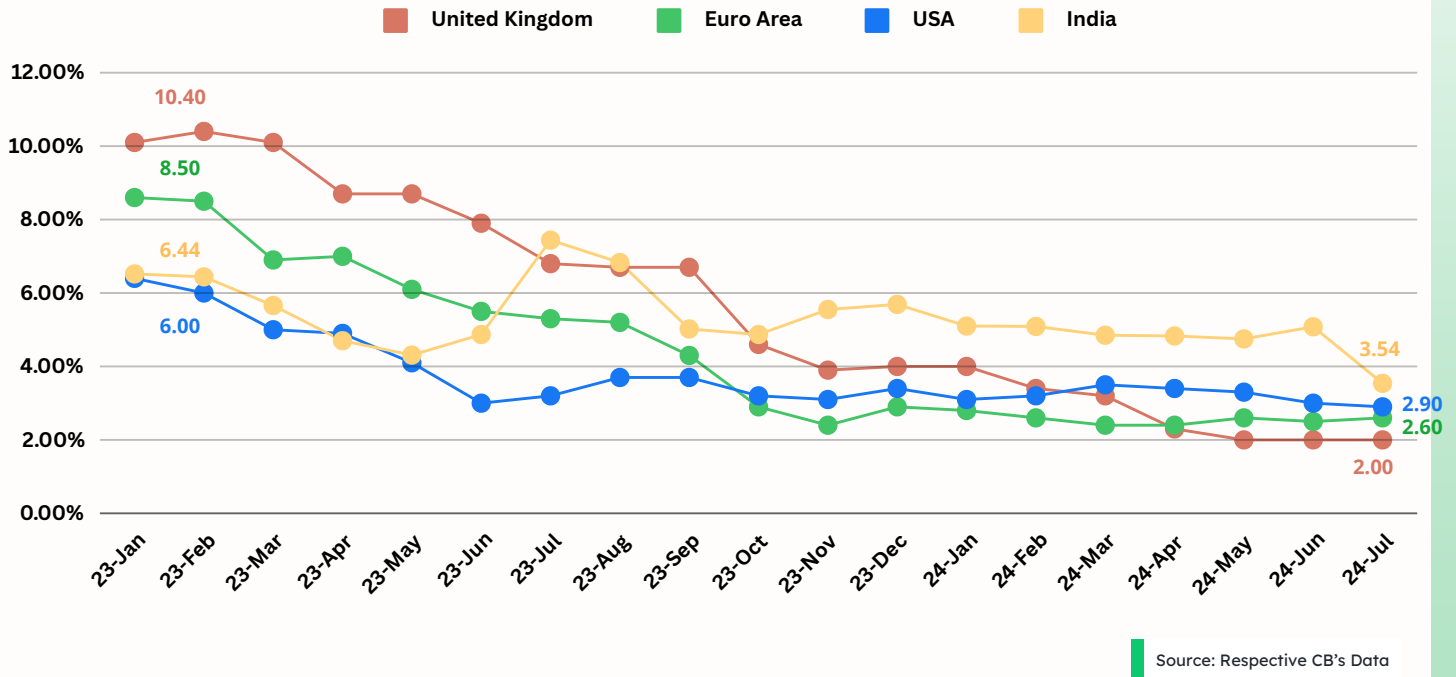
## ADVANCED ECONOMIES



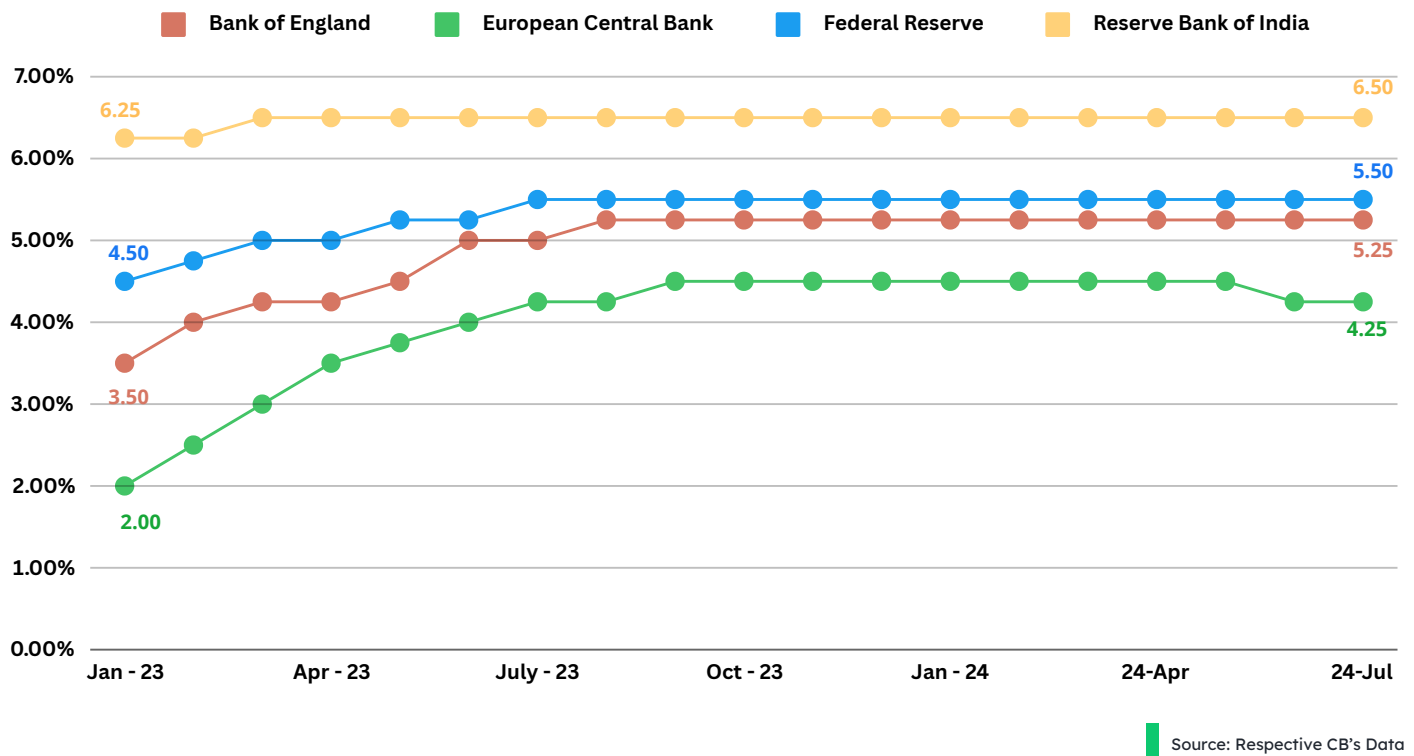
## EMERGING MARKET AND DEVELOPING ECONOMIES

\* Projected

### Inflation in Major Economies



### Central Bank's Interest Rate in Major Economies



## FDI Flows

Billions of Dollars

Region	FDI INFLOWS			FDI OUTFLOWS		
	2021	2022	2023	2021	2022	2023
World	1622	1356	1332	1882	1575	1551
Developed Economies	732	426	464	1376	1023	1059
Europe	179	-106	16	706	217	328
European Union	267	-85	59	620	170	183
Other Europe	-88	-21	-42	86	47	145
North America	450	379	361	383	449	494
Other developed economies	103	154	87	287	357	238
Developing Economies	890	930	867	506	552	491
Africa	82	54	53	5	9	0.1
Asia	667	678	621	458	471	440
Central Asia	7	10	7	2	-2	1
East Asia	334	315	286	290	286	279
South Asia	53	58	36	18	16	14
South-East Asia	208	223	226	91	83	89
West Asia	64	72	65	58	87	59
Latin America and the Caribbean	140	196	193	41	69	50
Oceania	1.3	1.4	0.5	1.8	2.6	0.7
Least Developed Countries	29	27	31	-0.4	1.4	1.2
Landlocked Developed Countries	20	24	24	2.0	-1.8	3.5
Small Island Developing States	6	7	8	1.1	1.7	1.8

Source: United Nations Conference on Trade and Development, 2024

## ADB's GDP Growth Projection (in %)

	2024 April	2024 July	2025 April	2025 July
Developing Asia	4.9	5.0	4.9	4.9
Developing Asia excluding the PRC	5.0	5.1	5.3	5.3
Caucasus and Central Asia	4.3	4.5	5.0	5.1
Kazakhstan	3.8	3.8	5.3	5.3
East Asia	4.5	4.6	4.2	4.2
People's Republic of China	4.8	4.8	4.5	4.5
South Asia	6.3	6.3	6.6	6.5
India	7.0	7.0	7.2	7.2
Southeast Asia	4.6	4.6	4.7	4.7
The Pacific	3.3	3.36	4.0	4.0

Source: Asian Development Outlook, July 2024

## Highlights of The Digital Economy Report 2024

- **Understanding the nexus of digitalization and environmental sustainability is increasingly important:** The rapid pace and expanding scope of digitalization make it increasingly important to understand the relationship between digitalization and environmental sustainability. How the world's ongoing digital transformation is managed will greatly influence the future of humanity and the health of the planet.
- **Environmental impacts are generated along the whole digitalization life cycle:** Direct environmental impacts from digital devices and from information and communications technology (ICT) infrastructure occur along the life cycle, taking place during the production phase (raw material extraction and processing, manufacturing, distribution), the use phase and the end-of-life phase.
- **Digitalization is evolving rapidly, leaving a growing environmental footprint:** In the past two decades, the world has experienced a digital shift few would have anticipated at the time of the World Summit on the Information Society in 2005, creating new opportunities for economic and social development, as well as new challenges.
- **It is difficult to assess the impact of digitalization on the environment:** There is a lack of timely, comparable and accessible data and there are few harmonized reporting standards. Analytical studies rely on a variety of sources that are quickly becoming outdated due to the speed of digital developments;
- **Digitalization's promise of dematerialization has not yet materialized:** Available research suggests that the production phase of digitalization has the greatest combined negative impact on the environment. This is due to mineral and metal production, the volume of GHG emissions generated and water-related impacts.
- **Geopolitical concerns could exacerbate digitalization's environmental footprint:** The global minerals and metals market is highly concentrated geographically in terms of reserves, extraction and processing activities. For example, concerning extraction, in 2022, the Democratic Republic of the Congo produced 68 per cent of the world's cobalt. Australia and Chile produced 77 per cent of the world's lithium, and Gabon and South Africa produced 59 per cent of the world's manganese.
- **More effective global governance is needed:** An inclusive and integrated approach is needed to enable policymakers to align their digital and environmental policies at all levels, thereby enhancing the global community's ability to address complex and interdependent global challenges.
- **Resource-rich developing countries should benefit:** If resource-rich developing countries can add more value to the minerals extracted, make effective use of proceeds from the raw materials and diversify into other parts of the value chain and other sectors, the increased demand for minerals and metals required for digitalization can be leveraged as an opportunity for development.
- **Digital use is boosting energy and water consumption:** As more people, businesses, Governments and organizations around the world make use of digital services, consumption of energy and water related to devices and ICT infrastructure has increased significantly.
- **Energy consumption is accentuated by compute-intensive technologies:** New digital services and their increasingly sophisticated technologies, such as blockchain, AI, 5G mobile networks and IoT, are poised to greatly increase the demand for data processing and storage and significantly affect the environmental footprint of the ICT sector.



- **E-commerce should become more environmentally sustainable:** People and businesses are increasingly going online to buy goods and services. E-commerce represents an important application of digital technologies, with implications for both domestic and international trade.
- **A new policy mindset is required:** There is a need for new business models, policies and strategies that maximize the positive impact of digitalization on sustainability while minimizing the negative impacts.
- **Achieving an inclusive and environmentally sustainable digital economy requires a shift towards circularity:** According to the Circle Economy Foundation, the global economy is still only 7.2 per cent circular, showing a declining trend driven by rising material extraction and use.

Source: United Nations Conference on Trade and Development.

## Asian Development Outlook Highlights: July 2024

- Developing Asia's growth accelerated early this year, supported by a relatively stable global economy. The region's economy remained robust in the first quarter (Q1) of 2024, driven by strong export growth and solid domestic demand.
- Growth remains weak in major advanced economies, with oil prices subdued. Gross domestic product (GDP) growth in the United States (US) slowed to a seasonally adjusted annualized rate (SAAR) of 1.4% in Q1 2024, the lowest since Q2 2022, due to weak consumer spending and exports.
- Global demand for semiconductors and electronics continued to rise. Growth in these sectors is driven by strong demand for products used in emerging high-technology and artificial intelligence (AI) applications.
- Inflation continued to decline, although more slowly, across most of developing Asia. Headline inflation continued decreasing toward pre-pandemic levels, mainly due to the lagged effects of tight monetary policy and a slight easing of global food prices.
- Most central banks continue to hold policy rates steady, though easing is gathering pace. Thirty percent of monetary policy decisions from January–June this year were policy rate cuts, compared to 14% for all of 2023.
- Public debt ratios eased somewhat, but risks remain. The average government debt-to-GDP ratio for developing Asia is projected to be around 47% this year, slightly lower than expected in April, with robust growth continuing to offset upward pressure from primary deficits.
- Developing Asia's growth forecast is revised up to 5.0% in 2024 and maintained at 4.9% in 2025. Growth projections remain broadly unchanged with respect to ADO April 2024.
- The PRC growth forecasts for 2024 and 2025 have not changed. The PRC economy grew by 5.3% year-on-year in Q1 2024, driven by continued recovery in services consumption and stronger-than-expected exports and industrial activity growth.
- The Indian economy is on track to grow by 7.0% in FY2024 (ending 31 March 2025) and 7.2% in FY2025, as projected in ADO April 2024. Services continued to expand robustly in Q4 of FY2023.
- The inflation forecasts for South Asia are nudged up to 7.1% in 2024 and maintained at 5.8% in 2025. Although inflation forecasts of Bhutan, India, and Pakistan for FY2024 and FY2025 remain the same as in ADO April 2024, the inflation projections for Bangladesh and Maldives are now expected to be higher.

## Factor Influencing Global Trade in World: Global Trade Update- UNCTAD 2024

### Positive economic growth, but with significant disparities

Global forecasts for GDP growth remain at around 3 per cent for 2024, with the short-term outlook being cautiously optimistic. However, substantial disparities persist among countries and regions in terms of their anticipated economic outlook for the upcoming year. Such disparities will influence patterns of trade.

### Increase demand for green energy products and AI related computers:

Demand in some sectors such as electric vehicles, solar panels, batteries, and high-end semiconductors is expected to further increase in many countries. The trade of these products may continue growing substantially faster than average, although government policies may curb some of these trends.

### Increase in subsidies and trade restrictive measures:

The prioritization of domestic concerns and the urgency of meeting climate commitments are driving changes in both industrial and trade policies. The utilization of trade restrictive measures and inward-looking industrial policies are anticipated to negatively impact on the growth of international trade, especially in some strategic sectors.



### Strong demand for container shipping, but subsiding for raw materials

During the last few months, there has been increasing demand for container shipping, as reflected by the strong increase in the Shanghai Containerized Freight Rate Index. On the other hand, the Baltic Dry Index has steadied, indicating constant global demand for raw materials.

### Lengthening of supply chains:

Global trade is being influenced by the response of supply chains to shifts in trade policy and geopolitical tensions. Some East Asian and Latin America economies may find opportunities to become more integrated into the supply chains affected by geopolitical concerns.

### Prospects of interest rate cuts in the United States:

Despite inflationary pressures persisting longer than anticipated, there is a possibility for the United States to reduce interest rates in 2024. Such a move would depreciate the value of the United States dollar, potentially stimulating international trade by increasing both prices and volumes, given the continued dominance of the United States dollar in global trade.

## National Context

### Government Revenue and Expenditure

Amounts in Lakh (00000)

	2080			2081		
	Target/Budget	31 Ashad	Percentage	Target/Budget	32 Ashad	Percentage
<b>REVENUE:</b>						
1. Revenue	14,031,470	9,571,541	68.21 %	14,225,417	10,303,443	72.43%
a) Tax Revenue	12,953,758	8,656,197	66.82%	13,054,796	9,270,243	71.01%
b) Non-Tax Revenue	1,077,712	915,344	84.93%	1,170,621	1,033,200	88.26%
2. Grants	554,583	212,975	38.4%	499,430	27,580	5.52%
3. Other Receipts	0	532,405	0 %	0	225,616	0%
<b>TOTAL RECEIPTS OF GON (1+2+3):</b>	<b>14,586,053</b>	<b>10,316,921</b>	<b>70.73%</b>	<b>14,724,847</b>	<b>10,566,639</b>	<b>71.76%</b>
<b>EXPENDITURE :</b>						
1.Total Expenditure from Treasury (a+b+c)	17,938,373	14,295,640	79.69 %	17,513,121	14,087,645	80.44%
a. Recurrent	11,832,351	10,057,594	85%	11,417,841	9,524,151	83.41%
b. Capital	3,803,845	2,336,959	61.44%	3,020,744	1,917,178	63.47%
c. Financing	2,302,177	1,901,087	82.58%	3,074,536	2,646,346	86.07%

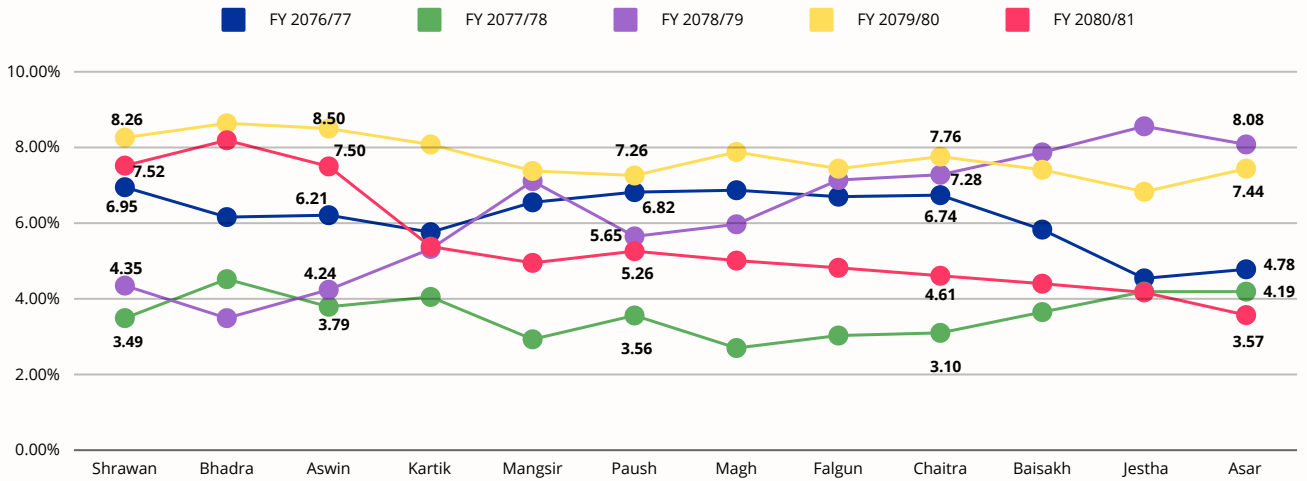
Source: Financial Comptroller General Office

### Export and Import

TRADE INDICATORS	FY 2079/80	FY 2080/81	CHANGE (%)
Imports (Rs.in `000)	1,611,731,770	1,592,985,528	-1.16
Exports (Rs.in `000)	157,140,695	152,381,244	-3.03
Trade Deficit (Rs.in `000)	1,454,591,074	1,440,604,284	-0.96
Total Foreign Trade (Rs.in `000)	1,768,872,465	1,745,366,772	-1.33
Imports/Exports Ratio (%)	10.26	10.45	1.92
Exports Share to Total Trade (%)	8.88	8.76	-1.72
Imports Share to Total Trade (%)	91.12	91.27	0.17

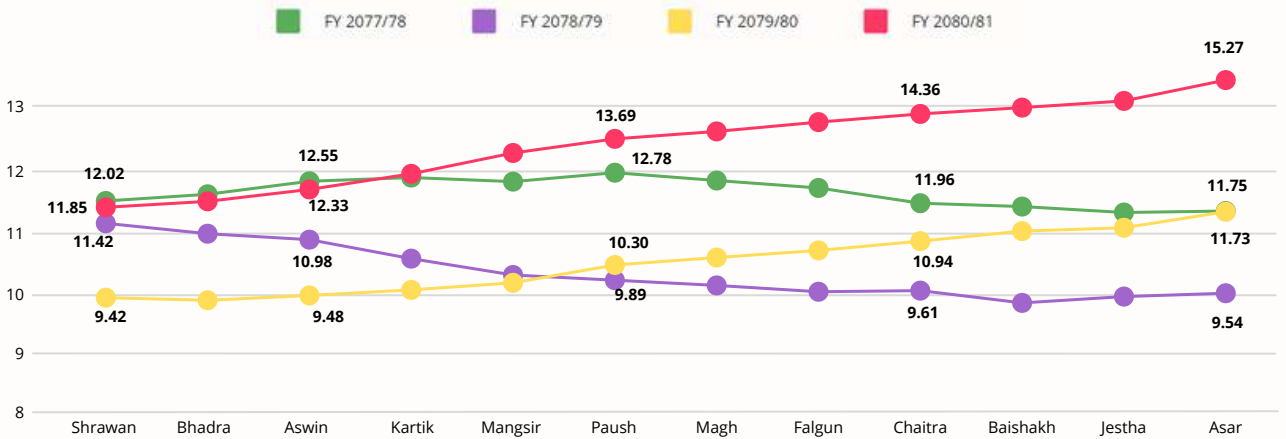
Source: Department of Customs

## Inflation



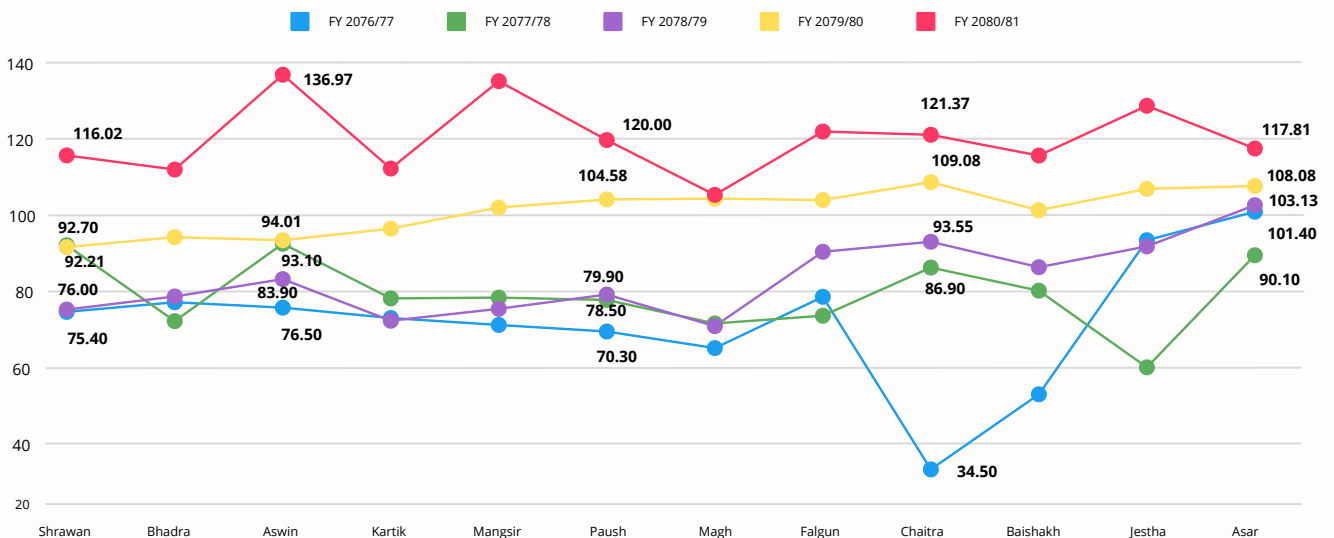
## Foreign Exchange Reserve

Amounts in Billion (USD)



## Remittance

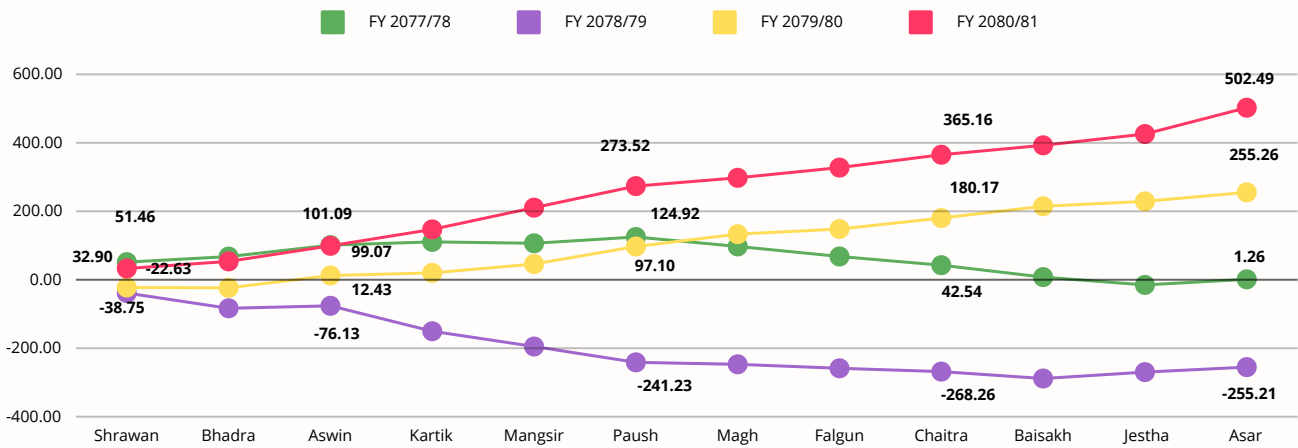
Amounts in Billion (USD)





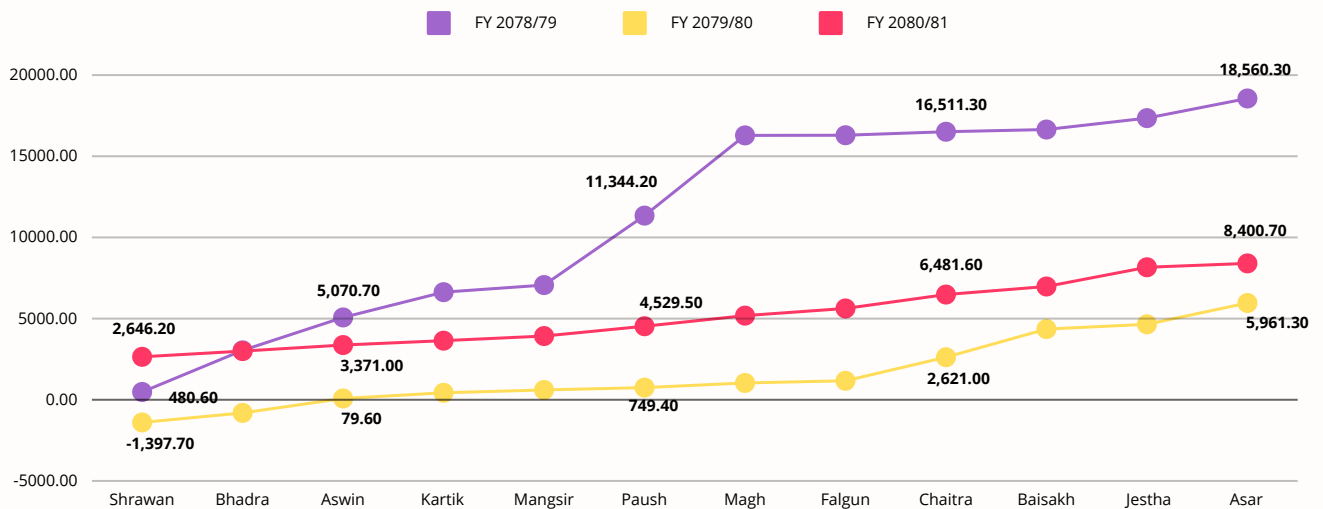
### Balance of Payment

Amounts in Billion (Rs.)

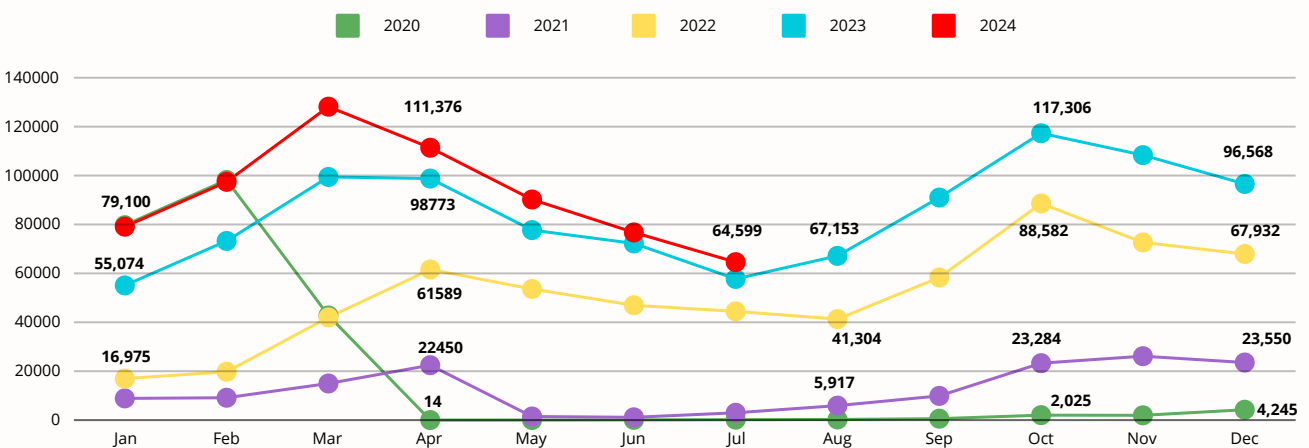


### Trend of Foreign Direct Investment in Nepal

Amounts in Million (Rs.)



### Number of Tourists Arrivals



### Number of New Industry Registration

SCALE	FY 2079/80	FY 2080/81
Large Industry	66	49
Medium Industry	70	52
Small Industry	186	333
<b>TOTAL</b>	<b>322</b>	<b>434</b>

Source: Department of Industry

### Labour Approval In FY 2080/81

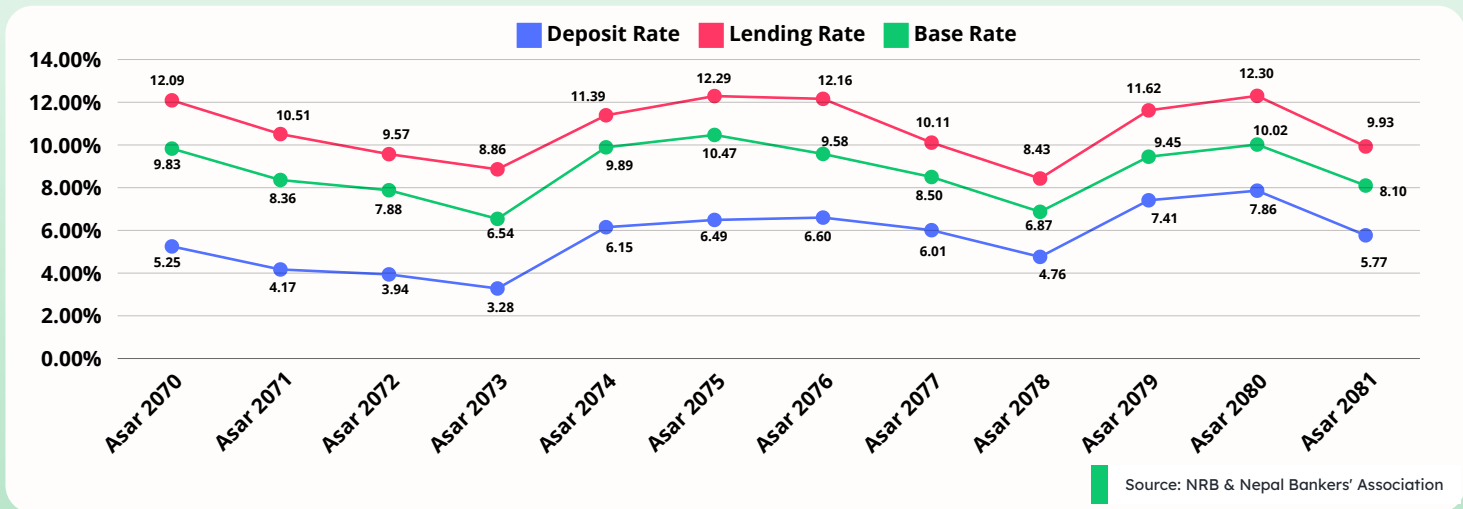
Details	Male	Female	Total
New Individual	74,403	20,635	95,038
Recruiting agency	315,445	37,718	353,163
Re Entry	260,580	20,615	281,195
GG (EPS Korea & Isreal, UK)	10,697	1,204	11,901
<b>Grand Total</b>	<b>661,125</b>	<b>80,172</b>	<b>741,297</b>

Skill Type	Male	Female	Total
High Skilled	537	195	732
Professional	2,407	365	2,772
Semi-skilled	53,457	6,666	60,123
Skilled	481,870	50,253	532,123
Unskilled	122,854	22,693	145,547
<b>Grand Total</b>	<b>661,125</b>	<b>80,172</b>	<b>741,297</b>

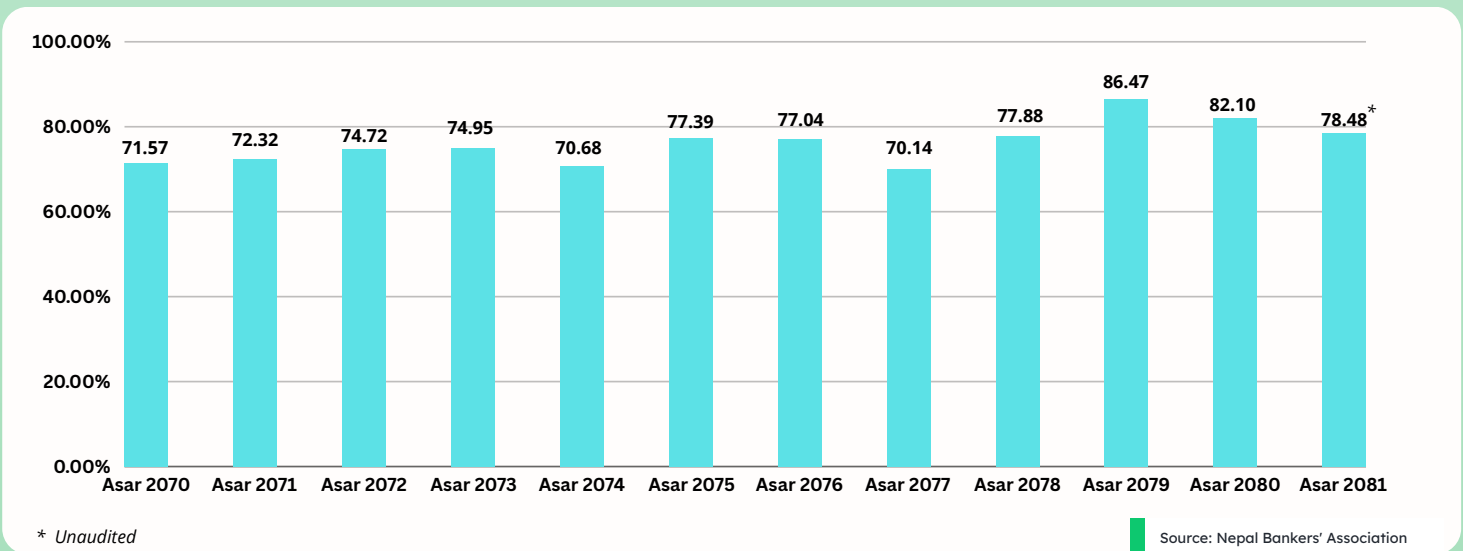
Source: Department of Foreign Employment

# Nepalese Banking Industry

## W.Avg Deposit & Lending Interest Rate of Commerical Banks

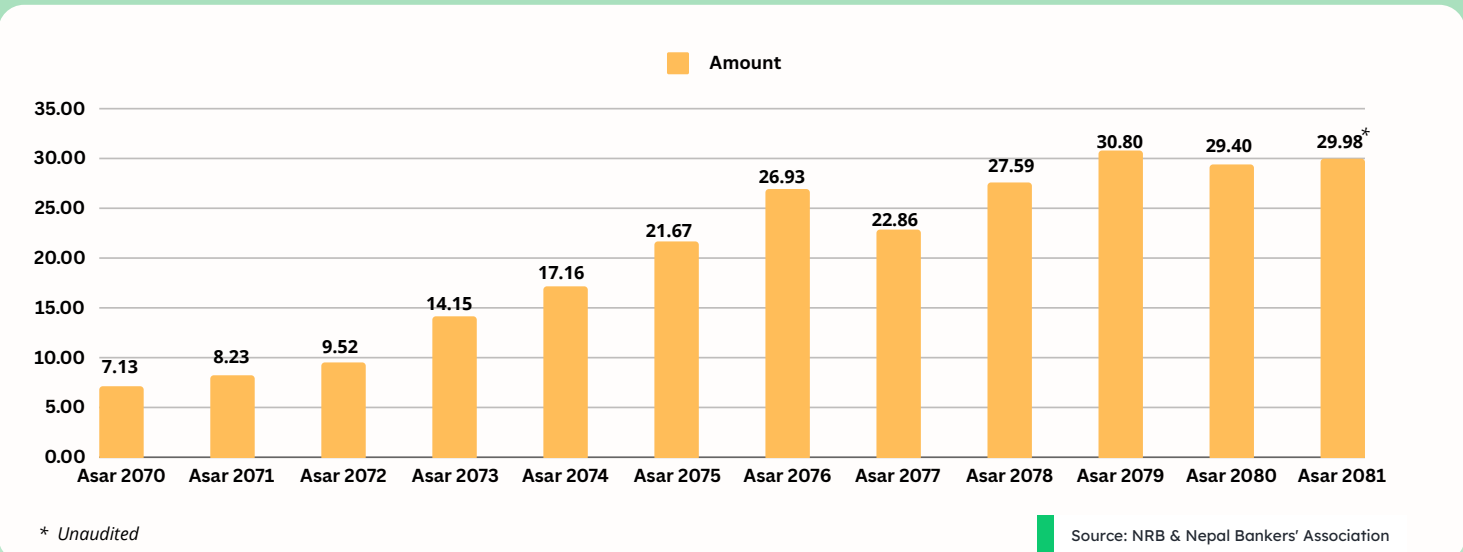


## Avg. CD Ratio of Commercial Banks

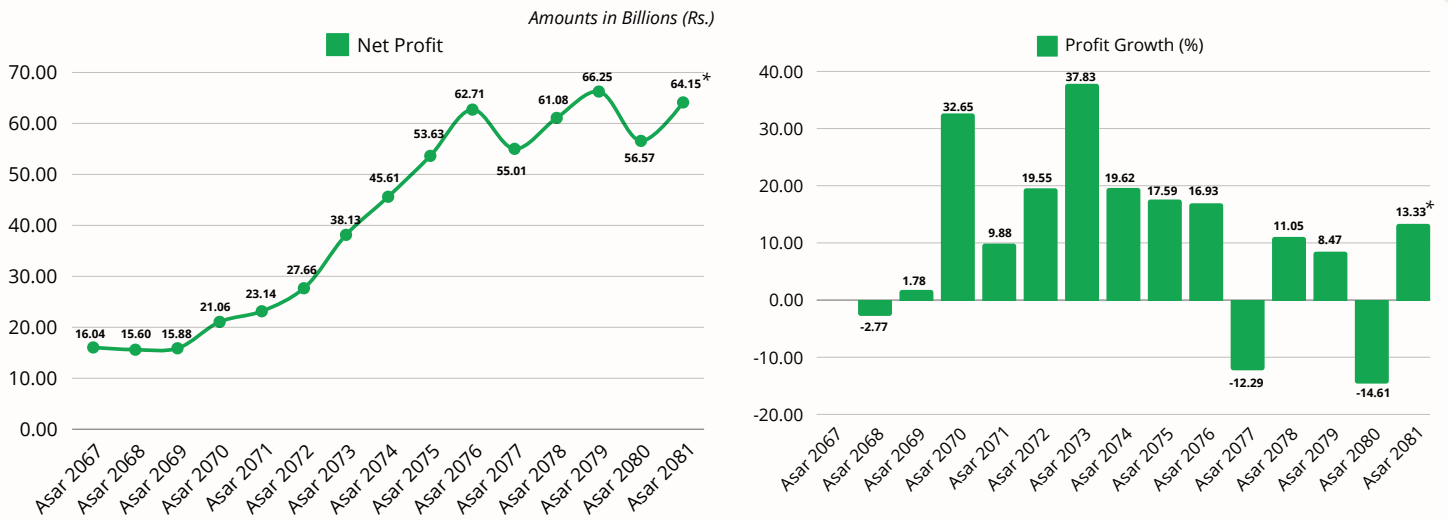


## Income Tax paid by Commercial Banks

Amounts in Billions (Rs.)



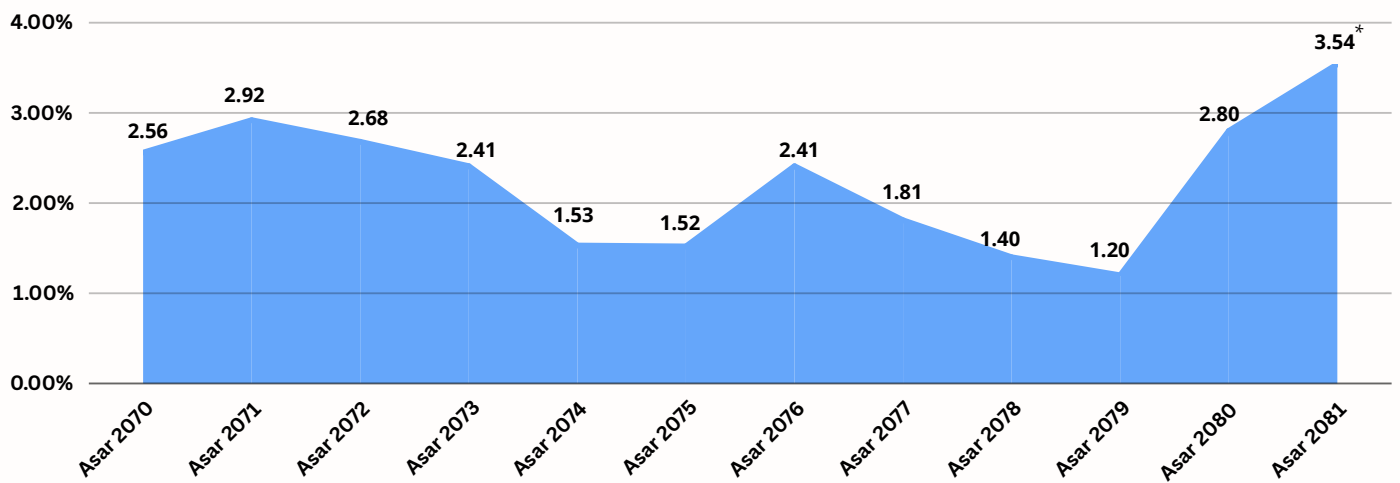
### Avg. Net Profit of Commercial Banks



\* Unaudited

Source: Nepal Bankers' Association

### Avg. NPL of Commercial Banks

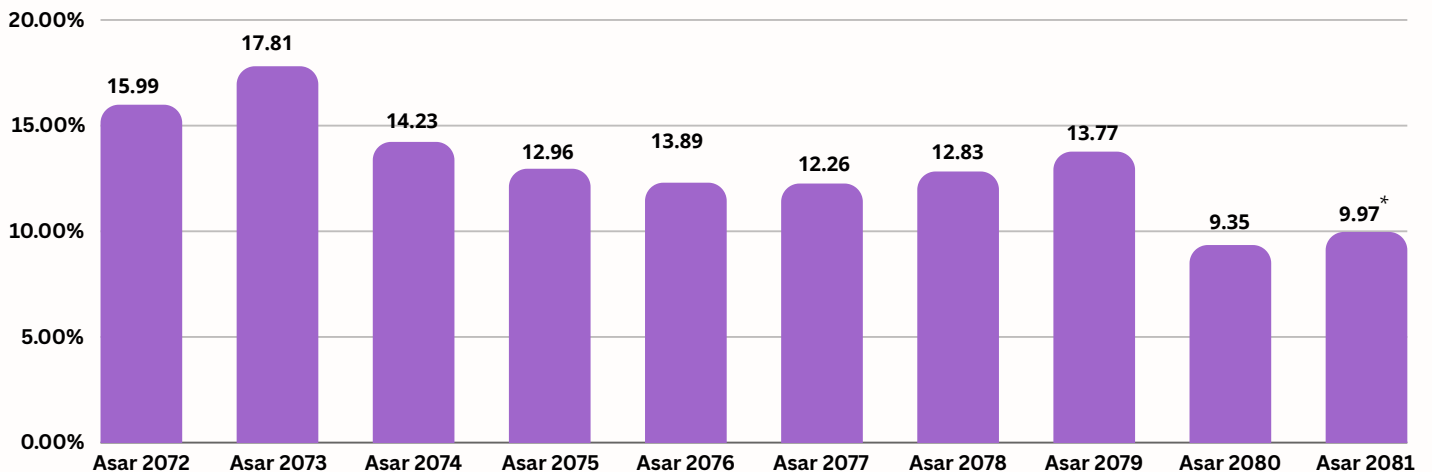


\* Unaudited

Source: Nepal Bankers' Association

### Avg. Return on Equity of Commercial Banks

Amounts in Billions (Rs.)



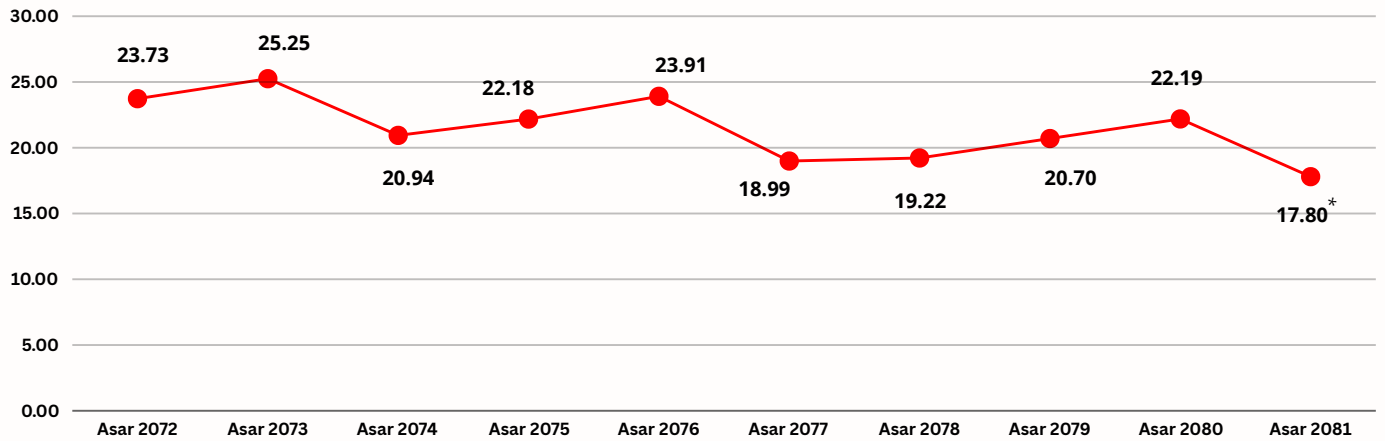
\* Unaudited

Source: Nepal Bankers' Association



### Avg. Earning Per Share of Commercial Banks

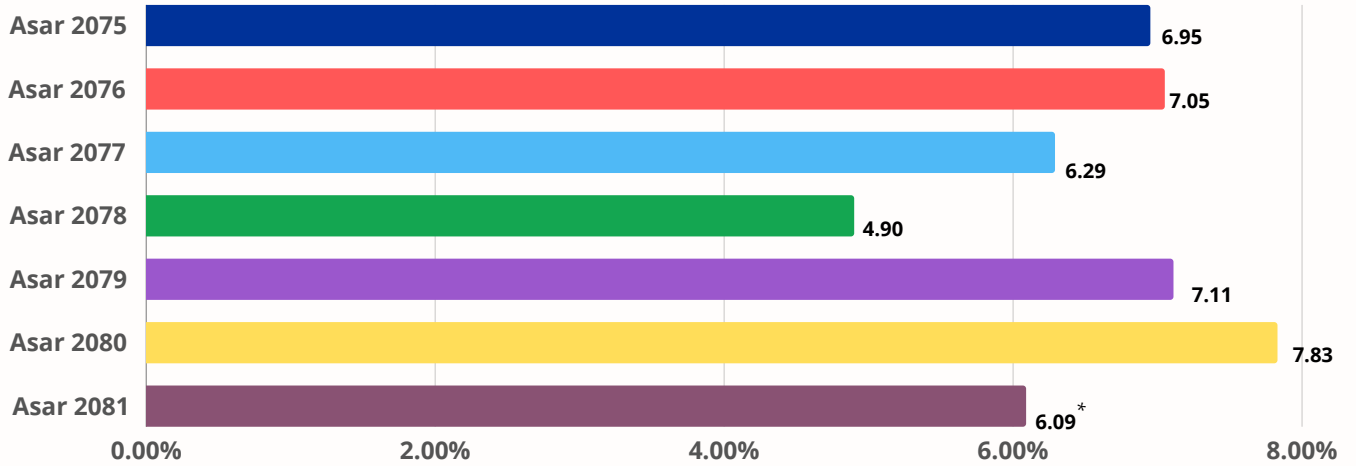
Amount in Rs.



\* Unaudited

Source: Nepal Bankers' Association

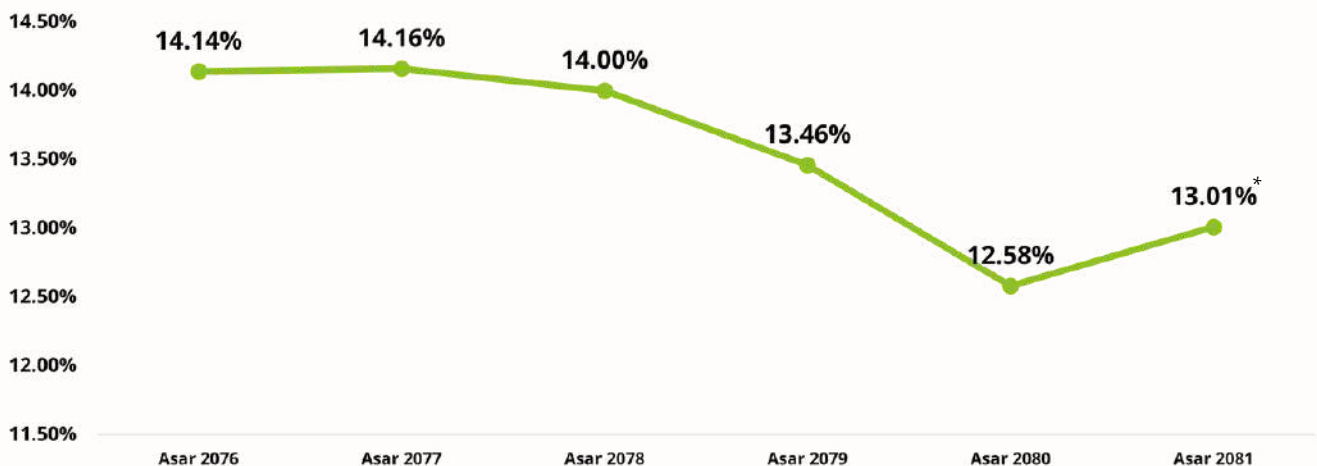
### Avg. Cost of Fund Of Commercial Banks



\* Unaudited

Source: Nepal Bankers' Association

### Avg. Capital Adequacy Ratio of Commercial Banks



\* Unaudited

Source: Nepal Bankers' Association



## Deposit & Lending of Commercial Banks

### FY 2079/80

	Shrawan 1, 2079	Asar 31, 2080	Growth	Growth (%)
Deposit	4541	5086	545	12.00%
Lending	4175	4318	143	3.42 %

### FY 2080/81

	Shrawan 1, 2080	Ashar 32, 2081	Growth	Growth (%)
Deposit	5086	5755	669	13.15%
Lending	4318	4570	253	5.86%

Source: Nepal Bankers' Association

## Financial Access of Commercial Banks

	ASHAR 2080	ASHAR 2081	CHANGES SINCE ASHAR 2080	(%)CHANGES SINCE ASHAR 2080
NO. OF BRANCHES	5,049	5,056	7.0	0.14%
NO. OF DEPOSIT ACCOUNTS	43,981,888	47,884,755	3,902,867.0	8.87%
NO. OF LOAN ACCOUNTS	1,512,193	1,567,508	55,315.0	3.66%
NO. OF BRANCHLESS BANKING CENTERS	1,298	1,112	-186.0	-14.33%
NO. OF MOBILE BANKING CUSTOMERS	18,438,455	21,141,088	2,702,633.0	14.66%
NO. OF INTERNET BANKING CUSTOMERS	1,347,970	1,325,072	-22,898.0	-1.70%
NO. OF ATMS	4,465	4,801	336.0	7.53%
NO. OF DEBIT CARDS	11,358,426	11,757,746	399,320.0	3.52%
NO. OF CREDIT CARDS	283,126	287,365	4,239.0	1.50%
NO. OF PREPAID CARDS	135,626	178,216	42,590.0	31.40%

Source: Nepal Rastra Bank

## Sector-wise Lending

	Amounts in Billion (Rs.)		CHANGES SINCE	(%)CHANGES SINCE
	Ashar 2080	Ashar 2081	Ashar 2080	Ashar 2080
Agricultural and Forest Related	330.09	323.94	-6.14	-1.86%
Fishery Related	13.24	14.39	1.16	8.74%
Mining Related	11.38	11.55	0.17	1.50%
Agriculture, Forestry & Beverage Production Related	749.50	823.52	74.01	9.88%
Construction	167.50	182.86	15.36	9.17%
Electricity, Gas and Water	298.87	365.25	66.38	22.21%
Metal Products, Machinery & Electronic Equipment & Assemblage	67.88	67.26	-0.62	-0.91%
Transport, Communication and Public Utilities	83.64	77.22	-6.42	-7.68%
Wholesaler & Retailer	896.41	910.16	13.75	1.53%
Finance, Insurance and Real Estate	306.73	321.33	14.60	4.76%
Tourism Services	182.27	199.05	16.78	9.21%
Other Services	178.12	181.57	3.45	1.94%
Consumption Loans	768.48	841.23	72.75	9.47%
Local Government	1.08	1.18	0.09	8.74%
Others	260.18	248.57	-11.61	-4.46%
<b>TOTAL</b>	<b>4,315.38</b>	<b>4,569.08</b>	<b>253.70</b>	<b>5.88%</b>

Source: Nepal Rastra Bank

## Product-wise Lending

	Amounts in Billion (Rs.)		CHANGES SINCE	(%)CHANGES SINCE
	Ashar 2080	Ashar 2081	Ashar 2080	Ashar 2080
Term Loan	1,388.97	1,704.99	316.03	22.75%
Overdraft*	164.14	92.02	-72.12	-43.94%
Cash Credit Loan*	493.60	587.96	94.36	19.12%
Trust Receipt Loan/Import Loan	73.47	82.72	9.25	12.59%
Demand & Other Working Capital Loan	849.21	709.59	-139.62	-16.44%
Residential Personal Home	279.34	316.09	36.75	13.16%
Real Estate Loan	217.96	224.66	6.69	3.07%
Margin Nature Loan	58.68	70.34	11.67	19.88%
Hire Purchase Loan	138.26	106.86	-31.40	-22.71%
Deprived Sector Loan	262.37	267.36	4.99	1.90%
Bills Purchased	4.27	7.81	3.54	82.99%
Other Product	385.12	398.67	13.55	3.52%
<b>TOTAL</b>	<b>4,315.38</b>	<b>4,569.08</b>	<b>253.70</b>	<b>5.88%</b>

Source: Nepal Rastra Bank

# NBA ACTIVITIES

BAISAKH - ASHAD 2081

## Certified Training Program on ESG & Sustainable Finance



April 28-29, 2024 - Nepal Bankers' Association (NBA), in partnership with the Barcelona School of Management and Invest for Impact Nepal, organized a two-day in-person training session titled "Certified Training Program on ESG & Sustainable Finance." The program aimed to enhance the knowledge and skills of banking professionals, focusing on Environmental, Social, and Governance (ESG) practices and their implementation within Nepalese.

In his opening remarks, NBA Executive Director Mr. Anil Sharma welcomed the participants and expressed his appreciation to the Barcelona School of Management and Invest for Impact Nepal for the collaboration. He underscored the increasing importance of ESG and sustainable practices in the current landscape, emphasizing how crucial these elements have become for the banking sector.



The two-day in-person session was led by Prof. Dr. Andrei Boar and Prof. Albert Marti from the Barcelona School of Management, University of Pampeo Fabra. Throughout the program, a broad range of topics were covered, including international best practices in ESG, the role of regulatory frameworks for lenders and borrowers, risk management strategies, sustainable financing products, and the various challenges and opportunities associated with ESG adoption. In the first cohort of this Certified Training on ESG and Sustainable Finance, 40 officials from various commercial banks completed the course.

## Field Visit Program to Bhotekhosi Hydropower

30 April- 1 May, 2024 - As a key component of the ESG Certified Course, participants took part in a field visit program to the Bhotekhosi Hydropower Project to gain hands-on experience. The field visit was designed to bridge the gap between theoretical knowledge and real-world application, offering participants a practical understanding of how ESG has been implemented. The field visit to the Bhotekhosi Hydropower Project allowed participants to directly observe ESG practices in action and understand the associated risks.





During the visit, a representative from the hydropower project led a guided tour, providing valuable insights into ESG compliance in alignment with International Finance Corporation performance standards. The representative highlighted both the challenges faced in implementing these standards and the positive impacts that have resulted from adhering to them.

The field visit proved to be immensely beneficial, offering participants a deep, practical understanding of how ESG considerations are integrated into project development and their critical role in ensuring long-term sustainability and investment success. This hands-on experience was a vital component of the course, reinforcing the importance of ESG principles in real-world settings.



## MoU Signed between Nepal Bankers' Association and Nepal Insurers' Association (NIA)

May 14, 2024 - Nepal Bankers' Association signed a Memorandum of Understanding (MoU) with Nepal Insurers' Association. The MoU signing took place on May 14th, 2024 at NBA's office between Mr. Sunil KC, President, Nepal Bankers' Association and Mr. Chunky Chhetry, President, Nepal Insurers' Association.



The main goal of this engagement is to establish a fruitful and mutually beneficial relationship by sharing information, data and knowledge. The engagement aims to strengthen the relationship, foster collaboration in areas of mutual interest, and create value for both Associations and its members.

## Interaction Program on Current Issues & Financial Literacy at Surkhet

May 15, 2024 - Nepal Bankers' Association (NBA) in collaboration with Financial Literacy Nepal (FLN) successfully organized an interaction program on Current Issues & Financial Literacy at Surkhet. The primary objective of the program was to interact on various pertaining challenges and issues in the banking and capital market, and also to understand how financial literacy amongst concerned stakeholders can help to address them.

In the opening remarks, Executive Director of NBA, Mr. Anil Sharma extended a warm welcome to all the participants and highlighted the importance of the program. He emphasized that the program is expected to immensely benefit everyone involved by enhancing their capacity, knowledge and skills.



During the program, Former Executive Director of Securities Board of Nepal (SEBON), Mr. Niraj Giri delivered a presentation covering various aspects of securities market. He talked into both the legal framework and practical dimensions including the role of regulatory bodies in overseeing market activities, and the procedures involved in issuing and trading securities. Additionally, he also shed light on practical aspects such as market trends, investment strategies, and risk management techniques relevant to securities market.



Similarly, Former NBA President Mr. Bhuvan Dahal delivered presentation on current banking and financial issues. He discussed various topics such as the public perception towards the banking sector and the possible reasons behind the growing negative sentiments. He also exposed the reality behind some of the myths and misconceptions about the industry. Using data and evidence, he highlighted the current state of the banking sector and argued that it was stable, resilient, and well-regulated by the central bank's policies. He also shared his expertise with the participants and answered their queries and concerns. Thereafter, he focused on the importance of financial literacy and its importance – areas that the bank officials need to focus upon while they conduct the financial literacy classes and interact with customers.

The Chief Guest of the Program, Former Governor of Nepal Rastra Bank Dr. Chiranjibi Nepal shared his experience/insights and provided suggestions on how to address the current banking and financial issues. He highlighted the need of financial literacy in each and every sector of the economy, he further said that in case of Nepal there was still a lot of work to be done in the area of financial literacy, and that without providing people with adequate financial education and skills, it would be very hard to cope with the challenges in the days ahead.

More than 40 officials from various commercial banks participated in the program.

## **Interaction Program on Current Issues & Financial Literacy at Dhangadhi**

May 16, 2024 - Nepal Bankers' Association (NBA) in collaboration with Financial Literacy Nepal (FLN), successfully held an interaction program on Current Issues & Financial Literacy at Dhangadhi. The event aimed to interact on the ongoing challenges in the banking and capital markets and also to understand how financial literacy amongst concerned stakeholders can help to address them.

In his opening remarks, NBA Executive Director, Mr. Anil Sharma warmly welcomed all participants and underscored the significance of the event. He pointed out that the program is designed to greatly benefit everyone involved by boosting their capacity, knowledge, and skills.



During the program, Former Executive Director of Securities Board of Nepal (SEBON), Mr. Niraj Giri delivered a comprehensive presentation on the securities market. He delved into both the legal framework governing the market and the practical aspects that impact its functioning. Mr. Giri explained the roles of regulatory bodies in ensuring the smooth operation of market activities and outlined the steps involved in the issuance and trading of securities. Beyond the regulatory details, he also explored real-world considerations such as current market trends, effective investment strategies, and techniques for managing risks in the securities market.



Similarly, Former NBA President Mr. Bhuvan Dahal gave a presentation on the current issues facing the banking and financial sectors. He addressed several key topics, including the public's perception of the banking industry and the potential reasons for the growing negative sentiments. Mr. Dahal discussed on some of the common myths and misconceptions about the sector, using data and evidence to demonstrate that the banking industry is stable, resilient, and well-regulated under the central bank's policies. He also engaged with the participants, sharing his insights and responding to their questions and concerns. Following this, Mr. Dahal emphasized the crucial role of financial literacy, urging bank officials to prioritize this area when conducting financial literacy classes and interacting with customers.



The Chief Guest of the Program, Former Governor of Nepal Rastra Bank, Dr. Chiranjibi Nepal shared his experiences and insights on tackling the current challenges in the banking and financial sectors. He stressed the critical importance of financial literacy across all sectors of the economy, noting that Nepal still has significant work to do in this area. Dr. Nepal emphasized that without equipping people with the necessary financial education and skills, it will be difficult to overcome the challenges that lie ahead. He also offered valuable suggestions on how to address these ongoing issues

The program was attended by more than 40 officials from various commercial banks.

## Meeting with IMF Mission Team

May 26, 2024 - Nepal Bankers' Association (NBA) held a significant meeting with delegates from the International Monetary Fund (IMF), led by Mr. Tidiane Kinda, Deputy Division Chief and Mission Chief at the IMF. Few officials from the IMF Mission team along with Resident Representative for Nepal Ms. Teresa Daban Sanchez were present in the meeting.



The Mission team were in Nepal for the 4th Review under the Extended Credit Facility (ECF) program and also to discuss Nepal's current economic and financial situation, economic growth, business perspectives, regulatory challenges review of loan portfolios, among other key issues.

During the meeting NBA President Mr. Sunil KC, along with some Executive Committee members, engaged in discussions about Nepal's current economic and financial position. The discussion emphasized the main challenges confronting the banking and financial sector and the crucial role that stakeholders need to play to foster positive developments. NBA emphasized the need for the Government to play a crucial role in improving the market sentiment and boosting public confidence, along with increasing capital expenditure on a timely basis. The meeting was interactive and fruitful for both NBA and IMF Mission team to share views and strategies to move forward.

## NBA Focuses on Cyber Security to Support Digital Nepal in Association with Visa

June 27, 2024 - Nepal Bankers' Association (NBA), in collaboration with Visa, organized a workshop titled "Cyber Security to Support Digital Nepal". The main objective of the program was to enhance the understanding about global trends, current cyber threats and challenges that the banking and financing sector has been facing and to discuss actionable strategies to strengthen cybersecurity for the ecosystem.

In the opening remarks, Executive Director of NBA, Mr. Anil Sharma warmly welcomed all the participants and thanked for their participation and support. He highlighted the concerning increase in cyberattacks on financial institutions globally, noting that this poses a significant strategic challenge to the core functions of banks. In this regard, he suggested to proactively enhance the knowledge and strengthen system to stay ahead of from these threats. He further highlighted that protecting sensitive information, ensuring business continuity, safeguarding critical infrastructure, and promoting digital trust are vital for the stability and growth of banking industry as well as of the economy.

Sabbir Ahmed, Country Manager, Nepal, Bangladesh & Bhutan, Visa said "We are privileged to work closely with the Nepal Bankers' Association and bring our knowhow and expertise in cybersecurity to work for the country. We believe greater awareness and interest in digital security can only accelerate the journey to a more digital society and we are happy to be a partner and ally in Nepal's digitization endeavors."

During the program, risk and cybersecurity experts from Visa provided deep insights on global security trends in digital payments. They highlighted the significant cyber threats affecting the digital payments landscape worldwide, including phishing, which has become increasingly prevalent and sophisticated. The discussion also centered around strategies the ecosystem participants can employ to combat different cyber threats and stressed the importance of strengthening cybersecurity systems.



After the presentation, the program continued with a panel discussion titled "Cybersecurity in the Age of a Fintech-Aware World – Network, Regulator, and Ecosystem Perspective" where distinguished panelists Mr. Krishna Ram Dhunju, Director of Payment Systems Department of Nepal Rastra Bank, Mr. Raj Kumar Maharjan, Under Secretary, Ministry of Communications and Information and Technology, SP Mr. Deepak Raj Awasthi, Cyber Bureau, Nepal Police, Mr. Sanjib Subba, Fintech Enthusiast and Mr. Parmeswor Shrestha, NBA representative and Chief Digital Banking Officer of Nabil Bank Ltd. shared their thoughts, experiences, and best practices. They mainly highlighted the importance of collaboration among financial institutions, regulators, and law enforcement agencies to effectively address cyber threats.

During the program, Former President of NBA and CEO of Himalayan Bank Ltd. Mr. Ashoke SJB Rana, delivered remarks in which he highlighted the increasing vulnerabilities in cybersecurity, identifying it as a major challenge for the banking industry. He stressed the importance of raising awareness among management, board members and staff regarding the risks associated with cyber threat. Mr. Rana also highlighted the risks related to AML/CFT. To effectively manage these risks, he emphasized on need for a robust AML/CFT system. By implementing comprehensive security measures and fostering a culture of awareness and preparedness, Mr. Rana suggested that the banking industry can better protect itself against these growing threats and maintain the integrity and stability of financial institution.

The program was attended NRB officials, government officials, officials from Cyber bureau, officials from Bank and Financial Institutions, representative from fintech, among others.

## Workshop on Green Taxonomy

June 20, 2024 - Nepal Bankers' Association and USAID Urja Nepal jointly organized a Workshop on "Green Taxonomy". The main objective of the workshop was to discuss the objectives, principles and standards of Green Taxonomy, and delve into the various challenge in the implementation of Green Taxonomy framework, exploring opportunities, challenges and potential solutions.



Urja Nepal Chief of Party, Mr. Robert Kremer delivered the opening remarks highlighting the necessity to align with Green Taxonomy standards to prevent greenwashing practices and the need to enhance understanding of sustainability financing and its relevance and benefits for energy sector development. He further emphasized the critical importance of collaboration among stakeholders for the effective implementation of Green Taxonomy

During the program, NBA President Mr. Sunil KC underscored the timeliness and relevance of the workshop, noting that the topic of green financing is relatively new for Nepalese banking industry. He pointed out that the workshop is expected to serve as a valuable platform for sharing insights, experiences, and best practices from both national international contexts. Additionally, he highlighted the evolving regulatory environment surrounding green financing in Nepal and commended Nepal Rastra Bank (NRB) for its effective policies and regulations. Mr. KC also appreciated the encouragement provided by NRB to Banks and Financial Institutions on their journey toward green financing.

## NBA and IFC Collaborated to Organize the First Series of Digital Awareness Campaign

June 30, 2024 - Nepal Bankers' Association (NBA) in a partnership with the International Finance Corporation (IFC) organized first series of Digital Awareness Program at NBA office. The workshop served as a platform for knowledge sharing and discussion on various aspects of digital financial services. It acted as a refresher on the day to day used digital services by the customers of the banks and provided the opportunity to discuss new initiatives, policies and technologies.

Mr. Anil Sharma, Executive Director of NBA kicked off the workshop program highlighting how it could help the participants in enhancing their knowledge on the digital financial services. Mr. Ashim Nepal, from IFC Nepal, shared the objectives of the event and about the IFC's ongoing project DFS Nepal including efforts of IFC in supporting Nepal Rastra Bank with policy reforms in the digital financial services of Nepal. He also shed light on potential strategies to promote financial inclusion at the ground level in terms of digital financial literacy for consumers especially with user accessibility and safety. Presentation on "Digitally Empowered Employees" and subsequent interactive sessions were led by Mr. Sanjib Subba, where he presented the different digital financial services and products in Nepal and how their usage can be enhanced to promote digitally inclusive financial sector.





Discussions delved into the evolution of Nepal's banking sector, highlighting milestones like card switch technology and its advantages over traditional payment methods. The workshop unpacked the regulatory framework surrounding digital transactions, along with the recent regulatory changes made by Nepal Rastra Bank to support the digital financial services ecosystem.

Recognizing the potential of AI, the sessions explored how digital solutions and AI integration can empower digital financial inclusive accessibility and better usage efforts. One of the significant examples discussed was about the interoperability of KYC with efforts in standardizing the citizen's information with National Identity Document.

Equipping participants with practical knowledge, the workshop emphasized the importance of various digital channels and already implemented regulatory changes that can simplify KYC procedures for small vendors for enhancing electronic payment acceptance. It also helped the participants learn more about Payment Service Providers (PSPs) and Payment System Operators (PSOs), along with their respective regulatory frameworks. Policy-level revisions aimed at reducing operational costs, increasing digital payments, and fostering financial inclusion were also among the key focuses of the workshop.

The session didn't shy away from emerging technologies. Discussions touched upon low cost, agile and scalable digital lending including Buy Now Pay Later (BNPL) services, and the critical role of AI-powered credit scoring models in consumer financing. The session also addressed digital lending practices, remittance services, and the importance of QR code interoperability, consumer rights in terms of its use, and its standardization

One of the major highlights of the workshop included the concerning rise of cyber frauds, with a specific focus on how older generations and vulnerable communities have become the easy targets to social engineers. The presenters also added to this emphasizing on the importance of continuous efforts by banking officers to educate consumers on potential fraud techniques and equip them with fraud identification and dodging tactics. Furthermore, the conversation addressed other cyber fraud-related issues prevalent in Nepal, emphasizing the need for a multi-pronged approach to ensure a secure digital financial ecosystem.

Participants were also curious over the feasibility of virtual cards and the possibility of free POS systems (free MDR similar to QR codes) that underscored the need for uniform digital transaction charges.

Overall, the workshop equipped the Banking officers of different banks from Nepal with valuable knowledge and tools to promote digital financial services assuring the inclusion of the users and their accessibility with the digital financial services and products in Nepal.



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