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INSTITUTE OF
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JOURNAL OF BANKING, FINANCE & INSURANCE

TRAINING | EDUCATION | RESEARCH | CONSULTING

3rd
Year
ANNIVERSARY



www.bfin.com.np



*On the Auspicious occasion
of 3rd Anniversary of BFIN
We thank you for being part
of our company's success over the years.*

3rd
Year
ANNIVERSARY

Happy 3rd Anniversary

Promoters



Members



Strategic Partners





Deputy Governor

NEPAL RASTRA BANK

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MESSAGE

I am delighted to express my heartfelt congratulations and warm wishes to the 'Banking Finance and Insurance Institute of Nepal (BFIN)', for publishing "**Journal of Banking, Finance and Insurance**", Volume II on the auspicious occasion of its 3rd anniversary. This journal included research article in the area of economics, banking, finance, governance, insurance, micro-finance and information technology and I hope that the journal will definitely meet the expectation of the interested readers, employees of the banking and financial sector as well as all concerned stakeholders.

During the period of just three years, BFIN has reached to a greater height in delivering quality knowledge, skills, and capacity building to the staff of financial sector by conducting a several numbers of domestic and international training, seminars and webinars. To be honest, BFIN is meeting the need of current global, challenging, complex, highly digitalized and interlinked financial sector by developing the skilled professionals who can efficiently steer the financial sector.

Let me once again express my best wishes to BFIN for its bright future.

(Dr. Neelam Dhungana Timsina)



Deputy Governor

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MESSAGE

I would like to express heartiest congratulations to the 'Banking, Finance and Insurance Institute of Nepal' for publishing such valuable journal on the auspicious occasion of its third year of establishment.

In that regard, I understand that the employees of the Nepalese financial sector have been directly benefited from the capacity building activities which have been conducted by the institute. I am confident that such programs will continue making a positive contribution for building a more healthy financial system.

Further, a reflection of such activities is the publication of this Journal, which I am confident, will provide an opportunity to the stakeholders of the overall financial sector to increase their level of knowledge and also act as a catalyst for rich discussion.

Finally, on this auspicious occasion, I express my best wishes for the continuous progress of the institution.

(Bam Bahadur Mishra)



बीमा समिति
BEEMA SAMITI

नेपालको बीमा नियमनकारी निकाय
Insurance Regulatory Authority of Nepal



MESSAGE

On behalf of Beema Samiti - Insurance Regulatory Authority of Nepal, I would like to extend my heartiest congratulations to the Banking Finance and Insurance Institute of Nepal (BFIN) for publishing “**Journal of Banking Finance and Insurance**” Vol II for the successful completion of 3 years on 14 August 2021.

BFIN has been working hard to promote the capacity of the Commercial Banks, Development Banks, Finance Companies, Micro Credit Institutions, and Insurance Companies in Nepal. Within a short period, the institute has come up well in the area of capacity development and has successfully extended its network in several National and International economies. BFIN has been doing a tremendous job to eradicate the challenges in the Financial Sector by organizing various training and conferences to develop and nourish Human Resources.

On this milestone of celebration of the third year, I wish that BFIN will continue providing the learning platforms through their National and International Training, Conferences, Workshops, Researches, and Publications.

Happy 3rd Anniversary once again. Also, let me assure that Beema Samiti – Insurance Regulatory Authority of Nepal will support and cooperate in developing the Human Resource in the financial sector of Nepal.

Warmest Congratulations on your Achievement!



Surya Prasad Silwal
Chairman



अध्यक्ष
Chairman

नेपाल धितोपत्र बोर्ड Securities Board of Nepal



केन्द्रीय कार्यालय:
खुमलटार, ललितपुर, नेपाल
Central Office:
Khumaltar, Lalitpur, Nepal



MESSAGE

I would like to extend my sincerest congratulations to Banking, Finance and Insurance Institute of Nepal (BFIN) for successfully completing three years' journey on imparting professional knowledge to financial sector development in Nepal. BFIN's active role in skills and capacity enhancement in order to develop competent professionals in financial sector in Nepal is really a praiseworthy job.

Learning is a continuous process. Our knowledge and skill require regular upgradations in this dynamic financial world. These time-to-time upgradations, knowledge and capacity enhancements through education, training and research help in making informed decisions and tackle management, regulatory and policy challenges. It gives me immense pleasure to see BFIN providing a platform for learning, upgradation and capacity enhancement.

I would also like to congratulate BFIN for publishing the Journal of Banking, Finance and Insurance. I believe this journal will fill the knowledge gap on latest development made during one year in financial market related matters to the readers. This medium of learning, advocacy and dissemination will help in expanding the knowledge base through new insights and deeper perspectives. Assuring support and co-operation always, I wish BFIN to stand on another new heights of success in the coming days.

(Bhisma Raj Dhungana)

14 August 2021



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Bangabandhu Chair Professor, University of Dhaka and Former Governor, Bangladesh Bank (Central Bank of Bangladesh)



MESSAGE

Let me congratulate Mr. Binod Atreya and his team for taking BFIN and its journal 'Banking, Finance and Insurance' forward towards achieving the set goals. While BFIN is going to celebrate its third-year anniversary, the second annual number of the journal will also be released simultaneously. It gives me enough pleasure in recalling my association with BFIN from the very beginning of its journey. Defying all challenges including the latest pandemic BFIN has been gaining grounds as a desired knowledge institution with its focused objective of building capacities of the financial sector. Its emphasis on leadership and human resource development through well designed training, workshop and seminar programs has already started paying desired dividend. The Institute has been wise enough in offering accredited courses and creating a data base for the financial sector. The organization of international and regional conferences, building partnership with similar knowledge institutions in the region and undertaking knowledge sharing activities globally have been providing additional strength to BFIN. Indeed, leadership matters. The prudent leadership of BFIN by Mr. Binod Atreya with guidance from a competent and diversified board of trustees must be appreciated whole heartedly for continued improvement of the brand image of the Institute. The journal has also been well edited covering both contemporary and emerging issues on banking, finance and insurance. I was impressed to see the journal covering frontier issues on financial sector including how to readjust the human resource development in the context of the Fourth Industrial Revolution which will bring unimaginable changes in production, consumption and of our lifestyle. Also, the journal's focus on financial inclusion is well taken.

I want to thank BFIN for going beyond their national boundaries and contributing towards cross-cutting learning issues through collaboration between similar research and human resource development institutions including a couple from Bangladesh. The pandemic must have put additional pressure on the smooth operation of the Institute. However, I must appreciate the tenacity of the leadership for remaining engaged with the mission and vision of the Institute even during this difficult time. The use of digital technology which has already become 'new normal' in running the training and other programs of the Institute also indicates that it has embraced the needed capacity-building smart option.

Let me wish BFIN again the best of luck in celebrating its third annual anniversary.

Atiur Rahman PhD
Bangabandhu Chair Professor
Dhaka University
& Former Governor, Bangladesh Bank.



MESSAGE

I am elated to learn that you are publishing a journal to celebrate three years trajectory of BFIN. I had the honour of being associated with BFIN both in Australia and India for the last two years. I have keenly observed the way BFIN strives to make a difference to the ecosystem of Banking and Insurance in Nepal.

A notable effort, which must be applauded, is the thinking of BFIN not to make banking processes and products one-size-fits-all, rather how to customize the services context-specific within the prevailing guidelines. To achieve this goal BFIN has endeavored to connect with various institutions in the Sub-Continent and Australia to learn the best practices and fast-track the experience of senior and middle management through exposures and exchanges.

We, at Centurion University, value and treasure the relationship with BFIN and are extremely keen that the partnership be institutionalised. The team visit of BFIN and the engagements have left indelible marks on our Campuses and we do look forward to further visits.

We are confident that BFIN shall grow from strength to strength to co-create real-time value for Banking and Insurance Sector in Nepal and be a Fulcrum Institute to build the appropriate capacity and competency of banking and insurance professionals.

The Team Centurion wishes all the best for BFIN's Triennial Celebrations.

With warmest regards,

MUKTI MISHRA
President, CUTM



Bangladesh Institute of Bank Management

বাংলাদেশ ইনস্টিটিউট অব ব্যাংক ম্যানেজমেন্ট



MESSAGE

I take great pleasure to convey my warm congratulations to the 'Banking, Finance and Insurance Institute of Nepal (BFIN)' on its Third Anniversary. It is very good to see that BFIN has relentlessly been working to enhance capacity of the commercial banks, development banks, finance companies, micro credit institutions, capital market institutions and insurance companies in Nepal. Within the shortest possible time, the institute has come up as a prominent entity in the area of capacity development, and has successfully extended its network in several regional and global economies. BFIN has strategic partnership with BIBM as well.

BIBM wishes the BFIN every success in the years to come.

DR. MD. AKHTARUZZAMAN

Director General

Bangladesh Institute of Bank Management (BIBM)



Bangladesh Institute of Bank Management

বাংলাদেশ ইনস্টিটিউট অব ব্যাংক ম্যানেজমেন্ট



MESSAGE

I am delighted to extend my heartfelt congratulations to the 'Banking, Finance and Insurance Institute of Nepal (BFIN)' to mark its Third Anniversary. It is exciting to see the sharp rise of BFIN since its inception in 2018 by its quality training, workshop and seminar with the goals of enhancing knowledge, skills and capabilities of the employees of financial sector and other stakeholders in Nepal. The institute remains active with its value-adding services even during this Covid-19 pandemic. The institute's extensive efforts of using technology for quality services, and far-reaching attempts of creating global network for upgraded knowledge are praiseworthy. My working experiences with BFIN has been excellent.

I am confident that with the strong leadership and devoted faculty and staff, BFIN will achieve new heights in all spheres in the years to come.

DR. SHAH MD. AHSAN HABIB

*Professor Selection Grade, BIBM & Independent Director,
IPDC Finance Limited Dhaka, Bangladesh.*



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MESSAGE

It is with great joy that I convey my heartiest greetings to the Banking, Finance and Insurance Institute of Nepal (BFIN) on the occasion of its 3rd Anniversary.

Since its inception, BFIN has made notable contribution in the country's financial sector, most especially in its human resources. True to their commitment in enhancing the knowledge, skills, and capabilities of the sector's employees, the Institute has been conducting numerous capacity-building programs that aims to address various issues and challenges.

Despite these achievements, BFIN did not rest on their laurels. In order to ensure a wider exposure and more in-depth activities for their members, the Institute explored partnerships with international organizations. As such, the Colombo Plan Staff College (CPSC) is very much delighted to have collaborated with BFIN in a number of programs, and be able to provide support for BFIN in achieving their mission of developing globally-competitive professionals in the banking, finance, insurance, and capital market sectors.

Through the "Journal of Banking, Finance and Insurance", BFIN will surely make another mark towards the advancement of the banking community and financial systems in Nepal by providing timely and relevant articles from the sector's respected and renowned experts.

As a proud partner, CPSC keenly looks forward to witnessing BFIN's continuous triumph, along with the attainment of its objectives. Given its strong leadership and dedicated staff, it is certain that BFIN will soar to greater heights and achieve more in the years to come. Throughout your journey to success, you can be assured that CPSC will definitely remain as your trusted partner.

Congratulations!

RAMHARI LAMICHHANE, PHD
Director General



BIMTECH
BIRLA INSTITUTE
OF MANAGEMENT TECHNOLOGY



MESSAGE

We on behalf of the Birla Institute of Management Technology (BIMTECH) compliment Banking Finance and Insurance Institute of Nepal (BFIN) for its third foundation anniversary. BFIN has been rendering great services in promoting skill development initiatives in the field of Banking and Insurance. We savour our strategic partnership with BFIN and proud to be associated with the novel initiatives.

DR. ABHIJIT K. CHATTORAJ

Dean, Prof. & Chairperson

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MESSAGE

It gives me immense pleasure to congratulate you on the successful completion of 3 years. It is indeed a matter of pride that Banking Finance and Insurance Institute of Nepal is celebrating 3rd anniversary on 14th August 2021.

Banking, Finance and Insurance sector has seen tremendous growth and opportunity in Nepal in terms of Employment generation and has been trend setter for skill development programs. During various national and international events like training, workshops, and seminars to strengthen the financial sector, offer specific courses and offer a financial literacy program etc. BFIN has played a significant role.

Your organization will benefit not only the financial sector but also Industry Experts and Research scholars.

BFIN will profile current and emerging innovation trends, challenges and issues that are being experienced by the Banking and Insurance sector.

Finally on the behalf of Mewar University I wish the entire family of BFIN for their successful journey.

Thanking you
Sincerely yours,

DR. ASHOK KUMAR GADIYA

Chairman

Mewar University



MESSAGE

It gives me immense pleasure to learn that BFIN has completed successful three years and entering fourth year. Mewar University feel proud in entering a new chapter with the Banking Finance and Insurance Institute of Nepal in imparting in-service training and refresher courses for official from different Banks and financial Institutions of Nepal.

BFIN has successfully conducted many training courses on regular basis not only in Nepal but in other countries also including India.

We are happy to learn that BFIN is bringing Journal of Banking Finance and Insurance Volume II.

I have seen BFIN bringing new ideas in updating the training module to keep pace with the need of challenges faced by the banking and financial institutions in Nepal.

They are also addressing and bringing the required changes in training syllabus covering customer demand from this important sector.

I personally wish all the success to the BFIN and look forward for long association with BFIN

ANAND V SHUKLA IPS IG [RETD.]

Pro Vice Chancellor

Mewar University

Gangrar, Chittorgarh-312901 (Raj)



MESSAGE

On this auspicious day of the third anniversary of BFIN on August 14, 2021, it is my pleasure to submit the second Annual publication "Journal of Banking Finance and Insurance", a milestone in the journey of BFIN to generate discussions and dialogue for expanding the research and development in the financial sector in Nepal. At the outset, let me extend my gratitude to the Nepal Rastra Bank (NRB), Government Ministries and agencies, Board members, banks and financial institutions, promoters, international strategic partners, institutional members, insurance companies, micro-credit institutions, corporate houses, well-wishers and other individuals for supporting us in this difficult journey amidst Covid19 for over a year.

Banking, Finance and Insurance Institute of Nepal Limited (BFIN) established under Company Act 2063 on August 14, 2018, is an apex body for education, training, research, and consulting needed to the government's agencies, banks and financial institutions (BFIs), insurance agencies and other public and private entities. Promoted by the 15 banks and financial institutions and the Emerging Nepal Limited - in which Ministry of Finance (MOF), the Government of Nepal has a share contribution; BFIN has been engaged in developing professionals by organizing various training, conference, seminars both locally and abroad and creating a performance-oriented culture in various public and private organizations. Besides, BFIN is trying to offer an integrated service to its stakeholders, such as recruitment of staff, document administration, advertisement of their products and services, linking banks with International Agencies with a view to create business opportunities, among others.

We have the pleasure to submit the second issue of "**Journal of Banking Finance and Insurance**" to all our valued readers. The main objective of this journal is to shed light on various contemporary issues and generate dialogue and discussions among different stakeholders. In this journal, we have included research articles/papers in the areas of economics, banking, governance, insurance, microfinance, information technology, and HR development. We look forward to your comments and feedback to enhance the quality and standard of this journal. We are indebted to all those authors sharing their thoughts and making us successful in bringing out this journal.

I would like to express my gratitude to both the Deputy Governors of NRB for their encouragement and importance given to the development of human resources in the financial sector in Nepal. I would also like to recognize the support given to BFIN by both the regulators - the Insurance Board of Nepal (IBN) and the Securities Board of Nepal (SEBON) in bringing out this journal.

Finally, I am thankful to the Editorial Board for reviewing the articles and adding value to make this publication to meet high standard. I am grateful to all those banking and non-banking institutions, corporate houses for trusting us and being together in the publication of this journal by contributing their advertisement materials. My staff members worked tirelessly to bring out this journal. I am thankful to all those members and individuals supporting BFIN during these difficult times and making this publication a reality.

On this important day of the 3rd anniversary, we assure you that we will continuously strive forward to expand the knowledge base and be a catalyst of change and innovation to strengthen the financial sector in Nepal. We look forward to continued support and cooperation from all the stakeholders in the future as usual.

DR. BINOD ATREYA

Managing Director,
BFIN



Board of Directors



TOP LEFT TO RIGHT:
BHAWANI DHAKAL, BINOD ATREYA, DIPESH LAMSAL

BOTTOM LEFT TO RIGHT:
NARAYAN PRASAD NEPAL, DEEPAK K. SHRESTHA

यदि तपाईं धितोपत्र (शेयर, ऋणपत्र, सामूहिक लगानी योजनाको ईकाई आदि) मा लगानी गर्दै हुनुहुन्छ भने लगानी गर्नु अघि निम्न कुराहरूमा विशेष ध्यान दिनुहोस् ।

- धितोपत्रको मूल्यमा समय समयमा उतारचढाव आउन सक्ने भएकाले धितोपत्रमा लगानी गर्दा मूल्य उतारचढाव सम्बन्धी उपयुक्त सूचना लिई संयमित तथा विवेकशील भएर मात्र लगानीको निर्णय लिनुहोस् ।
- धितोपत्रमा गरिने लगानीमा प्रतिफल तथा जोखिम दुवै हुने हुँदा हल्ला, अनावश्यक प्रचार प्रसार वा कसैको बहकाउमा नलागी बजार तथा कम्पनीको बास्तविक बस्तु स्थिति बुझेर आफ्नो स्वविवेकमा नै लगानी सम्बन्धी निर्णय गर्नुहोस् । साथै आफ्नो जोखिम बहन गर्न सक्ने क्षमताको मूल्यांकन समेत गर्नुहोस् ।
- धितोपत्रको प्राथमिक बजारमा निष्काशन गरिने धितोपत्रमा लगानी गर्नुअघि धितोपत्र निष्काशनकर्ता कम्पनीको आव्हानपत्र तथा विवरणपत्र माफत प्रवाहित जानकारीहरू मूल्यतया कम्पनीको संस्थापक तथा व्यवस्थापन पक्ष, वित्तीय स्थिति (नेटवर्थ, नाफा नोक्सान स्थिति, आदि), लगानी योजना, जोखिम पक्ष, क्रेडिट रेटिङ्गको स्तर जस्ता कुराहरूको विश्लेषण गर्नुहोस् ।
- नेपाल धितोपत्र बोर्डमा दर्ता भएको तथा नेपाल स्टक एक्सचेंज (नेप्से)मा सूचीकृत धितोपत्रमा मात्र लगानी गर्नुहोस् ।
- धितोपत्रको दोस्रो बजारमा लगानी गर्दा सम्बन्धित कम्पनीको कार्य सम्पादन स्थिति, धितोपत्रको मूल्यमा प्रभाव पार्ने सक्ने संवेदनशील सूचना जस्तै लाभान्श घोषणा, हकप्रद शेयरको घोषणा, व्यवस्थापनमा परिवर्तन, आवी योजनाहरू, कम्पनीको आवधिक र वार्षिक प्रतिवेदनमा उल्लेखित वित्तीय सूचकांकहरू (Earning Per Share, Dividend Per Share, Price/Earning Ratio, Net Worth Per Share), पूँजी कोष अनुपात, निस्क्रिय कर्जा अनुपात आदि) धितोपत्रको मूल्य प्रवृत्ति, कम्पनीको साधारण सभाको निर्णय (माइन्स्यूट) जस्ता महत्वपूर्ण कुराहरूको अध्ययन गर्नुहोस् ।
- दोस्रो बजारमा कारोबार गर्दा कारोबार भएको दिनको तीन (3) दिन भित्रमा कारोबारको राफसाफ (T+3) हुनुपर्ने कुराको जानकारी लिनुहोस् ।
- आफूसँग भएको धितोपत्र (कागजी प्रमाणपत्र) लाई कारोबार चोप बनाउन बोर्डबाट अनुमति प्राप्त निक्षेप सदस्यमाफत अमौतकीक रण गर्नुहोस् ।
- प्राथमिक बजारमा लगानी गर्न निक्षेप सदस्यकोमा हितग्राही खाता (Demat Account) खोली आफ्नो बैंक खाता रहेको बैंकबाट आस्वा वा सि-आस्वा रजिष्ट्रेशन नं. लिई अनलाईनबाट सहज रूपमा लगानी गर्नुहोस् । धितोपत्र बजारमा लगानी गर्न हितग्राही खाता (Demat Account) अनिवार्य गरि एको हुँदा, सिडिएस एण्ड विलचरिङ कम्पनी लिमिटेड (सिडिएससी) तथा निक्षेप सदस्यसँग सम्पर्क राखी बैंक खाता सहितको ग्राहक परिचय विवरण (KYC Form) अनिवार्य रूपमा भरी हितग्राही खाता (Demat Account) खोलेर धितोपत्र खरिद बिक्री कारोवार गर्नुहोस् । आफूले खरिद गरेको धितोपत्र समयमै आफ्नो खातामा जम्मा भए/नभएको ध्यान दिनुहोस् ।
- धितोपत्र बजारमा देशको समग्र आर्थिक तथा राजनैतिक स्थितिले प्रत्यक्ष प्रभाव पार्ने भएकाले धितोपत्रमा लगानी गर्दा यसप्रति समेत सजग रहनुहोस् ।
- धितोपत्रको दोस्रो बजारबाट कारोबार गर्दा सिधै नेप्सेको विद्युतीय कारोबार प्रणाली वा बोर्डबाट अनुमति प्राप्त धितोपत्र दलाल तथा तिनको शाखा कार्यालयबाट मात्र गर्नुहोस् ।
- धितोपत्र कारोवारमा रकमको लेनदेन गर्दा बैंक तथा वित्तीय संस्था माफत मात्र गर्नुहोस् ।
- लगानी विविधिकरण (Investment Diversification) बाट लगानीमा हुन सक्ने जोखिमलाई न्यूनीकरण गर्न सधैं पुग्ने हुँदा लगानी विविधिकरणमा ध्यान दिनुहोस् ।
- दीर्घकालीन रूपमा गरिने लगानीले जोखिमको संभावनालाई न्युन गराउने हुँदा लगानी गर्दा यस तथ्यलाई समेत मनन गर्नुहोस् ।
- पूँजी बजार सम्बन्धी नीति, नियम तथा निर्देशनहरूले धितोपत्रको मूल्यमा असर पार्ने भएकाले सुसूचित निर्णयका लागि बोर्ड, नेप्से, नेपाल राष्ट्र बैंक, अर्थ मन्त्रालय तथा बीमा समितिको वेबसाइट हेर्ने गर्नुहोस् ।
- लगानीकर्ताहरूलाई पूँजीबजार सम्बन्धी साक्षर बनाउने उद्देश्यले बोर्डले समय समयमा आफ्नो कार्यालयमा तथा विभिन्न जिल्लाहरूमा लगानीकर्ता सचेतनामूलक प्रशिक्षण कार्यक्रम सञ्चालन गर्दै आएकोमा त्यस्तो कार्यक्रममा सहभागी हुनुहोस् ।
- बोर्डबाट रेडियो नेपालमाफत प्रत्येक महिनाको पहिलो र तेस्रो शनिबार बिहान ७.४० देखि ७.५५ सम्म सञ्चालन गरिने धितोपत्र तथा वस्तु विनिमय रेडियो कार्यक्रम सुनेर बजार सम्बन्धी जानकारी लिनुहोस् ।
- लगानीकर्ताको अधिकार तथा जिम्मेवारी सम्बन्धमा धितोपत्र सम्बन्धी ऐन नियम, कम्पनी ऐन तथा अन्य सम्बन्धित ऐन नियमहरूको साथै बोर्डबाट भएका व्यवस्थाहरूबारे जानकारी राख्ने । धितोपत्र सम्बन्धी ऐन नियमहरू र अन्य व्यवस्थाको जानकारी बोर्डको वेबसाइट (www.sebon.gov.np) तथा बोर्डको सम्बन्धित प्रकाशनमाफत समेत हेर्नुहोस् ।

धितोपत्रमा लगानी सम्बन्धमा कुनै जिज्ञासा, गुनासा तथा उजुरीहरू भएमा बोर्डको वेबसाइटमा रहेको Grievance button माफत वा टोल फ्रि.नं. १६६०-०१-४४४३३ (निःशुल्क) वा हटलाइन नं ५५४४०७६ वा बोर्डको ठेगानामा पठाउनुहोस् ।



नेपाल धितोपत्र बोर्ड

पो.व. नं. २०३१, खुमलटार, ललितपुर

फोन: ०१-५५४९०५७, ५५५९९६२, ५५४४०७७, ५५५०५९९

फ्याक्स: ०१-५५४९०५८ टोल फ्रि.नं. १६६०-०१-४४४३३

वेबसाइट: www.sebon.gov.np ईमेल ठेगाना: support@sebon.gov.np



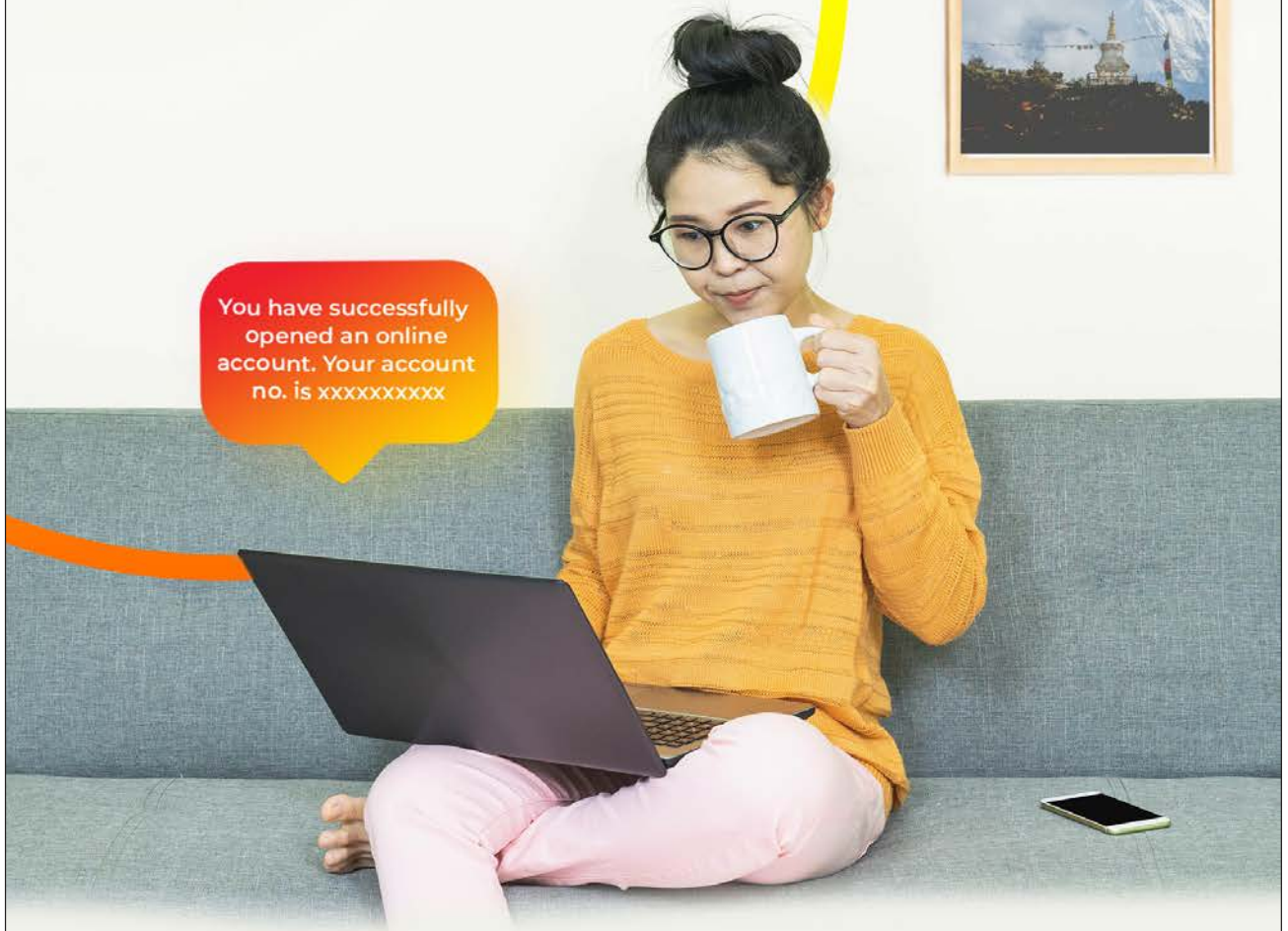
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CEO



Name of Insurance: **IME Life Insurance Company Limited**
 Corporate Address: **Hathway Complex, Lainchaur, Kathmandu**
 Phone Number: **01-4024075**
 Email: **info@imelifeinsurance.com**
 Name of the Chairman: **Dr. Ram Hari Aryal**
 Name of the CEO: **Mr. Kabi Phuyal**
 Slogan of the Insurance: **Ensuring Future**
 Website: **www.imelifeinsurance.com**

ABOUT THE INSURANCE

Registered in 2065 Aswin 15 (October 01, 2008), IME Life Insurance started its operation from 1st Bhadra 2074 (August 17, 2011) offering a range of individual and group insurance solutions that meet various customers' needs such as Protection, Savings, and Investment. IME Life has paid up capital of NPR 1.4 Billion and will reach 2 Billion after IPO. Company's reinsurance partner is Nepal Reinsurance Company Ltd. Promoted by IME Group IME Life Insurance Company has an unrivalled strength - a wide reach with IME Group offices in Nepal and 6000 plus IME Centers and individual agents. IME Life is all set to conquer, and establish a strong client base via agency, corporate agency and direct channels whom we call- our Strategic Partners. IME life Insurance aims to build and expand strong and reliable network of branches all over Nepal, through vast array of strategic partners. We are committed to upgrade their skills and expertise via regular training to provide excellent service to our clients. This will aid in gaining market share and expansion of trustworthy ethical business network. Our company is focusing on providing qualitative services of International Standard. Our company uses information technology to enhance service provided to clients'. We are well connected to provide safe, secured and fast customer service. The market of life insurance is promising and emergence of newer life insurance providers has made the market even more competing yet IME Life Insurance Company is unique. What makes us set apart from other companies is efficiency in operation, good corporate governance and focus the objectives of increasing insurance coverage for ensuring future of people and country.

VISION		KEY FINANCIAL HIGHLIGHTS	
Enhance awareness about life insurance, encourage financial security to the people of Nepal through life insurance products and contribute to the nation's development.	Key Indicators	FY 2076/77 (Actuals)	Q3 OF FY 2077/78
	Paid Up Capital (in NRs.)	1,400,000,000	1,400,000,000
	Total Reserves (in NRs.)	482,102,574	500,565,748
	Life Fund (in NRs.)	1,440,207,630	2,498,363,759
	Total Investments (in NRs.)	3,092,503,365	3,957,534,113
	Gross Premium (in NRs.)	1,400,466,244	1,895,438,790
	Total Claims (in NRs)	101,273,180	341,103,137
	Net Profit (in NRs.)	159,001,546	100,133,022
MISSION			
Our mission is to provide our clients best coverage, diligent underwriting, hassle-free claims and business friendly solution.	Earnings Per Share (EPS) (in NRs.)	11.36	9.54
	Net worth (in NRs.)	1,882,102,574	1,900,565,748
	Policyholder Bonus Rate Range (in NRs)	13 to 70	13 to 70
	Last 180 day's average Share Price (in NRs.)	NA	NA
NAME OF PRODUCTS AND SERVICES		KEY FINANCIAL HIGHLIGHTS	
IME Saral Jeevan Beema Yojana IME Dhanbardhan Jeevan Beema Yojana IME Aajeevan Jeevan Beema Yojana IME Bal Ujjwal Jeevan Beema Yojana IME Bal Umanga Jeevan Beema Yojana IME Dhanbrikshya Jeevan Beema Yojana IME Kalpadhan Jeevan Beema Yojana IME Dhansarita Jeevan Beema Yojana IME Critical Illness Plan	Number of Employees		255
	Number of Branches		124
	Number of Agents		17500
	AWARDS AND RECOGNITION		
	Succeeded to receive the award for Highest Profitable Reinsurance Business based on Reinsurance Premiums and Claims		

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साथ कहिल्यै छुट्दैन



I.M.E. Life Insurance Company Ltd.

Hathway Complex, Lainchaur, Kathmandu, Tel : +977 1 4024071

E-mail : info@imelifeinsurance.com

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फोन नं.: ०१-४२४६२२२ टोल फ्री नं. १६६००९३७३७३

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विस्तृत जानकारीको लागि **SME** type गरी ३३९९३ मा SMS पठाउनुहोस्, हामी फोन मार्फत हजरहरुलाई सम्पर्क गर्नेछौं ।



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Kathmandu, P.O. Box: 9799,
Tel: 4251087, 4251015, Fax: 4251036



सिभिल बैंक लिमिटेड
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CHAIRMAN



Name of Organization: **CARE Ratings Nepal Limited**
Corporate Address: **Second Floor, Star Mall, Putalisadak, Kathmandu, Nepal.**
Phone Number: **01-4012630**
Email: **care@careratingsnepal.com**
Name of the Chairman: **Mr. Ajay Mahajan**
Name of the CEO: **Mr. Achin Nirwani**
Website: **<https://careratingsnepal.com/>**
Slogan: **Evaluating Credit Risk with Our Professional Risk Opinion**

ABOUT THE ORGANIZATION

CARE Ratings Nepal Limited (CRNL) is incorporated in Kathmandu, Nepal which is licensed by the Securities Board of Nepal and provides credit ratings and related services in the geography of Nepal.

CARE Ratings Limited, India (formerly known as Credit Analysis and Research Ltd.), one of the major shareholders of the organization, has above 25 years of track record in providing high quality credit rating and related services in India. The technical support from CARE Ratings Limited, India shall ensure that CRNL has adequate resources to provide high quality credit opinions in Nepal.

In Nepal, CRNL will provide ratings for various instruments such as bonds, debentures, Commercial Paper, bank deposits, structured finance and other debt instruments besides grading to Initial Public Offer, Follow on Public Offer, Rights Issue and ratings for the bank facilities including term loans, working capital limits, non-funded exposures (guarantees / Letter of credits) etc.

VISION	MISSION
<ul style="list-style-type: none">■ To be a respected company that provides best – in its field–quality and value added services.	<ul style="list-style-type: none">■ To offer a range of high-quality analytical services to the stakeholders in Nepal's financial markets■ To build a pre-eminent position for ourselves in Nepal in credit risk analysis, research and information services■ To earn customer satisfaction and investor confidence through fairness and professional excellence■ To remain deeply committed to our internal and external stakeholders■ To apply the best possible tools & techniques for risk analysis aimed to ensure efficiency and top quality■ To ensure globally comparable quality standards in our rating, research and information services
NAME OF PRODUCTS AND SERVICES	
Bank Loan Ratings, Issuer Rating, Debt Instruments, SME Ratings	

KEY MESSAGE FROM CHAIRMAN

On the occasion of the third anniversary of BFIN, we are proud to be associated with the "Journal of Banking, Finance, and Insurance". The last year was very different for all countries and the role of the financial sector was of paramount importance to keep economies going. The same can be said about Nepal where both the banking and insurance sectors had a big role to play. Difficult times poses challenges and also brings in more innovative solutions which helps to keep economies going.

BFIN has been a front runner in terms of outreach which includes training, seminars, and conferences. This journal encapsulates the views and ideas of thought leaders and institutions which keep the spirit of discussion and debate ticking. This is the only way in which we can bring about change especially in policy as there is no rule which fits all. While global standards are necessary to follow, we need to customize along the way to ensure that local conditions are kept in mind. This is what is propagated by the collection of articles in this publication.

The economy has been hit hard due to the pandemic, but the proactive measures pursued by the Central Bank, Nepal Rastra Bank, has ensured that from the monetary side support has been provided in every possible way. This is already showing results not just in the economy but also the financial sector. We do believe that as we move towards normal this year, there will be an upswing in activity that will also lead to buoyancy in the financial system as resources are used for growth purposes.

We do wish BFIN success in its endeavour to constantly educate stakeholders which helps all participants to imbibe the best practices and standards.

DESCRIPTION OF PRODUCTS AND SERVICES



Bank Loan Ratings: Bank Loan Rating (BLR) is facility specific assessment of credit risk. Companies/ borrowers avail different types of loan facilities from banks to meet their funds requirements. The same can be in the form of Funded (where actual cash is disbursed by the bank) or Non-funded (where cash disbursement is not done till devolvement of these credits). The bank loans are availed to meet short term fund requirements (working capital loans, overdrafts, revolving cash credit, Import credit, Export credit etc.) and also long term loans for project funding. The non-funded loans are generally in the form of guarantees or documentary credits.

Issuer Rating: Issuer rating is an issuer-specific assessment of the credit risk. It is similar to long-term instrument ratings except for the fact that they are specific to an issuer and not specific to any of the issuer's instruments. Issuer rating factors in the expected performance of the entity over an intermediate time horizon of around three years and reflects the capability of the entity as regards to servicing of its financial obligations. Issuer rating would help lenders/investors to evaluate credit quality of the issuer and would facilitate an informed lending/investment decision.



Debt Instruments: The primary focus of the rating exercise is to assess future cash generation capability and the adequacy to meet debt obligations in adverse conditions. The analysis therefore attempts to determine the fundamentals and the probabilities of change in these fundamentals, which could affect the creditworthiness of the issuer. Debt rating can be done for Bonds, Debentures, Commercial Papers, Certificate of Deposits, Subordinated Debt, Fixed Deposits, Bank loan ratings and other such debt obligations.

SME: SME Ratings indicate the relative level of creditworthiness of an SME entity, adjudged in relation to other SMEs. It is an issuer specific rating reflecting overall general creditworthiness. It is a onetime assessment of credit risk. The rating exercise would take into account the industry dynamics, operational performance, financial risk characteristics, management capability and the future prospects of the entity for arriving at the overall risk profile of the SME unit.

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सुरक्षित भविष्यको लागि सञ्चय कोष तथा निवृत्तभरण कोष

कर्मचारी सञ्चय कोषबाट उपलब्ध सेवा-सुविधाहरू :

(क) सञ्चय कोष र निवृत्तभरण कोष रकममा ब्याज प्रदान: २०७८ श्रावण १ गते देखि ६.५० प्रतिशत ।

(ख) मुनाफा प्रदान : आ.व. २०७७/७८ मा आ.व. २०७६/७७ को खुद मुनाफाबाट आ.व. २०७६/७७ को शुरु सञ्चय कोष मौज्दातको आधारमा १ प्रतिशत प्रदान गरिएको ।

(ग) सापटी सुविधाहरू :

- विशेष सापटी : कोषकट्टी खातामा जम्मा भएको रकमको ८० प्रतिशत सठम (ब्याजदर ७.६० प्रतिशत) ।
- घर सापटी : घर निर्माण गर्न, तला थप्न वा घर खरिद गर्न घर जग्गाको धितोमा अधिकतम १५ वर्षको तलब वा बढीमा रु.१ करोड सठम (ब्याजदर ७.९० प्रतिशत)
- शैक्षिक ऋण : घर जग्गाको धितोमा सञ्चयकर्ता वा निजको श्रीमान/श्रीमती/छोरा/छोरीको उच्च शिक्षा अध्ययन गर्न स्वदेशका लागि अधिकतम रु.१० लाख, विदेशका लागि अधिकतम रु.२० लाख सठम र एम.बी.बी.एस./एम.डी.को लागि रु.२५ लाख सठम (ब्याजदर ७.९० प्रतिशत)
- सञ्चयकर्ता सरल चक्रकर्जा : घर जग्गाको धितोमा काठमाण्डौ उपत्यकाभित्र न्यूनतम रु.५ लाख र अधिकतम रु.३० लाख सठम (ब्याजदर ८ प्रतिशत)
- घर मर्मत सापटी : घर मर्मत गर्न घर जग्गाको धितोमा अधिकतम ५ वर्षको तलब वा रु.२५ लाख सठम (ब्याजदर ७.९० प्रतिशत)

(घ) सामाजिक सुरक्षा सुविधाहरू :

- दुर्घटना क्षतिपूर्ति योजना : सेवाकालमा सञ्चयकर्ताको दुर्घटनामा परी मृत्यु भएमा वा पूर्ण अंगमंग भएमा रु.२ लाख ।
- काजकिरिया अनुदान योजना : सेवाकालमा सञ्चयकर्ताको मृत्यु भएमा रु.४० हजार ।
- सञ्चयकर्ता स्वास्थ्योपचार योजना : सञ्चयकर्ता अस्पताल भर्ना भई उपचार गरेको साधारण रोगमा रु. १ लाख सठम र घातक रोगमा रु. १० लाख सठम ।
- सुत्केरी तथा शिशु स्याहार सुविधा : प्रति प्रसूति रु.७ हजार ५ सयका दरले बढीमा दुई पटक गरी रु.१५ हजार ।

(ङ) अनलाइनमार्फत सुविधा प्रदान

- कोषले KYC अद्यावधिक भएका सञ्चयकर्तालाई अनलाइनमार्फत विशेष सापटी लिनसक्ने सुविधा कार्यान्वयन गरेको ।
- सञ्चयकर्ताले कोषबाट लिएका विशेष सापटी, घर सापटी, शैक्षिक सापटी, सरलचक्र कर्जा तथा घर मर्मत सापटीको साँवा तथा ब्याज connect IPS मार्फत आफ्नो बैंक खाताबाट सोभै सञ्चय कोषको ऋण खातामा तिर्न सक्ने व्यवस्था गरिएको ।
- महालेखा नियन्त्रक कार्यालयले प्रयोगमा ल्याएको विद्युतीय सरकारी लेखा प्रणाली (CGAS) र कर्मचारी सञ्चय कोषले प्रयोग गरेको प्रणालीबीच सूचना आदानप्रदान गर्ने कार्य प्रारम्भ भई विद्युतीय प्रणालीमार्फत फाँटवारी संकलन शुरु गरिएको । संघ र प्रदेश कार्यालयका स्थायी कर्मचारीहरूको तलबी विवरण तयार गर्दा नै अनिवार्य रूपमा कोषको परिचयपत्र नम्बरका आधारमा रुजु गरी सञ्चय कोष रकम पठाउन सकिने व्यवस्था गरिएको ।
- कोषले सञ्चयकर्ताको व्यक्तिगत विवरण (KYC) अद्यावधिक गर्ने कार्य अन्तिम चरणमा पुऱ्याएको । कोषको वेवसाईटमा उपलब्ध KYC फाराममा आफ्नो वास्तविक विवरणहरू भरी Submit गरे पछि प्राप्त हुने विवरण प्रिन्ट गरी कार्यरत कार्यालयबाट प्रमाणित गराई, कोषको परिचयपत्रको प्रतिलिपि, नागरिकताको प्रतिलिपिसहित कोषको कार्यालयमा स्वयम् उपस्थित भई Biometric विवरण (हस्ताक्षर, औंठाछाप तथा फोटो) अद्यावधिक गर्ने गरिएको ।
- सरकारी एवम् सार्वजनिक संस्थाका कर्मचारीहरूका लागि योगदानमूलक निवृत्तभरण रकम मासिक तलबबाट ६ प्रतिशत कट्टा गरी सोही अनुपातमा नेपाल सरकार वा सम्बन्धित संस्थाबाट थपिने गरी रकम सोभै विद्युतीय माध्यमबाट प्राप्त हुने गरी व्यवस्था गरिएको ।

कोषबाट उपलब्ध भइरहेका सम्पूर्ण सेवा-सुविधासम्बन्धी जानकारी कोषको वेवसाईटमार्फत लिन सकिने छ ।



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 Swift Code: **GLBBNPKA**
 Name of the Chairman: **Chandra Prasad Dhakal**
 Name of the CEO: **Ratna Raj Bajracharya**
 Slogan of the Bank: **The Bank for All**
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ABOUT THE BANK

Customer is the center of what we do; this is the reason why we have thrived in the banking fraternity since our establishment. With the persistent effort to learn, grow and deliver, Global IME Bank Limited has always set an exemplary model in maintaining good corporate governance, delivering smooth customer service, encouraging innovations and accepting changes. We are one of the largest private sector banks in Nepal with customer base of above 2.5 million and a global presence of 3 overseas offices. Established in 2007 as an 'A' class commercial bank in Nepal, the bank holds a distinct position in the Nepalese banking industry. The capital base of the bank is approximately NPR 36 billion, the highest in the industry, and is also privileged as the leading financial institution in terms of major financial parameters. The bank also have the recognition from international associates, major accolades includes, "The Bank of the Year Award 2014" for Nepal by the Bankers Magazine (Publication of the Financial Times, UK), "Best Internet Bank 2016- Nepal" by International Finance Magazine, London and "Best Employer Award 2018" by World HRD Congress, India.

Adherence to the rules of the regulatory bodies always remains our top priority as this always have been the fundamentals for the bank's growth and achievement. GIBL is a pioneer in the industry with the demonstrated result for successful mergers and acquisitions. The bank comprises mergers and acquisitions of total 18 financial institutions that includes two commercial banks. The bank embraces the differences that came with the mergers and acquisitions, this always have resulted as an aide for better performance of the bank and growth of each stakeholders. The bank has excellent diversification of its portfolio. A well balanced distribution of exposure in areas of national interest has been possible through long term forecasting and timely strategic planning. The bank has diversified interest in hydro power, manufacturing, services industry, aviation, exports, trading and microfinance projects, just to mention a few. The exemplary performance of the bank has elevated it to a premier status in the industry. The bank has been handling government transactions and is officially amongst few commercial banks entrusted with such assignments. The bank has a wide spread branch network operating in 76 districts of Nepal with 273 branches, 47 extension and revenue collection counters and 257 Branchless Banking facilities spread throughout Nepal. All of the bank's branches have been established as full service outlets that offers a multi range of full-fledged banking services to our customers. The bank also operates 248 ATMs throughout the country strategically placed for the convenience of customers.

VISION			MISSION		
The bank shares a common vision of “The Bank for All” amongst its Promoters, Directors, Management Team and Staffs in commitment to providing the highest standard of services for customers from all regions and societies.			To win respectable market share through customer focused quality products and services, innovative business solutions and technology driven banking thereby enhancing growth and profitability of the bank so as to ensure the optimum benefit to all stakeholders at all times.		
KEY FINANCIAL HIGHLIGHTS (IN NRS.)			DESCRIPTION OF PRODUCTS AND SERVICES		
Key Indicators	FY 2076/77	Q3 of FY 2077/78	The bank offers a complete range of banking products in deposits, lending, trade finance and remittances. The bank's deposit product portfolio encompasses customer tailored saving deposits, fixed deposits, call and current deposits. The lending product portfolio includes commercial loan products such as demand loans, cash credits, overdrafts, trust receipts and term loans, whereas a complete portfolio of personal and retail credit products are also provided by the bank. Non-fund based products such as bank guarantees and letters of credit are also available to the bank's customers. GIBL's focus has been stretched out to financial supports to Corporate and Infrastructure Sectors with preference on renewal energy, SME, Retail, Agriculture and Micro Financing Loans.		
Share Capital	18,975,879,857	21,632,503,035			
Reserves	9,858,516,501	10,582,431,042			
Deposit	226,643,083,207	258,533,730,113			
Loans and Advances	199,993,971,209	235,543,052,498			
Operating Profit	4,246,456,859	5,318,031,075			
Net Profit	2,908,664,367	3,578,269,243			
Capital fund to RWA	12.48%	13.22%			
Non-Performing Loan	1.76%	1.61%			
Net Distributable Profit	1,484,370,708	2,564,580,656			
Credit to Deposit Ratio	73.18%	76.54%			
Earnings Per Share	17.99	22.05			
			OTHER INDICATORS	AWARDS AND RECOGNITION	
			Number of Employees	3,000+	(1) The Bank of the Year Award 2014 for Nepal by the Bankers Magazine (Publication of the Financial Times, UK), (2) Best Internet Bank 2016- Nepal by International Finance Magazine, London and (3) Best Employer Award 2018- Nepal by World HRD Congress, India
			Number of Branches	273	
			Number of Depositors	2,400,000+	
			Number of Borrowers	54,000+	

MESSAGE FROM CEO

First of all, I would like to take this opportunity to congratulate Banking Financial & Insurance Institute of Nepal (BFIN) on the occasion of its 3rd anniversary. On behalf of Global IME Bank Limited, I express my warmest congratulations as well as my best wishes for the success of BFIN.

The financial sector is dynamic and is always open to various challenges and risks. Amidst various obstacles, the pragmatic approach BFIN has adopted to enhance the knowledge, skills and capabilities of the employees and other stakeholders of financial sector by offering various training, workshop and seminar programs is truly commendable. Once again, I express my sincere gratitude and best wishes to each stakeholders of BFIN and I firmly believe that the close relations between us will continue to thrive and strengthen in the years to come.

Happy Anniversary!

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EDITORIAL NOTE

We are still in the middle of the pandemic which affected every aspect of human endeavors. The life and livelihood of millions of people lost during last one and half year is unprecedented. Though many countries, especially the developed ones, have shown signs of recovery which also has emphasized how the world is highly divided among “haves” and “have nots.” The term “vaccine inequity” and “vaccine nationalism” have become buzz word in media and among the people who are suffering from it.

In this backdrop, the financial intermediary sector is expected to play critical role in ensuring quick recovery of economic activities around the world. Its role in economic development of the country and the entire world need not to be emphasized. It becomes even critical in this kind of difficult times when the world is facing such a huge challenge of our life time. They can provide necessary financial services and incentives to the people and organizations so that they will be able to sustain the hardship. Their contribution in financial facilitation is critical in making people's lives easier.

Therefore, the present issue of BFIN journal is an effort to highlight the criticality of the financial services sector in economic development of the world, especially countries like Nepal which are already facing many challenges related to its socio-economic development. For this purpose, the journal includes variety of articles addressing various dimensions of financial activities. The articles cover concepts and issues such as corporate governance and their impact on financial services sector, banking fraud and ways to address it, impact of micro insurance in people's lives, how financial stability is important for any country, macro-economic determinants of banking sector and others. One article is interesting in a sense that it discusses the role sharia-based banking is playing in financial service in Bangladesh and how they are contributing differently in ensuring better lives for people, especially during the global pandemic.

The articles covered in this journal are representatives of varied ideas which try to address different perspectives, concepts regarding financial intermediary sector and how it can contribute in changing lives. It is believed that the issues raised in these articles will be able to create some discussion among the decision makers including the leaders and managers of financial institutions, the regulatory bodies and other people who are interested in learning from the opportunities and challenges faced by the sector. The joint efforts of all the stakeholders with healthy discussion on relevant issues will enable the sector to play its role in the overall development of the world.

DR. SUSHIL KUMAR PANT

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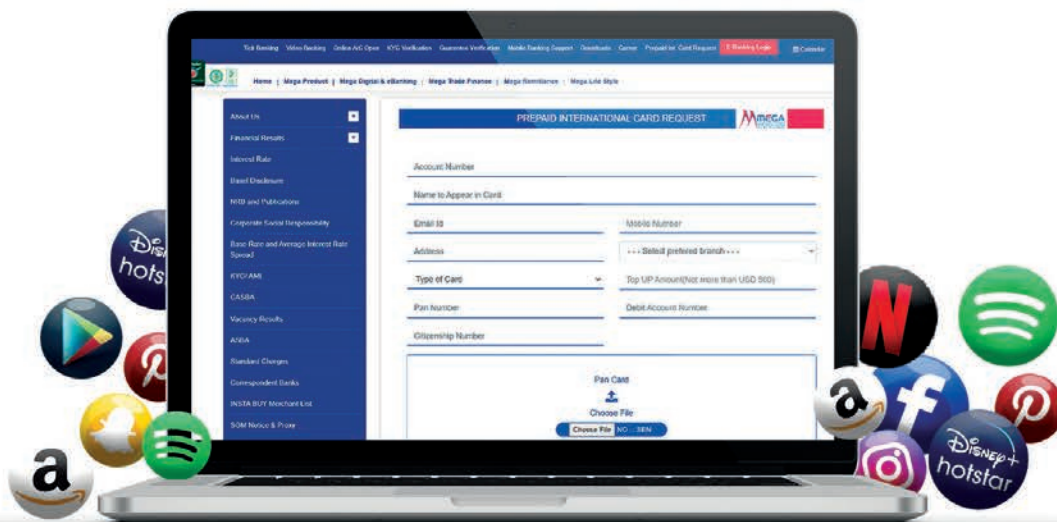
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ANNUAL JOURNAL
AUGUST, 2021

The future of work in the banking



DR. BINOD ATREYA
MANAGING DIRECTOR

Banking Finance and
Insurance Institute of Nepal

ABSTRACT

Technology development and COVID-19 have taught us many lessons. First, we have learned how to work from home to a greater extent and the ways and means for communicating remotely. Second, we were quick to respond to emergencies and able to transform business models, mobilize teams and innovate new infrastructure for delivering essential services. Third, we understood that the safety and well-being of "talent" are of paramount importance. Forth, we have recognized that digital technology will shape the future of banking, and embracing innovation is necessary for the sustainability of the organization. Fifth, we understood that there will be a shift in the work that we are doing, the workplace, and the composition of human resources in the future. Such a shift would be on a different scale in the banking sector in different countries. Now, the challenge for banking organizations will be to sustain the momentum of innovation in the long term along the lines of technology development and realign the organizational system and processes to acquire, retain and develop the best 'talent' for the success of the organization.

1. Introduction

The banking institutions have played a great role in transforming surplus liquid funds from depositors to long-term financing for corporate, business individuals through intermediation and payment functions. These traditional functions are reshaping now because of the development in technology, changing consumer behavior, and the emergence of new competitors. According to Cortina and Schmukler (2018) "The trend toward digitalization and technological innovation will likely reshape the global financial sector and how financial companies interact with their customers. The proliferation of mobile devices, new demographics, and the rise of "fintech" providers are the driving forces in this development, fueling the emergence of new solutions and products that better address customer needs by increasing accessibility, speed, and convenience. As a result, customer expectations regarding financial services are increasing, and banks will find it difficult to control all parts of the value chain using the traditional business models". This indicates the future direction of banking.

Further to the technological revolution, the Covid19 pandemic has disrupted the world economies and changed the ways we live and work. The global growth remained negative at 3.1 percent in the year 2020 and is projected to grow by 5.6 percent in the year 2021 in anticipation that Covid-19 vaccinations and government stimulus in advance economies will help expand the economy. Growth in South Asia was negative at 5.4 percent in 2020 and expected to rebound to 6.8 percent in 2021. Nepal experienced negative growth of 2.1 percent and is expected to rebound to 2.7 percent in 2021 (World Bank, 2021).

Although the economy in Nepal has suffered due to Covid-19, the banking sector, however, has been successful in providing essential services during the covid19 period by developing new models of operations; introducing new instruments and making payments, managing risks and liquidity, and keeping the well-being of the staff as their priority. The risk for the financial sector still prevails due to the uncertain path of Covid – 19, as the second wave is posing threats to the economy as well as to the livelihood and wellbeing of the society in general. The rebound in the economy will largely depend upon the rollout of the vaccines and the growth-enhancing programs undertaken by each country.

What we were thinking of as the “future of work” has become a reality now. Moreover, the entry of the young generation (generation Y and Z) into the labor market has added challenges for the HR functions since their expectations and behavior are different than those of the older generation (generation X). Banks are being forced to re-visit their culture, structure, work, the workforce, the workplace to be responsive to changing needs of the stakeholders. It has become paramount important for banks to develop strategies, in line with the “future of work” for their sustainability. The Covid-19 has added more challenges of ensuring the safety and security of the employees, the hybrid working culture, and the issues of HR management and development.

Against this backdrop, this paper aims at analyzing the changing landscape of work that we are doing, the workforce, and the workspace. It will discuss the training and development requirements for “talents” to be adaptive to the changing landscape in the future. The paper aims at discussing the future of banking and then draws learning lessons for the banking sector in Nepal. This paper is based on descriptive analysis, mainly the reviews of the published literature, its analysis, and its relevancy to the financial sector in Nepal.

2. The changing landscape of work, workforce, and the workplace

The technological revolution, the demographic shifts, and the Covid19 will be bringing a radical shift in the work that we do; the workforce and the workspace. Jeff Schwartz and et al (2019) argued that future work will have immense pressure in redefining the work itself, workforces, and the workplaces and thereby creating a wider impact to the individuals, organizations, and the society as a whole. The definition of a job which was thought a completion of tasks from end-to-end during the first Industrial Revolution to mass production has moved to a stage of human-machine

collaboration taking away routine and repetitive tasks by machines and confining the human roles to problem-solving and managing human relationships. Let us review in brief some of the most pressing development in these areas.

a. The future of work

The first industrial revolution which began in Great Britain and lasted from the 1700s to the mid-1800s was viewed as the *development of water and steam engines* to transform manufacturing and transportation thereby heralding the Industrial Age. The second industrial revolution which took place from the mid-1800s to the 1900s was viewed mainly as the *development of electricity* that brought lighting and power to nearly every facet of life along with the use of technologies for mass production in factories. The third industrial revolution of *computing and the internet* mainly transformed the exchange of information. The fourth industrial revolution, a major shift from the Internet economy to a *digital consumer economy* is leading to radical changes in organizations’ business models, the rise of new firms, and most importantly, a wider impact on society, having access to solutions that were not imagined in the past years. The fourth industrial revolution characterized by self-learning machines, robotics, big data, cyber-physical system, Internet of things (IoT), Artificial Intelligence (AI), among others, will have radical impacts on social life, such as jobs, workforce and workplace and working arrangements as the organizations and industries will be reshaped by the evolving technology (Deloitte, 2018; Hounshell 1985).

A report by Mc Kinsey and Company (2017) suggests that 50 percent of the current work activities are technically automatable; 30 percent of the hours worked globally could be automated by the adoption of technologies; and as many as 375 million workers globally (14 percent of the global workforce) will likely need to shift to new occupational categories and learn new skills, in the event of rapid automation adoption within 2030. The World Economic Forum (2020) argued that by 2025, the time spent on current tasks at work by humans and machines will be equal. It is anticipated that 85 million jobs may be displaced by a shift in the division of labor between humans and machines, while 97 million new roles may emerge that are more adapted to the new division of labor between humans, machines, and algorithms.

The demographic shifts (Table 1) will have a profound impact on the work we do in the next decade. The Baby Boomers (1946-1964) who have reached the age of 57-75 in the year 2021 will be retiring soon from the job market. In a study, 84% of Baby Boomers preferred to shop in-store, and 67% reported that if an item they want is available online and in-store, they prefer to purchase it

in-store (Cashman and Wakefield, 2020). Generation X (1965-1980) will be reaching the age of 41-56 in the year 2021, of which the eldest of them will be reaching the retirement age. The Generation Y/Millennials (1981-1996) will be reaching the age bracket of 25-40 in the year 2021 will comprise the largest share of the workforce, representing 40% of the global working-age population by the end of the next decade (Cashman and Wakefield, 2020).

Table 1: Generation Shifts

Generation	Birth Year	Age in 2021	Behavioral Shifts
Baby Boomers	1946-1964	57-75	Preference for physical work; high spending power; Leisure, travel, and enjoyment
Generation X	1965-1980	41-56	Work-life balance, family life, personal independence, individualists, risk-takers
Generation Y/Millennials	1981-1996	25-40	Sensitive to environment, societal protection; like to work at home and office both; being tech-savvy prefers flexibility, co-working/flex-office; and more facilities (canteen, fitness center, recreation, etc.,) in office; collaborative generation
Generation Z	1997-2012	9-24	Digitally native, a sharper focus on security and stability than millennials; technologically capable; entrepreneurial and high expectations; prefer high living standard and control over their workspaces; lack experience and social skills; needs to develop emotional and social skills. More individualist and feels that technology restrain the development of interpersonal relationships.
Generation Alpha	2013 - Now	1-8	Schooling

Source: Cashman and Wakefield, 2020.

Millennials do prefer protecting the environment and the wellbeing of the society, and therefore prefers to work in hybrid work culture – work from home, work from the office, and work from anywhere and they are more concerned for saving time and energy. Being tech-savvy, they like to make the most use of digital technology at work (Cashman and Wakefield, 2020).

Generation Z (1997-2012) will be at the age bracket of 9-24 in the year 2021, and they will be the main workforce in the next decade and beyond. About 26 percent of the global population will be falling into Generation Z. Generation Z grown up surrounded by the internet, e-commerce, smartphones, and social media will enter the workplace with a “phigital lens”—the experience that all of life is both physical and digital. The workplace will need to continue to adapt to keep up with these expectations – expect property technology (PropTech) on steroids. Generation Z likes to have more control over work than Generation Y

and thereby demanding a multifaceted work environment to work, interact and help them develop good experience professionally. This is the first generation to have grown up with integrated, mobile technology and expect it – and everything it touches – to be seamless. Generation Z wants to be secured. Having grown up in the shadow of global terrorism risk and ongoing economic turmoil, they have a sharper focus on security and stability than Millennials (Cashman and Wakefield, 2020). The challenges for the organizations to create jobs that best meet the demand of the new generation and offer them working experiences that are in line with their behavior for best results.

As a result of the demographic shifts and the revolution in technology development, the World Economic Forum (2020) argued that the employment in some job families will be increased while some jobs will be decreased (Table 2).

Table 2: Reduction/Increase of Employment in Job Families

Employment	Job Families
Reduction in employment	Office and administration; manufacturing and production; construction and extraction; arts, design, entertainment, sports, and media; legal and installation and maintenance.
Increase in employment	Business and financial operations, management, computer, and mathematical, architecture and engineering, sales and education and training.

Because of the changes in the job family, some job roles will be decreased whereas some job roles will be emerging in the future. In this regard, WEF (2020) noted the following list of 20 jobs that will have less in demand and the emerging job roles that are expected to increase in demand in the next five years (Table 3).

Table 3: Increase and decrease of job roles across the industries

Increasing Demand	Decreasing Demand
1. Data Analysts & Scientists	1. Data Entry Clerks
2. AI Machine Learning Specialists	2. Administrative and Executive Secretaries
3. Big Data Specialists	3. Accounting, Bookkeeping and Payroll Clerks
4. Digital Marketing and Strategy Specialists	4. Accountants and Auditors
5. Process Automation Specialists	5. Assembly and Factory Auditors
6. Business Development Professionals	6. Business Services and Administration Managers
7. Digital Transformation Specialists	7. Client Information and Customer Service workers
8. Information Security Analysts	8. General and Operations Managers
9. Software and Applications Developers	9. Mechanics and Machinery Repairers
10. Internet of Things Specialists	10. Materials- Recording and Stock-Keeping Clerks
11. Project Managers	11. Financial Analysts
12. Business Services and Administration Managers	12. Postal Service Clerks
13. Database and Network Professionals	13. Sales Rep., Wholesale and Manuf., Tech. and Sci. Products
14. Robotics Engineers	14. Relationship Managers
15. Strategic Advisors	15. Bank Tellers and Related Clerks
16. Management and Organization Analysts	16. Door-To-Door Sales, News and Street Vendors
17. FinTech Engineers	17. Electronics and Telecoms Installers and Repairers
18. Mechanics and Machinery Repairers	18. Human Resources Specialists
19. Organizational Development Specialists	19. Training and Development Specialists
20. Risk Management Specialists	20. Construction Laborers

Source: *The Future of Jobs Report (2020)*, World Economic Forum

The Covid19 has also influenced the demand and supply of the labor market across the globe. The partial or full closure of industries and business operations led to problems to economies, societies, and the demand and supply of labor markets. According to the ILO (2021), 8.8 percent of global working hours were lost in 2020, equivalent to 255 million full-time jobs leading to \$3.7 trillion in lost labor income;

and that working-hour losses in 2020 were approximately four times greater than during the global financial crisis in 2009. The pessimistic view of full-time job loss is estimated at 130 million in the year 2021. As the second wave of covid19 is continuing and countries around the world are facing uneven recovery, it is difficult to estimate what will happen at the end of 2021.

All these discussions led us to conclude that many jobs will be automated, many jobs will disappear and many more will emerge. Many jobs will be performed by machines. Reskilling and upskilling will be a continuous process for the organizations to rebuild their human resource strengths and capabilities. Organizations are, therefore, required to be agile and responsive to these changing dimensions of work and develop strategies to manage in the future.

b. The future workforces

The future workforces will be tech-savvy, as the millennial and Generation Z will be entering the job market. The traditional employer-employee relationships are likely to be replaced by the emergence of a new workforce – temporary, on-call contract workers, freelancers, independent contractors, and gig workers. Human resources are “talent” and have to be treated as “Customers”; as the skilled human resources will be in short supply and retaining them will be a great challenge for the organizations.

PwC (2018) in its publication *“Workforce of the future: The competing forces shaping future”* argued that the rapid technological breakthroughs, rapid urbanization, demographic shifts, shifts in global economic power and resource scarcity and climate change - all these megatrends will determine the future of job and the workforces. PwC (2018) argued that we could see four different worlds of Work in 2030 as (a) Red World (b) Blue World (c) Green World and (d) Yellow World.

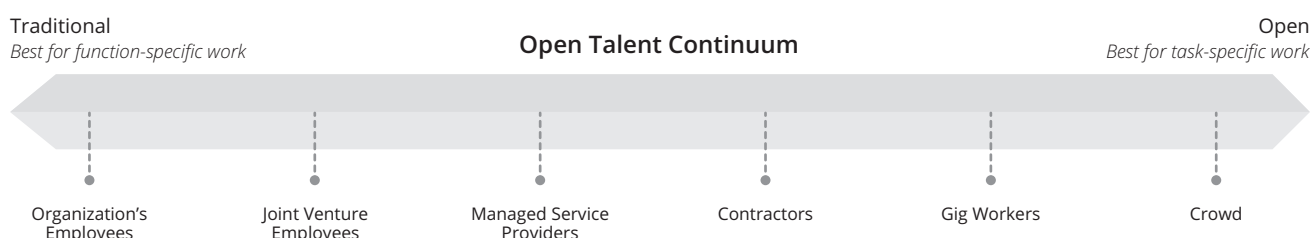
Red World means “a world of innovation with few rules’ driven by ‘agility and speed’ with high tech employees developed through experience, training, and skill-building rather than university education working independently more on a contractual basis. It is envisaged that ‘few

people will have stable, long term employment in the future. In Blue World ‘Global Corporate organizations take the central stage. High performers will be well rewarded. Employability depends on keeping their leading-edge skills relevant. Green World is meant to protect the environment, climate change and ensure corporate social responsibility for the betterment of human society in general. Companies do care about their employees and consumers. There is a social conscience among the employers and the employees. The Yellow World puts ‘Humans’ to the center of business. Fairness and social good are dominant. Businesses with a heart and artisans thrive in a bustling and creative market with a strong emphasis on ethics and fairness.

All these four Worlds emphasize that workers with the critical skills that organizations need will become the ultimate prize – whether they are full-time employees or contract workers. These are the ‘pivotal’ people – those that contribute outsized and crucial value to their organization. Finding and keeping these pivotal people will be a huge challenge in every world. They will be hard to find and difficult, in a loyalty-light world, to keep. And in the hard-driven Red and Blue worlds, the risk of losing pivotal people to burnout or early retirement (comfortably funded by the high rewards they’ll command) will be a constant worry. That’s why organizations will need to pay careful attention to the employee value proposition – the reasons why these extraordinary people were attracted to working with them in the first place” (PwC 2018).

Deloitte (2019) argued that the traditional employer-employee relationship is being replaced by the emergence of an alternative workforce – temporary, on-call contract workers, freelancers, independent contractors, and gig workers (Table 4). The hiring of full-time employees will be fading fast.

Table 4: Composition of future workforces



Source: Deloitte Analysis.

It is increasingly believed that the alternative workforce is expected to increase dramatically over the coming years due to a combination of factors, including firms' cost pressures, technological adoption, and changing workplace cultures. The challenge for the organizations in the next decade would be how to *access* these talents as demand for skilled talent will be very high and supply will be less than required? How to *curate* them – make them feel happy and engaged in teams within the overall ecosystem of the work? How to *engage* them - by allowing them to develop relationships among various stakeholders and creating a meaningful engagement and experience for them to remain in the organization (Deloitte 2019). Organizations are, therefore, required to understand the shift in workforce requirements and the skills shift to remain competitive.

The World Economic Forum (2020) argued that automation, in tandem with the COVID-19 recession, is creating a 'double-disruption' scenario for workers. In addition to the current disruption from the pandemic-induced lockdowns and economic contraction, technological adoption by companies will transform tasks, jobs, and skills by 2025. Forty-three percent of businesses surveyed indicate that they are set to reduce their workforce due to technology integration, 41% plan to expand their use of contractors for task-specialized work, and 34% plan to expand their workforce due to technology integration". By 2025, the time spent on current tasks at work by humans and machines will be equal. A significant share of companies also expects to make changes to locations, their value chains, and the size of their workforce due to factors beyond technology in the next five years.

The behavioral shifts of the generation along with the revolution in technology call for the organization to be responsive to manage workforces. To deal with the changing nature of the workforce in the next decade, organizations are required to *redefine the culture, drive people management to realities and build an enabling changes environment* for the optimum utilization of the scarce talent in the market (PwC 2020).

The organizational culture must embrace "people" at the heart of every decision. Organizations must articulate deeper the purpose and vision to all the employees and stakeholders. Stakeholders are meant to be collaborators. The structure needs to focus on building a network of high-performance teams, a flat structure with less hierarchy; and a process of flexibility, rapid decision making, and a continuous learning system.

The people transformation would require flexible and hybrid working arrangements; an environment of trust, unity, empathy, and engagement. Employees' performance needs to be solely measured based on outputs and targets

or based on KPIs, rather than time spent in the office work. The reward needs to be linked to individual productivity and achievements. Organizations will be required to maximize health and safety protocols by focusing on the physical, emotional, and mental wellbeing of the employees.

Enabling Change has become a prerequisite for the success of organizations in the new normal. Organizations capable to adapt to new realities are likely to be successful than others. Organizations would be required to enable the change by leveraging workforce analytics to promote data-driven decision making; rethinking talent sourcing and recruitment by embracing emerging technologies and diverse skill sets, and leverage the great mix of employees, and cultivating a culture of lifelong learning.

It can be concluded from the above discussions that the future of the workforce would include a combination of permanent to contractual employees. Talent and skilled workforce will be in high demand. Updating and reskilling continuously would prevent the workforce from being obsolete. The employing organizations will need to reshape their HR functions to access, curate, and retain them by empowering the employees to make decisions of their choice.

c. The future of workplaces

Managing the safety and wellbeing of employees has become a priority for all organizations. Covid19 forced the organizations to manage teams interacting virtually either at the office or from a remote place. It also necessitated categorizing the employees - those essential talents required to provide essential services in the office and those who can work from home or remote workplace. Because of Covid19 organizations are bound to operate with a minimum number of employees, use shift systems, maintain adequate space in office layout, use all health protocols (physical distance, sanitizer, globes, mask, etc.), use digital communication platforms, and encourage e-commerce, as appropriate. Organizations that integrate well-being into the design of work at the individual, team, and organizational levels will build a sustainable future where workers can feel and perform at their best. (Deloitte 2021).

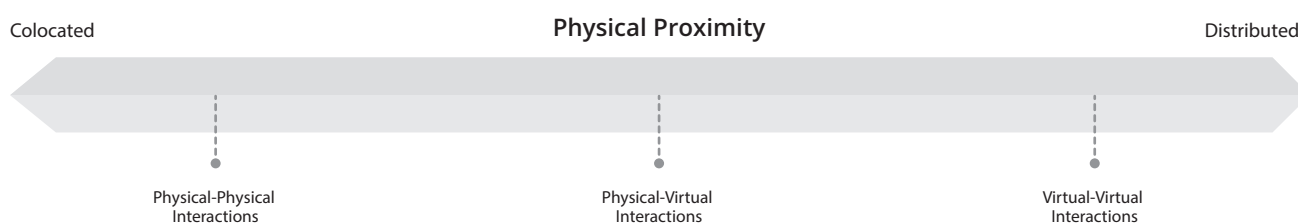
The World Economic Forum (2020) noted that "on average, 44% of workers can work remotely during the COVID-19 crisis while 24% of workers are unable to perform their current role" and that looking at the nature of job roles "33.6% of jobs in high-income economies, 17.8% of jobs in upper-middle-income economies, 10% of jobs in lower-middle-income economies, and just 4% of jobs in low-income economies" can be performed remotely. While there are risks and limitations to work from homes, such as potential well-being and mental health challenges due to extensive changes to working practices, poor access to

digital connectivity, living circumstances, and household responsibilities; WEF (2020) argued that “demand from employers for remote-based work is increasing rapidly across economies”. McKinsey and Company argued that 68 percent of respondents noted that they do not have a plan ready for hybrid work but agree that the future will have a more hybrid model in place.

There are direct and indirect benefits of working remotely - more time available for work, flexibility, savings on transport (fuel, maintenance), work-life balance, savings on office infrastructure, and so on. In addition, there are environmental benefits through reduction in emissions and increased health benefits. However, a study done by PwC (2020) argued that “while an increase in working from home is beneficial from a direct cost and emission perspective, in the longer term the results are not so straight-forward. The value of cooperation, knowledge sharing, and innovation are considered fundamental to the success of organizations. These values depend on proximity to one another and may come under pressure in a ‘new normal’ scenario”. This shows that there could be direct savings for the employers, employees, and the government, but at the same time organization needs to take into account the limitations envisaged.

Deloitte (2019) argued that physical proximity will be distributed in the next decade. The workplace will be a combination of physical –physical interaction, physical –virtual interactions, and virtual –virtual interactions (Table 5). Tools such as virtual whiteboarding software, smartboards, synchronous and asynchronous communication platforms, and large format telepresence devices will lessen the disadvantages of virtually joining an in-person meeting.

Table 5: Future Workplace Interactions



Source: Deloitte Analysis.

The changing behavior of generation calls for hybrid workplace culture. The Covid19 requires health and safety protocols to be maintained. The technology revolution has given ways and means to support the work from various locations. Therefore, to summarize, the office will remain but the ecosystem of the office may change. Organizations are required to identify job roles that can be performed from remote work centers. The workplace could be a “digital workplace” able to manage day-to-day work, collaborate with teams, and technology in a perfect manner. The physical office ecosystem could be a combination of networking office, teamwork, meeting rooms, recreational centers, a canteen that supports both remote and physical workspace. The workplace envisaged is like a “five-star hotel” offering all the amenities and services, health safety protocols, and wellbeing to encourage employees to come to physical work. The challenges for the organization are to create a digital workplace both in the office and remote places; develop flexible working policies, employee-centric target, and evaluation systems, and reward individual performance.

d. The need for continuous learning

Learning and development have become most important in the future. As discussed earlier, the routine jobs will be

taken away by machines and that the demand will be less too. There will be a huge demand for high-tech jobs which will be changing fast due to technology innovation. Today's skills will not match the jobs of tomorrow and newly acquired skills may quickly become obsolete. Therefore ILO (2019) proposed a human-centered agenda for the future of work – that include three pillars of (a) Increasing investment in people's capabilities (b) Increasing investment in the institutions of work, and (c) Increasing investment in decent and sustainable work.

World Economic Forum (2020) noted that “skills gaps continue to be high as in-demand skills across jobs change in the next five years. The top skills and skill groups that employers see as rising in prominence in the lead up to 2025 include groups such as critical thinking and analysis as well as problem-solving, and skills in self-management such as active learning, resilience, stress tolerance, and flexibility. On average, companies estimate that around 40% of workers will require reskilling of six months or less and 94% of business leaders report that they expect employees to pick up new skills on the job, a sharp uptake from 65% in 2018”. The Report argued the following top 15 skills that will be in demand in the next five years (Table 6).

Table 6: Perceived Top 15 Skills in demand for 2025

1 Analytical Thinking and Innovation	6 Leadership and Social Influence	11 Emotional intelligence
2 Active Learning and Learning Strategies	7 Technology use, monitoring and control	12 Troubleshooting and user experience
3 Complex Problem Solving	8 Technology design and programming	13 Service orientation
4 Critical Thinking and Analysis	9 Resilience, stress tolerance and flexibility	14 Systems analysis and evaluation
5 Creativity, Originality and Initiative	10 Reasoning, problem-solving and ideation	15 Persuasion and negotiation

Source: World Economic Forum 2020

Because of the changing nature of the work, workforce, and workplace, unleashing employees' potential and empowering them with choice over what they do has become much more important. It is important to foster a culture of lifelong learning, as the future need for employees is to learn, unlearn and relearn since disruptions and changes are becoming normal for all organizations.

3. The changing landscape of the future of banking

The future of banking will also be influenced by the rapid technological revolution, changing demographics, and the Covid-19. The landscape of this sector is also changing rapidly. Let's review in brief the future landscape of banking.

The financial sector has become strong from the experiences of the financial crisis in 2007-2009, the regulatory reforms and strict compliance imposed by the regulators, the entry of new competitors, and the technological disruptions. The financial sector thus far has proved to be strong and resilient, although the journey had been challenging due to changing expectations of the customers, regulatory requirements, demographic shifts, entry of new non-financial competitors, and the development of technology.

The banking world in the last decade did face low-interest rates, strict regulations, and competition from shadow banks and new digital entrants that has challenged the traditional model of banking. Now, the pressure for banks is on their profitability, while strict regulations have made them more resilient and strong, and that they are forced to reshape their future since the new entrant competitors, such as 'fintech' and 'bigtech' are challenging their traditional banking model by offering low-cost services, enhanced quality and convenience, and outreach easily than banks. The anticipated impacts of Covid 19 to the banking sector are an increase in credit risks, non-performing loans, pressure on profitability, and recovery of loans. While the pandemic is not yet over and uncertainty still prevails across the world; the future of banking will be in response to digitalization and how the

regulators allow the non-bank financial institutions to take part in the banking functions in the future.

The S&P Global Ratings (2021) anticipated that recovery of banking systems to pre-COVID-19 levels will be slow, uncertain, and uneven; the lower interest rates could weaken the profitability; non-performing assets likely to increase in some countries, and the banks able to craft strategies to accelerate digitalization, restructuring, and consolidation, and cost-cutting could suffer less than others.

A report on "*Banking on Future: Vision 2020*" published by Deloitte argued that consolidation in the financial sector, partnerships with payment providers or with the new competitors such as fintech companies, and the use of innovative models such as Artificial Intelligence, Blockchain Technology, Robotics Process Automation, Fintech and of course Cyber Security, will be the driving forces for the banking in the future. Likewise, Deloitte (2020) argued that there are 8 drivers of change that will be influencing the financial sector in the next decade. First, **Cyber risk and financial crimes** will be an important area for the financial sector to look into as the financial crime ecosystem is evolving and the criminals are adopting new and innovative ways of crime. Financial institutions are required to adopt advanced technologies to protect their business and data, protect from cybercrime and detect fraud effectively.

Second, **Data integrity and analytics** will be very important. Banks are required to make strategic choices around business models based on data integrity and analytics. Moreover, the data is power, and the availability of data to the third parties, such as "fintech" and "big tech" companies and other payment providers will pose a great threat to the banking institutions. Retaining customers will be a great challenge in the future as the traditional banking activities will be slowly taken away by the new entrant competitors.

Third, Digital and Emerging Technologies are changing the banking models which we have never thought of before. The technology revolution has changed the ways banks are operating. Smartphones, internet application programming interfaces (APIs), cloud technology, and

distributed ledger technology (DLT), Machine learning, Artificial Intelligence (AI), Robotics, automation, and Blockchain, etc., all have disrupted the intermediation and payment mechanisms - the core functions of the banking sector. Individuals can now transfer funds, make payments, do online shopping, pay utility bills through smartphones. Internet banking has enhanced the service delivery system by offering choices and easy and faster payment services. E-commerce is getting much more popular in Asian countries (for example Alibaba) with payment applications in place. Many of the functions carried out by humans are being tested to be replaced by machines. Banks and financial institutions are trying to learn these technologies, understand how effectively can be integrated to support the existing business models. **Forth, embracing and becoming digital** will be very important for the banks as the technology will continue to be the driving force for the growth of the business and central to the delivery of a wide range of services to satisfy flexible customers.

Fifth, banks are required to adapt their business models and services at a speed greater than disruption. **Enterprise agility** is needed to respond to the competitive market and be adaptive to changes thereby seizing the business opportunities while reducing the costs. The skilling of the employees, organizational culture, innovation, and adaptability are the building blocks for enterprise agility. Banks are required to harness the power of technology to offer fast and safe value-added services to make customers happier. Organizational mindsets and ways of working need radical change to adapt to the unforeseen reality that comes along with the digital transformation.

The entry of newcomers (such as “fintech” venture capital, payment service providers, etc.) are creating enormous competition and offering cost-effective services in all the areas of banking services; either be retail banking, or payment or lending. There are many examples in India and abroad where banks have entered into a partnership with fintech agencies for delivering banking services (Deloitte and CII, 2020). Fintech competition is seen by banks in the areas of transaction banking, wealth management, mortgages, small businesses, student loans, personal loans, and payments (Das, 2017). As the technology will continue to be the driving force for business growth and central to delivering a wide range of services, the financial institutions will have no choice rather than to embrace change and go for digital and create an agile institution innovating new business model that is fast, smart, nimble and flexible to adapt changes.

Sixth, the future of work, as discussed above will be a factor for reshaping the future of banking. The challenges for the financial institutions will be to learn to integrate the digital with the human workforce; managing transition to the future work by understanding how work

will be done and what the workforce and workplace should look like; how to make employees feel engaged and give them good experiences at work; how to build their capacity for sustained organizational performance; exploring the need for emerging skills and knowledge and think of employees as “customers” for satisfaction and enhanced performance.

Seventh, serving millennials and the digital customers of tomorrow will be not easy as they will be highly demanding, with higher expectations needing speed in services with information and communication clear and transparent. Digital platforms and ecosystems will be delivering most of the business products and services at various paces, speed, quality, and quantity. Therefore, banks need to leverage **the platforms and monetizing the data** to give demanding new generation great banking experiences.

Finally, the financial ecosystem of the future will comprise many players, such as the regulators, government, banks and financial institutions, fintech, big techs, service providers, and many more. **Orchestrating across the ecosystem** will be a great requirement for the financial sector so that they have the best combination and partnership for effective delivery of services.

Adaptability is most important for the banking sector as it is hard to visualize what will unfold in the future. Banks are required to increase their revenues, manage cost and capital to enhance productivity. The banking institutions may need to accelerate digital banking and transform digital infrastructure, restructure and reduce the branch network as the new generation prefers to work from the digital platform, identify alternative means for delivering services (contact centers, partnership, and aggregators), strict compliance to regulatory provisions to avoid penalty and fines, and reducing the cost of services – outsourcing and contracting, reassessing the mix of permanent and contractual employment, among others.

With this foregoing discussions, we can conclude that the financial sector is heading forward with low-interest rates for the longer; strict prudential requirements and regulatory compliance and risks management; the massive application of digital technologies and the entry of new competitors posing threats to profitability, liquidity, NPAs, among others. Digitalization will be a continued driver of change in the future operation of the banking sector. More competition will arise from non-bank financial institutions. The Covid -19 will be changing the ways we live and work. The evolution in regulation, changes in the values of the consumers and technology along with the changing market dynamics and aggressive non-bank competitors require banks to sharpen their focus on developing strategies to remain relevant in the market.

4. The lessons for nepal

What are the main lessons for the Nepalese financial sector?

First, building a sound and resilient banking system is the backbone for the economic growth of any country. Banks channelize funds from savers to investors and offer critical financial services to the business communities and the government. Covid-19 has hit hard the Nepalese economy, evidenced by the negative growth in GDP last year. The World Bank (2021) has predicted a growth of 2.7 percent in the year 2021. Uncertainty still prevails due to the second wave of the pandemic which is underway and it is hard to predict its 'life'. At this time of uncertainty, the banks must be capable of lending to creditworthy households and businesses and must have funds to meet the business requirements. Therefore, the government and the regulatory body, need to continuously support the banking sector with liquidity arrangements during these difficult times. Any rebound in the economy looks to be largely dependent on the rollout out of vaccines, the stimulus support, and economic programs planned by the Government of Nepal and the central bank in the future.

Second, the nine-month report (April 2021) published by NRB showed that the financial sector thus far has been resilient and capable to absorb shocks of the Covid-19. As per the report, deposits and credit increased by 524.63 billion (13.7 percent) and 715.32 billion (21.8 percent) respectively compared to the same period last year. The average non-performing loans (NPAs) remained at 1.35 percent in Mid-April 2021, a reduction from 1.66 percent in July 2020. Foreign Exchange reserve stood at Rs 1433.27 billion, which is sufficient to import goods and services for 10.8 months period. Inflation has remained around 3.4 percent during the review period. The Economic Survey published by the Government of Nepal noted that deposits and credits reached Rs 4260.47 billion (11 percent growth) and Rs. 3846.31 (17.5 percent growth) billion respectively in the fiscal year 2019/2020. As anticipated that the pandemic could develop liquidity problems, low demand for loans and an increase in non-performing loans has not happened in the case of Nepal until now. The credit goes to the Government of Nepal and the NRB for taking appropriate policy measures to address the impacts of Covid19 on the economy. *Liquidity support*, such as refinance facility, was given by NRB for short-term funding. NRB also introduced *prudential measures* relaxing regulatory and supervisory requirements. The *borrower*

assistance program of the Government, such as subsidized loan facilities were introduced to promote the flow of credit to households and firms. NRB, through the *monetary policy program*, also introduced policy rate cuts, such as bank rate, SLR, CRR, CCD ratio to inject more liquidity in the banking system. Although the stimulus package and policies of NRB have worked well in the near term, despite these measures have put stress on the banks, it might worsen the case once such facilities are being withdrawn (Demirguc-Kunt et.al, 2020, NRB, 2020).

Third, the average interest rates on deposits and credits are found at decreasing trend. The average deposit and credit rates stood at 4.79 percent and 8.61 percent respectively as of April 2021 from 6.74 percent and 11.77 percent in July 2020. The base rate is reduced to 6.90 percent from 9.36 percent during the review period. However, the banks have faced the challenge of low-interest margins creating pressure on the profitability of the banks. This pressure on profitability will continue in the future due to cut-throat competition among the banks, entry of non-bank financial institutions in the payment domain in Nepal, changing the behavior of the consumers, among others. Therefore, banks are required to review sources of their revenues and expenditures and find out the alternative delivery mechanism of services to be cost-effective and remain competitive in the market.

Forth, the Nepalese financial sector has made significant progress in adopting the payment technology- the emergence of new instruments amidst of global pandemic in the country. The Nepal Rastra Bank (2021) "noted that "electronic payment transactions have increased tremendously due to the development of payment infrastructure, the policy of encouraging electronic payments and gradual adoption of electronic payment instruments amidst Covid19". The Covid 19 has taught us to be agile, responsive to emerging needs and opportunities. Moving forward to digital infrastructure is the necessity for the future of banking.

Fifth, the technological revolution in the financial sector has enabled the players to offer various products and services by using different processes and distributing channels. New players, such as fintech and big tech are entering the financial market. Fintech companies, such as F1Soft International and eSewa, Khalti, IME Pay are offering services in Nepal which were in the past the main functions of banks. It is likely that, in addition to the payment domain, the fintech and the big tech will enter in areas

of lending, insurance, and other segments of the banking businesses in the future. The banking sector may also face challenges from the global giants such as Amazon, Google, and Facebook, and Apple companies, as they are already in the financial market. They do have a huge advantage of being rich in technology infrastructure, customer base, and tech-savvy employees. While the entry and functions of fintech and big tech companies in the banking sector depend upon regulatory relaxation and licenses; the trend so far has been the growing entry of non-bank financial institutions in the financial market. This calls for the need for banks to reassess their digital infrastructure and capabilities so that the interconnectedness with various players could be maintained.

Sixth, we have seen fundamental changes at our work due to Covid-19 in the last year. We have seen a shift to working from anywhere or home. We have learned to work being away from the office. Whether working remotely or in a hybrid structure will be a permanent or temporary phenomenon is yet to be reviewed taking into account its strengths and weaknesses in a Nepalese office culture; given the technological and generation shifts along with the Covid situation – this could be the right time for banks to explore this opportunity for the longer term with the staff of non-permanent and contractual employment. Job roles of a support nature that may not require a regular physical presence in the office might be the option for remote work.

Seventh, the transformation that has been visualized in the areas of work, workforces, and the workplace call on the challenging roles of HR in the future. HR needs to make proper use of data analytics in making decisions. Organizations that integrate well-being into the design of work at the individual, team, and organizational levels will build a sustainable future where employees can feel and perform at their best.

Eighth, training and development have to be a foundation for improving the capabilities of staff in the future. Digital disruption is bringing evolving changes to our work. University education does not provide the required skills for banks. The need for skill-based education has become much more important than before. Skilling, upskilling, and reskilling will be a continuous task for financial institutions in the future. Therefore, a continuous lifelong learning model needs to be developed to manage the uncertainties emanating from the digital disruptions and enrich the strengths of human resources in the future.

Last but not the least, the ongoing digital disruption, entry of new fintech and big tech players in the financial market, the generation shifts, and the uncertainty of the Covid19 present enormous risks and challenges to the banking system. Cyber-attack and data security, operational disruptions caused by digitalization, reliance on multiple players and its impacts on the 'value chain' of the banking services, the risk of having increased debt due to continued regulatory and governmental support programs to the business communities, broader governance and risk management deficiencies, among others, are important risks and challenges threatening to financial stability. This calls for the need for strong regulatory and supervisory measures, more coordinative and consultative efforts among the players in tandem with relief packages to manage the Covid19 and the future of banking.

5. Conclusions

Technology development and COVID-19 have taught us many lessons. First, we have learned how to work from home to a greater extent and the ways and means for communicating remotely. Post pandemic working is likely to be hybrid. Second, we were quick to respond to emergencies and able to transform business models, mobilize teams and innovate new infrastructure for delivering essential services. Productivity and energy of the employees have been raised in many cases. Third, we understood that the safety and well-being of "talent" are of paramount importance. Reassessing the staff, reallocation, and skill-building will be important in the future. Forth, we have recognized that digital technology will shape the future of banking, and embracing innovation is necessary for the sustainability of the organization. Fifth, we understood that there will be a shift in the work that we are doing, the workplace, and the composition of human resources in the future. Such a shift would be on a different scale in the banking sector in different countries.

The managerial implications of these shifting revolutions would be to develop systems and procedures for adaptive to change and decision-making based on data and analytics. Banks will find competition from the new competitors. The challenge for the banking organizations will be to sustain the momentum of innovation in the long term along the lines of technology innovation and realign the organizational system and processes to acquire, retain and develop the best 'talent' for the success of the organization.

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Green recovery approach of shariah-based banks in covid-19 crisis



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ABSTRACT

Technology development and COVID-19 have taught us many lessons. First, we have learned how to work from home to a greater extent and the ways and means for communicating remotely. Second, we were quick to respond to emergencies and able to transform business models, mobilize teams and innovate new infrastructure for delivering essential services. Third, we understood that the safety and well-being of “talent” are of paramount importance. Forth, we have recognized that digital technology will shape the future of banking, and embracing innovation is necessary for the sustainability of the organization. Fifth, we understood that there will be a shift in the work that we are doing, the workplace, and the composition of human resources in the future. Such a shift would be on a different scale in the banking sector in different countries. Now, the challenge for banking organizations will be to sustain the momentum of innovation in the long term along the lines of technology development and realign the organizational system and processes to acquire, retain and develop the best ‘talent’ for the success of the organization.

Background

The current extra-ordinary environment characterized by acute business and financial interruptions; uncertainties with future business conditions; fears and lack of confidence amongst entrepreneurs and clients; and skepticisms with legal liabilities have created an extremely risky atmosphere for all forms of banking activities including Shariah-based banking. Globally, Shariah-based banks are responding with business continuity and contingency framework. However, the most critical question is, how the root cause of this Covid-19 crisis and the resulted economic and banking devastations can be handled in a sustainable manner? What should be the approach of Shariah-based to align with this? How should the Shariah-based banks deliver in the economic recovery and their own retrieval efforts in this Covid-19 situation?

There is a single species that is responsible for the Covid-19 pandemic i.e. ‘we’- the human being and our extremely ambitious development effort¹. The overambitious intervention of humanity depleted the natural ability of the environment to balance itself and disrupted ecological cycles. In addition, some new technologies altered the way that the people interact with their natural environment, and some of the fundamentally unnatural interventions resulted in a huge debate. In spite of several benefits, there are opinions that these highly debated unnatural interventions like genetically modified crops and animal cloning have threatened the natural order. Practically, all these over exploration efforts; hasty development attempts; rapid modernization endeavors; and over

1. <http://www.justforests.org/news/there-is-a-single-species-that-is-responsible-for-the-covid-19-pandemic>

ambitious policy interventions without respecting the natural order appear to be the responsible factors for today's misery- the Covid-19 Crisis. Environmental protection is an important aspect of Shariah. Shariah-based finance, defined by the implementation of principles of Shariah law must not resort to any action that is harmful to the environment and against the nature (Usher and Daouda, 2020). Aligning with this, Shariah banking activities must contain the environmental and social considerations so that their activities respect environmental and natural order. The need for the initiation of such an approach, called 'green approach' is particularly relevant and essential in the current situation when the global economies are confronting a severe natural payback- 'Covid-19'.

Alongside quick responses for handling contamination risk, the government of Bangladesh has undertaken several recovery measures, and the Shariah-based banking industry of the country is engaged in adapting the unprecedented scenario. However, these policy interventions, recovery drives, adaptation, and readiness must integrate environmental concerns for a sustainable solution. The paper is an attempt to discuss the necessity of adopting green recovery approach in the Covid-19 regime by the Shariah-based banks of the country for the sustainability and long term benefits. Initiating with the background in section-1; section 2 discusses the relevance of green banking for the Shariah-based banking industry in the global context. Section-3 is about the Covid-19 challenges of the Shariah-based banks in Bangladesh and the relevance of green approach. And finally, section-4 puts forward suggestions on the green approach of the Shariah-based banks of Bangladesh.

Covid-19 implications and relevance of green banking for the global shariah-based banking industry

The Covid-19 pandemic led to a major change in terms of growth, pricing, and products in the global financial and banking sectors (FSB, 2020). Liquidity challenge and cash crunch became strongly visible throughout the globe amongst businesses (IMF, 2020). The coronavirus pandemic presents a historic challenge in credit markets as spreads skyrocketed, especially in risky segments,

and a number of factors amplified asset price moves,² contributing to a sharp tightening of financial conditions at unprecedented speed (IMF, 2020). The crisis situation is affecting the equilibrium cost of funds to a downward push, as perceived. A tendency for holding cash increased and the tendency is causing pressure on deposit growth of banking institutions. In the global context, the economic slowdown led to a rise in nonperforming assets (Ozili and Thankom, 2020). According to Goodell (2020), though, demand for certain online banking increases, contraction of banking services, and lower fee collections causing further fall in banks' income (FSB, 2020). There is no doubt that today banks are better positioned with higher capital and liquidity than in the past in response to the stringent compliance requirements of the central banks. However, the resilience of banks may be tested in many countries. The overall depressed global business and financial market situation have become challenging for both conventional and Shariah-based banks.

Regarding macro responses to the Covid-19, Shariah-based finance has the required elements to the economic recovery efforts. UNDP has been supporting and guiding countries to prepare, respond, and recover, where Islamic finance can be part of the Covid-19 response through a range of financing instruments well-suited for various stages: emergency and short term, medium term and long term. Zakat³ can be an important component of national emergency support programs⁴. The financing of equipment, vehicles, and other sources of livelihood and trade finance are key mechanisms by which Islamic banks and financial institutions can support recovery in the medium term. Aligning their financing activities with the SDGs is a significant opportunity for Islamic banks.⁵ Sukuk especially that are SDG linked⁶ can be an important source of long-term capital for governments and companies engaged in the Covid-19 response and recovery; Waqf endowments can, in many contexts, be important contributors to long-term resilience which can be an important way for stakeholders to contribute to social infrastructure that serves the SDGs and, in the words of the UN Secretary-General, help countries 'recover better' over the long term (Rehman, 2020).

2. In April, it took just 15 days for the USA and some other big stock markets to drop into bear territory that squeezed up credit markets significantly (World Economic Forum, 2020).

3. Zakat, which is effectively a Muslim 'wealth tax', is a sacrifice of wealth; this is not just charity - it is a core duty and one that 'purifies' the rest of our wealth (Iqbal, 2020).

4. UNDP's partnership BAZNAS, Indonesia's national Zakat collection agency, has been in place since 2017. This collaboration is an example of how Zakat stakeholders can systematically link their projects with the Sustainable Development Goals, including in response to crises. UNDP's recently-announced partnership with the Dubai Islamic Economy Development Center is a reflection of how UNDP can support private-sector companies on social impact.

5. In 2018, the Al Baraka Banking Group launched a collaboration with UNDP that seeks to align over USD600 million of its financing portfolio with the SDGs in the Middle East, Asia, Africa, and Europe. The coronavirus pandemic makes such initiatives all the more urgent.

6. Government of Indonesia's Green Sukuk of 2018, is a prime example of how the venture may have great SDG impact (Rehman, 2020).

Regarding the challenges in banking operations, over USD 2.4 trillion Shariah-based finance industry⁷ with some 1,400 institutions spread across 80 countries are confronting unprecedented barriers driven by the global Covid-19 pandemic (Domat, 2020). Given the downturn posed by the Covid-19 pandemic, the volatility in oil prices, and the uncertain macroeconomic environment, the Islamic finance industry faces an unprecedented challenge to its development (Brown, 2020). According to Al-Natoor (2020), other than the contamination risks which is common, Islamic banks' risk factors and mitigations vary from country to country. In Indonesia, while Shariah-based banks are likely to be affected to a similar degree as conventional banks, those with significant exposure to the tourism sector are likely to be more affected. If the outbreak prolongs, there is a potential downside risk to the sector's growth and asset quality. In Malaysia, Shariah-based banks' credit profiles are expected to remain broadly steady, with adequate loss-absorption buffers, though asset quality and profitability might be affected should the Covid-19 outbreak be prolonged. In Turkey, asset quality pressures faced by Shariah-based banks are significant (Al-Natoor, 2020). In the Gulf Cooperation Council (GCC) countries⁸, Islamic banking is an integral part of the banking system, and unlike their Asian or African counterparts, Shariah-based banks in the Arab world depend largely on government spending⁹ which means the unprecedented drop in energy prices has serious implications for them (Domat, 2020).

In many Asian and African countries, Shariah-based finance has a large market share in microfinance, small and medium enterprises (SME), and retail lending.¹⁰ The pandemic would have a more severe and deeper

impact on Islamic finance markets, as the current crisis is affecting SMEs as well as low income and minimum wage individuals particularly hard. With the most government imposing social distancing rules and shop closures, "we see a big impact on SMEs, low income and minimum wage individuals while corporates have large cushions of capital and government support" according to the CEO of the Islamic Corporation for the Development (ICD).¹¹ And he adds, "We have to think out of the box". As commercial banks across the world find themselves on the brink of crisis, the Islamic banking system faces unconventional challenges; and Covid-19 establishes a new platform for evaluating how Islamic banking responds to economic chaos (Royt, 2020).

Nevertheless, Covid -19 is also shifting the dynamics in the industry and the outbreak may create new opportunities for Islamic finance markets by accelerating trends such as socially responsible investing, sustainability, and digitalization (Brown, 2020). The aftermath of Covid-19 may also create new opportunities for Shariah-based banking, particularly with the rise of socially responsible investing and the growing popularity of ESG.¹² Not only will improving ESG risk management benefit the bottom line, but the strategic shift towards responsible finance will also unlock new opportunities for Islamic banks to differentiate itself from peers and unlock new business opportunities in the post-Covid environment (Brown, 2020). According to Usher and Daouda (2020), Islam's promotion of social trust, cooperation and solidarity mean that Shariah-based banking products are well suited to SDG impact, and the Covid-19 situation demands to resort on these ventures to a greater way (box -2.1).

7. Since the inception of the Islamic finance industry in the 1970s, there has been a steady growth in demand for sharia-compliant products and services and the industry's total assets reached US\$2.5 trillion globally in 2019 (Brown, 2020).

8. For example, in Saudi Arabia about 80% of financing is Sharia-compliant (Islamic banking + Islamic windows of conventional banks) and in Kuwait the share of Islamic banking is around 40% of total banking sector assets. Each bank's expected performance is subject to their standing in terms of asset quality and liquidity and their exposure to different sectors (Al-Natoor, 2020).

9. "In the Gulf Cooperation Council, the asset mix is different, much of the economy is driven by government spending on infrastructure and there is more exposure to real estate; a decline in oil revenue means a cut back on these projects that affects all financial institutions," remarked Hassan Amin Jarrar, CEO, Bahrain Islamic Bank, the oldest bank in the country (Domat, 2020);

10. Compared to conventional banking, Islamic finance has a larger exposure to SMEs, microfinance, and retail lending, especially in Asia (Brown, 2020).

11. A branch of the Saudi-based Islamic Development Bank Group dedicated to the private sector which covers 55 countries.

12. Environmental, Social, and Governance (ESG) refers to the three central factors in measuring the sustainability and societal impact of an investment in a company or business.

Box 2.1: Integration of Green and Welfare Approach in Shariah-based Banking

<p>Policymakers and Islamic banks should come together to ensure SDG impact metrics and reporting are agreed upon that are both sharia compliant and in line with international standards which will open up global investment opportunities</p>
<p>To better support the SDGs, leaders must develop a range of Shariah-compliant impact investing tools and instruments that are attractive to large investors.¹³</p>
<p>Make SDG-compliant Zakat investments the norm to channel funds to the local SDG projects. These include renewable energy projects in underserved communities.¹⁴</p>
<p>Create pro-poor and environmentally sustainable initiatives to attract investment from the public and private sector stakeholders with success indicators that can be and measured</p>
<p>Islamic finance institutions need to ensure that the vulnerable communities are adequately equipped and empowered by strengthening their technical and managerial capacities, identifying and addressing climate risks, accessing markets, and building partnerships.¹⁵</p>
<p>Note: Authors' compilation based on Usher and Daouda, 2020.</p>

Using technology and innovative approach is particularly crucial for green ventures. It is commonly said that online and technology driven banking is the starting point of the green banking. One of the many issues this pandemic has shown to the globe that survival depends heavily on the investment in technology and innovation in all economic, development and financial arenas (Bicer, 2020). Beyond its immediate economic implications, Covid-19 is also forcing the Islamic banking industry to adapt to the rapidly evolving market conditions and speeding up the pace of emerging trends such as digitalization to mitigate the impact of the outbreak (Brown, 2020). The global Islamic banking software market size is expected to grow by USD 461.83 million during 2020-2024, and the report¹⁶ noted that as a whole the market impacted and new opportunities created

due to the Covid-19 pandemic (Technavio, 2020). It should be the 'technology-driven-environmentally-sustainable-banking' practices that are required to get optimum impetus in the strategic changes of Shariah-based banking in this covid-19 and post-Covid-19 situation.

Section-3: Covid-19 challenges and the relevance of green approach of shariah-based banks in bangladesh

'Banking' is the core component of the financial sector, and the Shariah-based banking industry is a very important segment¹⁷ of the banking industry of Bangladesh, which is in a difficult business environment and uncertainty in the Covid-19 regime. Disruption in the domestic economic

13. Under the Youth Employment Support (YES) program, IsDB pioneered venture capital financing (Restricted Mudaraba) for micro and small businesses operated by youth. Through risk-sharing, the Restricted Mudaraba financing facilitated financing to youth micro and small businesses.

14. In Palestine, Zakat funds support SMEs through Islamic microfinance structures.

15. In Tunisia, IsDB has invested in Zitouna Tamkeen, a unique microfinance institution with an innovative approach to achieve socio-economic impact objectives by funding economic empowerment projects with high potential value chains and supporting greatest number of beneficiaries.

16. According to Technavio (2020) the Middle East (MEA) region led the Islamic banking software market share with application in different segments (retail, corporate and others) in 2019, followed by APAC, Europe, North America, and South America respectively. During the forecast period, the MEA region is expected to register the highest incremental growth due to factors such as the high concentration of Muslim population, and a high penetration of vendors offering Islamic banking software solutions in the region.

17. As of end December 2019, Bangladesh's 8 full-fledged Islamic banks have been operating with 1273 branches out of total 10578 branches of the whole banking industry. In addition, 19 Islamic banking branches of 9 conventional commercial banks and 88 Islamic banking windows of 8 conventional commercial banks are also providing Islamic financial services in Bangladesh. Islamic banking industry holds almost one-fourth share of the entire banking industry in terms of deposits and investments at the end of the quarter under review (BB, 2020); Among the top 35 jurisdictions in terms of domestic market share of Islamic banking, Bangladesh is ranked 10th", according to the latest country report of Islamic Finance News (IFN), world's leading Islamic finance news provider (<https://thefinancialexpress.com.bd/stock/bangladesh/islamic-transactions-snare-25pc-of-countrys-total-banking-assets-1581828990>).

sector¹⁸ and external businesses¹⁹ have already affected the Islamic banking sector of the country. Though opportunities are being created for certain businesses²⁰, practically, at this moment the industry has an adverse environment with all the elements that may result in significant risks of different types in Shariah-based banking operation. Contraction of banking activities and underperformance are clearly visible in the Shariah-based banks of the country. Shariah-based banks are not in a position to maintain their regular deposit growth, rather withdrawal of deposits and the tendency of holding cash might cause additional liquidity pressures in the upcoming months. In-person banking is severely affected, the traditional habit of the country's Islamic banking industry; and these are underperforming in their customer services, and there are fears of the erosion of customers' confidence. The investment deals²¹ that are becoming overdue due to customer's inability to pay in time are causing concern to the Shariah-based banks of the country. These banks may lose profit as under the Bai mode there is no scope to draw profit for the overdue period. Regarding other modes of investments, trends of non-payment have also been problems in the Covid-19 situation. Alongside supporting and responding to the national policy objectives of the effective implementation of the recovery packages²² and injecting liquidity to respond to the Bangladesh Bank's initiatives²³, Shariah-based banks of the country have to

show their idealistic face in line with the Shariah principles. And to that end, it is the sustainable and green banking that may deliver. Sustainable banking activities of the Islamic banks covering no-frill accounts for low income classes; agricultural and small and micro enterprise financing; and green financing are confronting halts and disruptions. However, this is time when sustainable banking drives should receive greater momentum for the quick recovery of the economy and also for their own. A Shariah-based bank has also great scope now to reshape itself for availing opportunities created in the online and technology driven banking in the context of Covid-19.

Regarding the current status and efforts of the green banking ventures in Bangladesh, most of the initiatives are policy driven where both conventional and commercial banks have mainly been responding or complying. Green financing received significant impetus in the country following the issuance of two key circulars in the year 2011 by the Bangladesh Bank: 'Policy Guidelines for Green Banking'²⁴ and 'Guideline on Environmental Risk Management (ERM)'²⁵. In 2017, BB redesigned ERM and named Environment and Social Risk Management Guideline (ESRM) which covered both social and environmental risk issues in bank's investment. Bangladesh Bank introduced refinance schemes²⁶ for renewable energy, energy efficiency and some other green financing schemes of

18. A number of domestic economic sectors are getting punch and might be severely affected if the outbreak goes long. In line with the global trends, tourism sector, airlines, retail sector, and some of the manufacturing might be hard hit. Size matters in the short run, and MSMEs are facing cash crunch. Especially, micro and small businesses of the non-essential items are in trouble. However, comprehensive impact on these enterprises obviously would depend upon the duration and the severity of the outbreak in the coming weeks/months. Agriculture and farm sector, the food suppliers, have some temporary challenges that necessitates fund injection and reconstructing the supply chain (Habib, 2020a).

19. In the context of the vulnerability of external sector, domestic production of certain export destinations of the country are concerning. According to the IMF's recent projection (May 2020), USA, the largest destination for Bangladesh's export products, will face 5.9% negative growth this year, while Germany, the second largest destination of Bangladesh's garment products, will face 7% decline in GDP. An estimation by Lu (March 2020) shows that the demand for apparel consumption in the EU and USA, the world's top two apparel consumption markets, is expected to drop sharply; and China could be hit the hardest followed by Bangladesh. With the 5-10% decline in GDP in USA and EU, Bangladesh's exports could decline by 6-17% to USA and 4-12% to EU; and the resultant job cut might be by 4-9% in the RMG factories. According to a recent technical note by UNCTAD (April, 2020), a 2% reduction of Chinese exports in intermediary inputs may cause USD 17 million trade loss to Bangladesh. This is concerning when leather, RMG, wood products and furniture have considerable dependence on Chinese intermediary goods (Habib, 2020a).

20. Automotive production might be affected, however, e-commerce may boost. In spite of supply chain challenges, telecom, technology and pharmaceuticals are likely to get lift (Habib, 2020).

21. Islamic Banks in Bangladesh are mostly engaged in investment activities using Bai mechanism.

22. Government of Bangladesh came up with economic stimulus packages initially in two declarations on March 25 and April 05, 2020; and by mid-May, a total number of 18 stimulus packages worth BDT 101117 (3.6% of the country's GDP) crore have been announced (Habib, 2020).

23. As the monetary policy authority of the country, BB responded to the market needs with several efforts of liquidity injection that includes buying-back of government securities; reduction of Cash Reserve Requirement (CRR); increasing Investment-Deposit Ratio (IDR) of banks (BB BRPD Circulars: <https://www.bb.org.bd/mediaroom/circulars/circulars.php>).

24. BB BRPD Circular No-2, February 27, 2011.

25. BB BRPD Circular No-1, January 30, 2011.

26. BB SFD Circular No-3, dated March 16, 2017 (the Master Circular declared all the previous circular on the schemes since 2013 as void excepting the circular on the refinance schemes by the Islamic banks issued in 2015).

BDT 2000 Million from its own source to offer term loan facilities that are very much relevant and usable by the industrial units. The Bangladesh Bank's refinancing for renewable energy and green financing schemes have been made available through Shariah-based banks since 2014²⁷, which is funded by the excess liquidity of the Shariah based banks and financial institutions.²⁸ The fund is available for 55 green products/initiatives under 9 categories for Shariah-based banks. In addition, there are green refinancing funds for supporting industrial and infrastructure development in the country.²⁹ BB's Corporate Social Responsibility (CSR) related initiatives may also be tagged with the promotion of green financing.

Islamic banks of the country responded to the policy and regulatory initiatives to a great extent, though outcome has not always been up to the level of expectation. As per Bangladesh Bank requirement, Islamic banks have established 'Sustainable Finance Unit', and all have their approved Green Banking Policy Guidelines and Green Office Guide, as claimed. The data on disbursement of total finance by both conventional and Islamic banks show evidence of increasing trends. However, as a whole, the exposure of the banks in green financing remained less than 2%.³⁰ Green financing is complementing the government's efforts to attain other development goals like financial inclusion.³¹ Responses to a good number of industrial units and business houses are also encouraging.³² Islamic banks are increasingly getting involved in the environmental risk rating in the process of financing, supporting green ventures, and setting up solar powered branches, ATMs and agent outlets etc. Islamic banks have also been using a portion of their growing CSR

funds for addressing environmental and climate risks. In terms of performances, the status of conventional and Islamic banks are more or less uniform. And, as a whole a lot to be achieved.

It is good that Bangladesh has been working for creating a supportive policy framework³³ for promoting green venture and green banking. The green banking policy frameworks are also Shariah compliant having key elements of governance, environment risk in investment management, in-house environment management, climate risk fund, training, awareness and green events, disclosure and reporting and green financing.³⁴ Proving the Shariah compliance of the green banking policy guidelines and supports in Bangladesh, Taslima et al. (2016) opine that as the green policy is Shariah-compliant, Shariah-based banks should not have any complications to successfully implement it; they should take it very seriously and, before every financing decision is made, should consider the environmental risk assessments as a vital tool. Green financing or green banking is not only about supporting or promoting environment friendly investment, rather very importantly it means not to invest in environmentally harmful ventures and economic activities. There are opinions that the focus on sharing profits and taking communities into consideration means that the Islamic way of banking³⁵ is better for the planet; and building on this, it could be argued that investing in ecological harmful projects is prohibited since according to the Islamic principles, God has appointed humans as protectors of nature and thus free exploitation is not permissible.³⁶ In line with the Shariah principles, environmental damage through financing by the Shariah-

27. In 2018, BB issued comprehensive master circular on this scheme (SFD Circular no-02, 2018).

28. BB GBCSRD Circular-No 6, 2014.

29. Bangladesh government constituted a loan fund in BB to support the RMG and other export oriented factories through medium to long term finance under the 'Program to Support Safety Retrofits and Environmental Upgrades' under which participating financial institutions (PFIs) are offered pre-finance for disbursing the credit to eligible industrial units SMESPD Circular No- 01, March 31, 2019). In a very recent initiatives (April, 2020), BB has introduced Euro 200 million Green Transformation Fund along with the existing USD 200 million to set up environment-friendly infrastructures (<https://thefinancialexpress.com.bd/trade/bb-introduces-200m-green-transformation-fund-1586956071>)

30. According to the BB's October-December, 2019 quarterly report, green finance to the banks funded finance was 1.43% (BB, 2020).

31. For example, government is working to implement National Financial Inclusion Strategy (NFIS) which is clearly aligned with the goals of sustainable and green finance.

32. The country now has 108 green factories and establishments, of which 95 are in RMG and textile sector; and of the top 10, six are in the country. Green factories are also getting popularity in shipyard, shoes and electronic industries (Prothom Alo, September 02, 2019).

33. The development approach underlying the Seventh Five Year Plan (7th FYP) of the country is consistent with the global agenda for higher growth in developing countries with appropriate measures to protect environment; in 2015, the honourable Prime Minister of Bangladesh Sheikh Hasina has been announced as one of the winners of the United Nations highest environmental accolade, in recognition of Bangladesh's far-reaching initiatives to address environmental issues.

34. Shariah compliancy of the green guidelines of Bangladesh has been judged by Taslima et al (2016) and finds that all the aspects of green policies are very much in line with Maqasid-Al-Shariah by quoting various relevant verses of the Quran and Hadith's of the Prophet Muhammad (pbuh).

35. Islamic finance is clearly in a position to have a positive impact on the environment (Aburawa, 2011).

36. Aburawa (2011) notes, Islamic finance is seen as a 'greener' alternative of the economic systems that put the human need for consumption above everything and nature is seen as a free good for free exploitation.

based banking institutions cannot be acceptable. In addition, in line with Shariah approach, green and environmentally responsible financing is greater than simply giving funds for investments, and very much a responsible approach of investment with accountability by the banking institutions. The Covid-19 is obviously the reminder of all of these desired behavior on the part of Islamic banks. In the context of Covid-19, the expected macro approach of green economic recovery and showing due respect to the environment must be reflected in the financing activities of the Shariah-based banks.

Suggested green approach for shariah-based banks of bangladesh: integrating welfare and sustainability concerns

Managements of the Shariah-based banks need to install organized strategy to offer optimum support to the policymakers and to be ready to face the upcoming banking and societal challenges where environmental concerns should receive great impetus. It is the right time for the Islamic banks to reflect due patience and sacrifice.³⁷ The crisis management process must be an integrated approach in line with the 'Enterprise Risk Management'³⁸ fundamentals and within Shariah laws and principles. Board, Shariah Council, Top management, departments, branches, and regions need to be integrated with the ongoing transformation process of the banks. This is time for survival during the crisis and revival for future businesses.

All Shariah-based banks must handle contamination risks at their workplaces and branches as an urgency. Hygiene and cleanliness must get top priority. One aspect of coronavirus prevention that comes very naturally to the followers of Shariah principles is personal hygiene. Technology adaptation, a green and cost saving approach, to facilitate and support work from home, service delivery, internal communication, meeting, and capacity development is the need of the time. An 'investment plus approach' like green and financing cannot be delivered effectively if employees are not highly motivated. Employee

incentive and motivation became a critical challenge to the banking institutions in Covid-19 regime. Employees might be confronting the fear of job-cut, and thus banks need a strategy to address their fear to ensure optimum productivity and efficiency. It is particularly essential for the Islamic banks to let their customers know that Islamic banks are truly sensitive about their depositors, investors, the common people, and the factors responsible for the ongoing global disruption- 'Environmental and natural destruction'.

Economically and environmentally desirable activities should be particularly addressed and supported by Shariah-based banks. Sustainable banking ventures related to financial inclusion, small and micro enterprise financing, and agricultural financing are particularly desirable. These have proven advantages of offering high economic, social, and environmental long term returns. Certain innovative Islamic financing modes to invest in projects aligned with SDGs might help the economy and community the most. The country's green financing activities have been particularly supportive of the low income people of the rural areas of Bangladesh and thus demand special attention and escalation.

As the situation demands, the recovery efforts and upcoming investment by the economic agents like Shariah-based banks should be integrating 'environmental concerns and natural order' in their operations and functional areas in the context of addressing the root cause of the Covid-19 crisis. It is not about allocating additional efforts and resources on 'green banking' activities as a separate branch of banking, rather it is about incorporating environmental risks in all banking actions. It is not only about supporting environmentally sustainable projects for restoring natural and environmental orders, it is also about arresting activities that are harmful to the environment and nature. Guided by their boards and Shariah principles, Shariah-based banks are expected to play leading roles in the country's upcoming green banking and the green growth movements in the post-Covid-19 situation; and for that, the recovery approach of the Shariah-based banks needs to be 'green and environmentally sustainable'.

37. *Patience and sacrifice are in the DNA of Islam. The most obvious symbol of Muslim faith practice - the five daily prayers - is a sacrifice of time that reminds us of life's fleeting nature and "purifies" the rest of our daily activities (Iqbal, 2020).*

38. *.....is a structured approach that aligns strategy, processes, people, technology and knowledge with the purpose of evaluating and managing the uncertainties the enterprise faces; it is a forward looking approach to manage all key business risks and opportunities (Deloach, 2000); boards have leadership roles to play.*

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State of financial stability and usage of macro-prudential strategy in nepal



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ABSTRACT

Preserving financial stability has been acknowledged as a crucial part of maintaining macroeconomic stability as well as in attaining sustainable growth. Macro-prudential policies should be coordinated with other policies to ensure financial stability. Capital adequacy as measured by capital fund to total deposit, capital fund to total credit and capital fund to total assets found gradual improvement in the banking system of Nepal. Low level of economic growth, higher pace of financial development, volatile monetary and financial situation, high inflation and unsustainable external sector found always challenging in securing financial sector stability in Nepal. Higher spread rate of banks has greater adverse impact in the financial stability. It is concluded after analysis of financial soundness, the structure, growth and regression the financial stability as measured by spread rate is well explained by the growth of money supply, interbank rate and economic and financial policies related with financial liberalization, including the political instability. Similarly, the deterioration in assets quality due to higher exposure of credit in unproductive sectors and concentration in few sectors also impacted

profitability, capital adequacy. NRB introduced few macro-prudential and unconventional policy measures to support macroeconomic and financial stability, and these measures found supportive and created conducive environment for arrangements of new policy measures for financial stability and reinforcing the further improvement of safety, secure and robust banking institutions in Nepal. These arrangements expected to ensure a more resilient financial sector against unforeseen risks created by current challenges and contribute to financial stability.

I. Introduction

The financial system plays a critical role in the economy. It enables the financial intermediation process which facilitates the flow of funds between savers and borrowers, thus ensuring that financial resources are allocated efficiently towards promoting economic growth and development. Financial stability describes the condition where the financial intermediation process functions smoothly and there is confidence in the operation of key financial institutions, instruments and markets within the economy (Bean 2010). The financial system stability approach has changed over the years as the locus of concern moved from micro-prudential to macro-prudential dimensions of financial stability. The term macro-prudential regulation characterizes the approach

*. The opinions expressed in this paper are those of the author and do not represent the view of Nepal Rastra Bank. Author would like to provide thanks to those providing comments and grateful with the authors who contributed on financial stability and macroprudential policy and this paper has taken references of those.

to financial regulation aimed to mitigate the risk of the financial system as a whole. In the aftermath of the late-2000s financial crisis, there is a growing consensus among policymakers about the need to re-orient the regulatory framework towards a macro-prudential perspective. The macro and micro-prudential perspectives differ in terms of their objectives and understanding on the nature of risk. Traditional micro-prudential regulation seeks to enhance the safety and soundness of individual financial institutions, as opposed to the macro-prudential view which focuses on welfare of the financial system as a whole.

Further, risk is taken as exogenous under the micro-prudential where as the macro-prudential approach, on the other hand, recognizes that risk factors may configure endogenously, i.e. as a systemic phenomenon. From the macro-prudential perspectives of analysis, the early warning indicators to monitor the state of the banking system, particularly the risk of default of individual institutions, the focus has shifted to a broader system-wide assessment of risks to the financial markets, institutions and infrastructure. Clearly this is an ongoing debate and a work in progress (Blaise and Jayaram, 2009).

NRB also followed suit as per the development and practice of macro-prudential policies globally and issued a host of macro-prudential measures to make BFIs more resilient. The principal macro-prudential policies implemented by NRB are related to strengthening the capital of banks and financial institutions, implementing risk based supervision, making necessary arrangement for system audit, and enhancing corporate governance in BFIs. Likewise, some of the core elements of macro-prudential regulation include risk management guidelines to banks, stress testing guidelines, liquidity monitoring, fixation of credit to core capital and deposit (CCD) ratio, loan to value ratio, and single borrower limit, among others. NRB has been implementing macro-prudential measures together with the monetary policy for facilitating in maintaining financial stability as well as in attaining higher level of economic growth.

II. Financial stability and macro-prudential policies

Formulation and implementation of macro-prudential policy measures, especially for the financial stability purpose is also remaining a key issue among the central bankers in these days. A question on how these financial policies, including the macro-prudential policy measures are ideal to enhance financial stability of the country is the primary concern in these days and as is for NRB too while making analysis in its Financial Stability Report

(FSR) which, includes the financial stability indicators and explains its relationship with macroeconomic variables including the macro-prudential measures and their impact in the macro-economy with quantitative analysis as far as possible empirically. Financial stability is also related with an analytical discussion of transmission of shocks in the economy from the financial sector. The FSR, moreover, discuss and evaluate the relationship of major FSIs and its relationship to the different sectors of economy.

The financial crisis of 2007-09 and other has highlighted the lack of analytical frameworks to help in prediction and cope with the build-up of financial imbalances whose sudden unwinding turned out to have severe macroeconomic consequences. Overconfidence in the self-adjusting ability of the financial system led to underestimate the consequence of the accumulation of growing stocks of debt and leverage, which resulted from booming credit and asset prices, most notably in the housing sector, and were reflected in historically low levels of asset price volatility (Cyril, 2012).

A sound financial system is a prerequisite for an effective monetary policy just as a sound monetary environment is a prerequisite for an effective prudential policy. A weak financial system undermines the efficacy of monetary policy measures and can overburden the monetary authorities. The IMF survey (C.Lim, 2011) identified 10 instruments that have been most frequently applied to achieve macro-prudential objectives. There are three types of measures: Credit-related, i.e., limits on the loan-to-value (LTV) ratio, debt-to-income (DTI) ratio, foreign currency lending and ceilings on credit or credit growth; Liquidity-related, i.e., limits on net open currency positions/currency mismatch (NOP), limits on maturity mismatch and reserve requirements; Capital-related, i.e., countercyclical/time-varying capital requirements, time varying/ dynamic provisioning, and restrictions on profit distribution.

Stable and reliable financial system is a prerequisite for price stability and stable economic growth. NRB must consider overall financial stability as well as the safety and soundness of individual institutions. NRB has to work so as to better understand the sources of systemic risk, to develop improved monitoring tools, and to evaluate and implement policy instruments to reduce risks to the economy. Economic growth, inflation and bank-run might have effect on financial instability, the NRB should closely monitor these to mitigate the systemic risks to BFIs. Macro-prudential strategy is crucial in Nepal in addressing systemic risks. Therefore, macro-prudential, monetary and micro-prudential policies should be implemented side by side to stabilize financial system and the economy as a whole in Nepal.

III. Nepalese perspective

This is the period that has seen the integration of Nepal's financial system into the global financial market system since the financial liberalization. Nepal at the same time has taken the form of monetary policy regimes liberalized and focused on the expansion of financial market and underpinned by a greater degree of central bank independence along with financial sector liberalization again at the time of 2000s.

At the same time, contrary to widespread expectations, in some extent, lower inflation and a more stable macro-economy have not been sufficient to secure financial stability in Nepal. Episodes of financial threats for stability were already been present during the inflationary years occasionally in current times too in Nepal. Especially, since financial liberalization in the early 1980s, the longer economic expansions have seen larger booms in credit and asset, often followed by shorter but quite disruptive busts. These busts have sometimes contributed to serious financial strains with material consequences for the real economy and, on occasions, to costlier outright financial threats for maintaining financial stability in Nepal.

Financial liberalization may have made it more likely that financial factors in general, and booms and busts in credit and asset prices in particular, act as drivers of economic fluctuations in Nepal in recent past years. In particular, financial liberalization has greatly facilitated the access to credit, including others but the concern about the financial stability has been emerged in the recent years. As before the decades of 2000s state owned banking system of Nepal went on a quite risky situation and government initiated Financial Sector Reform Program (FSRP) since then. Later on too, financial sector reform program did not achieve expected result and, the financial sector remained vulnerable.

On the other hand, at this same time, due to the excessive increase of number of financial institutions of different categories, but with the same level of work, against the low level of growth in the real economy brought back the country's financial system in an unstable situation again after 2000s. Moreover, the past episode of banking problem occurred in 2006 from Nepal Bangladesh Bank Ltd, and later on in different times though not systemic but quite threatening, especially after the global financial crisis of 2007-09, generated a state of instability in the financial system of Nepal due to pathetic efficiency to absorb the shocks because of weak governance, capital and reserve adequacy, including the supervisory weaknesses.

Limitations in risk perceptions and orientation towards short-term yield enthused mechanisms unfairly created by banks tempting unwanted risk management issues in the

Nepali banking system. Rapid increase in the number of BFI's, absence of real growth in economy and forbearance of prudent rules and regulation encouraged connected lending and damaged the good corporate governance of financial institutions in Nepal. Thus, a kind of financial vulnerability situation was then assumed again and again. These matters have not been reviewed so far and not taken necessary steps timely so as to maintain financial stability in Nepal sometimes due to indirect political arm lengths.

Moreover, Nepal so far applied few macro-prudential and unconventional measures in late 2010 and then, however the role of these measures in maintaining financial stability has not been assessed properly. NRB has so far assumed and implemented licensing policy, single borrower limits, real estate limits, loan-to-value (LTV) limits, liquidity ratio, sectoral credit limits, statutory liquidity ratio (SLR) and CRR, credit-to-deposit ratio limits, as the macro-prudential regulatory measures to safeguard the financial sector stability in Nepal. The role of these measures since then the implementation might be better to know in what extent these tools became effective to secure financial stability in Nepal. Hence, in the above context of discussion, it might be a good attempt to conduct a simple analysis by presenting a picture about the financial stability situation of Nepal by taking account the banking sector information, particularly the commercial banks of Nepal.

Nepal's macroeconomic situation and financial stability is highly dependent with the performance of Indian economy due to the open broader, limitation in the accounting of monetary statistics and higher amount of Indian currency in circulation, large percentage of existence of informal financial market in the country such as Hundi system, and informal money markets etc. Similarly, weakness and lapses in formulation and implementation of monetary and financial policies, including other economic policies by Government of Nepal and shortcoming in monitoring and supervision of bank and financial institutions (BFIs), as well as the quality of reported data and information by the banking sector are also hindering the true representation of financial stability in Nepal.

IV. Data and methodology

Evaluation of relationship between the macroeconomic and financial variables, construction and evaluation of financial soundness indicators, empirical relationship of financial stability indicators with macroeconomic and financial variables and the role of macro-prudential policy measures in maintaining financial stability in Nepal might be the concerns to achieve financial stability. Similarly, at this time of weak economic growth, and inflationary expectation, increasing level of trade deficit

and vulnerable external sector, unaccounted monetary and financial statistics, shadow nature of large percentage of economy, highly concentrated banking credit in some sectors of economy, especially to on unproductive areas, mismanagement of financial sector, excessive exposure of banks in retail banking, rapid liberalization of financial market as compared to the expansion in economic activities, lack of development and economic growth etc. should have to be the concerns and to be taken in consideration while moving towards for maintaining the financial stability in the context of Nepal.

A simple econometric model of Ordinary Least Square (OLS) Regression with necessary test is developed and coefficients are estimated in three different set of regression equations. The model is formulated by taking the NPL, Spread Rate (Interest Rate) and Credit to Deposit Ratio of commercial banks as the dependent variables for these three set of different regression equations from the time series data. Moreover, model formulation is based on the core financial stability variables assuming as dependent variables to explain the financial stability and its relationship with the selected independent variables.

This exercise is done in different segments i.e. introduction, conceptual framework in connection with review of literatures related to financial stability assessment, Financial Soundness Indicators (FSIs) along with macro-prudential policy measures/tools to explain the financial sector stability and a simple regression analysis between FSIs and macroeconomic/financial variables. Lastly, this study will end with by concluding with findings and recommendations.

V. Review of literature

Now-a-days, financial stability of the banking sectors is a highly discussed topic. Especially, the assessment of the appropriate amount of capital that banks should put aside to guard against various types of risks that banks face represents a great challenge. One of the techniques that help to bring the answer to the question whether a particular bank or a banking sector have sufficient capital buffer in the case of a crisis is the stress testing. A stress testing is a risk management forward looking tool that shows the bank's or the banking sector's financial performance under downside scenarios which are severe but still plausible. By comparing the results under these scenarios with the baseline (most likely future scenario) results and with minimum capital requirements, the banks' management and national supervisors can specify additional capital to be set aside. Some study has stated that modern central banks (CBs) have two core functions: (i) maintaining monetary stability, and (ii) maintaining financial stability. There is a broad consensus that central

bank should be independent of government in pursuing monetary stability (Lastra, 2001).

Andrew, L. and Alastair, C. (2010) concluded that there should be a Systemic Policy Committee (SPC) with a mandate to use capital ratios to prevent the build-up of systemic stress and to disincentives financial institutions from excessive leverage and to maintain financial stability. Garry, J. S. (2009) said that financial stability is as important a policy objective as maintaining monetary stability if economic growth and stability are to be achieved and sustained.

Luis, G. (2007) studied and states the optimal architecture of supervision for the purpose of financial stability. Garry, S. (2004) studied and examined the emergence of financial stability as a key policy objective. Khan, S. (2004) had studied macroeconomic and financial sector comparison with SAARC and ASEAN countries and discussed the financial sector indicators of the SAARC and ASEAN countries under the framework of macroeconomic and financial sector indicators and their performance achieved. Ostry and others (2012) found macro prudential policies to be effective in strengthening the financial market from the global financial crisis.

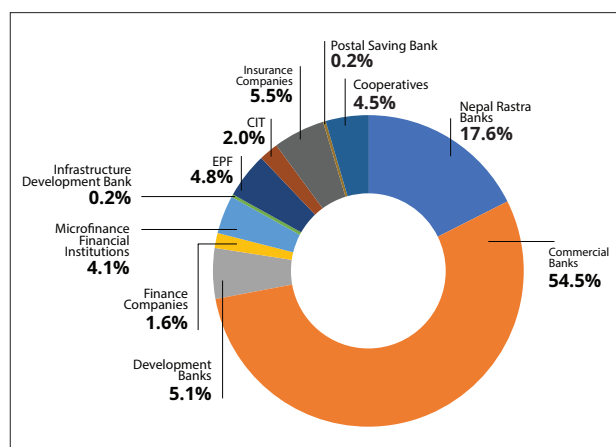
A recent study by IMF (2020) has revealed that an increase in global risk aversion which in turn results in a decline of the inflow of foreign capital will reduce the economic growth of a country if the macro-prudential measures is not sufficient enough to bolster the crisis aftermath. These risks can be less prominent if the country has an appropriate policy framework in place. However, when measures are already prominent, further distending of the macro-prudential tools may prove to be less effective in strengthening resilience. Excessive macro-prudential strategy may result in financial activities threatening the presence of regulatory perimeter and upshot of unwarranted financial activities. Likewise, an IMF working paper (2019) concluded that macro-prudential regulation allows monetary policy to respond more counter-cyclically to global financial shocks.

VI. Analysis of financial stability and macro-prudential policy indicators of nepal

a. Structure and expansion:

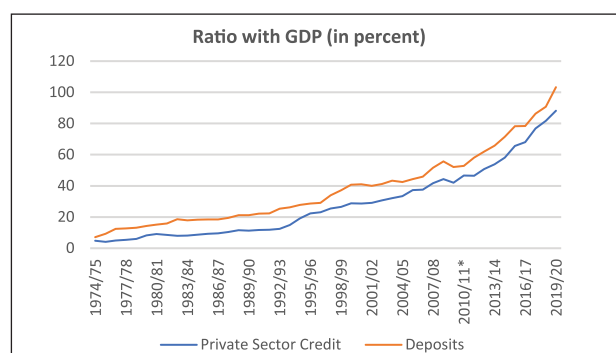
Following the financial liberalization policy adopted since the mid-1980s, there has been proliferation in the number of BFIs. The growth in the number of BFIs has moderated after a rapid growth, however moderated particularly through the merger/acquisition and paid-up capital increment. The financial system of Nepal is dominated by Banks and Financial Institutions (BFIs). As

of April 2021, there are 140 BFIs including 27 commercial banks, 18 development banks, 20 finance companies, 74 microfinance financial institutions and one infrastructure



development bank. On the other hand, there are 40 insurance companies, one EPF, one CIT and one Postal Saving Bank working as major NBFIs. The share of the BFIs in total assets of the financial system is 83.0 percent and the share of Non-Bank Financial Institutions is 17.0 percent. Among the NBFIs, the share of insurance companies in the financial system is 5.5 percent, followed by EPF (4.5 percent), CIT (2.1 percent) and postal saving bank (0.2 percent). The share of insurance companies in the total assets of the financial system has increased over the last decade from 3.1 percent to 5.5 percent, the share of EPF and cooperatives have slightly declined and the share of CIT has stood around 2 percent.

Banking sector has been dominating the financial system of Nepal. The share of banks and financial institutions in total assets and liabilities of the financial system reached to 79.06 percent in mid-July 2020. The commercial banks remained the key player in the financial system occupying



62.26 percent of the system's total assets followed by development banks (8.21 percent), finance companies (1.90 percent) and micro finance financial institutions (4.61 percent). In case of contractual saving institutions, EPF is a dominant institution having 5.85 percent share,

followed by insurance companies (5.86 percent), CIT (2.51 percent), and Reinsurance Company (0.20 percent). The share of cooperatives in total financial system stood at 8.30 percent.

The ratio of total assets of the financial system to GDP, which has been continually rising, reached 170.93 percent in mid-July 2019. Total assets and liabilities of commercial banks remained at 106.43 percent of GDP followed by development banks (14.03 percent), finance companies (3.24 percent), MFIs (7.88 percent) and Cooperatives (14.19 percent). Further, such ratio for contractual saving institutions stood at 25.12 percent comprising 10.06 percent of EPF, 4.29 percent of CIT, 10.02 percent of insurance companies, 0.34 percent of Reinsurance Company and 0.45 percent of mutual fund in mid-July 2019. Though, the banking system transformed, both in number and structure and the number of BFIs reached its peak in 2011 to 2018 from only 3 in 1985 and total assets and liabilities size of BFIs have continued to increase. The significant expansion of the balance sheet of BFIs mainly due to the increase in deposits and credits, mainly driven by increase in banking habits, expansion in outreach, and remittance inflows, whereas the same has inflated on account of the increase in paid up capital and reserves with various measures applied by NRB.

b. Natural growth but risky and high credit exposure:

The BFIs lending growth found some times unnatural and concentrated mostly in some key areas of economic activities i.e. trade (wholesaler & retailer) followed by agriculture, forestry and beverage production related, other services, construction, finance, insurance and real estate, consumption, agricultural and forest related, electricity, gas and water. Concentration of lending to a few sectors would expose bank to credit risk and raising anxiety toward financial instability. The priority sector lending also did not flow as per expectation of NRB and product-wise, lending was made highest in demand and working capital loan, followed by term loan and overdraft. The real estate loan has come down to below the regulatory requirement but exposure in terms of collateral has not been decelerated and thus risk is yet to be stabilized.

c. Usage of macro-prudential policy tools and correction in real estate exposure:

Some important and standard macro-prudential policy measures and tools to address real estate lending such as caps on real estate loans, loan-to-value ratio and sectoral capital requirements were introduced to limit the real estate and housing loan exposure to 25 percent of total loans. Likewise, policy measure was adopted not to issue loans exceeding 50 percent of fair market value of the collateral/project outside of Kathmandu valley and 40

percent inside Kathmandu valley. The maximum loan-to-value (LTV) ratio for residential housing loan fixed to 50 percent for Kathmandu valley and 60 percent for places outside Kathmandu valley and the real estate sector (exclude housing) exposure to reduce to 10 percent leaving some relaxation on residential home loan to lend up to Rs. 10.50 million for personal residential home loan has contributed positively to financial stability over the years since 2010 in Nepal.

d. Directed lending program originating upright result but hesitancy of BFIs is still hindering the relationship of financial sector development and growth expectation:

NRB's policy towards macroeconomic stability by ensuring the availability of adequate funding for productive sector and deprived sectors like agriculture, hydropower and tourism to facilitate the sustainable economic growth of the country achieved some satisfactory results but yet to be streamline as per the regulatory requirement to warrant economic growth.

e. Higher credit growth and excessive exposure compared to deposit growth of banking sector creating anxiety:

Along with the covid-19 outbreak. Initially at first the deposits at BFIs expanded rapidly but credit growth stopped however after lockdown was lifted in mid-2020 there was a rapid credit growth in a very short period of time and creating anxiety of risk in the financial system. Recently credit growth reached above 23.0 compared to last year and also creating pressure to the liquidity management of banking system. The total deposits of BFIs reached to Rs.4468. billion and lending reached Rs.4073.0 in mid-May 2022. The share of top five BFIs stands at 26.23 percent of the total deposits, of the banking system, depicting a significant concentration of deposits in these institutions. The objective to ensure the availability of adequate funding for sectors like agriculture, hydropower and tourism which are believed to be key drivers of economic growth of Nepal is yet to be materialized. In order to establish the positive relationship between finance and growth, NRB has directed BFIs to lend certain percent of their loan portfolio to the designated sectors of the economy. For example, 15.0 percent of their total loans to agricultural sector (by 2022/2023), 10 percent to energy sector and 15 percent to Micro Small and Medium Enterprises sector by 2023/2024 adhering to specified targets of timescale to the commercial banks and similar to others but due to covid-19 pandemic, it seems unachievable by the time if situation did not improve.

f. Financial soundness indicators

Capital adequacy and assets quality: Capital position of Nepali banking sector seemed robust to shocks as the capital adequacy ratio of banks situated always above the line, the capital fund of BFIs found in increasing trend in over the years and as a result of this the adequacy reached to 14.16 percent in mid-July 2020. The excess of CAR over the minimum requirement of banking system was mainly due to the consolidation among development banks and finance companies through merger and acquisition. The overall CAR of BFIs remained well above the standard requirements set by NRB which indicates that the banking system's capital soundness is in strong position.

Despite of strong capital fund and adequacy ratio, the major assets quality ratio as measured by Non-Performing Loans (NPL) of BFIs increased significantly mainly due to pandemic, deferral, discount on interest payments and restructuring and rescheduling. In terms of ratio of NPL to total loans, the banking sector showed slight deterioration in assets quality but sufficient provisions during the period of 2016-2020 indicating the banking sector's resilience toward vulnerable risk assets. NPL to total loans of BFIs increased and reached to 1.89 percent in mid-July 2020. NPL to total loans of commercial banks increased significantly and reached to at 1.81 percent

Leverage and credit/deposit growth: The leverage ratio of commercial banks stood at 8.15 percent in mid-July 2020 and all commercial banks such ratio maintained above the mandatory Basel requirements which has complemented to the risk-based capital framework and safeguard the build-up of excessive leverage in the banking sector. There has been a decline in overall credit to deposit ratio to 83.21 percent in mid-July 2020 but recently since few months there has been pressure in the demand for credit and such ratio is reaching close to the regulatory limit which reveal the tightening situation of liquidity in the banking system. With the gradual expansion and deepening of the banking sector the deepening indicators are also in a well comfortable situation in Nepal as the ratio of total deposits to GDP reached 104.43 percent and the ratio of total credit to GDP reached 86.88 percent.

Profitability and liquidity: Both profitability and liquidity position of the banking sector remained well above the expectation and as a result of these outcome over the years the deepening indicators reached in competitive point as these found in line with the advance and emerging economies of the world. However, the strength of the banking sector in terms of profitability during the times of pandemic came under stress. The overall profitability of banking sector decreased. Likewise, the Return on Equity (ROE) of commercial banks has fallen mainly due to the effects of covid-19. The interest margin to gross income

and Return on Assets (ROA) are also affected marginally. The credit to deposit (CD) ratio, net liquid assets to total deposits ratio, and liquid assets to total assets ratio as gross measures to monitor the liquidity condition in the financial system remained well above the regulatory limit thus indicating the strong resilience of banking sector in Nepal in mid-July 2020 but suddenly created a pressure with the recent demand for credit and though, the timely regulatory interventions in maintaining the liquidity in the banking sector is also safeguarding them despite of some forward looking liquidity stress in the banking system of Nepal.

VII. Econometric relationship of FSIs with macroeconomic variables.

a. Non-performing loan:

The equation of non-performing loan ratio (NPL) has been estimated to identify the factors that affect it. From the review of literatures, it has found that non-performing loan can be affected by the change in GDP growth and other development in economic indicators/ activities. Similarly, it can be affected largely by change in the lending rate, earning and borrowing etc. By considering the facts about the determinants of NPL, the variables are taken in the rate or growth rate form so as to diminish the problem of non stationarity of the time series data. The NPL is explained by lending rate (LEN), growth rate of general reserve (GRES), growth rate commercial bank borrowing and dummy as a proxy of political instability. Lending rate can be one of the major independent variable of lending rate because the change in the rate of lending rates both the loan and recovery can be affected. If the rate gone down the demand for credit may go up and if the rate increased, then the recovery may not be achieved as per the target.

Therefore, the risk on accumulation of bad loan from the supply of excessive loan and due to the high cost of serving of loan may occur in the non-performing loan. When the profitability of banks declined the general reserve also reduced thus the banks may have to present higher amount of loan in provision and they may face the surplus resources in provisioning of the doubtful loan. Thus, the general reserves also have directly and indirectly bring affect in the non-performing loan.

In case of Nepal political instability has been chosen one determinant because of the reason that the prolonged unstable political situation in the country over the years impacted the economic activities and has been contracted,

as a result of this growth remained weak for a longer period. The equation (1) shows that the coefficients are positive and significant at 1 percent level of significance. The diagnostic tests are run on the equation to ascertain the fitness of the equation. The Jarque-Bera is 1.195 (Probability 0.550), it accepts the null hypothesis that series are normally distributed There is no serial correlation in the error term which is tested by using DW test and verified by the LM test of error term.

$$\text{NPL} = -20.726 + 2.291 \text{ LEN} - 0.116 \text{ GRES} + 0.027 \text{ CBBOR} + 12.961 \text{ DUM_POL} \dots \dots (1)$$

t-statistics¹ (-5.14)* (9.75)* (-2.10)* (2.71)* (9.30)*

$$R^2 = 0.863 \quad F = 36.468^* \quad DW = 1.549 \quad LM = 1.549$$

(Probability = 0.461)

The coefficient of lending rate (LEN) is significant at 1 percent level of significance, which states that one percentage point increase in lending rate increases non-performing loan ratio by 2.291 percentage points. This evidence has also been proved after the global financial crisis in the world and Nepal too after the real estate bubble, including the liquidity crunch of 2010. The lending rate gone up after the bubble bust in late 2010 and immediately liquidity crunch started in the financial system of Nepal at that time. The banks' lending rate including on the existing loan went up. Recoveries get affected and faced problem of liquid resources. The major financial institutions, especially which have highest exposure in the real estate market and margin lending including others gets adversely affected at that time. Financial institutions were compelled to allocate a big chunk of amount on provisioning for doubtful loan.

As a result, in the next years their NPL ratio increased and financial institutions faced difficult liquidity problem. As a result of that situation, interbank lending rate gone up historically high up to 15 percent. Banks remained reluctant to lend severely affected other financial institutions and some of small one were faced difficult problem. In addition, the one percentage points increase in general reserve decreases NPL by 0.116 percentage points while one percentage point increase in growth rate of commercial banks' borrowing (CBBOR) increase NPL by 0.027 percentage points. The dummy variable DUM_POL captures the impact of political chaos on non-performing loan. The positive coefficient DUM_POL shows the political instability has contributed to increase the non-performing loans of Nepal. Thus, it is concluded that the financial stability as measured by non-performing loan is well explained by lending rate, commercial banks borrowing, general reserve and a non-economic factor which is political instability.

1. *, ** and *** respectively shows the significant at 1 percent, 5 percent and 10 percent level.

b. Commercial bank spread rate:

The second econometric equation has been chosen as the commercial banks spread rate. This is calculated as a difference between deposit and lending rate as announced by the commercial banks in different years and reported to the NRB. High spread rate has been estimated as a negative signal for financial stability (Jayaram 2012) in many countries. It has been also found that high spread rate during the period of 1993-2000 in emerging economies is one of the main reason of increase in NPL in 6 countries and failure of public banks in 5 countries (FSR 2006, IMF). Nepal's financial system has also been suffering from a very high spread rate as in the early period of financial development and immediately after the financial liberalization.

Thus, this variable has been chosen by assuming as one of a strong variable to explain about the financial stability in Nepal. For this reason, spread rate has been estimated to identify the factors that affect it. The variables have taken in the rate or growth rate form so as to diminish the problem of non stationarity of the time series data. The spread rate is explained by broad money growth (M2), commercial banks interbank rate (IBR), determined in dealing with interbank transactions in fulfilling liquidity requirement of banks and dummy as a proxy of financial liberalization that allowed greater competition in the financial system of Nepal and NRB leave the responsibility in interest rate determination to the financial institutions themselves.

The government of Nepal and NRB also started allowing permission in establishing the numerous financial institutions with new and flexible licensing policy by assuming the expansion of financial services in various rural areas of the country and people. The equation (2) shows that the coefficients are positive and significant at 1 percent level of significance. The diagnostic tests are run on the equation to ascertain the fitness of the equation. The Jarque-Bera is 0.79 with probability 0.676, it accepts the null hypothesis that series are normally distributed. There is no serial correlation in the error term which is tested by using DW test and verified by the LM test of error term.

$$\text{SPR} = 7.757 - 0.128 \text{ M2} + 0.475 \text{ IBR} + 4.676 \text{ DUM91} \quad \dots (2)$$

$$t\text{-statistics } (7.9)^* \quad (-2.64)^* \quad (5.07)^* \quad (2.47)^*$$

$$R^2 = 0.54 \quad F = 12.778^* \quad DW = 1.35 \quad LM = 2.86 \quad (\text{Probability} = 0.171)$$

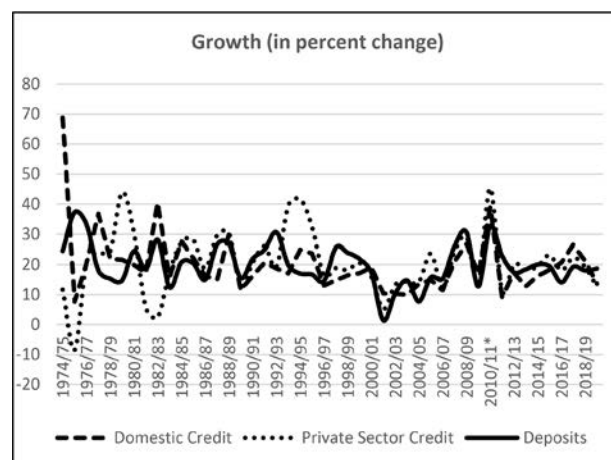
The coefficient of broad money growth (M2) is significant at 5 percent level of significance, which states that one percentage point increase in money supply decreases

spread rate by 0.13 percentage points. The same as estimated here in this equation has evidence both in Nepal and in many countries but it has negative impact on inflation though growth of money supply has become supportive in reducing spread rate. Thus in either way this particular variable has been threatening financial stability. On the other hand, the one percentage points increase in interbank rate (IBR) increases spread rate (SPR) by 0.5 percentages points. Therefore, interbank rate has been remaining a strong determinant of high spread rate in Nepal and it has been proved since late 2010 to over the periods. During that period interbank rate reached as high as more than 13 percent and spread rate also increased significantly due to liquidity shortage in the market.

Due to that reason, commercial banks at that time remained reluctant to lend development banks and finance companies from the interbank transaction and bank run like situation was observed in the financial history of Nepal. The dummy variable DUM91 captures the impact of financial liberalization and autonomy to financial institutions of Nepal in interest rate determination. The positive coefficient DUM91 shows that financial liberalization resulted with the establishment of numerous financial institutions did not reduced the spread rate rather it has contributed to keep the higher spread rate in Nepal. Thus, it is concluded that the financial stability as measured by spread rate is well explained by the growth of money supply, interbank rate and economic and financial policies related with financial liberalization, including the political instability.

c. Credit to deposit ratio:

The third equation of credit to deposit ratio has been selected. It has been selected for the reason that higher the credit to deposit ratio is always the signal of financial



instability. Excessive exposure to credit is estimated by this ratio to assess the policy stances and influences both by the monetary policy and financial policy to investment and deposit collection situation of financial institutions. Longer the period higher the credit to deposit ratio has been

econometrically estimated a strong reason of boom and bust in major European countries (ECB, 2008). One of the main reason for the banking crisis in different countries at different times, including the bank failure and the world financial crisis of 2008 had happened due to the excessive credit exposures of financial institutions (IMF, 2010).

Nepal has not been remained exception with this situation in the past several years. The excessive exposure of financial institutions towards stock and real estate business had increased the credit to deposit ratio at that time. It had built up various risks in the financial institutions and few financial institutions were negatively suffered from that situation at that time. The equation of credit to deposit ratio (CD) has been estimated to identify the factors that affect it. The variables are taken in the rate or growth rate form so as to diminish the problem of non stationarity of the time series data. The credit to deposit ratio is explained by investment (Loan and Advances), growth rate of time deposit (TDEPO), and one-year lag of credit to deposit ratio. The equation (3) shows that the coefficients are positive and significant at 1 percent level of significance. The diagnostic tests are run on the equation to ascertain the fitness of the equation. The Jarque-Bera is 0.122 (Probability 0.940), it accepts the null hypothesis that series are normally distributed. There is no serial correlation in the error term which is tested by using DW test and verified by the LM test of error term.

$$CD = 31.90 + 0.170\text{Loan} - 0.311\text{TDEPO} + 0.620\text{CD (AR)} \dots (3)$$

$$t\text{-statistics } (3.12)^* \quad (1.90)^* \quad (-2.62)^* \quad (5.05)^*$$

$$R^2 = 0.620 \quad F = 17.44^* \quad DW = 1.70 \quad LM = 2.86$$

(Probability = 0.239)

The coefficient of loan and advances (Loan) is significant at 10 percent level of significance, which states that one percentage point increase in loan and advances increases credit deposit ratio by 0.17 percentage points. This evidence is well proved in case of credit to deposit ratio calculation of commercial banks in Nepal. It has been observed from the commercial banks data that in several situation of lesser increment in the deposit collection there has been higher increment in the loan advances of commercial banks due to the high spread rate of banks and motivation to increase the net profit of the institutions. The same has also observed in after mid-July 2020 to mid-April 2021 in the banking system of Nepal.

As explained in the preliminary discussion part of data analysis both the money growth and credit growth has not been reflected in the real growth of economy since several years, it has only contributed to maintain the higher spread rate and credit deposit ratio for the higher earning purpose and distribution of financial benefits to

the promoters of financial institutions. Thus, it has not contributed to stabilize the financial system but rather making it more unstable due to higher credit to deposit ratio of commercial banks. The well accepted international standard and prudential policy norms always prefer comfortable to maintain the credit to deposit ratio of financial institutions below 75 percent to secure the financial system from the built up of the risk but in case of Nepal, NRB has defined it differently and explained it in other way round and measure the credit to deposit ratio from core capital to deposit ratio (CCD ratio).

Therefore, it is obvious from the estimated relationship above that banks should measure the ratio from the well accepted prudential international norms and reduce the loan portfolio in unproductive sectors. Similarly, the NRB should monitor the ratio from the same and might issue the guideline to bring down the ratio gradually as per the standard. The another independent variable that explains the credit to deposit ratio has been chosen time deposit (TDEPO) for the econometric analysis and it has found that one percentage points increase in time deposit decreases credit to deposit ratio by 0.31 percentage points while one percentage point increase in credit to deposit ratio from one-year lag period increases the total credit to deposit ratio of current year by 0.62 percentage points. Therefore, the finding suggested that banks should concentrate to decrease the credit to deposit ratio by increasing longer term maturity of deposit. That may also contribute for sustainable growth of credit and to maintain the credit to deposit ratio in an acceptable position. Thus, it is concluded that the financial stability as measured by credit to deposit ratio is well explained by loan and advances, time deposit and, one-year lag of credit to deposit ratio.

VIII. Usage of macro-prudential strategy in nepal

Macro-prudential and unconventional financial policies during and later period of financial crisis have made a remarkable presence in almost every country's manuscript of policies for financial stabilization. These have also supported countries for economic growth and macroeconomic stabilization during the recent pandemic of covid-19. The downturn of the subprime lending market and proliferated risk-taking without proper cushioning by BFI paved the path for the great recession in United States in 2008 which was later crowned with the bankruptcy of Lehman Brothers triggering a worldwide financial crisis since then and until almost early 2010.

Macro-prudential and unconventional financial policies generally formulated by central banks around the world in response to crisis to ensure the financial stability by averting sharp and intense disruption in the BFI to prevent

spontaneous turmoil in credit and other financial services that are the basis frontiers for economic growth. The main aim is to tackle the evaluated, forecasted, and predicted risk from unprecedented events and crises to limit systemic risk and minimize the cost of financial instability. These policies have proved to be effective in mitigating the risk and, there has been a shift in focus from micro-prudential policies to macro-prudential policies without undermining the importance of macro-prudential policies. In these days, the application of these policies will result in a smoother financial system but these instruments are not exactly a copy-paste solution to cut and undo the risk situations. They can be tricky and needs scrupulous analysis on the part of policymakers.

Macro-prudential policies proven to be more effective and result oriented in diverse nature of the situation in Nepali banking system. These instruments call for using varying ways such as use of single or multiple instruments considering whether the risk is well defined from a single source or not, use of broad-based or targeted framework based on the level of complexity, use of a fixed or time-varying schedule of application of these policies based on longevity of the crisis, application of rules or use of discretion based on risk management and supervision capacity. The NRB has been appropriately implementing macro-prudential measures to limit the buildup of systemic risk in the financial sector. Alternative measures suggest that credit growth in 2018 exceeded prudent levels but moderated in the later period and again exceeded, as the credit-to-core capital and deposit (CCD) ratio became binding for most banks and the limit on personal overdraft loans was reduced from the policy measure. The NRB has asked to maintain BFIs a 2.0 percent countercyclical capital buffer by July 2020 and a debt service to income ratio for non-business loans but later due to the pandemic the earlier was lifted for the time being.

The non-performing loan ratio is low, there are potentially significant risks to asset quality. A large share of the loan portfolio is revolving in nature, with about 40 percent consisting of overdraft and working capital loans. Banks have significant real estate exposures, including through commercial loans collateralized by real estate properties. These different risks raise concerns that non-performing loans are understated, provisioning for loan losses is inadequate, and capital adequacy is overstated. Macro-prudential measures were strictly enforced to prevent excessive credit growth. The NRB resisted further relaxation of the CCD ratio and stand ready to tighten it if sharp credit growth resumes.

The recent macro-prudential policy tools such as introduction of debt-service-to-gross-income limits and asset quality of banks for avoiding ever greening practices are also the new initiatives. There are other issues to

be addressed through macro-prudential measures are monitoring risks related to real estate exposures, the housing price index and enhancing monitoring of concentration risk within the financial sector require to be implemented. Further strengthening of risk-based off-site supervision for the improved risk analysis by off-site supervisors of individual banks and financial inclusion, particularly through Fin-Tech, are the scope of further strengthening of macro-prudential policies in the banking sector of Nepal. For this, Fin-Tech payments should be encouraged for areas with geographical barriers where bank branches are not economically justified. Actions to enhance digital financial inclusion of businesses include reducing compliance burdens, increasing benefits of using formal services, and raising financial literacy. Policies and regulations should be tailored to support healthy development of the Fin-Tech sector.

Banking sector further require the need of use of other unconventional policies to maintain financial stability by applying supplementary necessary macro-prudential measures and continue to closely monitor the quality of assets in the financial system. Monitoring the impact on credit developments, strengthening financial sector oversight and the expanded coverage payment and settlement systems are also equally important to address the risks. The financial crisis revealed critical gaps and weaknesses in the world's financial system and the financial regulatory framework. Macro-prudential policy in Nepal expected to avoid systemic, or system-wide, financial risk. Capital Requirements, Risk Management Guidelines to Banks, Liquidity Monitoring, Policy in Real Estates Market etc. found encouraging steps implemented so far to ensure financial stability through macro-prudential policy approach. Implementation of macro-prudential policy measures showed the mixed result since these policy measures introduce in late 2010, solvency situation of banks improved significantly and increase both the core capital and capital fund.

The usage of macro-prudential policy showed banks capital adequacy ratio improved significantly. Similarly, the liquidity situation showed a mixed result in improvement. As compared to the significant increase in deposit collection, credit exposures of banks increased as a result of that net liquidity situation remained at the same position. The Credit-to-Deposit ratio of banks improved slightly but remained above the standard but Credit-to-Core-Capital-to-Deposit ratio improved by around 4-5 percentage points and NPL position further declined. Both the profitability and assets position improved significantly. Net interest spread and weighted average interest spread declined significantly but credit to deposit ratio increased again. Bank's employee expenses declined both in terms of total expenses and income to expenses but liquidity ratio declined. Hence, it can be concluded that, though

the usage of macro-prudential policy measures showed some improvement in few indicators but still remained the challenges for higher credit to deposit ratio, high spread of commercial banks and declined capital adequacy ratio and shortage of liquidity. Hence, issues still remained yet to be resolve and the additional unconventional macro-prudential measures to secure financial stability after the implementation of macro-prudential strategy in Nepal.

Further, NRB has been implementing various unconventional and macro-prudential policies as a response to the ongoing financial stress caused by the covid-19 pandemic. NRB dropped its cash reserve ratio from 4.0 to 3.0 percent and reduced the rate of interest on the standing liquidity facility rate from 6.0 to 5.0 percent. Banks are not required to realize a 2.0 percent countercyclical capital buffer that was due in July 2020. The reporting standards were relaxed for a brief duration which made BFIs to not be penalized for non-compliance with regulatory and supervisory requirements in April 2020. For banks meaning to lend at a concessional rate to priority sectors including small and mid-size enterprises suffering from the pandemic, the dimensions of the refinance fund were increased to supply subsidized funding. Banks also will defer loan repayments due in April 2020 and should until mid-July 2020 and again extend allowing rescheduling and restructuring with certain parameters. Banks will extend the repayment schedule of the quantity due during the lockdown up to 60 days for capital loans. Businesses of affected sectors can qualify for extra capital loans of up to 20 percent of the approved amount of their existing capital loans, to be repaid within a year at the most. Banks were directed to use lower interest rates (up to 2 percentage points) when calculating the interest due for the amount of mid-April 2020 to mid-July 2020, applicable to borrowers from affected sectors. a short-lived ban on luxury goods imports, like gold over 10 kg and vehicles worth over US\$50 thousand on April 1, 2020 and can temporarily provide a minimum currency exchange facility to qualifying students abroad (less than US\$500 per student).

Despite of the above various policy measures, due to the covid-19 pandemic, depositors are naturally inclined to hold cash but the recent lack of investment opportunities could offset the risk of liquidity crisis again in 2021 but at the cost of economic growth. The prolonged delay in repayment of loans and mortgages installment can pose a risk of systemic failure, BFIs who have invested in those projects that could not be executed will suffer long term loss and also the possibility of the value of the assets against which the loan was approved might go down which will result in the disruption in the balance sheet. The reduction in remittance which has been the major source of foreign currency for over the years and the tourism sector is unable to yield foreign currency can cause threat in the foreign currency reserve especially when the Indian

currency against which the Nepali currency is pegged is also facing severe depreciation and decline in remittance inflows.

IX. Conclusion

Macro-prudential measures are emerging as complements to monetary policy towards for achieving financial stability. The coordination or consolidation of the monetary and regulatory authorities is crucial for forging an effective complement between the two measures. Also a logical and rule based approach for the adoption of macro prudential measures has to develop. The efforts and unconventional policy measures set forth by NRB efforts seem to be targeted in easing the liquidity crisis of the BFIs, reducing loan stress among borrowers, and maintaining or shielding from excessive deterioration of foreign currency reserve. But these actions definitely are short term oriented and considering the pandemic to last for over a year or so and, NRB surely needs to revamp these measures.

Unconventional macro-prudential policy measures have a lot to offer to sustain the financial stability and help a country get through the vulnerabilities aroused from the uncultivated economic crisis caused by the pandemic. Nepal like many other countries can succeed in offsetting the excruciating economic effects of pandemic through formulation and execution on unconventional and Macro-Prudential Financial Strategy Framework with meticulous planning, proactive decision-making, diligence, and foresighted thinking.

Although, financial Sector policies of Nepal have been driven towards long term and sustainable economic development of the country but many them are not yet realized. Likewise, in order to ensure financial stability, focus of policy has been driven to identification of systemically important banks in the country as well as big branches of the banks, which require close monitoring and pose major threat to the health of the system but this is yet to be materialized since few years. Merger between the financial Institutions is also being encouraged but the policy has not been successful enough as per expectation of the NRB, nevertheless, it has been able to reduce the number of institutions.

NRB has to play an important role in ensuring financial stability. For this it needs a clear policy framework to achieve. Recently, major central banks have been reviewing their financial policy frameworks amid growing concerns about scrapping the policy space in the face of low-balanced interest rates and relatively low inflation and thus, NRB might do better if it thinks so and act differently what is being done traditionally since the few decades. In the context of Nepal, the choice of monetary

structure is closely related to the choice of foreign exchange management and exchange rate regime which also ultimately linked with the financial stability. Thus, financial stability matters as are closely linked with the monetary policy in the context of Nepal and it is not about for collective bargaining, it should be about the overall financial stability rather than the private sector interests only in facilitating or relaxing the best practices and standards.

The priorities of financial policies for stability is to be to increase agricultural investment, boost the energy sector and achieve the goal of minimizing the impact of small, medium and large enterprises and to support for economic recovery for the pandemic-affected areas, and modernization of agriculture and job creation. Facilitation and encouragements by boosting tourism and hospitality, as well as small and medium enterprises are among the worst-affected by the pandemic, supposed to contribute to financial stability if rightly lean by the financial policies to favor these sectors, certainly contribute to recovery of bank loans and earning of foreign exchange so as to contribute to stability of the financial system in Nepal both directly and indirectly.

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Corporate governance: a perspective on nepalese banking



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ABSTRACT

Effective corporate governance is fundamental requirement for the proper functioning of the banking sector and the economy as a whole. Barrett (2002) defined corporate governance as process to encompass how an organization is managed, its corporate and other structures, its culture, its policies and strategies and ways in which it deals with its various stakeholders. Good corporate governance helps to build an environment of trust, transparency and accountability necessary for fostering long-term investment, financial stability and business integrity, thereby supporting stronger growth and more inclusive societies (OECD,2004). Weak and ineffective corporate governance mechanisms in banks is pointed out as the main factor contributing the failure of institutions along with the development and expansion of the banking sector in Nepal, the need and justification of institutional good governance in financial institutions has been given priority. Some financial institutions and officials were also facing problems due to lack of good corporate governance. There are many issues related to good governance in this area. Initial understanding regarding the role and responsibilities of various stakeholders including the board of directors and management in the operation of the organization seems to have changed gradually. In this context, this article attempts to study about the current state of corporate governance including

some changing perspective in Nepalese banking sector. The study reviewed some literature, existing regulatory arrangements and tried to make some conclusions and offer recommendations.

KEYWORDS

Corporate governance, banking, regulation, transparency, discloser accountability, BOD role responsibility

1. Background

The issue of institutional good governance has been given special attention in recent days. Not only in banking sector, all kinds of institution need special mechanism to ensure good governance within their organization. Governance in banking sector is a considerably more complex issue than in other sectors. Good governance seems to be being established as a special system to address the aspirations of various stakeholders in any organization in a transparent and accountable manner.

Koirala & Sigdel (2015) highlighted some key issues in banking sector regarding corporate governance like internal controlling process, risk management, auditor's independence, material disclosures and internal audit competence. In addition, they have cited Musasike (2005) who explained that the Development Bank of South Africa witnessed good business outcomes by inculcating fairness, transparency and reduction of corruption via implementing good corporate governance. However, it is observed that there is no single corporate governance

model to implement; there is room for improvement, proper monitoring and system for early caution signs in risky projects.

In Nepalese banking sector, size, coverage, shareholders diversification, nature of financial products, stakeholders concern and others many things has been changing rapidly (Thapa, 2020). Previously set norms and standard regarding corporate governance may not be equally appropriate and relevant in changing scenario. But, the corporate governance matter of this sector basically depends on specific provision mentioned in prevailing laws and regulation and central bank directives. As the banking sector is more regulated and directed by the regulatory body, the effect of the policy directives issued by the central bank seems to be linked to the good governance effectiveness of the overall financial system. Maskey (2004) has suggested that central bank seems to be paying more attention to transparency, accountability, accuracy and other issues to keep the good governance of the banking sector afloat as it has to be run in full confidence of the public.

Research objectives and methodology

The aim of this study is to understand about the concept, need and significance of corporate governance in Nepalese banking sector. It focuses on widely recognize principles of corporate governance in financial sector and also trying to examine an application of those principles in Nepalese context. Further, this study is focusing on exploring the issues and challenges related to corporate governance and will compare with international best practices. This study is mainly based on literature review of various research study conducted at different countries. All qualitative data and information procured from secondary sources. Secondary data is extracted from publications, academic journal, corporate journals, and periodicals. As influencing source, institutional websites are used in gaining the report and policy documents.

Literature review

Many research and study related to corporate governance in banking sector has been conducted at different country and territory. Most of the studies have been focused to explore various dimension of corporate governance with justifying its need and significance in banking sector, The findings of the research seem vary according to size, nature, culture, regulatory environment and other special characteristics of the banking industry. As the nature and features of Nepalese banking sector may not similar with other jurisdiction, influencing factor and their level of influence also changed rapidly. In this context, following relevant literature available from the different sources are presented below.

Why banks need to give more attention for corporate governance

Good governance seems to have a good place in every field including profit making organization, social business, governmental organizational, finance, law etc. Governance in banking sector is a considerably more complex issue than in other sectors. This sector is highly sensitive to public scrutiny and has learned to its cost the risk of attracting adverse publicity through failings in governance and stakeholder relationships (Chaudhury, 2013). The special characteristics lies in banking business needs good governance with compare to others kinds of business organisation. Following points justify the need and significant of corporate governance in bank and financial institution.

1. Banking business differs from the others forms of business organization because other business entities which are funded mainly through shareholders' funds and they have own responsibility to take future liability but banks and financial institution raised their funds mainly through public deposits. The business of raising public deposits places greater fiduciary responsibilities on the institution and its management, since depositors' funds need to be safeguarded in a special way.
2. The various stakeholders associated with banking institution's activity complicate the governance of financial institutions. Between the bank and its clients there are fiduciary relationships raising additional relationships and agency costs; principal-agent problem is more complex in banks, among others due to the asymmetry of information between owners, borrowers, depositors, managers and supervisors; mainly depositors, shareholders and regulators are concerned with the robustness of corporate governance mechanisms.
3. Banks have key role to develop payments system where they facilitate payments domestically and internationally, through various instruments such as bank accounts, fund transfers, credit cards, etc. So it has to develop a trustable mechanism for ensuring greater transparency and disclosure.
4. Banks are able to undertake all kinds of business operations as a result of public trust and faith in the stability and soundness of the banks in particular and the system in general. The bankruptcy of a bank raises social costs, which does not happen in the case of other kinds of entities' collapse; this affects the behaviour of other banks and regulators. The history on bank failures in many countries indicates that loss of public confidence in banks could be contagious and could easily lead to systemic banking crisis situations

5. Establishment of the good governance practices help to build safety net and substantially change the behaviour of shareholders, management and customers of the banks. The rules can be counterproductive, leading to undesirable behaviour management (take increased risk) which expose well-being of stakeholders of the bank (in particular the depositors and owners);
6. The central bank seems to be paying more attention to the issues of transparency, accountability, accuracy, etc. to keep the good governance of the banking sector afloat as it has to be run in full confidence of the public.

Principles of corporate governance in financial sector

The concept of corporate governance seems to have been developed after the stakeholders realized the need for transparency and accountability in examining the dissatisfaction and failures of the various corporate sectors. The debate on institutional good governance, which began in the United States in the 1970s, seems

to be gaining ground in all countries and regions. The theoretical ground of governance is completely based on transparency, honesty and accountability of management. In addition, the interests of investors and issues of public concern are equally linked. Various international agencies and scholars have given their views and definitions on good governance.

a) Cadbury committee

A committee formed in the United Kingdom (UK) in 1991 has been considered as a milestone for CG in financial sector in all over the world. Its report is also popular in financial sector to make base line to formulate relevant policies. To address the weaknesses and negligence in the financial reporting of companies established in the UK (basically financial institutions), the London Stock Exchange formed a committee under the coordination of Edwin Cadbury which is known as the Cadbury Committee. The committee was provided specific code of conduct and has set base line for maintaining good governance in the financial institution. That committee highlighted the following specific areas with relevant suggestion.

Main Area	Issues and Suggestion
Role of board of director	Regular conduction of BoD meeting, full and effective control over the entity and monitor the executive management, role of non-executive directors for their views to carry significant weight in the board's decisions, access to the advice and services of the company secretary, question of the removal of the company secretary should be a matter for the board as a whole.
Role of non executive directors	Non-executive directors should bring an independent judgment to bear on issues of strategy, performance, resources, including key appointments, and standards of conduct. Non-executive directors should be appointed for specified terms and reappointment should not be automatic. Non-executive directors should be selected through a formal process and both this process and their appointment should be a matter for the board as a whole.
Dealing with their remuneration	Service contracts should not exceed three years without shareholders' approval, the remuneration of directors should be both fair and competitive, annual general meeting should provide the opportunity for shareholders to make their views on such matters as director's benefit known to their boards.
Addressing Question of financial reporting	Present a balanced and understandable assessment of the company's position. Professional relationship is maintained with the auditors, establish an audit committee and at least three non-executive directors with written terms of reference, responsibility for preparing the accounts next to a statement by the auditors about their reporting responsibilities, report on the effectiveness of the company's system of internal control, going concern, with supporting assumptions or qualifications as necessary, a single person should not be vested with the decision making power, the role of chairman and chief executive should be separated clearly. The Non-executive directors should act independently while giving their judgment on issue of strategy, performance, allocation of resources, and designing the code of conduct. A majority of directors should be independent non- executive directors, i.e., they should not have any financial interests in th

Cadbury, A. (1992).

b) Organization for economic cooperation and development (OECD) principles:

The principle of good governance to be maintained in the financial sector, which was first issued in 1999 and revised in 2004, is also considered to be of special importance in this sector. The organization has divided the issue of corporate governance into the following six major sections.

- 1) Ensuring the basis for an effective corporate governance framework;
- 2) The rights of shareholders and key ownership functions;
- 3) The equitable treatment of shareholders;
- 4) The role of stakeholders in corporate governance;
- 5) Disclosure and transparency; and,
- 6) The responsibilities of the board

C) Basel committee on banking supervision:

Bank for international settlement (BIS) has issued detail guideline on corporate governance principle of banks. (BCBS, 2014) stated that effective corporate governance is critical to the proper functioning of the banking sector and the economy as a whole. Banks serve a crucial role in the economy by intermediating funds from savers and depositors to activities that support enterprise and help drive economic growth. Banks' safety and soundness are crucial factors to maintain financial stability. In the lights of this statement committee has prescribed thirteen fundamental principles emphasising the need and significance of effective corporate governance for the proper functioning of financial institutions, and specifically focused on overall responsibilities of boards including essential qualification with proper composition. The principles emphasized the role of boards of directors in implementing efficient systems to achieve sound risk management and decision making. It also provides guidance for appropriate risk management including risk identification, monitoring and controlling. Basel Committee on Banking Supervision has published a guidance paper in 1999 to assist banking supervisors in promoting and adoption of sound corporate governance practices (Adhikari, 2014). This principle basically provides the right way for bank supervisors to evaluate overall process used by banks for selecting appropriate members of the board and senior management.

Reflection of CG principles in banking regulation

The laws and regulatory provisions made to maintain good governance in Nepal's banking sector is also based on the above-mentioned theoretical foundations. (Tandukar, 2017) has stated that history and general environment of banking institutions in Nepal and applications of corporate governance with reference to OECD principles of corporate governance and Basel Committee on Banking Supervision frameworks are discussed. In Nepalese banking sector most of the corporate governance practices are expected to evolve under the regulatory requirements of the Nepal Rastra Bank (NRB). There was no separate CG guideline for banking sector has been issued before 2002. Only few matters governing board and management were included in relevant acts. It covered only the matters of functions, duties and rights as defined in the concerned act and few matters of compliance associate the code of conduct. As the regulatory body for the banking sector, the NRB issued separate directives on good governance (unified directives no. 6) on July 2002 and frequently revised and upgraded according to necessity of the market (Thapa, 2008). Present NRB regulation has mentioned following major issues related to corporate governance.

a) Focused to board of director:

- BOD need to maintain minimum level of acceptable code of conduct and must duly sign and submit related documents, must ensure and provide written declaration about no financial interest with the entity before appointing as a director.
- Director must not interfere in the day-to-day operation of the bank, solely responsible per performing responsibility excess than authority, not to involve directly/indirectly against the benefit of licensed institutions, not to associate with client, partner or other stakeholders for own vested interest, major shareholders not allowed to involve in rental agreement, not allowed to involve as director or in other key position in more than one institution
- Director not to assume the role of protector, not to misuse power and position,
- Reports and records to be kept intact and safe; confidentiality to be maintained; neutral role and equitable treatment to all professional, adequate disclosure about any action of noncompliance.
- Directors must regularly attend the meeting of BOD and must not be absent for three consecutive meeting without prior notice or without proper reason.
- Blacklisted from credit information center (CIC) will

be devoid of to be elected or appointed as directors of financial institution until three years have been passed from such listing.

- Elected or nominated representative of federal, provincial or local level bodies are not eligible for the position of director of BFIs.
- Person who has crossed the age limit of seventy years is not eligible for being appointed or reappointed or nominated as a director. Also, person crossing 74 years cannot continue as directors.
- The directives broadly described the duties and responsibility of directors and BOD. It includes the responsibility to select capable management professionally, appoint professional auditor, and periodically review internal and external audit performance.
- Formulating investment and credit policy, assets and liability management policy, budgeting planning and other policies and implementing it.
- Prohibit to take any kinds of loan facilities from own institution and also stop to take loan from other financial institution except mentioned few purposes specified by NRB.
- Many restrictions have been imposed for shareholders having more than 1% promoter share.
- Only specific committee including audit and risk management can be formed with involvement of non-executive members of BOD.

a) Focused to management and employee:

- Specified qualification and requirement for CEO of the institution with age limit of 65 years.
- CEO must be recruited within 3 months of being the position vacant and other top level management position should not be vacant for more than three months.
- Maximum two tenure of a CEO in one institution is allowed
- No part time work can be taken by any employees except when written permission is granted by the management
- Written declaration to be signed regarding compliance of minimum code of conduct by all employee.
- Employee must not be involved in any activities against the interest of the institution.

- Not to misuse the information for own benefit and employees are expected to maintain confidentiality.

c) Focused to others matter:

- At least three percent of total staff expenses should be allocated for training of employees.
- Framework must be developed for conducting regular director awareness program.
- Provision of specific terms of reference for any committee and subcommittee formulated by BOD.
- Bank and financial institution must allocate 1% of net profit to Corporate Social Responsibility (CSR) to enhance role of BFIs in corporate social responsibility related activities.

Beside the NRB directives, other legislative provisions have been promulgated to maintain good governance in banking sector. Mainly, Bank and Financial institution Act" (BAFIA) and Company Act have issued some directions to the board and management with regard to corporate governance. In the courses of financial sector reform program, legislative reforms have been done and all the previous Acts related to the operation of banks and financial institutions were repealed and an umbrella Act (BAFIA) was enacted in 2006 and amended in 2017. Most of the provisions regarding corporate governance set by that Act have been included in the NRB directives in order to ensure effective implementation of practices of corporate governance in financial institutions of the country. The Act has made the provision of punishment for those authority including board members who act against the interests of the institution and the depositors.

Issues and challenges in nepalese banking with regard to corporate governance

Corporate governance is about building credibility, ensuring transparency and accountability as well as maintaining an effective channel of information disclosure that would foster good corporate performance (Gnawali, 2018). The issue of good governance is as complex and difficult to implement, as it sounds smooth and good. As the stakeholders and the inherent risk in the banking sector are high, it is considered very challenging to implement its concepts in a balanced manner. Some issues and challenges of corporate governance in Nepalese banking sectors are discussed below:

1. Nepalese banking sector has been facing challenges to adhere to many theoretical aspects of good governance due to some weakness and shortcoming

occurred in initial licensing process. There was inadequate assessment for fit and proper test of investors including ownership structure, qualifications of directors and capabilities of the investors. Limited person and group could open bank and financial institution with fulfilling minimum criteria. Single family or group could invest up to 15% share in one financial institution. There was a situation where members of the same family could be on the board of directors of banks and could make their own decision to buy assets and recruit employee as well. As the result of it, vested interest group could have excessive influence in bank operation and resulted in negative consequences. Within last decade, some financial institutions in the country have failed to safeguard fiduciary responsibilities of the public and maintain accountability to the stakeholders. Some of them include; Nepal Development Bank, Gorkha Development Bank, Capital Merchant banking and Finance, Samjhana Finance, United Finance, Oriental Group, Nepal Share Market. These problems have spread in cooperative sector too.

2. Ownership structure of banks is also considered as an issue of Nepalese banking sector. As Chaudhury (2018) has emphasised the structure of ownership of a company determines, to considerable extent, how a corporation is managed and controlled. Still there are many banks and FIs which have significant shareholding by big businesses which creates conflict of interests.
3. One of the major problems faced by banking sector is lack of competent and qualified BOD members. NRB and BAFIA have made the provisions of at least one professional director to be included in BFIs, but unfortunately, BOD has not implemented it effectively in practice. Pokharel (2007) has argued that high concentration of corporate ownership structure and dominance of family business groups in corporate affairs have become major constraints in exercising good corporate governance. Such practice discouraged professional for becoming a director in bank, which adversely affects best policymaking, and strong monitoring of BFIs.
4. Rapid changes in technology, regulatory provision, risk management practices, financial services and product and process innovation are always challenging in banking business. Complex and versatile financial derivatives such as swaps, options, caps collars etc. have created new challenge to the bankers and supervisors. They often lack the technical expertise and sophistication to properly comprehend the typical character of the instruments, let alone assessing the underlying risks.

5. The issues of transparency and fairness are also taken as serious matter in banking sector. Despite of various regulatory provisions for more disclosure and transparency, still concerned parties have grievances on it.
6. Internal audit department, function, mechanism and role of audit committee and their role and performance is another issue of corporate governance in banking system. The Audit Committee has an important role to maintain good governance in financial institution. Present regulation has made mandatory provision to construct audit committee with detailed terms of reference which is headed by non-executive director. However, many instances prove that such provision have not been effective and fruitful.
7. Financial consolidation policies (Merger and Acquisition) implemented by central bank have significantly reduced the number of financial institution but many governance related issues have been raised by different stakeholders.
8. It is always a challenging task to implement policies and procedures prescribed by regulator or internally formulate to satisfy and harmonize its stakeholders. i.e. shareholders, employees, customers, suppliers, regulatory authorities and the community at large. The policies and laws are well crafted in almost every sector in Nepal but it is not executed properly. Effective implementation of prevailing CG provisions always remain a challenge

Conclusion

Basel committee on banking supervision (BCBS) has emphasized that effective corporate governance practices are essential to achieve and maintain public trust and confidence in the banking system, which are critical to the proper functioning of the banking sector and economy as a whole (BIS, 2010). It reduces emerging market vulnerability to financial crises, reinforces property rights, reduces transaction costs and the cost of capital, and leads to capital market development. There are many problems and issues still need to be addressed by Nepalese banking sector including the regulator. For the success of financial institutions, effectiveness is required in reviewing the corporate governance approach, emphasizing relations between governance and management control and developing required skills to adapt to the factors that are being monitored. Good attitude tends to determine revising important critical factors for organization success and changes resources important for the creation and maintenance of positive environmental relationship among the stakeholders. To ensure a good corporate

governance in Nepalese banking sector, a strong effort of the shareholders (promoter) is required. Shareholders need to ask the managers and board to be more transparent, responsible and socially accountable. They should also actively participate in their corporate affairs

to help prevent any fraudulent and insider practice. The regulatory authority should play their role to ensure good corporate governance culture in Nepalese financial institutions.

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Future of finance: are sustainable debt products the future for our banks?



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ABSTRACT

The last decade has seen the world afflicted by mega-trends like the declining availability of resources, extreme weather events and climate change, growing pollution, rising disparity in income and wealth, and growing informalisation of the workforce. Most banks may shrug off these phenomena as they are solely attuned to the risk and return formula. But that view is changing globally, as research increasingly shows the connection between climate and sustainability risks and the risk and return formula. In short, how the performance of the financial portfolio of banks and investors can be affected by sustainability issues. Regulators and market participants in the West have started adopting strategies to link sustainability and finance, resulting in the growing impetus towards sustainable debt issuances in those countries. However, developing countries like ours are laggards, with the awareness and acceptance of sustainability issues still nascent. But South Asian countries are climate hotspots, thus more vulnerable. It is imperative to push action on this front, else our banks may face downside risk to their portfolios from the growing sustainability and climate risks. And if that action were to occur, then sustainable debt products like green bonds, social bonds and sustainable-linked loans and bonds

would offer significant headroom for growth in our financial markets in the years to come, i.e., create the future of finance!

In this paper, our methodology is to leverage our practitioner experiences working on client projects, industry interactions we have been conducted with stakeholders in recent months as well as secondary research on the evolution of the sustainable debt market and its growth-drivers across leading geographies, in order to highlight the recent trends, put forth some action-points on policy, products and technology that may bridge the knowledge gap amongst industry participants, and offer compelling reasons why the banks in developing countries like ours need to look at sustainable debt now.

1. Background

A. Recent trends in issuances

In the 14 years since the European Investment Bank issued the world's green bond in 2007 (International Finance Corporation EMCompass, 2016, pp. 1), labelled as a Climate Awareness Bond, followed by the World Bank's first green bond labelled bond in 2008 (World Bank, 2019), the global green bond market has come a long way, demonstrative of the market demand and the resilience of this financial product. Globally, 2020 saw ~\$270 billion in green bond issuances (Climate Bonds Initiative, 2021), almost equal

to the previous year's tally of \$267 billion (Climate Bonds Initiative, 2021) despite the devastating economic effects of Covid-19. A critical milestone is the cumulative issuances of green bonds globally crossed the landmark figure of \$1 trillion (Climate Bonds Initiative, 2020), with a significant surge since the latter half of the last decade.

India itself has seen cumulative green bonds issuances of \$10 billion, the second-highest level amongst all the emerging economies after China (Bhattacharya and Gupta, 2021), with recent months seeing a slew of issuances mostly by energy and industrial companies.

B. A primer into sustainable debt products

It must be understood that green bonds are only a sub-set of the larger pool of sustainable debt products. Sustainable debt generally includes social bonds, sustainability bonds and sustainability-linked loans and bonds, apart from green bonds. The cumulative issuance of all sustainable debt products globally was \$1.7 trillion, with over \$700 billion issued in the year 2020 alone (Climate Bonds Initiative, 2021), two-folds the level witnessed in 2019, led by record issues in SDGs-focused social and sustainability bonds.

Within this cumulative number, social bonds and sustainability bonds comprise \$0.3 trillion each, while green bonds were at \$1 trillion (Climate Bonds Initiative, 2021). Not only have these generally grown at a rapid pace in recent years, but the growing 'green' commitments by global institutional investors (Harvard Business Review, 2019) and (Boston Consulting Group, 2018) implies the demand for green issues will remain strong as the global economy moves towards their Net Zero carbon targets (United Nations, 2020).

In terms of products within the sustainable debt universe, green bonds are almost like traditional bond instruments, except they must use the proceeds as per specified end-uses and must align with specific green standards/framework, must comply with specified reporting norms, may take Assurance and Second Party Opinion reports from specific agencies that state the bond's purpose and process matches the green objectives and may preferably be certified by agencies like the Climate Bonds Initiative (OECD, 2015). The advantage of green bonds, or any other sustainable debt issuance for that matter, is the reputational advantage created in the form of improved branding and stewardship, and access to a pool of dedicated green capital in addition to the traditional investor pool. Moreover, depending on the demand-supply market dynamics at that point of time and the results of the book-building process, the coupon of a green bond issue may be favourable than the traditional bond translating into lower cost of funds for the issuer.

Social bonds are those meant for certain social inclusion purposes. Sustainability-linked loans and bonds seek to achieve the broader SDGs (sustainable development goals) which may lie outside specific green sectors and may have incentives plugged into the financing terms. For example, the issuer may get the benefit of a discount on the interest rate by certain basis points if it achieves certain sustainable outcomes.

There are also newer variants of sustainable debt products coming up, say transition bonds, blue bonds, livelihood bonds or ESG bonds. These are mostly sub-sets of the above-mentioned categories but with some variations.

For instance, transition bonds aim to finance the transition of decarbonisation from established fossil fuel projects to their clean energy variants. Transition bond issues by the UK's Cadent Gas, Italy's ENEL or Brazil's Marfrig are examples. Climate bonds are a sub-set of green bonds and target specific climate mitigation and adaptation projects within the realm of green sectors/purposes. The European Investment Bank's first bond is an example. Blue bonds target water-related sectors like marine ecosystem conservation, flood resilience or water infrastructure. Seychelles' Blue Bond or City of Miami's Forever Bond for flood resilience are examples. Livelihood bonds (a sub-set of social bonds) target livelihood projects especially for vulnerable demography like women, rural or low-income communities. Singapore's Impact Investment Exchange's issued Women Livelihood bonds or India's Grameen Impact's JOY bond are examples. ESG bonds align with ESG (Environment, Social and Governance) metrics, again a sub-set of sustainability bonds. India's Ultratech Cement's ESG bond or Grameen Impact's WHEEL bond are examples. The Covid-19 pandemic has led to another sub-set product, Pandemic Resilience bonds, that aim to revive livelihoods and medical supplies impacted due to the pandemic's effects. Hong Kong's pandemic bond is an example.

Leading green sectors/purposes that the issues targeted include renewable energy and energy efficiency, green urban transport and green buildings, while other sectors like sustainable agriculture and food, circular economy, waste management and sanitation, water management and biofuels are also seeing issuer interest.

C. A primer into sustainable debt issuers

Financial institutions like commercial banks and development banks have, by far, been amongst the leading issuers, as have government-backed issuances like sovereign issues, local government issues or government-back entities' issues led the way.

Government-backed entities include municipal bonds, with India recently seeing municipal bond issues from

Ghaziabad and Pimpri-Chinchwad, while Indore has announced a plan for green Masala Bonds (i.e., INR-denominated green bonds issued overseas, which is also referred to as Eurobonds in the EU, Panda bonds in China, Samurai bonds in Japan or Komodo bonds in Indonesia).

Amongst the major financial institutions, the European Investment Bank has been the largest issuer of green bonds till date (UniCredit, 2017), while in India, banks like State Bank of India and YES Bank, have largely led Indian green bond issues.

In terms of geographies, USA, European nations like the UK, France, Spain, Germany, The Netherlands, Sweden as well as Asian giants like Japan, South Korea and China have seen the maximum issuances of green bonds. Apart from China, other emerging economies like India, Chile, Poland, Brazil, Thailand and South Africa have also seen several issues, as have African frontier economies like Nigeria and Kenya.

Globally, developed markets originated 82% of the green bond issues in first half of 2020, while the emerging markets originated 13% (Climate Bonds Initiative, 2020, pp. 2).

Action-points

Our methodology is to utilise secondary research, industry interactions and project experiences to highlight the developments around policy and regulations in the West, where sustainable finance has picked off in a big way, as well as in select emerging markets/developing countries. The objective is to compare the experiences of the two geographies to stress that a lot depends on first driving a buy-in from the top, in the form of policies and regulations, for the market to take eventual momentum. In fact, this finding was also vouched for by a senior representative of the European Investment Bank, when we had the chance to conduct a detailed interaction with him.

A. Policy imperatives

While the narrative so far helps set a context to the past developments around sustainable debt and how they are making their mark in the broader financial debt market (where banks are most concerned), the question that remains what is the way forward in developing countries like ours? Will this segment become the mainstream discourse in banks and financial institutions in our countries? To answer this question, let us look at three elements – policy, products and technologies.

On policy, let us look at Europe's example to see how policies created the base to make Europe the global powerhouse of green finance it is today. Over the last

decade, the influx of certain politicians into the European Commission who were more oriented towards climate and sustainability action, following the negative news flow that our planet has crossed few of the nine planetary boundaries (which determine the sustenance of elements that power life on earth), as well as the startling statistics around the rapid exhaustion of resources (critical to drive the livelihoods of billions of people across the globe), led to the European Green Deal.

The Green Deal set into process several initiatives at various levels of the European Union's administration, then including the UK, to create policies for meaningful action on sustainability. The culmination of this policy momentum can be seen in several policy initiatives that have been fructified in recent months.

These include the EU Green Taxonomy, which specifies six specific end-uses that will fall under the category of green, to remove the risk of greenwashing by issuers, and states that projects must meet at least one of these six end-uses without causing harm to the other five. This would also solve the issue of conflicting views on what defines 'green'. For example, within Europe, Poland has seen a movement from coal to gas-based power plants in a move to decarbonize; but gas may still be categorised as fossil-fuel in other European countries.

The SFDR (Sustainable Finance Disclosure Regulations) of the European Union mandates specific disclosure requirements for funds and financial institutions, with a disclose or explain clause as well as Articles ranging from dark green to near green to identify which category the fund falls under. The process of how the funds align sustainability considerations in their investing decision process must be transparently disclosed in their websites.

The UK has mandated all British companies to disclose the financial implications of climate change on their business, through the TCFD climate-related financial disclosure framework. These are just a few examples; there are more.

Across the Atlantic Ocean in the US, the Trump administration saw climate and sustainability put on the backburner with encouragement given to heavy emission sectors like oil and coal, Including USA's exit from the Paris Agreement. But the new Biden administration has renewed the country's commitment towards climate change, with the recent Leaders' Summit on climate led by President Biden attended by several Heads of State.

When it comes to the emerging economies, they present a conflicting scenario!

India has been globally acknowledged for making commitments towards green purposes, with its goal to increase renewable energy capacity to 175 GW by 2022

(Shakti Sustainable Energy Foundation, 2015) and to 450 GW by 2030, i.e., 40% of the country's total estimated energy mix (Press Information Bureau, GOI, 2020), its goal under PM Ujjwal Yojana to provide cleaner LPG cylinder to all low-income households to replace pollution-causing firewood, the goal under Jal Jeevan Mission to create piped drinking water access to all households to improve clean water access and hygiene and sanitation, the goal as per its Nationally Determined Contributions to the Paris Agreement to reduce greenhouse gas emissions by 30-35% by 2030 from 2005 levels or the goal of its Bombay Stock Exchange to set up a green finance platform at the country's International Finance Centre. Of late, the Indian government has also launched the process of setting up a Sustainable Finance Taxonomy to drive direction towards sustainable financing in the country. auctusESG LLP's Managing Director, Ms Namita Vikas, is also part of the Taskforce working on this Taxonomy.

On the other hand, Brazil has been heavily criticized for policies that seemingly encourage deforestation of the Amazon ecosystem with forest fires and extraction (BBC, 2020). It must be remembered forests are a major source of carbon sequestration, a process by which greenhouse gas emissions (like carbon dioxide or methane) in the atmosphere are converted to life-supporting oxygen, and the Amazon represents one of the biggest forest belts globally, not to mention it supports several biodiversity life-forms.

In other developing nations seeing rapid economic growth and a need to support a sizable population, be it Bangladesh, Nepal, Uzbekistan, Cambodia or Vietnam in Asia, or Kenya, Nigeria, Ethiopia in Africa, or Peru, Colombia or Chile in South America, there are some green shoots as well.

For example, Uzbekistan and Kazakhstan in the Central Asian region are proactively pushing the development of green finance policies and regulations. Earlier this year, Uzbekistan became the first country in the world to issue a sovereign ESG report (Bloomberg, 2021). Such reports so far have only been issued by companies globally. Astana's stock exchange set up a dedicated green finance platform.

In Southeast Asia, Vietnam has actively launched efforts to establish a green bond framework for the country which would act as a precedent to issue sustainable debt products. In South Asia, Nepal had launched a Guidance Document on green finance in 2018, but follow-through action at the industry's level is yet to be seen.

In South America, Chile has seen active push of green finance products, including active engagement of its Environment Minister, Ms Carolina Schmidt, at global platforms.

In Africa, Kenya and Nigeria are demonstrating initial movement in green bond issues (African Business, 2020).

Even stock exchanges are turning green. Luxembourg Green Exchange, a division of Bourse Luxembourg, has emerged as the global leader in terms of green bond listings. Even the London Stock Exchange is moving towards a similar direction, as is the Singapore Exchange. In India, the Bombay Stock Exchange now has a green platform at the International Finance Centre.

The key takeaway from these global developments is that dedicated policies, pushed by committed politicians as seen in the European Union, the UK or in Biden's US who can rise above their internal bickering for power and look at the long-term threat that climate and sustainability risks pose to the economy and banks, holds key if developing countries across the world are to move meaningfully towards a more sustainable future through sustainable finance flows.

Unless there is a buy-in from the top, i.e., through the action of the regulators and policymakers, it is very difficult to move the needle in the developing countries since the role of lobbyists and advocacy groups is anyway limited there, as compared to the West.

Once policy takes form and shape, as being seen in India now with the onset of the government's Sustainable Finance Taxonomy, it will eventually become easier to convince the bankers to move in step. Developing countries, where momentum towards climate action is still lacking, might follow this.

B. Product imperatives

Moving to products, a factor of market-driven forces, we had highlighted some of the types of products that fall under sustainable debt in the 'A primer into sustainable debt products' sub-section of the 'Background' section mentioned earlier.

It is worth noting banks have been at the forefront of sustainable finance issuances globally, and they represent the easiest route to pilot innovative sustainable finance products given their set-processes for due diligence, credit underwriting and book building. This is an important takeaway for developing countries charting out their sustainable finance roadmap.

In many developing countries, including India, there are some parameters linked to E&S (environment and social) aspects that form part of the banks' credit evaluation process. However, the depth and breadth of these parameters is often relatively shallow as compared to those in the developed markets. Resultantly, the banks' existing process do not meaningfully direct capital (debt) towards sectors that are deemed more friendly towards the planet's future.

There is a need to change this, and there are two immediate low-hanging fruits to affect this in developing countries.

One is the local branches of multinational banks should introduce guidelines around sustainability parameters forming part of the credit lending process, given their parent branches in the developed countries are already introducing such changes on the back of pressure from policies and the large institutional fund managers like Blackrock, amongst others. Ideally, the credit evaluation process of that foreign bank should be same, be it in the parent country or in a developing country; and that sets the precedent in that developing country for the other local banks. Our interactions with HSBC, a leading global banks, suggests it is already implementing this approach consistently across all its markets.

The second way is when banks raise funds from global development finance institutions on their balance sheet through green bonds, as that is when they must integrate ESG and sustainability best practices into the banks' credit decisions. This was seen in Indian banks like YES Bank and Axis Bank, for instance. With the Indian central bank's joining the NCFA (Natural Capital Finance Alliance) and highlighting the importance of climate risks in its Financial Stability Report, coupled with the global momentum towards the COP-26 global climate event in Glasgow in November 2021, the movement towards the greening of the banking system in developing countries is only set to pick up.

Traditional credit (loans) apart, banks and financial institutions can also lead the way in pioneering innovative green finance products in the developing countries. YES Bank led the way in India, when it raised the country's maiden green bond issuances with placement from leading multilateral and bilateral development finance institutions from the US and Europe.

Innovative sustainable finance products include the pay-for-success based social impact bond or the blended finance structure. Both these solutions depend on the availability of suitable partners, since each partner has a critical role to play in the structure. In the social impact bond's pay-for-success model, the social outcomes intended by the proceeds are verified by an independent third-party agency against a pre-defined list. The interest subvention or subsidy to the project owner/borrower is only granted when this report confirms the achievement of outcomes, thus creating a natural incentive to achieve actual social impact and not indulge in greenwashing.

This product is becoming more popular in developing countries like India where traditionally, weak monitoring and evaluation processes meant a divergence between impact and social financing. For example, the CAGR of corporate social responsibility spending by India's top

listed companies between 2015 to 2019 was about 16%, while the CAGR in India's score on the UNDP Human Development Index in the same period was only about 1% (Aiyer, S and Kwak, J, 2021). Incidentally, both CSR and HDI focus largely on sectors like health and education. Of course, this is an incomplete comparison because social financing is also driven by other sources, like the government and international foundations. But it was only to show that such challenges occur in developing countries, and the pay-for-success social impact bond came up as a solution to mitigate this challenge.

Blended finance is another interesting concept, where public or philanthropic capital is used to catalyse the raising of multiples of private sector capital. There are two elements to remember here. One, the investment gap to achieve the sustainable development goals (SDGs) between now and 2030 is estimated at \$2.5 to 3 trillion per annum in the developing countries alone (United Nations, 2018). And despite the commitment by the developed countries to contribute \$100 billion towards climate finance for the developing countries (Centre for Global Development, 2021), actual flows till-date have been far less (Nature, 2019). Also, most governments in the developing countries are now cash-strapped, owing to a very low tax paying base and leakages in the public finance system. Thus, it is inevitable to bring in private sector capital to close this gap.

Second, private sector capital needs an incentive to do this. It cannot forgo financial returns for the sake of social or sustainable objectives. Let us not live in such an idealistic world! Hence, incentives that reduce the repayment pressure on the borrower are needed, while delivering market-based returns to the private sector capital – thus a win-win for all concerned. This is achieved by the public or philanthropic finance in blended finance structures, where it is designed to act as first loss or partial loss guarantee or for interest subvention, thus acting as a risk mitigant and a credit enhancement tool. This becomes the incentive for the private capital to then look at such sectors for lending.

There are several examples of blended finance structures from developing countries like India, Indonesia and Kenya. In India, YES Bank led a structure to grant-fund solar water pumps to vulnerable salt farmers in the desert Kutch region. In Indonesia, the Tropical Landscapes Finance Facility raised blended finance for a rubber plantation on degraded land, while in Kenya, a major wind energy project in Lake Turkana used blended finance to reduce the perceived risks. More examples galore!

Green securitisation, i.e., the aggregation or bundling of several smaller-size projects, so that they can access mainstream capital which they could not otherwise accessed on their own due to small issue sizes is also

picking up. This route becomes pertinent in the smaller developing countries where the average ticket size of bankable projects is rather small, thus keeping them out of the purview of most multilateral agencies, foreign commercial banks or investment funds.

In short, structuring and customisation becomes very key when it comes to scaling up sustainable debt products, since each SDGs-related challenge is unique in its own way and traditional approaches may not always work to mitigate the perceived risks. The intention of highlighting several product examples in this sub-section using our own project experiences and secondary research was to showcase each product has its own structuring imperatives, which must be considered by the banks designing such solutions.

C. Technology imperatives

The role of emerging technologies for such innovative sustainable finance products is also coming to the fore, especially when it comes to creating effective monitoring and evaluation mechanisms and ensuring on-ground impact and financing go hand in hand. There have often been gaps in terms of data monitoring and impact measurement, a reason why the achievement of SDGs is still lagging despite the financing volumes in recent years through public, philanthropic and CSR spending.

Examples are already visible: South Korea's Pan Impact Korea issued social impact bonds that used blockchain database technology to securitise the otherwise illiquid impact bond. In Jordan, the World Food programme used blockchain again to ensure food coupon subsidies to Syrian refugees were not misused, thus avoiding benefit fraud. A similar example was seen in South Africa, where IXO used blockchain to verify learning outcomes before giving subsidies to the schools. In the Amazon, GainForest used IoT, remote sensing and blockchain to verify the rainforest patches restored by the farmers before paying them the subsidies.

The intention here is to use secondary research to highlight examples where emerging technologies can help improve data collection and monitoring, and enhance impact measurement so that impact and finance eventually are in line.

Why do developing countries need to look at this?

The narrative in the last section outlined some of the routes which countries may adopt to mainstream sustainable debt, based on the global experiences. But the next question is, why do developing countries need to look at this?

Let us not go into the moral and ethical question of whether we are leaving behind a planet worth living in for our future generations, because banks have a fiduciary duty to manage the public's money and hence, must look at the risk and return formula. The pragmatic way is to show how these issues connect materially with the risk and return formula, and for this, our methodology again is to utilise a combination of secondary research, industry interactions and project experiences!

It is true most developing countries need to prioritise economic growth, jobs and incomes. Due to large populations and limited financial resources and technical know-how, we cannot completely migrate to fully sustainable solutions as seen in the Scandinavian countries or other Western countries – who are regarded as the sustainability champions globally.

But it is also true developing countries like ours need to factor in the risk of stranded assets, despite our need for economic growth and jobs. A stranded asset of a wholesale customer, which becomes an automatic risk on the banks' loan portfolio, cannot be ignored. This may occur because curtailment of resource supply or changing regulations afflicts the business continuity of that asset. Oil from the Middle East is an example, and alternatives like US shale may become more expensive down the line. Coal is another example, where high-quality Australian coal may become pricier once local coal resources are exhausted. There are examples of other resources globally.

The changing regulations in other countries – who are our buyers or suppliers – on sustainability issues can impact stranded assets. For example, the demand for health and social safety by European garment buyers due to their internal regulations forced Bangladeshi factories to incorporate those changes. Those factories who could not, eventually became stranded assets for their creditors.

There is also a need to be part of global value-chains and supply-chains, especially as a lot of manufacturing migrates out of China to the other Asian countries. But the end-customers of many of these products are in the developed countries, where rules may determine suppliers to also align with specified sustainability parameters. The movement to look at a company's carbon footprint across the entire value-chain is only increasing. That is a risk, but also offers a business opportunity which must not be lost, again spelling a need for banks to finance sustainability-led initiatives.

Another reason is on capital access for the banks. Banks cannot depend only on local depositors to raise their funds for credit lending, especially after the Covid-19 lockdowns when incomes have already been hit for millions in the

developing world, translating into reduced discretionary spending and savings allocation into bank deposits.

As it is, most Asian and African developing countries are heavily oriented towards consumption spending, rather than saving. The percentage of private final consumption to GDP is as high as 80-85% in Pakistan and Kenya, with a corresponding gross savings rate to GDP at a dismal 15% (Aiyer, S, 2018). Countries like India or Bangladesh has a private consumption to GDP ratio at about 60-67%, with a savings rate of 25-30%. On the other hand, South Korea or China have a savings rate over 40% (Aiyer, S, 2018). Since credit growth may typically grow at a rate nearly double that of economic growth, just to take a ballpark, bank deposits through domestic savings may not really suffice to fuel the credit book growth for banks.

In such a scenario, banks need alternative sources of capital while also keeping its overall cost of capital low, implying a need to look at global development finance institutions. These institutions are already complying stringently with E&S frameworks and may demand that compliance from the local banks it lends to or syndicates with.

Within the universe of these development finance institutions, the multilateral agencies are seeing demand from more conflict-ridden regions now, hence our banks might not want to depend entirely on them.

There is a need to look at other institutions, including bilateral agencies, institutional fund managers and foreign commercial banks. It must be recognised that institutional fund managers globally like Blackrock, Norges, etc. have been championing the movement towards incorporating sustainability considerations into financing decisions, as have foreign banks and institutions like Robeco, BNP Paribas, HSBC, Rabobank, etc. and bilateral funding agencies like KfW-DEG, Proparco, DFID (FCDO), OPIC, etc. For the banks from the developing countries who approach such global institutions to raise capital, there will be a need to showcase their own commitments towards sustainability and green goals. Issuing credit through green bonds or other sustainable debt products, instead of traditional credit not aligned with such parameters, may prove to be a clincher!

It must be noted the pool of global institutions, funds and banks committed towards green causes is only becoming wider and deeper owing the changing regulations and market demand in those countries, which means the scenario in the coming years will become far different from the scenario today. Banks in developing countries must remain agile and adaptable to long-term changing dynamics to remain relevant.

One cannot ignore the local demographics and what they desire! Most developing countries have a huge share of young people. For example, back in 2015, the average age of India's population was 27 while it was 32 in Sri Lanka, 26 in Bangladesh, 23 in Nepal and 22 in Pakistan (Our World in Data, 2019). In the USA, investor surveys by financial institutions like Morgan Stanley have shown millennials (young median-age population) have an increasing affinity to invest towards sustainable investing. This trend is already visible in the developing countries in consumer spending. Many youths prefer organic food instead of the traditional variants in India because the traditional variants may contain chemical residue or may have caused harm to the environment. Once this mindset translates into saving decisions, the retail savings channels of the local banks will also need to change accordingly with green deposit products, etc. Again, a long-term trend towards sustainable debt channels our banks cannot ignore.

There are also reputational advantages through the issuance of such debt products. It highlights the bank as a corporate citizen championing the cause of a better future, and that can bring a lot of client interest, both domestically and globally, for that bank's brand.

Conclusion

A research article published in Harvard Business Review (Whelan, T and Fink, C, 2016) said sustainable business need not come at the cost of financial returns, attempting to break one of the most stubborn myths that many bankers and businesses across the developing countries suffer from. In fact, the way to look at this is that financing a sustainable business, through a sustainable debt product, may hold less risk in the long-term, which translates into perceived benefits as compared to business-as-usual. For those bankers who can see beyond the myths at the long-term business benefits that sustainable business and sustainable debt products offer, their growth chart should augur well relative to peers.

Of course, the transition for bankers towards decisions around sustainable debt is not easy, given their focus on traditional credit for decades. This is where specialist advisory companies like auctusESG LLP are crucial in guiding banks to effectively understand, assess and integrate such interventions in their risk and credit processes. It is already working on a mega project to green the Indian banking system!

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Microinsurance landscape: lesson to be learnt from the Philippines experience



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ABSTRACT

Microinsurance is an insurance product offered to marginalized group of people in the society. It is an emerging field of financial service for insurance companies, regulators, and other stakeholders. As a result, regulators have focused on creating a favourable environment to promote microinsurance to a larger number of low-income households.

This article aims to analyse the enabling regulations and initiatives taken by multi-stakeholder public and private groups in the Philippines led by the Department of Finance-National Credit Council, the Philippine Insurance Commission and the insurance industry associations so as to get some useful insights for developing the microinsurance market in Nepal. Further, the study reviewed some of the initiatives and regulations that have

been placed by the Insurance Board of Nepal. For bringing into the Philippine experience, this study adopted the descriptive method for identifying the gaps in Nepal in terms of regulatory policy reforms, government interventions, and initiatives by the insurance companies. Based on the gaps identified in Nepal such as the lack of consistent focus on the enabling role of the government, lack of resources being provided to support the long process of financial literacy, dependency of insurance providers to government subsidy rather than designing a market-based business model of microinsurance, among others, the study ends with the way forward for developing better microinsurance market in terms of government role, regulatory role, company role along with policy reform for fulfilling the gaps and developing better conducive environment for microinsurance in days to come in Nepalese market.

Background

Micro means small while insurance means the tools to mitigate the risk from unexpected event. Thus, microinsurance is an insurance product offered to marginalized group of people and low-income people of the society. Microinsurance is also called inclusive insurance in some jurisdictions.

The basic characteristics of microinsurance products include use of simple wordings in the policy contract, lower premiums, lower sum insured, very few exclusions, easy process of enrolment, few documentary requirements and fast claim payment. From a quantitative definition of microinsurance, various jurisdictions have set corresponding limits to the rate of premium and value of benefits accordingly to the income capacity of its low-income people.

Microinsurance products apply both to risks on life and to properties. Most common microinsurance products are term-life, credit-life, personal accident, hospitalization and loss of property such as crops, livestock and business assets. Successful providers of microinsurance bundle multiple microinsurance benefits in one policy contract and often offers it as a group policy. Bundling of microinsurance with other financial services such as loans and savings is a common practice. Indemnity approach to underwriting is often used. However, due to pressures from clients and regulators to have a more efficient claims process, index or parametric based microinsurance are already being used but still on pilot scale.

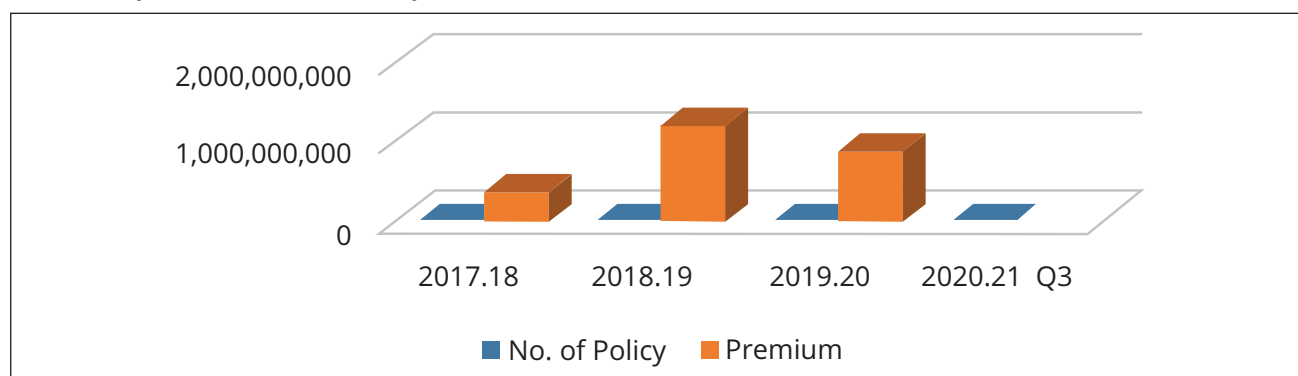
Financial institutions such as credit unions, microfinance NGOs and community banks are the most common channels of distribution since these entities are also closely providing services to the low-income people. Viability of and commercial competition in microinsurance prompted the leading microinsurance providers to partner with non-financial entities such as telecom companies, consumer goods companies and ride-hailing companies for a more massive and efficient distribution of microinsurance products.

The reality however is while the insurance industry tries innovating in order to upscale microinsurance business and serve more low-income people, the policy regime and insurance regulations of many countries are yet unable to keep up to support the development and growth of the microinsurance market. Thus, the main objective of the study is to review the enabling microinsurance initiatives of both Nepal and the Philippines. Moreover, the study aims to highlight the microinsurance progressive action taken by the Philippine Insurance Commission for the development of microinsurance and the study highlight the gaps in Nepal. To address the issue, the study uses review of enabling initiatives using descriptive method for identifying the gaps in Nepal in terms of regulatory policy reforms, government interventions, and initiatives by the insurance companies.

The proof of an effective enabling regulations is on how the market is responding, i.e., increasing number of insurer participants, increasing number of client outreach, increasing volume of GPW (gross premium written). Microinsurance in Nepal is gradually increasing over the period. In 2017/18 the total number of policies issued by life insurers was 396,179 which were increasing over the period and reached to 546,284 in the year 2020/21 Q3. Similarly, in non-life part, the total number of policies issued recorded in the year 2017/18 was 6,459 which were increased to 1,463. The total number of policies issued by the microinsurance pool was 13,907 in the year 2018/19 and declined by 71 percent in the year 2019/20. In regard to cattle and crops, there has been satisfactory growth in 2020/21 Q3. The total number of policies issued was 36,936 with premium collection of Rs. 309 million while in crops the total number of policies issued was 613 with premium collection of Rs. 5 million.

The overall scenario in microinsurance over the period indicates that there has been gradual growth in microinsurance business in Nepal. The total policies issued (both life and nonlife) was 402,674 in the fiscal year 2017/18 and increased by 355 percent in following year 2018/19. In 2018/19, the number of policies issued was 1,523,450 with premium collection Rs. 876 million. Upto Q3 quarter fiscal year 2020/21, the total number of policies issued was 585,296.

No. of Policy and Premium over the years.



With the objective to provide insurance access to low-income people of the society, in the fiscal year 2017/18 the Nepal Government has announced that each insurer need to carry out at least 5 percent of business in micro portfolio. Similarly, in the following year it was increased to 10 percent. Nepalese insurers are trying their best to meet the target. The ratio of number of policies issued in microinsurance to total industry in the fiscal year 2017/18 was found to be 8.48 percent followed by 19.17 percent, 16.20 percent over the next two years. The ratio was recorded only 5.53 in the fiscal year 2020/21 till Q3. This ratio is expected to increase and meet the target of 10 percent till the end of the fiscal year.

II. Enabling policies and microinsurance regulations in nepal

The beginning of microinsurance in Nepal can be traced back on October 2014 when the first microinsurance directive was issued by Beema Samiti (the Insurance Board and regulator of Nepal) had been introduced in the Nepalese insurance market. With the realization of the need to increase the insurance outreach of low-income group of the society, various efforts have been made during the period from the regulatory body. Some of the key enabling efforts are described below.

Various international development agencies like UKAID Sakcham Intervention, GIZRFPI Asia program and the Mutual Exchange Forum for Inclusive Insurance Network (MEFIN³) technical support have worked for the development of microinsurance in Nepal. Besides with the initiatives of nonlife insurance companies, a microinsurance pool was established in 2018 with the technical and financial assistance from UKAID Sakcham which is still in operation. There is an agreement between the nonlife insurers to manage the microinsurance pool for the tenure of 2 years at the time of establishment of the microinsurance pool. Prudential Insurance Company was the first manager of the microinsurance pool. At present, the microinsurance pool is being managed by Shikhar Insurance. Further, for promoting the outreach

of the microinsurance there has been an agreement between the Nepal Insurance Association (NIA) and Nepal Microfinance Banker's Association (NMBA) to distribute microinsurance products to the members of and borrowers from microfinance institutions.

The first microinsurance directives have been issued in 2014 and revised in 26 February 2020. The new directives have more portfolios with increment in sum assured and adding up new microinsurance policies such as critical illness and revision of premium rate are some of the new updates in the new microinsurance directives. All of the 39 insurance companies which include 20 non-life and 19 life insurance companies are mandated to participate in carrying out microinsurance. There are mainly two main standard policy available in micro life part namely, term and endowment as per the new directives section 2(4), while seven nonlife products as per the section 2(5) namely, property, household microinsurance, accidental microinsurance, health microinsurance, critical illness microinsurance, agriculture microinsurance, others as prescribed by the Insurance Board.

The directive has clearly mentioned all the terms and conditions for carrying out microinsurance. Section 2(11) mentions about the limit of the subsidy loan and its types. Similarly, as per the Government of Nepal announcement to bring micro enterprises under insurance, the directive has made the provision of subsidy loan provision for endowment in life. The amended directives provide significant increment in sum assured in both life and nonlife microinsurance portfolio.

In micro life, the maximum limit of sum insured in term life was increased from 0.15 million to 0.30 million with Rs. 2 per thousand premium rates. In micro endowment, the sum insured was Rs. 0.1 million which was increased to 0.30 million. The commission rate in micro life is as per the laws.

In nonlife micro, the sum insured of household was increased to 0.5 million, accidental to 0.3 million, critical illness to 1 million with 15% commission. The details are presented in the table below.

3. MEFIN is a Network of insurance regulators from seven Asian countries (i.e. Indonesia, Mongolia, Nepal, Pakistan, Philippines, Sri Lanka and Vietnam) who is working with the industry in the promotion of inclusive insurance. Insurance Board, during the leadership of Prof. Fatta Bahadur, is a founding member of MEFIN. Nepal Life and Shikhar Insurance are participants in the Network. The GIZ Philippines and the ADB helped organized the MEFIN in 2013.

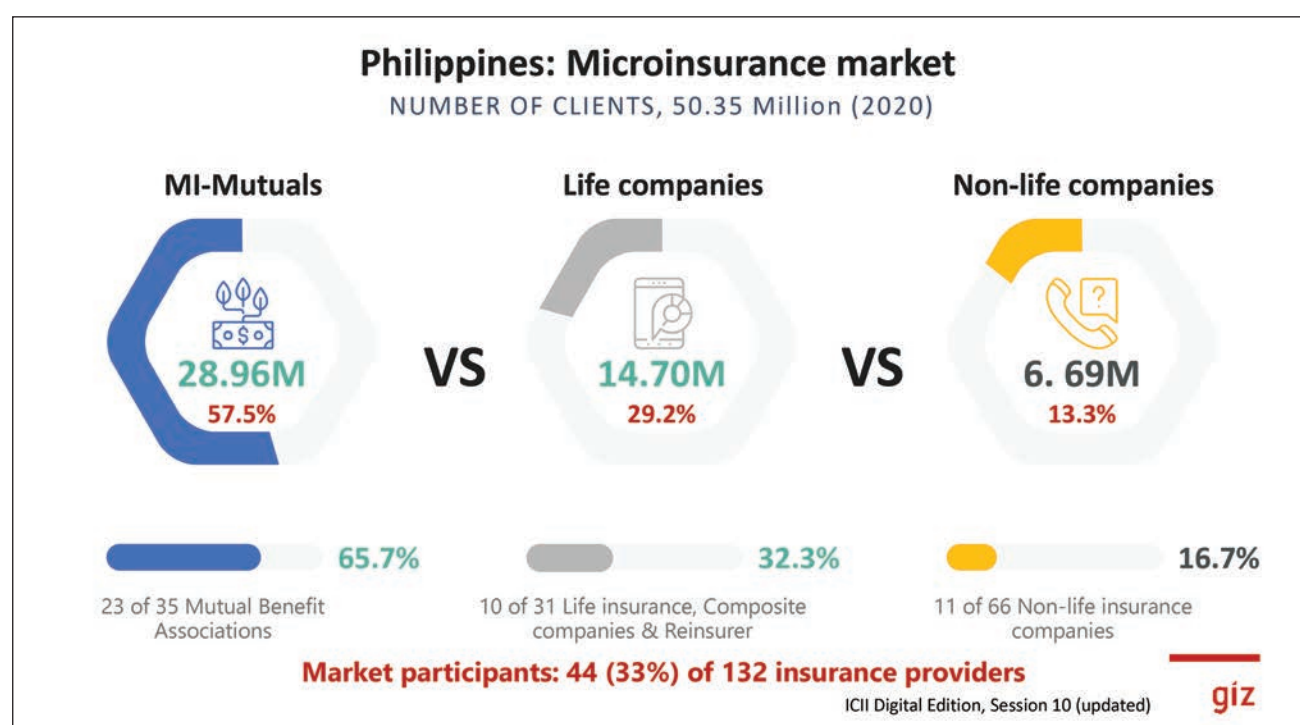
Types, Sum insured, Sum insured, premium and Commission rate on Microinsurance

SN	Types	Maximum SI Rs. In Million	Premium	Commission
Micro Life	1. Micro Endowment	0.3	As per policy	As per laws
	2. Micro Term	0.3	As per policy	As per laws
	3. Others	0.3	As per policy	As per laws
Micro Nonlife	1. Micro Property	0.5	Rs. 2 per thousand	15%
	2. Micro Household	0.5	Rs. 0.50 per thousand	15%
	3. Micro Accidental	0.3	Rs. 1 per thousand	15%
	4. Micro Health	0.05 (For 5 people)	Rs. 40 per thousand	15%
	5. Micro Critical Illness	0.1	As per policy	15%
	6. Micro Cattle and Crops	0.2	As per policy	15%
	7. Others	0.3	Rs. 5 per thousand	15%

Source: Insurance Board, microinsurance directives, 2019/20

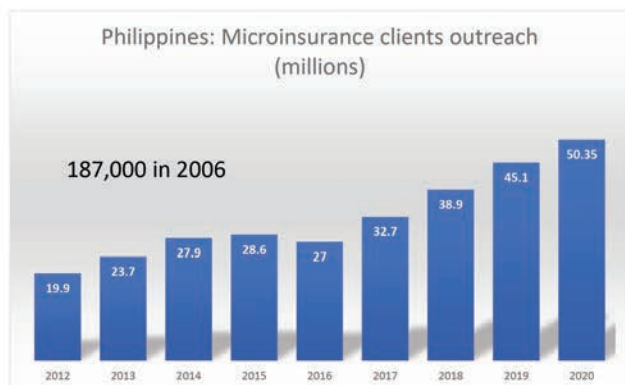
The microinsurance landscape in the philippines

As of end of December 2020, there is a total of 132 active insurance providers, of which 44 companies are participating in the microinsurance market: 35 mutuals (23 are fully-dedicated microinsurancemutuals), 66 non-life companies (11 are involved in microinsurance business) and 31 life insurance companies (10 of them have microinsurance). About 33% of the industry is participating in the microinsurance market.

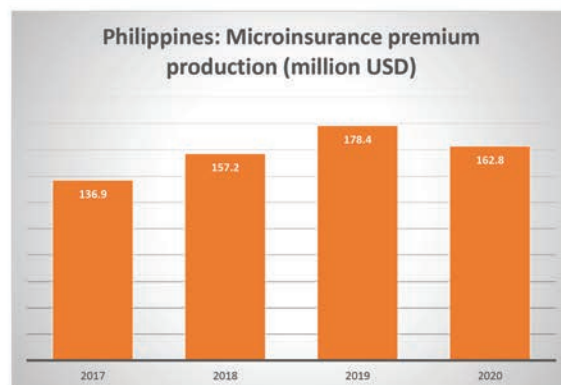


The microinsurance -mutuals are leading the market at 57.5% market share of the clients' outreach of 50.35 million Filipinos that have microinsurance policies. It is followed by the life companies at 29.2% and non-life companies at 13.3% share of the outreach.

Philippines: Microinsurance outreach



13% average growth, yoy. 17% ave. growth in last 4 years



2.6% (2017), 2.9% (2018), 3.0% (2019) and 2.5% of industry premium volume of \$5.2B (2017), \$5.5B (2018), \$6.0B (2019) and \$6.4B (2020)

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The microinsurance outreach has been increasing consistently for over 14 years, from 187,000 in 2006 to 50.35 million in December 2020. The outreach grew an average of 17% in the last 4 years.

During the last four years (2017-2020), the premium production of microinsurance was in the range of US\$136Mn to US\$162Mn. The growth trend is increasing. The absolute amounts of premium production are considered significant. However, if compared to the overall industry premium volume, microinsurance contribute barely small, for example in 2020 only 2.5% of the US\$6.4Bn industry production. Client outreach of microinsurance, which is reaching around 46% of the total population, is

a better measure of financial inclusion rather than using premium production as an indicator.

Difficult economic conditions last year (including the impact of the COVID-19) slashed the premium collections by microinsurers. In 2020, microinsurance providers collected a total of US\$162.8m in premiums, 14.5% lower than in 2019. Premium collections by the mutuals represented 57.22% (US\$93.2m) of the total. Life insurers collected US\$50.5m accounting for 31.07% of the total, while non-life insurers collected US\$19.1m in premiums, accounting for 11.71% of the total.

Philippines: Most prevalent microinsurance products



Product bundling: Often these products are bundled with other traditional coverage such as fire & personal liability. Few players are bundling these with NatCat cover such as typhoon, flood and earthquake.

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Credit-life, term-life, personal accident and hospital cash remain to be the most prevalent microinsurance products. Often these products are bundled with other traditional coverages such as fire and personal liability. Few players are bundling these with NatCat cover such as typhoon, flood and earthquake.

In terms of intermediaries, cooperatives and pawnshops are among the massive distribution channels of microinsurance.

Microinsurance journey in the philippines

The microinsurance environment before 2010 was characterized by the following: lack of appreciation of the importance and benefits of insurance; insurance products mostly cater to the middle- and upper-income market; insurance products are unaffordable, not accessible and not tailor-fitted to the risk protection needs of the poor; and insurance contracts are long, complex and contain provisions that are too complicated for the poor to understand.

The **market was driven by the microfinance sector**. From few large microfinance institutions (MFIs) in 1997 with less than half a million clients, the number grew to more than 1,400 MFIs in 2013 composed of rural banks, cooperatives and non-governmental organizations (NGOs) serving more than 10 million clients. However, only about 2.9 million Filipinos (out of 24.3 million poor) have had some form of insurance; and about 50% of which were covered by **informal insurance schemes**.

The growing microfinance sector also meant growing scale of informal insurance activities. Many cooperatives chose to manage insurance in-house. Some large MFI NGOs already had growing and significant volume of Mutual Assistance Fund (MAF) being managed in-house. The financial regulators were already getting more concerned about covariant risk, financial stability of MFIs, and consumer protection.

The commercial **insurance industry was skeptical to go down market**. They simply do not believe there is sustainable business in microinsurance. Its business models do not fit to the characteristics of the informal and low-income sectors which demand affordable premium, simple and flexible enrolment procedures, responsive products, efficient claims process, and easy access. These sectors are most vulnerable to illness, physical injury, accident or death, and natural calamities making it unattractive from an underwriting point of view.

While there were few partner-agent relationships already between insurers and MFIs offering mandatory credit-life insurance, this arrangement could not scale up because

there was **no clear policy direction and regulations** from financial regulators. **Lack of coordination** between and among financial regulators made it difficult to encourage innovations in the market and to manage financial stability and consumer protection issues. The rural banks are being regulated and supervised by BangkoSentral ng Pilipinas (BSP) or the Central Bank, the cooperatives by the Cooperative Development Authority (CDA) and the NGOs by the Securities and Exchange Commission (SEC).

In a span of 9 years, the Philippines has already issued three regimes of microinsurance regulations. The first regulation was issued in 2006, the second in 2010, and the 3rd regime was in 2015. The market of microinsurance has evolved from a microfinance-driven market after 2006, to a **product value and claims efficiency-driven market** after 2010, to a **thematic insurance driven** such as natural catastrophe (NatCat), health, agriculture and MSMEs after 2014. Various circulars were issued by the Insurance Commission (IC) and other regulators which provided clearer guidelines such as on product definition, product marketing and distribution, reinsurance, market conduct, disclosure, redress mechanism, consumer education, and consumer protection.

There was **more cohesive coordination between regulators** during the 3 regimes of policy and regulatory reforms. Joint circulars between the regulators (IC for insurance, CDA for cooperatives, and SEC for NGOs) had been issued. The BSP on the other hand had issued own circulars enjoining its regulated entities to comply with the microinsurance regulations. An inter-agency committee was created to monitor the implementation of a joint circular on formalization of informal insurance activities.

Market participation of the private insurance industry and the MFIs **has been increasing** over time. Many in-house insurance schemes had been formalized. In 2006, there were only 6 Microinsurance Mutual Benefit Associations (MI-MBAs) or mutuals and 3 commercial companies in the market, mostly offering credit-life only. The market participation had been growing steadily so that in 2020 there were 23 MI-MBAs and 21 commercial companies participating with a total of 215 approved microinsurance products reaching 50.35 million Filipinos with microinsurance coverage.

The increasing number of MI-MBAs is evidence that **informal insurance is already formalizing**. Other path of formalization is through partner-agent arrangement which enroll clients of rural banks or NGOs to group insurance offered by commercial insurers. Another path is through coop assurance. Many primary cooperatives have stopped and/or reduced doing in-house insurance activity; they enrolled their members to a coop-owned commercial insurance company (coop insurance society).

Public-private sector consultation was already the norm of engagement since the 2006 regulation. This consultation process became a **regular dialogue** platform not only among regulators and financial institutions but across other type of stakeholders during the 2010 and 2015 regulatory regimes. The dialogue builds trust; it enabled evidence-based and proportionate regulations; it created strong ownership to insure implementation and compliance.

Microinsurance in the Philippines is fully market-based. There are some regulatory incentives in place for microinsurance providers. The premiums are fully financed by the policy holders. The government, particularly the IC and the Department of Finance-National Credit Council (DOF-NCC), have been providing strong leadership, commitment and human resources in the promotion of the microinsurance market. The Financial Literacy Framework on Microinsurance has effectively engaged various stakeholders to participate in **microinsurance advocacy** (not marketing, not only client awareness) across nine stakeholder groups. The **multi stakeholder approach** to microinsurance advocacy had shown the seed for microinsurance to be embraced not only as a safe and sustainable insurance business but also as a public good where everyone has a space to contribute in order

to increase the coverage of the low-income and informal sectors to risk protection solutions.

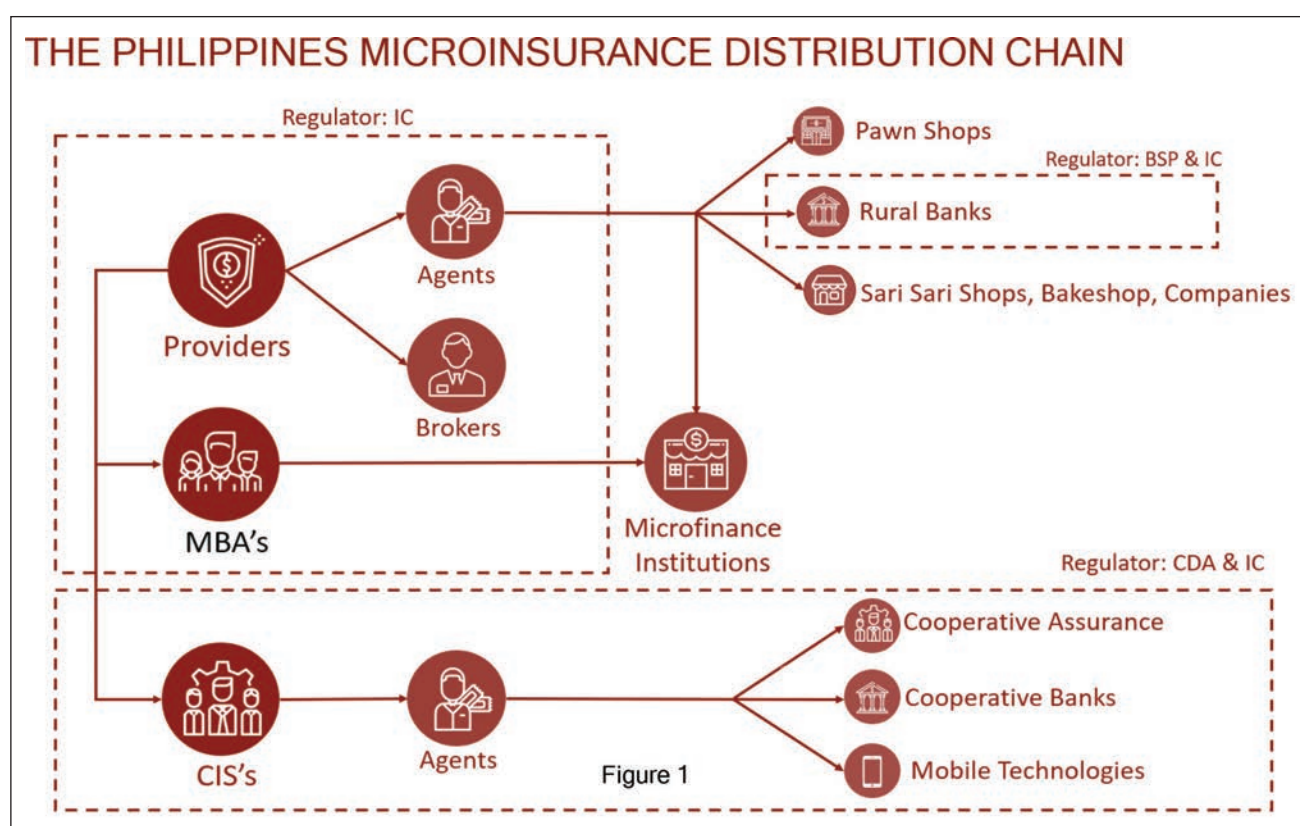
The basics of microinsurance regulation are already in place in the Philippines. Microinsurance market had been tested, not only during good years but also in bad years. In 2013-2014, the microinsurance industry has responded well to the victims of super typhoon Haiyan. It was able to pay microinsurance claims of more than USD 12 Million to 111,000 beneficiaries. In 2019, microinsurance has contributed about 3% or USD 162m of the total premium production of the industry.

Private insurance entities, many of which had started microinsurance as a corporate social responsibility (CSR), now **want to be more massive in the market**. In the last 4 years, the government has initiated policy dialogues and policy reform aimed at encouraging the insurance industry to provide insurance for certain sectors such in health, agriculture, SMEs and natural catastrophes. Provision of insurance to these sectors, which is also dominated by government social protection programs, brings **new challenges**. It calls for new business models, a much broader cooperation among government entities, and complementation of public and private products and services.



Qualitative information was also gathered to rate the **Institutional Development** taking place in the microinsurance industry. Important facets include **diversity of business models, magnitude of formalization, supporting services and platforms, Insurance Commission capacitated and restructured in terms of microinsurance and other authorities and development agencies engaged.**

Diversity of business models of the country shows a wide range of distribution channels and intermediaries – distribution not only dependent on traditional channels but also innovative channels such as pawnshops, mobile and web platforms. **Distribution model** through the MFIs (rural banks, NGOs and coops) was still the dominant channels and this continued to grow after the circular letter 6-2011 provided clearer guidelines on training and licensing of microinsurance institutional agents. In the 2nd regime of regulation, an Enhanced Microinsurance Regulatory Framework was issued by the regulator which encouraged more innovations in distribution channels such as through the pawnshops, merchants, and to a limited scale through mobile phones. One pawnshop network is claiming to be selling voluntary microinsurance of up to 2 million certificates monthly through its 1,800 branches nationwide.



Source: Micro Insurance Distribution Report, 2018

Consumer protection is built in the products which are required by insurance memorandum circular 01-2010 to be simple, easy to be understood, with no or less exclusions, and have clear disclosures. For bundled products, the regulator requires through the Circular Letter 2015-54 that only the lead insurer (having a contract with its partner insurer) should assume responsibility over the solicitation process and the servicing of claims. In case of claims dispute, the Alternative Dispute Resolution Mechanism (ADReM) on microinsurance provides a platform for mediation that is least cost, accessible, practical, effective and timely.

I. Gaps in microinsurance landscape in nepal in comparison to the philippines

The above discussion has clearly mentioned that microinsurance has been given priority by the Philippine government, in particular by the Insurance Commission, for the development of microinsurance. The following section describes some of the key initiatives and deviation in Nepal in comparison to the Philippines.

Government role

The government of the Philippines is more focused and is consistent of its enabling role in developing the microinsurance market in the country. Microinsurance is fully market-based. The government however has provided enormous time, human resources and leadership for the long process of policy and regulatory reforms and has led the implementation of the roadmap to financial literacy on microinsurance.

In the Philippines, there is clear distinctions of government policy on social protection and microinsurance. Social protection such as basic health insurance and crop insurance are subsidized. However, the private insurance industry from the very beginning of developing the frameworks and regulations of microinsurance was clear that microinsurance should be market-based and sustainable. The industry is given freedom to develop microinsurance products as top up or supplement to the basic social protection programs for health and agriculture.

The Government of Nepal seems to have given less attention in promoting the microinsurance. The Government has announced to meet the target of at least 5 percent in microinsurance business, but despite frequent suggestions made by Insurance Board in each budgetary announcement to provide subsidy in premium, waiver of tax and VAT hasn't been addressed yet. The Government of Nepal seems to be acting as an enforcer rather than playing a role of facilitator as Government of Nepal only seems to give target in budgetary announcement but not providing subsidy in premium and waiving tax and VAT.

Regulatory initiatives

The insurance commission of the Philippines has given priority to promote the microinsurance. It allows the industry to compete and innovate. Some of the key initiatives by the Insurance Commission of the Philippines is listed below

- At the beginning, the insurance industry has used prototype policy wordings on microinsurance. However, insurers can develop its own respective products. Since the portfolio of microinsurance is relatively small and the risk can be absorbed by the capacity of individual companies, an insurance pool model is not deemed necessary. It therefore allowed a more dynamic and healthy competition in the market.
- Enhance the system of monitoring and reporting of microinsurance including the progress of mainstreaming informal insurance activities.
- Strengthen the coordination among government agencies in the whole journey of policy reform and the formulation of thematic microinsurance frameworks such as in Micro Health, Micro Agri and Micro Preneed.
- The insurance regulator did benefit from peer-to-peer exchange of knowledge and experience with other regulators in Asia through the MEFIN Network.

In the context of Nepal, even though the Government has given the priority and addressing in the budget in terms of company needing to meet the target of at least 10 percent

total business in the fiscal year 2018/19. In the fiscal year, 2017/18 the microinsurance penetration was observed to be 8.48 percent followed by 19.17 percent 2018/19, 16.20 percent 2019/20 and only 5.53 in the fiscal year 2020/21 till Q3. This data shows that industry was able to meet 10 percent target by the insurance industry. But if we further dig down individual company level most of the company were unable to meet the target. So, it is time to provide the subsidy in premium along with waiver of tax and VAT by government for overwhelming meeting the target by insurance companies.

Insurance companies' effort

Insurance companies in the Philippines are more focus in selling microinsurance products. It is clear that microinsurance is not social protection therefore it does not have expectations on subsidies. It has seen the business potential of microinsurance, that it is not only CSR. It also realized that dealing with the low-income sector needs a different mindset and strategy as to conventional insurance. For these reasons, the insurance companies had set up a dedicated and separate microinsurance team, unit and then a department. The staffs and agents are well trained. Companies are making a strategy to increase microinsurance penetration.

The microinsurance pool is a unique model to Nepal as no other country in Southeast Asia has adopted such kind of an approach. Other countries may learn from the experience of risk pooling in microinsurance. The downside of the pool however is that often only the leader is active. The members are mostly passive.

Difference in the structure of ownership of company

The creation of a separate tier of insurance provider such as the Mutual Benefit Associations in the Philippines was a positive result from addressing the issues of informality in insurance. The small entities such as MFIs, even if they are interested to formalize its insurance activities, could not afford it (in terms of capital and HR expertise) and would not qualify to the conventional requirements of setting up an insurance company. In Nepal, one can't see such mutual benefit association. However, there are microfinance institutions and cooperatives that already have accumulated large amount of social fund over time. These funds are being operated as in-house insurance-like activities. Encouraging the social funds to spin off as a regulated small insurance entity focusing only in provision of microinsurance service as an intermediary.

Customer-centric approach to design insurance products

The microinsurance products in offer in the Philippines are designed through surveying to the customer. So, the products in offer are more customers centric.

The policy wordings of the products had been simplified and are concise of having one to two pages only. Microinsurance contract provisions should be easily understood by the insured such as simple documentation requirements, and the manner and frequency of premium collections that are to coincide with the cash-flow or otherwise not onerous for the insured. Credit-life, term-life, personal accident and hospital cash remain to be the most prevalent microinsurance products. Often these products are bundled with other traditional coverage such as fire & personal liability. Few players are bundling these with NatCat cover such as typhoon, flood and earthquake.

Nepalese microinsurance products are not designed based on research. No bundle products are in offer. Moreover, complex policy wording and long 5 to 7 pages policy is making insured not easily understandable the coverage of risk in covered by the policy.

Distribution channel

Distribution channel is key for effective provision of product to the target market. The Philippine regulatory authority is not only focusing on traditional channels but also introducing innovative channels such as pawnshops, mobile and web platforms has open up the wide range of innovative distribution channels. In terms of intermediaries, coops and pawnshops are among the massive distribution channels of microinsurance. One pawnshop network is claiming to be selling voluntary microinsurance of up to 2 million certificates monthly through its 1,800 branches nationwide.

The Enhance Regulatory Framework on Microinsurance has further expanded the channels of microinsurance to technology platforms and even for small shops in the community. However, it has also strengthened the responsibilities and accountabilities of underwriters to choose and manage their army of channels.

The Nepalese regulation is more focus on traditional distribution channel such as individual agent and few institutional agents like cooperatives and micro finance institutions. There has been no move to introduce new distribution channels and use of IT like mobile apps in Nepalese insurance market.

In the context of Nepal, there is no separate dedicated micro insurance team before and no company yet which is also hindering for the successful growth of the microinsurance. However, with the initiatives of the Insurance Board, companies are giving priority to boost the insurance company and forming a separate microinsurance department.

Roads show

A series of microinsurance road shows was implemented by the DOF-NCC and IC with support from eight stakeholder groups across key cities and provinces in the Philippines. Each roadshow lasted for 3-4 days where a microinsurance public seminar is conducted with the MFIs and insurers in the area, a Training of Trainer on microinsurance advocacy is conducted, and meetings with local authorities to promote microinsurance and a press briefing to further promote microinsurance to the media.

In the context of Nepal, the insurance regulatory authority hasn't initiated and even thought about organizing the road show programs for creating awareness to the target people of the society. It is a dire need to start thinking about it and launch as early as possible. Further, Insurance Board can also direct and give instructions to the companies to arrange road show and other marketing campaign for imparting awareness of microinsurance especially in the rural areas.

Discussion and way forward

The development of microinsurance is effective only when it is able to reach as many needy people as possible who strives for hand to mouth existence as in case happening of any unwanted things might cause huge financial loss and become very difficult to maintain the same status of living as before for such group of the society. This article tries to bring some success story of the Philippines to Nepal. From the experience of the Philippines, a successful microinsurance market development would need the following enabling factors such as more cohesive coordination among policy agencies and regulators, multi-stakeholders approach including the private sector, proportionate regulations that simplify some guidelines to encourage more (and smaller) players to participate in the market such as the MFIs and non-traditional distribution channels, microinsurance advocacy/literacy across various stakeholder groups and continues public and private sector dialogue and peer-to-peer learning.

In terms of Nepal, although efforts have been made by the government, regulator and the companies, the expected results have not been achieved yet. For promoting microinsurance and bring it under inclusive approach, the Insurance Board of Nepal has brought regulations in 2014. Since then, various efforts have been made such as formation of microinsurance pool, allowing cooperatives to act as a distribution channel. However, the expected results in microinsurance outreach are not satisfactory. Based on the study, the following are the way forward recommended

- Nepalese government seems to be only acting as and enforcement to carry out microinsurance as in

it has announced to carry out at least 10 percent of microinsurance but not providing subsidy in premium and waiving tax and VAT. It would have been better to provide subsidy in premium in microinsurance along with providing waiver of Tax and VAT would help to attract and bring the target group under microinsurance.

- Regulator Insurance Board also need an efficient monitoring and reporting of microinsurance including the progress of mainstreaming informal insurance activities.
- Regulator need to strengthen the coordination among government agencies in the whole journey of policy reform and the formulation of thematic microinsurance frameworks.
- Continuation of networking with GIZ, MEFFIN would be beneficial for the development of microinsurance in Nepal.
- Insurance companies need to set up separate microinsurance department and dedicated team. Further, the staff should be trained properly and develop well for the development of the microinsurance in Nepal.
- The creation of a separate tier of insurance provider such as the mutuals like in the Philippines would help to enhance the microinsurance in Nepal. A separate set of criteria and rules have to be created for them which would also limit their functions and scope when compared to the conventional insurance entities.
- The distribution channel is key for offering products to the customers. Nepalese insurers are adopting the

traditional distribution channels. It should explore innovative channels.

- The use of technology in offering a product is enormous in the Philippines but in case of Nepal there is very little use of IT in the field of insurance as a whole, there is no exception in focusing on microinsurance.
- Insurance Commission of the Philippines has led the implementation of the roadmap to financial literacy on microinsurance. Roadshows across key cities and provinces were organized. But in case of Nepal, road show is out of imaginary both in the eyes of regulator and companies in promoting microinsurance.

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Role of macroeconomic determinants on banking sector development: A case of Nepal



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ABSTRACT

The concept of the development of the banking sector is a multi-dimensional concept and is not easy to find a single definition of this process as it is an interrelated process that includes improvements in the quantity and quality of financial services. This study explored the role of macroeconomic determinants of banking sector development in Nepal using the ARDL approach technique with economic time series data ranging from 1995 to 2019. The study employed the ARDL model to avoid the spurious regression problem in the construction of contemporary time series econometrics. The study depends on the co-integration analysis to find out the long-run equilibrium relationship among the variables of the model. This study reveals that banking sector development and per capita GDP positively and significantly influenced the banking system in line with theoretical predictions. Remittance and stock market capitalization have a positive and statistically significant role to explain banking sector development in Nepal. In addition, it demonstrates that trade openness negatively but insignificantly impacted banking sector development whilst inflation had a marginally negative impact on banking sector development. Moreover, institutional quality had great effects on the banking sector development in Nepal. Statistically, management efficiency, credit risk management and financial structure proxies of institutional quality did significantly lead to banking sector development.

The study also confirms that macroeconomic policies and institutional quality play an important role in the banking sector's development. This study reveals some implications for policymakers as it sheds some light on the importance of liberalization policies in the banking sector while taking into consideration the quality of the current institutional infrastructure and the soundness of macroeconomic policies.

JEL Classification Code: E51, C38, G21,

Keywords:

Banking sector development; macroeconomic determinants; institutional quality; ARDL approach

1. Introduction

The concept of the development of the banking sector is a multi-dimensional concept and is not easy to find a single definition of this process as it is an interrelated process that includes improvements in the quantity and quality of financial services. Some of these dimensions are related to macroeconomic policy, mobilization of savings, institutional quality, credit granting, and risk management. Thus, the degree of the development of the banking system in any country is measured by its ability to deliver these functions efficiently (Yu and Gan, 2010). Policymakers need to know the long-run and causal relationship between the banking system, economic growth, and financial development to

understand the role of macroeconomic policy and the banking system in financial sector development (Perotti and Volpin, 2007). The importance of this study backs to the vital role played by the banking sector in the economic development process and its role to provide the necessary funding for investments, which requires studying the main determinants that affect the development of the performance of these banks.

The banking sector plays a pivotal role in the economic growth and development of a country. Schumpeter (1911) is of the view that a well-developed banking or financial sector avails capital to firms, which they will use to produce innovative products and promote technological innovation and economic growth. Kaur et al. (2013) also observed that the banking sector development quickens the rate at which a host country benefits from foreign direct investment and remittance inflows through providing services such as loans and efficient capital allocation. On the other hand, Antras et al (2009) argued that a shallow banking sector forces foreign and domestic firms to heavily depend on external sources thus triggering the scaling down of foreign firms' activities and low economic growth. It is clear from the literature that the positive role that the banking sector plays in the promotion of economic growth is no longer an unsettled issue. What is still unclear is what determines banking sector development in Nepal? Hence, the current study was undertaken to fill in that void.

This study explored the trend and structure of the development of the banking sector by using the ARDL approach estimation procedure, which addresses the endogeneity problem and takes into account the dynamic nature of banking sector data. The main research question in this study, what are the major determinants in predicting banking sector development in Nepal? Section 2 discusses the determinants of banking sector development from an empirical literature review perspective. Section 3 carries out a methodology that shows data & variables description, correlation, descriptive statistics, and model specification are described in this section. Section 4 explains the ARDL approach results in discussion and interpretation. Section 5 concludes the study.

2. Literature review

Yu and Gan (2010) studied the determinants of banking sector development in Malaysia using multiple regression analysis. Higher levels of gross domestic product were found to be a significant determinant of banking sector development whereas financial liberalization destabilized the Malaysian banking sector. Trade openness and real interest rates positively but none significantly affected banking sector development in Malaysia. Using multiple regression analysis with time series data from 1977 to

2012, Mahmoud (2014) studied the macroeconomic determinants of banking sector development in Egypt and Saudi Arabia. The study found out that real interest rates, financial liberalization, and trade openness positively and significantly influenced the banking sector of both Egypt and Saudi Arabia.

Raza et al (2014) explored the determinants of financial development in developing and developed countries. Credit to the private sector was found to have been positively and significantly influenced by trade openness, net foreign direct investment, government expenditure, GDP growth rate, population growth rate, and growth of the agricultural sector in developing and developed countries. Hamdi (2015) also studied financial development determinants in 15 developed and 23 developing countries using panel data analysis with data ranging from 1997 to 2013. The human capital development and economic growth were found to be the major drivers of financial development in both developed and developing countries. The same study revealed that the stability of the economy, institutional and legal infrastructure determined financial development only in developed countries. Employing random and fixed effects methods, Naceur et al (2014) investigated the determinants of financial sector development in the Middle East and North African (MENA) region. Their study noted that inflation, savings, trade openness, investment, and financial liberalization had a positive and significant influence on financial development in the MENA region. Cherif and Dreger (2016) also studied financial development determinants in developing countries using panel data analysis. Trade openness, corruption, and law & order were found to have played a critical role in influencing both the banking sector and stock market development in developing countries.

Takyi and Obeng (2013) used Autoregressive Distributive Lag (ARDL) framework with time-series data (1988-2010) to explore the financial development determinants in Ghana. GDP per capita and trade openness were found to have had a significant positive influence on financial development in Ghana both in the long and short run. The same study showed that factors that negatively and significantly influenced financial development in Ghana include interest rate, inflation, and reserve ratio requirement. Elsherif (2015) studied the financial development determinants in Egypt using ARDL and Johansen co-integration tests with time-series data (1974-2012). Four macroeconomic variables were found to be the key positive drivers of financial development in Egypt. These include trade openness, human capital development, GDP per capita, and investment levels. Consistent with the majority of empirical studies, inflation was found to have a negative impact on Egypt's financial sector development during the period under study. Ayunku and Etale (2014) investigated the macroeconomic

determinants of banking sector development in Nigeria using the error correction model (ECM) with time-series data from 1977 to 2010. Trade openness and economic growth were found to have positively influenced banking sector development in Nigeria.

3. Data sources and econometric methodology

3.1 Data description and variables

The study has employed a descriptive and causal-comparative research design to deal with the fundamental issues associated with macroeconomic determinants of banking sector development in the context of Nepal. The study was based on secondary data, which was extracted from Nepal Rastra Bank, Central Bureau of statistics, and MOF databases, all of which are reputable national organizations. This study used annual data of a country ranging from 1995 to 2019. Using world development indicators, this study used three dimensions of banking sector development that were considered for the index construction banking depth (credit to private sector), banking efficiency (net interest margin), and banking stability (capital adequacy ratio) as a dependent variable. The overall banking sector development (BSD) was obtained by the arithmetic average of the normalized values of these three variables.

The literature identified several determinants from both a theoretical and empirical perspective, which affects banking sector development. The study could not include all the banking sector development determinants identified by literature in the estimation model because of data unavailability. The study was used per capita GDP (in USD), inflation rate (INF in percentage), remittance (REM in the percentage of GDP), trade openness (TO in percentage of GDP), stock market capitalization (SMC in the percentage of GDP), and institutional quality (IQ is proxied by non-performing loan indicator, management efficiency, and financial structure) as independent variables in line with similar studies of financial development determinants (Raza et al. 2014; Naceur et al. 2014; Elsherif. 2015). Trade openness is operationalized by taking the value of exports and imports as a percentage of the real GDP. The data analysis is based on the data from 25 years for the period 1995 to 2019.

3.2 Pre-estimation diagnostics

Descriptive statistics have been used to describe the characteristics of banking sector development, macroeconomic, and institutional quality during the study period. The descriptive statistics used in the study consist of mean, median, minimum, maximum, standard deviation, skewness, and kurtosis values associated with variables under consideration. Table 1 summarizes the descriptive statistics of macroeconomic variables used in this study during the period 1995 through 2019 associated with economic time series data.

Table 1. Descriptive statistics with dependent and independent variables, 1995-2019

	BSD	PCG	TO	INF	REM	SMC	IQ
Mean	38.80	495.83	37.64	6.89	17.53	26.99	13.58
Median	36.56	410.07	37.10	7.45	14.94	23.66	10.56
Minimum	22.52	216.94	33.59	2.48	9.09	22.63	5.04
Maximum	60.10	1038.87	43.82	11.24	29.52	0.92	25.78
Std. Dev.	10.83	268.91	2.98	2.75	7.34	0.04	8.27
Skewness	0.56	0.58	0.67	-0.23	0.422	4.53	0.19
Kurtosis	-0.42	-1.00	-0.56	-1.19	-1.49	83.89	2.06

Sources: EViews 9 output result outcomes

Table 1 shows the descriptive statistics of the research model. The table shows the difference between the minimum and maximum values is large across the variables under study, a sign of the presence of extreme values. The data for all the variables are positively skewed except inflation and is not normally distributed. The kurtosis values for all the variables are not around 3. This is proof that data for the variables used is not normally distributed. In order to ensure that the quality and reliability of the final results are not compromised, the issue of data not normally distributed, abnormal and extreme values was addressed by transforming all the data sets into natural logarithms and making stationarity before using it for main data analysis.

Table 2 shows the correlation matrix of the research model. Correlation analysis has been adopted to identify the direction and magnitude of the relationship between different pairs of variables. It shows how two variables move together and also shows the degree of association between them. The relationship between the two variables is explained by using the bivariate Pearson correlation coefficient. The table presents results on the relationship among the variables and the study shows that there were both positive and negative relationships among the variables. Per capita GDP, remittance, and institutional quality variables are positively correlated with banking sector development in line with theoretical predictions at a 1% level of significance. However, trade openness has a negative and significant correlation with the banking sector development while the inflation rate is negatively correlated to the banking sector's development but statistically insignificant.

Table 2. Correlation analysis with dependent and independent variables, 1995-2019

	lnBG	lnPCG	lnINF	lnREM	lnTO	lnSMC	lnIQ
lnBG	1						
lnPCG	0.928*	1					
lnINF	-0.171	0.128	1				
lnREM	0.899*	0.631*	0.254	1			
lnTO	-0.483**	0.407**	-0.310	0.389	1		
lnSMC	0.955*	0.609*	-0.109	0.486*	-0.382	1	
lnIQ	0.9133*	0.3421	0.1467	0.2169	0.2384	0.4705**	1

Note: * and ** denote 1% and 5% levels of significance respectively.

3.3 ARDL model specification

The ARDL bounds testing approach to co-integration was developed by Pesaran and Shin (1999) and Pesaran et al. (2001). Nkoro and Uko (2016), Bhatta (2013), and Narayan and Smyth (2006) have discussed numerous advantages of the ARDL approach. (i) Each of the underlying variables stands as a single equation endogeneity is less of the problem in the ARDL techniques because it is free of residual correlation, (ii) When there is single long-run relationship, the ARDL procedure can distinguish between dependent and explanatory variables, (iii) The error correction model (ECM) can be derived from ARDL model through a simple linear transformation, which integrates short-run adjustment with long-run equilibrium without losing long-run information, (iv) It can be applied on a time

series data irrespective of whether the variables are I(0) or I(1), which Johansen co-integration techniques requires all the variables in the system be of equal order of integration, nevertheless, ARDL cannot be applied if variables are I(2), (v) ARDL procedure is statistically more significant approach to determine the co-integration relation in small samples, (vi) The ARDL techniques allows the variables may have different optimal lags, (vii) The ARDL techniques generally provides unbiased estimates of the long-run model and validates the t-statistics even when some of the regressors are endogenous.

Following the ARDL approach proposed by Pesaran and Shin (1999), the existence of a long-run relationship could be tested using equation (1) belows:

$$\begin{aligned} \Delta \ln BSD_t = & \alpha_0 + \sum_{i=0}^q b_i \Delta \ln BSD_{t-i} + \sum_{i=0}^q c_i \Delta \ln PCG_{t-i} + \sum_{i=0}^q d_i \Delta \ln INF_{t-i} + \sum_{i=0}^q e_i \Delta \ln TO_{t-i} \\ & + \sum_{i=0}^q f_i \Delta \ln REM_{t-i} + \sum_{i=0}^q g_i \Delta \ln SMC_{t-i} + \sum_{i=0}^q h_i \Delta \ln IQ_{t-i} + \mu_1 \ln BG_{t-1} \\ & + \mu_2 \ln PCG_{t-1} + \mu_3 \ln INF_{t-1} + \mu_4 \ln TO_{t-1} + \mu_5 \ln REM_{t-1} + \mu_6 \ln SMC_{t-1} \\ & + \mu_7 \ln IQ_{t-1} + \varepsilon_t \dots \dots \dots (1) \end{aligned}$$

Here, all variables are as previously defined $\mu_1, \mu_2, \mu_3, \mu_4, \mu_5, \mu_6$, and μ_7 are the long-run coefficient while $b_j, c_j, d_j, e_j, f_j, g_j$, and h_j represent the short-run dynamics and ε represent a random disturbance term. Either the Akaike Information Criterion (AIC) or the Schwarz Bayesian Criterion (SBC) (Narayan, 2004) selects the order of the lags in the ARDL model. However, the study uses the SBC criterion in lag selection as ARDL-SBC estimators perform slightly better than ARDL-AIC in the majority of the experiments (Pesaran and Shin, (1999).

3.4 Hypothesis

To test whether the long-run equilibrium relationship exists between the banking sector development of Nepal, per capita GDP, inflation rate, trade openness, remittance,

stock market capitalization, and institutional quality, bound test (F-version) for co-integration is carried out.

$H_0 : \mu_1 = \mu_2 = \mu_3 = \mu_4 = \mu_5 = \mu_6 = \mu_7 = 0$; No co-integration exists.

$H_0 : \mu_1 \neq \mu_2 \neq \mu_3 \neq \mu_4 \neq \mu_5 \neq \mu_6 \neq \mu_7 \neq 0$; Co-integration exists.

The F-statistics is then compared with the critical value provide by Pesaran et al. (2001). If the computed F-statistics is higher than the appropriate upper bound of the critical value, the null hypothesis of no co-integration is rejected, if it lies within the lower and upper bounds, the result is inconclusive, and if it lies below the lower bound, the null hypothesis cannot be rejected.

$$\Delta \ln BSD_t = \alpha_0 + \sum_{i=0}^q \delta_1 \Delta \ln BSD_{t-i} + \sum_{i=0}^q \delta_2 \Delta \ln PCG_{t-i} + \sum_{i=0}^q \delta_3 \Delta \ln INF_{t-i} + \sum_{i=0}^q \delta_4 \Delta \ln TO_{t-i} + \sum_{i=0}^q \delta_5 \Delta \ln REM_{t-i} + \sum_{i=0}^q \delta_6 \Delta \ln SMC_{t-i} + \sum_{i=0}^q \delta_7 \Delta \ln IQ_{t-i} + \delta_8 EMC_{vt} \dots \dots (2)$$

The estimation of dynamic error correction will be carried out using equation (2). The coefficients $\delta_1, \delta_2, \delta_3, \delta_4, \delta_5, \delta_6$, and δ_7 , are the short-run dynamics of the model and δ_8 indicate the divergence or convergence towards the long-run equilibrium. A positive coefficient indicates a divergence, while a negative coefficient indicates convergence.

3.5 Unit root tests

Nkoro and Uko (2016) proposed to test for unit roots since the ARDL co-integration techniques require underlying

variables of $I(0)$ or $I(1)$ or a combination of both; integration of order $I(2)$ leads to crashing of the techniques. Further, the ARDL error correction representation becomes relatively more efficient if the F-statistics (Wald test) establishes that there is a single long-run relationship and the sample data size is finite (Nkoro and Uko, 2016). So, the study uses Phillips and Perron test for the stationary test as it is robust to serial correlation (Hudson, 2018). Table 3 depicts the results from the Phillips and Perron test at the level and first difference. Similarly, Figure 1 depicts the trend with stationary

Table 3: Unit root test at the level and first difference in time-series data

This table shows all variables are stationary or non-stationary in levels and first difference respectively at 1 and 5 percent level of significance in time series data from 1995 to 2019.

Variables	Level		First difference		Order of integration
	Augmented Dickey-Fuller	Philips-Person	Augmented Dickey-Fuller	Philips-Person	
ln_BSD	-2.3341	-2.4637	-4.2339*	-4.2155*	$I(1)$
ln_PCG	-2.8070	-2.2169	-4.0612*	-4.0528*	$I(1)$
ln_INF	-2.9712	-2.9712	-6.7641*	-7.8143*	$I(1)$
ln_TO	-1.8496	-2.0369	-6.9819*	-5.9187*	$I(1)$
ln_REM	-2.3405	-2.3405	-5.7025*	-5.7806*	$I(1)$
ln_SMC	-2.3768	-2.3768	-4.8164*	-4.8237*	$I(1)$
ln_IQ	-1.3786	-1.2494	-4.8411*	-4.8555*	$I(1)$

Note: * & ** indicates rejection of null hypothesis of non-stationary at 1% and 5% respectively.

Source: Eviews 9 output result outcome

Figure 1: Trend with stationary of all variables

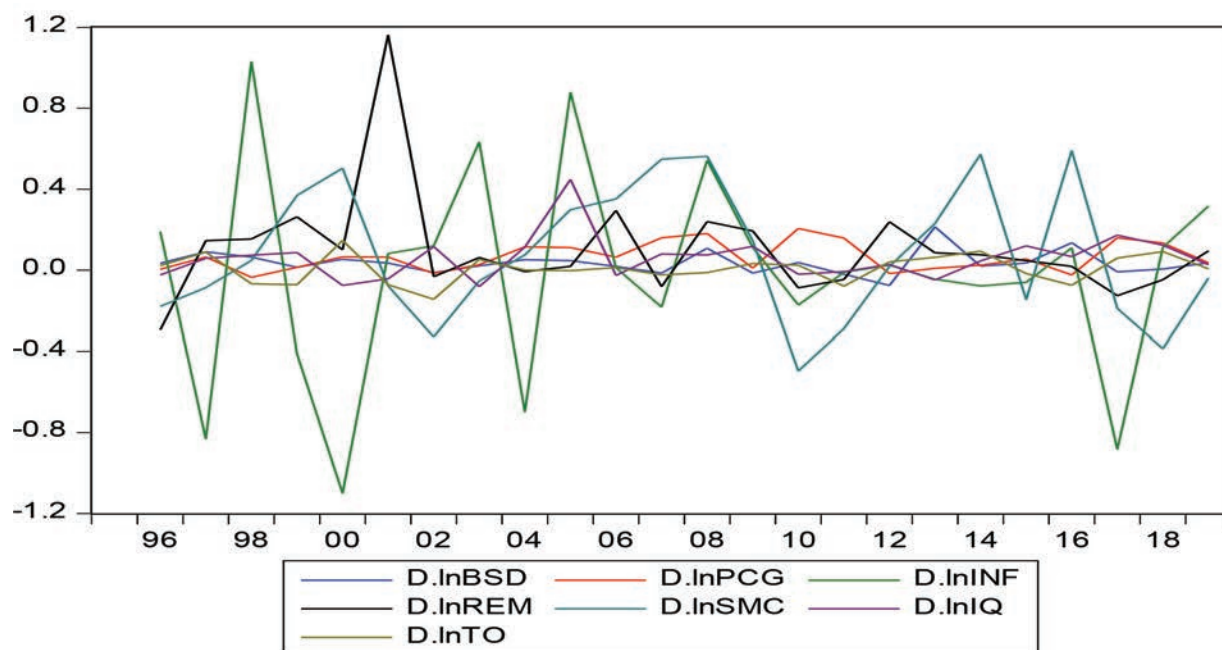


Table 4: Optimal lag length test

The table shows the AIC and SBC used for the determination of optimal lag length which verifies the macroeconomic variables are co-integrated using the bound test technique.

Lag length	Akaike Information Criteria	Schwarz Bayesian Criterion
2	-5.372145	-4.752214
1	-5.443384	-4.783118

Source: EvIEWS 9 (ARDL Model) output result outcome

Table 4 shows the AIC and SBC results of these tests. The AIC and SBC used for the determination of optimal lag length require that the lag length with the smallest critical value for both criteria be chosen. It is seen from the table that lag 1 has the smallest AIC and BIC criteria for macroeconomic variables. With information on the lag length, it is now possible to verify if the variables are co-integrated using the bound test technique.

4. Result and discussion

4.1 Bound testing for co-integration analysis

The results of the co-integration test presented that there is a long-run relationship among the variables. The computed F-statistics (6.473) is higher than the critical values of 3.79, 4.25, and 5.23 at 10%, 5%, and 1% respectively from the Narayan (2005) table. In addition, a significant negative coefficient obtained from EMCT-1 was supported co-integration or convergence in the long run, which is considered more efficient for testing co-integration (Banmani-Oskooee and Bahmani, 2015). The preliminary test consisting of unit root test and bound test

confirms that all the variables are $I(1)$, and the existence of a single long-run relationship respectively. Thus, it is imperative to apply the ARDL approach to co-integration.

Table 5 indicates estimates of the independent variables nexus, the effect of per capita GDP, remittance, and market capitalization on banking sector development was assessed. The results show that the 1-period lag has a positive and significant impact in the long run. The long-run analysis reveals that a 1% increase in per capita GDP leads to an increase in banking sector development by 0.285% while a 1% increase in remittance triggers an increase in banking sector development by 0.343%. The results equally indicate that increasing stock market capitalization by 1% leads to an increase in BSD by 0.273%. The banking sector development went up by 0.925% in response to a 1% increase in institutional quality. This positive and significant impact is coherent with the findings by Mohmoud (2014) and Hamdi (2015). This, therefore, means there is a long-run relationship between macroeconomic variables and banking sector development. However, the inflation rate and trade openness had a negative but insignificant result in banking sector development.

Table 5: Long-run and short-run coefficient by using ARDL Approach

Estimated Long- run coefficients by using the ARDL Approach					Estimated short-run coefficients by using the ARDL Approach				
The estimated long-run model of the corresponding ARDL (1,1,1,0,1,1,1,1,0) is selected based on Schwarz Bayesian Criterion. ARDL coefficients for the long-run relationship of macroeconomic variables on banking sector development from 1995 to 2019.					The estimated short-run model of the corresponding ARDL (1,1,1,0,1,1,1,1,0) is selected based on Schwarz Bayesian Criterion. ARDL coefficients for the short-run relationship of macroeconomic variables on banking sector development from 1995 to 2019.				
Variable	Coefficient	Std. Error	t-Statistic	Prob.	Variable	Coefficient	Std. Error	t-Statistic	Prob.
dln_PCG	0.285068	0.130685	3.581438	0.001	Δ lnPCG	0.21346	0.10918	3.09551	0.036
dln_INF	-0.138760	0.046388	-1.165545	0.082	Δ lnINF	-0.25575	0.10389	-2.10173	0.050
dln_TO	-0.088619	0.141555	-0.889714	0.433	Δ lnTO	-0.08174	0.11340	-0.79055	0.340
dln_REM	0.343776	0.191406	2.561239	0.020	Δ lnREM	0.11180	0.09682	1.43036	0.092
dln_SMC	0.273321	0.098966	2.761772	0.037	Δ lnSMC	0.09996	0.20770	2.98145	0.049
dln_IQ	0.925524	0.125107	5.064791	0.000	Δ lnIQ	0.59456	0.04066	10.4611	0.000
Constant	0.649797	0.138494	3.080237	0.001	ECM(-1)	-0.190231	0.18515	-10.2744	0.000
R ² = 0.84924, Adj. R ² = 0.80826, D/W statistic = 2.0365, F-statistic = 101.8313 [0.000]									

Source: Eviews 9 (ARDL Model) output result outcome

In addition, table 5 shows the error correction model (ECM) is used to verify the short-run relationship between institutional variables and banking sector development (BSD) in Nepal. The rule for the existence of a short-run relationship between institutional variables and banking sector development is that the coefficient of the error correction term should be negative and it should be significant. The study can conclude that there is a return to equilibrium in case of disequilibrium at a rate of adjustment of 19.02%. This implies 19.02% of errors of the previous year are corrected within the current year.

The divergence of results in the short-run and long-run equilibrium explains the fragility of the financial system of Nepal. The system cannot quickly adjust to shocks in the short run, this is principally due to the dominance of the banking sector, which is over liquid, and information efficiency is very low in the system. The underdeveloped nature of the financial system is equally characterized by high information asymmetry, which limits the effective financing of the private sector by banks thus reducing short-run benefits to the economy.

Table 6: Diagnostic tests on ARDL Approach

	F-version		LM-version	
	Statistics	P-Value	Statistics	P-Value.
A: Serial Correlation	F (1,20) = 1.167	0.289	χ^2 (1) = 1.354	0.429
B: Functional Form	F (1,20) = 0.572	0.455	χ^2 (1) = 0.677	0.411
C: Normality	N/A	-	χ^2 (2) = 4.424	0.109
D: Heteroscedasticity	F (2,18) = 0.074	0.787	χ^2 (2) = 0.197	0.218

Source: Eviews 9 (ARDL Model) output result outcome

Similarly, table 6 also indicates that the overall goodness of fit of the estimated ARDL regression model is very good with the result of adjusted R² = 0.8082. The study exercise carries out four diagnostic tests such as Lagrange multiplier test of residual serial correlation, the normality test based on a test of skewness and kurtosis of residuals, and the Ramsey Regression Equation Specification Error Test (RESET), using the square of the fitted values (Pesaran and Pesaran, 1997 for details of these tests). The diagnostic tests suggest that the estimations of the long-term coefficients and the ECM are free from serial correlation, functional form, and non-normality at the 5% level.

4.2. Stability tests

Eventually, the stability of the long-run coefficient together with the short-run dynamic is explained. The CUSUM and CUSUM SQ test proposed by Brown, Durbin, and Evans (1975) has been applied to test the stability of the model. CUSUM stability test (Fig. 2), it can be seen from the graph above that the blue line lays within the 5% level of significance, thus there is long-run stability between the variables in our model.

Figure 2: CUSUM stability test

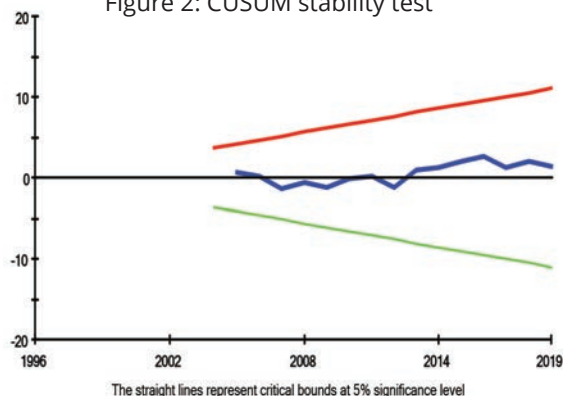
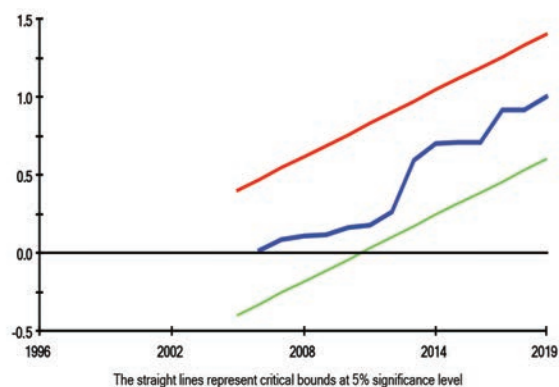


Figure 3: CUSUM square stability test



CUSUM square stability test is used to verify the stability of the model over time. This can be seen in the graph presented below (Fig. 3). From the graph, it can be seen that the CUSUM of Squares line lays between the lines of the level of significance. This implies the model is stable and thus can be used for causality, bound test, and long-run association.

5. Conclusions

This study explored the macroeconomic determinants of banking sector development in Nepal using the ARDL estimation technique with economic time series data ranging from 1995 to 2019. The major conclusion of the study is that there is a long-term equilibrium relationship between macroeconomic and banking sector development in Nepal. This study reveals that per capita GDP, remittance, and market capitalization have a positive and significant effect on banking sector development in Nepal. The government should enhance macroeconomic policies especially fiscal policies, the policy that increases remittances, and export promotion policies that will on average, lead to economic growth. This finding is consistent with Yu and Gan (2010), Chowdhary (2017), Benya and Donia (2019). However, the inflation rate and trade openness has found negative and insignificant impacts on banking sector development. It is consistent with the previous study conducted by Kaur et al. (2013), and Mahmoud (2014), and Rajan and Zingales (2003). Monetary policies (inflation & trade openness control) and fiscal policies in terms of market capitalization should be pursued to stimulate demand for financial services. In addition, institutional quality had a positive and significant

effect on banking sector development. Statistically, management efficiency, credit risk management and financial structure/size proxies of institutional quality did significantly lead to banking sector development.

This study reveals some implications for policymakers as it sheds some light on the importance of liberalization policies in the banking sector while taking into consideration the quality of the current institutional infrastructure and the soundness of macroeconomic policies. The study also urged to increase the internal policies levels of a bank to enhance banking sector development in Nepal. Moreover, The study also confirms that macroeconomic policies and institutional quality play an important role in the banking sector's development. The study also suggests further research to be done on the determinants of the development of the banking sector, especially those relating to the political and legislative factors as well as those relating to the characteristics of the banking sector itself.

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Banking frauds: causes and preventions



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ABSTRACT

Banking fraud refers to an illegal act done with the intention to gaining financial advantage from financial institutions. Mitigating banking fraud is possible but its eradication is not. A popular maxim states, prevention is better than cure. This study explored operational and branch managers' perception about the causes and preventions of fraud in Nepalese banking sector. Three theories, namely, fraud triangle theory, fraud diamond theory and fraud pentagon theory were referred while figuring out the causes and preventive measures, which were then used to prepare questionnaire. Exploratory-descriptive research design is adapted to understand the phenomena. It was found that bank managers in Nepal agree that dissatisfaction among employee, collusion with employee, customer and vendors, and information technology and poor data base management are the causes of fraud. The measures that were perceived to reduce fraud are training to employee and awareness to customer, internal control, strict legal system, and ethical values.

Introduction

Banking fraud refers to the use of illegal means to obtain money or other property owned by financial companies (San-Jose, Retolaza & Gutierrez-Goiria, 2011). The individuals engaged in the fraud, who can be called perpetrators, are skillful and sophisticated in their undertaking, and their deeds often have disturbing damage: not only the performance of banks is affected but also the economy of country can suffer.

The causes as well as the control of financial crime are two sides of the same coin. The components in the coin include loopholes in the management of information technology, management override of control, collusion with customers and vendors, dissatisfaction of employee, internal control, implementation of legal system, adherence to ethical value and training to employee as well as awareness program to public. Among these elements, four are the causes, namely information technology, management override of control, collusion with customer, employee and vendors, and dissatisfaction of employee; other four variables are the preventive measures: accounting and internal control with legal system, ethical value and training and awareness. Management should balance these aspects to avoid loophole in bank. Assessing the risk and environment, management of financial institutions monitor and communicate to prevent fraud.

Statement of the problem

Banking fraud stands as a big challenge in the field of finance and global economy. In the words of Bhasin, "Fraud as well as corruption is a form of black economy in the world. Fraud is worldwide phenomenon that affects all continents and all sectors of the economy" (2015). Financial fraud by now has become a chronic problem affecting the bank's financial health and ultimately impacting nation's economy.

Those at the suffering end, banks and financial institutions, tend to hide fraud incidents instead of reporting it to law enforcement agencies (Swain & Pani, 2016). Consequent upon such tendency, the perpetrators are encouraged to fraud. If financial institutions do not report, law enforcement agency cannot investigate the issue. Consequently, it is difficult to detect frauds well in time, even more difficult to book the offenders because of intricate and lengthy legal requirements and process. Banks and financial institutions report in law enforcement units when they do not have alternative of reporting. Otherwise, they hide fraud within bank, resort to hire and fire policy, and maintain loss from other sources. The rationale behind the financial institutions' secrecy is the fear; it is believed that if people know any instances of fraud in banks, they withdraw deposited money from bank, causing liquidity problem to the banks. Given that it is difficult to know the exact data of bank fraud, studying the source of problem is a big challenge for any study. Since banking fraud has been increasing day by day, this issue has been serious, demanding systematic study of such cases in banking sector.

This study focused on the issue of banking fraud as perceived by operational and branch managers to explore the causes and preventions of fraud in the banking sector.

Objective of the study

The objectives are twofold as mentioned below:

To find out Nepali bank officials perceived causes of banking frauds

To examine Nepali bank officials perceived preventive measures of banking frauds

Review of literature

Fraud is not only psychological but also physical process inculcating pressure, opportunity, rationalization, capability and collusion. Various theories have attempted to explain the causes of fraud and the most cited are Fraud Triangle Theory (Cressey, 1950) and Fraud Diamond Theory (Wolfe & Hermanson, 2004); the latter is a revised version of Fraud Triangle Theory. According to Fraud Triangle theory (FTT), three elements occurring in sequence encouraged fraud; initially, an individual feels financial pressure (motive); and upon getting an access

to fund (opportunity), the person commits the fraud (rationalization). This theory, however, was found to have some lacuna and some scholars addressed that. Wolfe and Hermanson (2004) acknowledged the role of another element, capability. Another component considered in this study is collusion, the fifth element derived from fraud pentagon theory.

Empirical studies have pointed to the role four major factors, namely, loopholes in banking system, non-compliance of procedures, ineffective supervision, and control of working of bank's operation of branches (Neupane, 2020). As per the study of world's well-known auditing and tax Consultant Company KPMG (2006), and Deloitte a UK company (2015) the causes of frauds are poor internal control, lack of ethical value, collusion between of employee with outsider party, management override control of management and dissatisfaction among employee. Micheni concluded that internal control becomes an element in preventing and thereby fostering successful operation and productivity of any organization (2016). The study of Gitau et al. (2016) in Kenya through descriptive research design also found the role of strong internal control systems in reducing fraud. Major causes of bank fraud are grouped into two groups, institutional and environmental by Alashi (1994). The section below presents a brief review of pertinent literature on the fraud; it needs to be said that this review contributed to identifying the elements, which were then used to formulate questionnaire.

Another factor identified to have crucial role in banking fraud is information technology and poor data management. With the advent of internet technology, both opportunities as well as challenges emerged in online banking. According to Aribake, one of the main disadvantages of internet technology is the issue of security (2015). Bhasin (2015) stated that technology is two-sided sword; on the hand, it has brought much development; on the other hand, perpetrators use it for fraudulent works. Swain and Pani (2016) concluded the cybercrime has become new menace of the day with the advent of technology. Technology may be abused from inner and outer side; employees from inhouse and fraudster from outside misuse technology. Computer frauds could also occur due to improper input system, virus, program manipulations, transaction manipulations and cyber thefts. Data anomaly could be caused by untrained personnel or by intentional wrong data input or by virus. In the words of Bhasin (2016), lack of customer and staff awareness can result in failure of even the best of technology solutions.

Available studies have also pointed to the role of legal system in bank fraud. Fraudsters dare to fraud in weak law and management (ICC Commercial Crime Services, 2002). A form of fraud, bankruptcy, would occur due

to poor accounting, lax regulation, or low penalties for abuse. Believing that fraudsters are discouraged if there is provision of severe punishment in society and country, severe punishments are recommended against bank employees, customer and other who commit frauds (Apkan, 2013). In Nepal, where this study is based, many financial progressive acts have been recently implemented by Nepal government to promote good corporate governance.

The other factor playing its role in fraud is management override of control. This is a situation where in internal control is overridden by board of directors and chief executive officer. Good corporate governance is essential in banking sector. Board of directors and chief executive officer are responsible for maintenance of good corporate governance. Not being responsible, they are involved in corruption in loan especially. When management commits such crime, it is a breach to the ethics (Ogechukwa, 2013).

The other finding from the review of related literature is the role of greed; greed is found to be a major cause of fraud (Akinyomi, 2012). This conclusion aligns with another phenomenon, that is, majority of the staff members' remuneration is inadequate. The organization where employee worked with positive attitude has less chances of banking frauds. Such frauds can hardly be successful without the aid of bank employee (Adebisi, 2016). In an institution where individuals carry ethical values, the chances of banking frauds are very minimal. Greed theory of fraud also states that banks have become persistent targets of underworld mainly because banks are seen as the richest organization in the country (Inaya et al., 2016).

Available studies have also shown that most forgeries are perpetrated by internal staff or by outsiders who act in collusion with bank staffs (Adebayo et al. 2014; Neupane, 2020). Collusion is found to occur as a consequence of the absence of capability. Fake payment is done with or without the collaboration of other members of staff or bank customer (Gbedi et.al, 2014). If customer and vendor are not capable, they collude with employee.

Another major cause of the perpetration of frauds is the lack of proper training. Studies have recommended that customers should be encouraged to have long legible signature and the specimen signature of the customer be taken every year as the signature of individual change overtime (Khanna et al., 2009). Adeyemo (2013) stated that adequate training and education, especially on frauds and forgeries, should be organized from time to time for bank's staff. The other reason of fraud is lack of customer's education.

Studies have shown that there is a significant impact of customer awareness and exposure on fraud precautionary measures besides technological aspects (Usman & Shah, 2013; Bhasin, 2016). Customer and employee should be trained and aware of technology adapted by banking industry. Bhasin (2016) focused on the lack of training and awareness as the cause and emphasized that banking fraud can be controlled by educating the customer.

Some studies have pointed to the role of employees in the occurrence of fraud. There are chances of employees becoming dissatisfied due to financial pressure and work load. Given that there is a big gap of salary among top-level managers and lower-level employee in banking industry, the latter suffer from economic pressure that may end up in committing fraud (Omar et al., 2016). There are three types of frauds in bank: external fraud, internal fraud and mixed fraud. Collusion between vendors and employee is a mixed fraud (Abiola et al., 2013).

Research methodology

The study initially deployed documentary analysis. Information related to the causes and prevention was initially generated from the available literature. From the review, eight major elements –accounting and poor internal control, information technology, legal system, management override of control, ethical value, collusion with customers and vendors, training and awareness program and dissatisfaction among employees – were identified. The following are the causes and preventive measures found from the literature review:

Table 1: The causes and prevention of banking frauds

Causes of banking frauds	Preventions of banking frauds
X2 = Information technology & poor data base management	X1= Accounting and Internal control
X4 =Management override of control	X3 = Legal system
X6 =Collusion with employees, customers and vendors	X5 = Ethical value
X8 =Dissatisfaction among employee	X7=Training to employee and awareness program to customers

To gain better understanding of these causes and prevention of bank fraud in Nepali context, exploratory-descriptive research design was used.

Using these variables (as shown in Table 1), a questionnaire was developed, piloted and finalized. The questionnaire comprised statements in five scales Likert ratings. It was then administered to conveniently selected 34 officers of commercial banks working as operational and branch managers. The data obtained thus was analyzed using descriptive statistics.

Analysis of the data and findings

This section divided under two headings, causes of banking fraud and preventions of banking frauds, presents findings of the data on bank officers' perception related to the role of various factors in banking fraud. Similarly, it fleshes out the preventive measures as suggested by the concerned stakeholders. Each perceived cause and preventive measures are discussed in brief after the findings.

Causes of banking fraud

The analysis of operational and branch managers' response to the causes of frauds showed the following results. In response to the statement that inquired to rank the elements contributing to fraud, 21 percent pointed to poor internal control, 18 percent to advanced computer technology, 14 percent each to economic and financial pressure and lack of ethical value, 10 percent to inadequate fraud training, five percent each to management override of control, legal factors, socio culture factor, and failure to punish, two percent to political factor; and only one percent pointed to collusion. This clearly indicates that commercial bank officials consider internal control, computer technology, economic and financial pressure and lack of ethical values as the major elements of banking fraud. Interestingly, the role of the factors such as collusion and law are ranked very low.

The findings for each element related to the cause is indicated by a number followed by an uppercase letter subscripted with a number. The first variable (X2) concerned the extent effect of information technology and poor data base management on banking fraud.

Table 2: ATM and its Role in Fraud

Responses	Frequency	Percentage (%)
Strongly agree	10	29
Agree	12	35
Undecided	3	9
Disagree	6	18
Strongly disagree	3	9
Total	34	100

In response to the statement, "The increase in using automated teller machine (ATM) has increased the propensity to fraudulent practices" nearly two-thirds (64%) agreed; 35 percent responded that they agreed, and 29 percent strongly agreed. Those who disagreed were 27%, and those who were undecided accounted for nine percent. The fact that hugely large number of managers understood ATM as potential cause of fraudulent practices speaks to the fact that technical aspect is perceived as a major cause of fraud. For a sizable number, however, ATM did not appear to contribute in the occurrences of fraud; this is suggestive of little or no instances of fraud in some banks.

Another variable numbered as (X4) was related to the extent effect of management override of control on banking fraud. Two questions related to this variable were asked. Responding to the statement whether override controlled by bank's management is capable of making bank to liquidate and eventually collapse, slightly more than one third (38%) responded that they agreed, and nearly the same number (36%) disagreed. Those who were undecided were 26 percent. Apparently, there are no huge differences in the number of agreed, disagreed and undecided; such divided opinion suggests that Nepali commercial bank managers' experience related to management override is varied and thus not homogeneous. The response to statement if bad leadership of the bank's top management and executive could encourage others to perpetrate fraud, more than half (59%) responded that they agreed. Those who were undecided were 18 percent, those who disagreed were

12 percent, those who strongly agreed were nine percent, and those who strongly disagreed were two percent. Those who agreed was more than two thirds (68%) means bank managers are skeptical about the role of top management and executives. The perceived skepticism may be indicative of potential unethical practices of top management in banking sector.

Third variable, X6, had to do with the extent effect of collusion with employee, customer and vendors on banking fraud. In response to the statement, whether a perpetrator can collude inside and outside to fraud in bank or any organizations, nearly three-fourth (74%) responded that they agreed; 26 percent were undecided. Similar statistics was observed in response to the question if catastrophic opportunity level has been set. Around two-thirds (62%) responded that they agreed. The number of respondents who were undecided was 38%. Given this high number (74% and 62%) of respondents agree on the possibility of collusion, it can be inferred that Nepali banks are perceived to be substantially susceptible to frauds.

Fourth variable, labelled as X8, concerned the extent effect of dissatisfaction among employee on banking fraud. In response to the statement – Job insecurity can lead people into committing fraud – more than half (53%) responded that they agreed; and those who were undecided were 47 percent. Another statement was related to the relation of increased financial burden and fraudulent act. It was found that more than four-fifth (82%) responded that there is relationship between the two. Those who were undecided accounted for 12 percent and those disagreed were very small number, that is, (6%). Since the share of those who agreed on the relation of dissatisfaction and frauds is remarkably high, the chances of such acts appear impending especially in Nepali banks where employees are dissatisfied.

Preventions of banking frauds

Analyzing the responses of bank managers related to the preventive measures, it was observed that the managers have optimism. The findings are presented in the paragraphs below:

First variable, X1, was the extent effect of accounting and internal control on banking fraud. There were four questions pertaining to this variable. In response to the first statement – Accounting and internal control system is capable of ensuring and promoting the effectiveness and efficiency of operation in banks – more than four-fifth (82%) responded that they agreed. Those who were undecided accounted for 15 percent, and three percent disagreed. The same understanding is reverberated in response to other question. Answering the statement whether accounting and strong internal control system is capable of ensuring customer's confidence and trust in bank, nearly all (97%) responded that they agreed; only three percent were undecided. Similarly, in response to the statement whether the implementation of internal control system in the banks ensures the reliability through the use of bank financial statements, almost all (94%) responded that they agreed. In response to the statement – Effective accounting and auditing of the functional operation of the internal control system promote growth, profitability and continuous existence of bank – the results were not as overwhelmingly positive as in the third question. Exactly four-fifth (80%) responded that they agreed. Those who were undecided accounted for 17 percent, and three percent disagreed. The fact that more than four-fifth perceive the role of accounting and internal control system indicates that Nepali bank managers have faith on the system. Any breach in the system, as the responses indicate, will result in the occurrences of fraud.

Another variable, labelled as X3, was related to the extent effect of legal system on banking frauds.

Two statements were used to understand bank officers' perception on this issue:

A. Strong legal system of banking discourages the fraudsters.

B. Effective legal machinery that guarantee severe punishment for fraud perpetrators and forgers are discourages.

In response statement A, 80 percent agreed, 17 percent undecided and 3 percent disagreed. In response to statement B, 76 percent agreed, 17 percent were undecided and 7 percent disagreed. More than three-fourth agreed may be an indication of huge importance of legal system in controlling frauds.

Third variable, named in this study as X5, concerned the extent effect of ethical values on banking. In response to the statement – Ethical value discourages frauds – 73 percent agreed, 24 percent were undecided, and those who disagreed were three percent. Another statement related to this variable was whether organization conducts ethical and security training for new employee with periodic updates for existing employees. More than four-fifth (85%) responded that they agreed, and 15 percent were undecided. The perceived importance of ethical values, which is remarkably high, speaks to the fact that bank officers in Nepal place huge emphasis on the extent effect of ethical values in preventing frauds.

Fourth variable, X7, was related to training to employee and awareness to customer on banking frauds. Four statements/questions related to this issue were asked. In response to the first one, whether training of staff to recognize and communicate red flags are conducted for finance professionals and special training for senior executive, more than four-fifth (85%) responded that they agreed, and those who were undecided were 15 percent. Responding to the statement – Staffs are trained to implement accounting and financial management system – nearly the same number (82%) answered that they agreed. Those who were undecided accounted for 12 percent, and six percent disagreed. Another statement was on the level of understanding. In response to whether staff members have basic understanding of fraud and are aware of the red flag, four-fifth (80%) said they agreed, 20 percent were undecided. In response to the statement – Staff members read and undertake policies and procedures relating to fraud – nearly three-fourth (73%)

responded that they agreed. Those undecided were five percent, those who disagreed were two percent and those who strongly disagreed were two percent. The fourth statement, whether training to employee and awareness prevent frauds in bank or not, had four sub-statements. In response to each one, more than 80 percent agreed that training to employee and awareness program to customer prevent frauds in bank. In response to fourth one, 73 percent agreed. The findings that revealed more than two third respondents agreeing on the statements clearly speaks that bank managers have huge faith on the role of training and awareness on minimizing frauds.

Conclusion

Perpetrators are often found to outsmart human resources working against fraud. But, if the causes and measures are identified in time, the act of fraudsters can be detected to avoid potential damage. Informed awareness of officers in financial institutions may be instrumental in the instances of potential fraud. Hugely large number of bank managers in Nepal agree that dissatisfaction among employee is the greatest potential threat of fraud. Other major perceived threats include collusion with employee, customer and vendors, and information technology and poor data base management. The measures that are perceived to have substantial impact in reducing fraud are training to employee and awareness to customer, internal control, strict legal system, and ethical values.

This study has some limitations. Firstly, the study sample was conveniently selected, and thus the findings may not be generalizable. Secondly, it used descriptive statistics exclusively. Hence, a further study that is cross-sectional using inferential statistics is recommended.

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Impact of COVID-19 on world economy and Nepal



AJAY MAHAJAN
CHAIRMAN

CARE Ratings Nepal, Limited

The year 2020 witnessed unrivalled turmoil with the outbreak of the novel COVID-19 virus, which spread exponentially and across geographies, and the World Health Organisation had to declare it as a “pandemic” within three months of its emergence. In order to mitigate the devastating impact of the health shock in the form of increasing infection rate and mortalities, Governments had to employ lockdowns of varying stringency to minimise the transmission of the virus and flatten the disease curve. The number of daily fresh infections was growing rapidly and scaled its first peak (at the global level) in early January 2021 following which it registered a rapid decline till the end of February’21. However, as economies started unlocking amidst dwindling infections, improved health infrastructure and optimism around vaccine development, a second wave of the pandemic hit the global map, much faster but concentrated in some regions leading to re-imposition of restrictions. Countries across the globe have experienced second, third and even fourth wave of the pandemic at different points in time. Presently, the case load has moderated as countries are now better prepared by drawing lessons from the earlier waves and with the swift developments around vaccinations. Nonetheless, as of June 20, 2021, the total number of reported cases and deaths has been sizeable and around 178 million and 3.9 million respectively.

The unprecedented pandemic has been the most formidable economic challenge to the world economy, so far in this century with the economy witnessing the deepest contractions in decades. As per IMF, the global output is estimated to have contracted by 3.5% in 2020 with a larger impact observed in advanced economies (-4.9% de-growth) compared with emerging economies (-2.4%). The public health measures adopted to contain the spread, engendered sizeable immediate economic costs owing to full suspension of economic activities, fall in consumption and investment activities, precautionary savings and restricted mobility. COVID-19 led to a difficult situation of “saving lives v/s livelihoods” as the steps taken to flatten the disease curve were leading to steepening of the economic cost curve. The economic fallout of the pandemic had been acute and uneven across individuals and sectors and therefore targeted fiscal, monetary and financial aid was employed to support households and businesses. Governments and central banks across the world deployed a range of policy tools to support their economies which included lowering key policy rates, quantitative easing measures, loan guarantees, cash transfers and fiscal stimulus measures. The total fiscal response (additional spending and liquidity support) of all the countries from January 2020 to April 2021 has been 15.3% of global GDP (IMF Fiscal Monitor). Global financial conditions have remained accommodative throughout with swift and unconventional interventions from global central banks. Economies have re-opened following easing of relaxations, adopting to the new normal of various protocols by various economic agents and rapid vaccination drives leading to a robust outlook for world economic growth of 6% in 2021 and 4.4% in 2022 by the IMF. Nonetheless, there is heightened uncertainty about global prospects owing to new mutations and the economic outlook remains contingent upon the evolvement of the virus, efficacy and coverage of the vaccine and economic

policy to limit the damage and diverging recovery from the unprecedented crisis.

Nepal too has been hit severely by COVID-19 pandemic, albeit with an improvement seen recently as the second wave has abated. The country faced two waves of the pandemic with the first wave experiencing around 6,000 daily cases during October'20 and a more recent one seen during April-May'21 with the new cases being almost one and half times that of the first wave. The total reported cases and deaths in the country as of 20th June, 2021 were around 6.2 lakhs and 8,726 respectively. As the outbreak became widespread in mid-2020, a nationwide lockdown was implemented from March to July in 2020, followed by localized lockdowns, including in the Kathmandu Valley up until mid-September. Nepal's economy is estimated to have contracted by 2.1% during 2019/20 (financial year from 15 July'2019 to 14th July'2020) as the lockdowns has had a far-reaching implication on some key sectors like wholesale and retail trade, manufacturing, tourism, transport and associated services like hotels and restaurants. As per World Bank report, 2 out of 5 economically active workers reported job loss or prolonged work absences following the outbreak of the COVID-19 pandemic, highlighting the economic hardship and the impact on income and employment.

In the first half of 2020/21 (mid-July 20 to mid-January 2021), growth has remained sluggish as tourism activity has been stalled and private investment has been constrained by risk aversion and uncertainty. There have however been incipient signs of recovery in wholesale and retail trade, transport and financial services following easing containment measures while favourable monsoons has driven agriculture growth. On account of the resumption of economic activities and low base-effect, the Central Bureau of Statistics has estimated Nepal's economy to grow by around 4% in 2020/21 with food services, power, financial and insurance and healthcare being the growth drivers while agriculture and manufacturing projected to witness steady growth. The World Bank has also projected the country's economy to grow by 3.9% in 2021/22 and 5.1% in 2022/23 based on assumptions of successful domestic and global vaccine roll-out and gradual resumption of international tourism. However, delays in vaccinations, new outbreak of COVID-19 both domestically and globally, international travel restrictions and political uncertainty are the downside risks to the economic outlook of Nepal. The progress of vaccination so far in Nepal has been slow with around 8.5% of the population receiving one dose while 2.5% fully inoculated as of mid-June'2021. Another

big challenge for the economy is the projected decline in the investment rate in the economy to a 3-year low of 27.3% in 2020/21.

The Nepal government announced various measures to alleviate the impact of the pandemic and it included increase in healthcare spending (including spending on hospital facilities), additional insurance coverage to medical personnel, lending program for SMEs and tourism sector, elimination of import duties on medical supplies, strengthening of social assistance to the most vulnerable by providing daily food ration, subsidising utility bills, extending tax-filing deadlines partially compensating for lost wages in the formal sector and allowing informal workers to participate in capital projects. The Government has undertaken higher spending in 2020/21 which has led to widening of the fiscal deficit of the Government to 5% while larger outlay budgeted for in 2021/22 has pegged the fiscal deficit at 7%. On the monetary front, the Nepal Rastra Bank also ensured stability of financial conditions and facilitated private sector lending via reducing the cost of borrowing. In July'2020, the NRB reduced the bank rate from 6% to 5% and announced additional liquidity support via long term repo facility. Additionally, the central bank also reduced the CRR from 4% to 3% for providing additional liquidity. Banks were allowed to defer loan repayments during April-May'20 till mid-July'20 which was further extended till January 2021. There were also easing working capital limits announced while limits on home loans were also enhanced to facilitate credit off-take.

The COVID-19 pandemic raised extraordinary health challenges on a global scale, fundamentally altered policy responses, triggered behavioural adoptions at household and business level and posed unique policy dilemmas. The outlook for all economies still remains clouded and various risks emanating from another wave of the pandemic, elevated global debt levels, deterioration in financial asset quality and concerns around inflation and unemployment amid demand-supply mismatches will continue to threaten the incipient economic recovery. With the divergence in vaccination coverage looking prominent and varying quantum of policy support across countries, the prospects of economic recovery will also remain uneven. Economic activities are likely to resume in Nepal too with decline in new cases and relaxation of lockdown restrictions. Rapid inoculations across the country and addressing structural weakness in the country remains imperative for the economy to come out of the debilitating effect of the pandemic and witness a resilient recovery going forward.

Mr. Ajay Mahajan is the chairman of CARE Ratings Nepal Limited and the Managing Director & CEO of CARE Ratings Limited, India. He is a widely experienced financial services expert with 30 years in banking and capital market businesses. He holds a Bachelor of Engineering in Electrical & Electronics Engineering from BITS Pilani, and MBA from FMS (where he was a Gold medalist). He is also CFA Charter holder from CFA Institute, USA.



Name of the Bank: **Laxmi Bank Limited**
Full Address: **Hattisar, Kathmandu, Nepal**
Phone Number: **+977 1 4444 864**
Email Address: **info@laxmibank.com**
Swift Code: **LXBLNPKA**
Name of the CEO: **Ajaya Bikram Shah**
Slogan of the Bank: **लक्ष्मी छ, लक्ष्मी बैंक छ ।**

ABOUT THE BANK

Laxmi Bank Ltd. was incorporated in April 2002 as the 16th commercial bank in Nepal. In 2004 Laxmi Bank merged with HISEF Finance Limited, a first generation finance company which was the first merger in Nepali corporate history. Further, the bank acquired Professional Diyalo Bikas Bank in January 2017, a class "B" development bank.

Today, through its branches and a host of IT enabled channels, the Bank serves a wide range of customers. Despite a relatively short history, Laxmi Bank has emerged as a major player across all business lines – retail, midmarket, corporate, infrastructure and treasury. The Bank is widely recognized as one of the best-managed banks in Nepal with high standards of corporate governance, risk-management systems and a strong technology.

Laxmi Bank's microfinance subsidiary – Laxmi Laghubitta Bittiya Sanstha Ltd, a category D financial institution licensed by Nepal Rastra Bank is in operation since 2012.

Similarly, Laxmi Bank's investment banking subsidiary – Laxmi Capital Market Ltd, licensed by the Securities Board of Nepal's offering various merchant and investment banking services since February 2009. Laxmi Capital also manages Laxmi Value Fund – 1 and Laxmi Equity Fund, the two Mutual Funds sponsored by Laxmi Bank, both of which are listed and traded at the Nepal Stock Exchange.

VISION		KEY FINANCIAL HIGHLIGHTS		
■ We will be the Bank of choice for a growing, vibrant Nepal reaching and enriching households, businesses and communities		Key Indicators	FY 2076/77	Q3 of FY 2077/78
		Paid Up Share Capital (in NRs.)	9.8 Billion	10.69 Billion
		Deposit (in NRs.)	101.35 Billion	112.09 Billion
		Lending (in NRs.)	90.04 Billion	106.18 Billion
		Investment (in NRs.)	10.42 Billion	15.57 Billion
OTHER INDICATORS		Total Assets (in NRs.)	128.89 Billion	146.23 Billion
Number of Employees	1235	Operating Profit (in NRs.)	2.02 Billion	1.81 Billion
Number of Branches	132	Net Profit (in NRs.)	1.41 Billion	1.28 Billion
Number of Depositors	785,747	Net Profit to Total Assets Ratio (in %)	1.10 %	0.88%
Number of Borrowers	35,446	Total Staff Expenses (in NRs.)	1,232 Million	996 Million
		Staffs Training & Development (in NRs.)	19.78 Million	6.25 Million
		Net Profit to Net Worth Ratio (in %)	10.10 %	7.92%
		NPL (in %)	1.04%	0.71%
		Earning Price Per Share (in NRs.)	14.39	16.06
		Market Capitalization (in NRs.)	20.51 Billion	33.69 Billion
		Last 180 day's average Share Price (in NRs.)	220	282

KEY MESSAGE FROM CEO

Since 2002, Laxmi Bank has offered modern and digital banking services to our clients and customers across the country. We believe that banking is a long term business and growth should be responsible and sustainable, benefiting all stakeholders. We will always strive to maintain the highest ethical standards in all our relationships driven by a strong internal culture and systems. Laxmi Bank recognizes the importance of responsible banking practices, good corporate governance and meaningful corporate social responsibility to meet our People, Planet and Profit aspirations.

लक्ष्मी छ लक्ष्मी बैंक छ



☎ 01-5970684

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CEO



Name of the organization: **NIC ASIA Bank Ltd.**
 Full Address: **Trade Tower, Thapathali, Kathmandu**
 Phone Number: **977-1-5111177 / 5111179**
 Email Address: **info@nicasiabank.com**
 Swift Code: **NICENPKA**
 Name of the Chairman: **Mr. Tulsi Ram Agrawal**
 Name of the CEO: **Mr. Roshan Kumar Neupane**
 Slogan of the Bank: **Bank Pani Saathi Pani, Ramro Pani Hamro Pani**
 Website: **www.nicasiabank.com**

INTRODUCTION

NIC ASIA Bank has its antecedents in NIC Bank which was established on 21st July 1998. The Bank was rechristened as NIC ASIA Bank after the merger of NIC Bank with Bank of Asia Nepal on 30th June 2013. This was a historic merger in the annals of the Nepalese financial landscape as the first of its kind merger between two successful commercial banks in the country. Today, NIC ASIA has established itself as one of the most successful commercial banks in Nepal. The Bank strongly believes in Meritocracy, Transparency, Professionalism, Team spirit and Service Excellence. These core values are internalized by all functions within the Bank and are reflected in all actions the Bank takes during its business.

NIC ASIA Bank is now, one of the largest private-sector commercial banks in the country in terms of capital base, balance-sheet size, number of branches, ATM network and customer base.

VISION	MISSION
■ To ensure creation of optimum values for all the stakeholders.	■ To be a Bank of 1st Choice for all the stakeholders

KEY FINANCIAL HIGHLIGHTS			OTHER INDICATORS	
Key Indicators	FY 2076/77(Actuals)	Q3 OF FY 2077/78	Number of Employees	3803
Share Capital (in NRs.)	9,717,651,568	11,564,005,366	Number of Branches	356
Reserves (in NRs.)	5,548,705,431	7,397,333,080	Number of Depositors	2628737
Deposit from Customers (in NRs.)	295,612,603,861	210,843,401,037	Number of Borrowers	65590
Loans and Advances to Customers (in NRs.)	173,741,561,231	259,999,039,327		
Operating Profit (in NRs.)	4,434,826,510	4,395,654,146		
Net Profit (in NRs.)	3,004,815,638	3,098,536,965		
Capital fund to RWA (in %)	11.44%	13.5%		
Non-Performing Loan to total loan (in %)	0.47%	0.75%		
Net Profit available for distribution (in NRs.)	1,693,184,465	1,220,603,002		
Credit to Deposit Ratio (As per NRB Directives) (in %)	70.29%	84.21		
Earnings per share (in NRs.)	31.89	34.87		

AWARDS AND RECOGNITION

- ISO 9001:2008 Certified
- The Banker – Bank of the Year 2007
- The Banker – Bank of the Year 2013
- The Institute of Chartered Accountants of Nepal (ICAN) – Best Presented Annual Report 2018
- South Asian Federation of Accountants (SAFA)- Best Presented Annual Report Award (Certificate of Merit)



NIC ASIA

एन आई सी एशिया बैंक लि.

सहज

उत्तरदायी

सबल

विश्वसनीय

गातिशील

बैंक पनि, साथी पनि

राख्ने पनि, हाक्ने पनि



CEO

**RMDC Laghubitta Bittiya Sanstha Ltd.**

आरएमडीसी लघुवित्त वित्तीय संस्था लि.

The Partner for Safe, Sensible & Sustainable Microfinance

Name of Bank: **RMDC Laghubitta Bittiya Sanstha Ltd.**
 Corporate Address: **Putalisadak, Kathmandu, Nepal**
 Phone Number: **4268019,4268020**
 Email: **rmdc@rmdcnepal.com**
 Name of the Chairman: **Sujata Joshi**
 Name of the CEO: **Jyoti Chandra Ojha**
 Slogan of the Bank: **The Partner for Safe, Sensible & Sustainable Microfinance**

ABOUT THE ORGANIZATION

RMDC Laghubitta Bittiya Sanstha Ltd. is a wholesale lending microfinance institution in Nepal. It was registered on 30 October 1998. RMDC is operating under the 'Bank and Financial Institution Act (BAFIA), 2017' of Nepal, as a 'D' class microfinance institution. The main function of RMDC is to provide wholesale loan to microfinance institutions (MFIs) and Cooperative Organization. Besides, it has been providing institutional capacity building supports to its Partner's Organization.

VISION		MISSION	
<ul style="list-style-type: none"> ■ Emerge as a financially viable, operationally sustainable and professionally efficient institution for wholesale lending to microfinance institutions in Nepal. 		<ul style="list-style-type: none"> ■ Reaching out to the largest number of the poor and disadvantaged households with appropriate microfinance services to enable them realize their untapped potentials of development through the partner MFIs. 	
NAME OF PRODUCTS AND SERVICES		KEY FINANCIAL HIGHLIGHTS	
RMDC provides following types of loan products: Microfinance Operation Loan Microfinance Promotion Loan Micro-enterprise Loan Bridge Loan Special Loan Seed Fund Loan Agriculture Loan Livestock & Poultry Loan Clean Energy Loan Housing Loan Concessional (COVID-19) Loan		Key Indicators	Q3 OF FY 2077/78 (NRS'000')
		Paid Up Share Capital (in NRs.)	1,034,221.94
		Reserves and Surplus (in NRs.)	1,719,583.56
		Lending (in NRs.)	8,453,228.21
		Investment (in NRs.)	348,629.28
		Total Assets (in NRs.)	11,543,375.29
		Operating Profit (in NRs.)	274,603.87
		Net Profit (in NRs.)	205,330.51
		Net Profit to Total Assets Ratio (in %)	1.779%
		Total Staff Expenses (in NRs.)	24,402.61
		Staffs Training & Development (in NRs.)	232,597
		Earning Price Per Share (in NRs.)	26.47 (Yearly)
OTHER INDICATORS		AWARDS AND RECOGNITION	
Number of Employees	34	Asian Development Bank awarded Rural Microfinance Project (RMP) & CLDP which was executed by RMDC, The Best Performer in 2001, 2002, 2004, and 2005.	
Number of Branches	2		
Number of Borrowers	256		

KEY MESSAGE FROM CEO

Microfinance operation in Nepal have now taken the shape and developed as mature industry. Today, the country has adequate number of microfinance institutions to provide microfinance services in remote rural areas. Many of them have been developed and promoted through the effort and support of RMDC.

RMDC has significant contributions to promotion and development of MFIs in the country. As a wholesale lending institution, it disburses loan funds to retail MFIs for on-lending to the poor for their income generating economic activities. RMDC offers a number of capacity building programs particularly to its partner MFIs for upgrading knowledge and skills of their staff on different facets of microfinance operation and management. It also offers financial and technical supports to its partner MFIs to organize need-based training/workshops/exposure visit programs for their clients in order to strengthen their groups' capacities and upgrade their entrepreneurial as well as occupational skills.

Regular monitoring and follow up of its POs is another major functions of RMDC. Through regular monitoring and follow up of its partner organizations, RMDC makes sure that its POs comply with the agreed terms and conditions, and are following the best practices and are on right track. As per the requirement, RMDC makes off-site and on-site monitoring of its POs.

RMDC also collaborates with national and international agencies for promotion and development of microfinance. It has also been organizing training, studies, seminar and conferences in collaboration with national and international institutions.



**YOU'RE NOT YOU
WHEN YOU'RE
HUNGRY.**

SNICKERS

SATISFIES

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ACTING CEO

Name of Organization: Mirmire Laghubitta Bittiya Sanstha Ltd.
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Phone Number: 977-011662311/12
Email: info@mirmirebank.com.np
Name of the Chairman: Mr. Tek Bahadur Bohara
Acting CEO: Mr. Rajendra Prasad Neupane
Slogan of the Organization: आत्म निर्भरताको लागि मिर्मिरे
Website: www.mirmirebank.com.np

ABOUT THE ORGANIZATION

Under the Company Act 2063, Mirmire Laghubitta Bittiya Sanstha Limited was registered at Company of Registrar Office of Government Nepal with the registration no 301515986. Mirmire has started its financial operation from 2066/09/02 after getting the license from Nepal Rastra Bank to operate as a 'D' class National financial institution as per Bank and Financial Institution Act 2003.

Mirmire aims to provide financial services as well as an opportunity for the deprived ones to grow their financial self-sufficiency by providing financial literacy. Mirmire targets the people who are out of banking reach. And also Mirmire has been playing a vital role to raise the living standards of economically disadvantaged citizens by giving micro loans for income generation.

Mirmire is giving services to economically disadvantaged people who are far from the access to the banking services. Mirmire is giving services in 66 districts with active 147 number of branches. Besides giving financial services to such people, Mirmire also focuses in making them the entrepreneurs by giving them different type of trainings through various means.

VISION	MISSION
■ Be a leading MFI in the national movement of poverty reduction through community with active participation in national products.	■ The mission of Mirmire is to identify the local resources and maximize its utilizations to transfer deprived people into self employed by providing loan and other financial services.

KEY FINANCIAL HIGHLIGHTS

Key Indicators	FY 2076/77(Actuals)	Q3 OF FY 2077/78(in Thousand)
Share Capital (in NRs.)	208662845	398626.32
Reserves (in NRs.)	97546740	256282.70
Deposit from Customers (in NRs.)	989082143	1876731.01
Loans and Advances to Customers (in NRs.)	2708967235	6504794.43
Operating Profit (in NRs.)	53828701	218243.37
Net Profit (in NRs.)	34393957	147502.45
Capital fund to RWA (in %)	8.29%	10.25%
Non-Performing Loan to total loan (in %)	2.31%	2.26%
Net Profit available for distribution (in NRs.)	272666	147502.45
Credit to Deposit Ratio (As per NRB Directives) (in %)	0.58	346.60%
Earnings per share (in NRs.)	17.60	49.65%

OTHER INDICATORS

Number of Employees	695
Number of Branches	147



CEO



Surya Life INSURANCE
Your Future, Our Responsibility.

Name of Insurance: Surya Life Insurance Co. Ltd
Corporate Address: Charter Tower, 4th Floor, Sano Gaucharan, Kathmandu
Phone Number: 014423743
Email: info@suryalife.com.np
Name of the Chairman: Mr. Keshav Prasad Bhattarai
Name of the CEO: Mr. Pawan Kumar Khadka
Slogan of the Insurance: Your Future, Our Responsibility
Website: www.suryalife.com

ABOUT THE ORGANIZATION

Surya Life Insurance Company Ltd. has been established and registered under Company Act 2063 B.S.(Regd. No. 1006/063-64) and Insurance Act 2049 as a Public Limited Company with license to operate Life Insurance Business on 2064/12/06.

The Company with its motto "Your Future, Our Responsibility" continuously strives to be the Company of first choice to all the people across the country. We are committed to satisfy our stakeholder and confident to gain support as always.

VISION	MISSION
<ul style="list-style-type: none">With a vision to socially and financially establish as one of the most viable institution, since 13+ years we have been satisfying our stakeholders through excellent service.	<ul style="list-style-type: none">Our mission is to create resources and means for economic development and to introduce and implement various attractive payback life insurance plans for citizens of Nepal to secure life.

दीर्घ जीवन,
समृद्ध भविष्य...



सूर्या चौरासी

“सूर्या चौरासी पूजा” जीवन बीमा योजना न्यूनतम बीमाशुल्कमा बीमितको अधिकतम जोखिम रक्षावरण गर्न तथा इच्छाहुँदाको अवधि पछि पनि बीमितको जीवन निर्वाहको लागि नियमित प्रतिफल उपलब्ध गराउनको निम्ति यो बीमा योजना ल्याइएको छ।



Surya Life INSURANCE
Your Future, Our Responsibility.

Charter Tower, Sano Gaucharan, Gyaneshwor, Kathmandu, Nepal
Tel: 01-4523743 Email: info@suryalife.com Web: www.suryalife.com



CEO



Name of Insurance: Sanima General Insurance Limited
Corporate Address: City Express Complex, Kamaladi, Kathmandu.
Phone Number: +977-1-4427170/71/72
Email: sanima@sanimageneral.com
Name of the Chairman: Mr. Khem Raj Lamichhane
Name of the CEO: Mr. Sudyumna Prasad Upadhyaya
Slogan of the Insurance: निरन्तर सेवा निर्धक्क साथ
Website: www.sanimageneral.com

ABOUT THE ORGANIZATION

Sanima General Insurance Ltd. is incorporated under the Companies Act and Insurance Act as a Public Limited Company with the objective of providing accessible, affordable, prompt and fair non-life insurance services. We had commenced our business operations since July 2018.

At Sanima General Insurance Ltd., customer centricity is the core of our culture. Along with offering a wide range of non-life insurance products approved by the Beema Samiti, we do believe in continuous innovation and improvisation on all the aspects ranging from products to services to be the best partners of our customers. This commitment inspires us to do things right, every time.

VISION

- To become the leading insurance company in Nepal and provide our clients with unmatched quality - focusing on innovation for better products & customer service.

MISSION

- To design every product according to the needs of our client, develop every process keeping in mind the ease of our clients, make every decision focusing on our shareholder's profitability and communicate with full transparency.

KEY FINANCIAL HIGHLIGHTS

Key Indicators	FY 2076/77 (Actuals)	Q3 OF FY 2077/78
Paid Up Capital (in NRs.)	700,000,000	1,000,000,000
Total Reserves (in NRs.)	69,443,416	170,320,925
Solvency Margin (in %)	151.79	-
Total Investments (in NRs.)	806,600,000	1,265,818,549
Gross Premium (in NRs.)	361,126,722	464,628,735
Total Claims Paid (in NRs.)	65,704,352	152,668,742
Net Profit (in NRs.)	43,588,612	58,169,646
Net worth (in NRs.)	109.92	117.03
Earnings Per Share (EPS) (in NRs.)	6.23	7.76
Lead reinsurer & it's credit rating (in NRs)	Hannover Re, Malaysian Branch A+ Rating by A.M. Best	Hannover Re, Malaysian Branch A+ Rating by A.M. Best
Last 180 day's average Share Price (in NRs.)	-	745.60

NAME OF PRODUCTS AND SERVICES

All Type of Non-life insurance Products are:

- Property,
- Marine
- Motor
- Engineering
- Miscellaneous
- Agriculture
- Micro Aviation

OTHER INDICATORS

Number of Employees	133
Number of Branches	19
Number of Policy Issued	57824

सानिमा जनरल इन्स्योरन्स लि.
Sanima General Insurance Ltd.
निरन्तर सेवा निर्धक्क साथ



Sanima General Insurance Ltd., Kamaladi, Kathmandu
Phone: +977-1-4427101/170/171/172 Fax: +977-1-4427103
E: sanima@sanimageneral.com | www.sanimageneral.com

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बाट पनि तिर्न मिल्ने



मोबाइल बैकिङ्ग एप देखि डिजिटल वालेट तथा अन्तराष्ट्रिय
पेमेन्ट पार्टनरहरू सबैलाई समेट्ने छुट्टै **नेटवर्क**



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Partnered Digital Wallets:



International Payments:



थप जानकारीका लागि **fonepay.com**



FOR PROSPEROUS NEPAL



CEO



Name of Insurance: **Nepal Life Insurance Company Limited**
 Corporate Address: **Classic Complex, Kamaladi, Kathmandu**
 Phone Number: **01-4169032, 01-4169033**
 Email: **info@nepallife.com.np**
 Name of the Chairman: **Mr. Govind Lal Sanghai**
 Name of the CEO: **Mr. Santosh Prasai**
 Slogan of the Insurance: **किनकि जीवन अमूल्य छ...**
 Website: **https://nepallife.com.np/**

ABOUT THE COMPANY

Nepal Life, established under the Company Act 2053 and Insurance Act 2049 as a public limited company on 2058/01/21 (04/05/2001). Nepal Life is the foremost life insurance company established by private investors. The promoters of the company are a group of well known businessmen and business houses of Nepal. Within the twenty years of operation the Company has set up an excellent business record and has a strong financial position.

The company has an authorized capital of Rs.1,000 Crore and Paid-up Capital of Rs.719.99 Crore. As on Jestha 2078, the company has issued 13,97,994 conventional policies having total premium income of Rs.13,865.22 Crore and 15,31,813 Foreign Expatriate policies having premium income of Rs.414.86 Crore. Out of the total premium collected, the company has invested Rs.11,146.42 Crore as per guidelines of Bima Samiti. The company has insured itself with well-known reinsurance company "Hannover Re Life Reinsurance Company", Germany.

VISION & MISSION

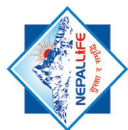
- To endeavor through the noble institution of Life Insurance in making every family economically safe and secure whereby every citizen of Nepal may contribute his might in building a healthy, prosperous, strong & Vibrant Nation.
- To cater to financial and Social needs of every segment of society by designing differentiated and innovative insurance instruments. To provide after sales service to customers that can be hailed as the best.

KEY FINANCIAL HIGHLIGHTS			NAME OF PRODUCTS AND SERVICES
Key Indicators	FY 2076/77	Q3 OF FY 2077/78	Naulo Jeevan Sambridi, Naulo Dhanbarsha, Jeevan Unnati, Child Education Plan (Baal Shiksha), Jeevan Sahara, Smart Life Insurance, Naulo Surakshit Jeevan Beema Yojana, Jeevan Laxmi, Group Plan, Jeevan Jyoti, NLIC Term Life Plan, Jeevan Sarathi, NLIC Micro Endowment (Gramin Sawadhik), NLIC Micro Term, Keta Ketii Jeevan Beema, Foreign Employment Term Insurance, Sadabahar Jeevan Beema, Critical illness (Rider Plan)
Paid Up Capital (in NRs.)	7,199,970,661.00	7,199,970,661.00	
Total Reserves (in NRs.)	3,507,736,853.07	1,123,436,309.72	
Life Fund (in NRs.)	87,026,000,053.95	107,617,724,113.39	
Total Investments (in NRs.)	94,223,893,605.00	111,464,183,792.36	
Gross Premium (in NRs.)	27662354564	25,374,834,264.45	
Total Claims (in NRs)	6105395814	7,147,173,248.45	
Net Profit (in NRs.)	530378897.1	506,668,045.72	
Earnings Per Share (EPS) (in NRs.)	9.65	9.38	
Net worth (in NRs.)	9558804021	8922361718	
Policyholder Bonus Rate Range (in NRs)	65-82	65-82	
Last 180 day's average Share Price (in NRs.)	1,214.53	2,186.74	
** Valuation profit not included in both the years			

OTHER INDICATORS		AWARDS AND RECOGNITION
Number of Employees	635	<ul style="list-style-type: none"> ■ "Best Managed Life Insurance Company Award" 2013, 2014, 2016, 2017 and 2019 by New Business Age Pvt. Ltd. ■ Best Practice Award 2016 Category 'Financial Institution of the year Insurance Company' by Frost & Sullivan ■ "Karoobar Best Life Insurance of the Year 2018" by TBI Publication ■ Best Insurance Campaign award by 11th Kriti Award by AAN ■ The Highest Tax Payer among Insurance Company 2075/76 awarded by Inland Revenue Department, Nepal Government
Number of Branches	200	
Number of Policy Holders	29,29,807	
Number of Agents	1,74,752	

बढिरहेका हरेक कदममा हाम्रो साथ छ

आफू पनि बचौं, अरुलाई पनि बचाऊ
आजै नेपाल लाइफमा जीवन बीमा गरौं



नेपाल लाइफ
इन्स्योरिन्स कं. लि.

किनकि जीवन अमूल्य छ...



साल्ट ट्रेडिङ कर्पोरेशन लिमिटेड द्वारा प्रवर्द्धित
तौल पूर्ण, सुरक्षा सम्पूर्ण

- ISI स्टान्डर्डको मित्र बाहिर स्वर कोट भै बीचमा स्टिलको जाली भएको ३ तहको होजपाइघ
- उच्च गुणस्तरको रेगुलेटर
- पुनः प्रयोग गर्न नसकिने प्लाष्टिक सिल भएको सिलिण्डर
- कम्प्युटर प्राविधिबाट चल्ने प्लान्ट, तौलमा सोहै आना दुक्क हुनुहोस्



साल्ट ट्रेडिङ समूहका उत्कृष्ट खाद्य बस्तुहरु



मेट्रो काठमाडौं ग्याँस इन्डष्ट्रिज लिमिटेड

जुगे खोला, घादिङ्ग
सम्पर्क कार्यालय कालिमाटी, काठमाडौं.
फोन: ८२८६८९६, सनराईज बैंक रहेको भवनको माथिल्लो तल्ला
ईमेल: metro@stcnepal.com



ACTING CEO



Name of Bank: **Century Commercial Bank Limited (CCBL)**
 Corporate Address: **Putalisadak, Kathmandu, Nepal.**
 Phone Number: **977-1-4445062**
 Email: **welcome@centurybank.com.np/info@centurybank.com.np**
 Swift Code: **CCBNNPKA**
 Name of the Chairman: **Mr. Rajesh Kumar Shrestha**
 Name of the Acting CEO: **Mr. Manoj Neupane**
 Slogan of the Bank: **"Sara! banking ... Sabaiko lagi" (easy banking ... for all).**
 Website: **<https://www.centurybank.com.np/home>**

ABOUT THE BANK

Century Commercial Bank Limited (CCBL) is a National Level Commercial bank established on January 23, 2011 with the objective of providing simplified banking services by taking advantage of innovations in information and communication technology. CCBL aims to extend its reach to the unbanked population of the country and is driven by the mission of "sara! banking sabaiko lagi" (simplified banking for all).

The Bank has a network of 126 branches, 10 extension counters, 22 branchless banking and 88 ATMs across the country and offers a wide range of banking products in deposits, lending and other value added services such as internet/ mobile banking, remittance and branchless banking etc. The Bank's team comprises of more than 950 staffs and caters to more than 500,000 customers.

In line with the progressive strategy, the Bank is focused on implementing sustainable business practices and deliver consistent growth that is sustainable and profitable to all its stakeholders.

VISION & MISSION

CCBL's mission statement is "Sara! banking ... Sabaiko lagi" (easy banking ... for all). We are committed to simplify banking services taking advantage of innovations in information and communication technology and to extend our reach to the unbanked population of the country.

WE HAVE DIFFERENT SAVING PRODUCTS SUITABLE FOR DIFFERENT PEOPLE SUCH AS;	BANK HAS BEEN PROVIDING VARIOUS DIGITAL SERVICES THROUGH ITS	SIMILARLY WE HAVE OFFERING DIFFERENT TYPES OF LOAN FACILITIES;
<ul style="list-style-type: none"> Century Premium Savings Century 5 Savings Account Century Nari Bachat Savings Century Jestha Nagarik Bachat Khata Century Bal Bachat Khata Century Sharedhani Khata Century Remit Khata Century Payroll Khata Century Sara! Bachat Khata Century Kishan Bachat Khata Century Student Savings A/C Century Sahaj Khata Century Click Account etc., 	<ul style="list-style-type: none"> Mobile banking (Century Pay) Internet banking Debit/Credit card QR code payment etc. 	<ul style="list-style-type: none"> Century Home loan Auto Loan Education Loan Hire purchase Loan Business loan
Number of Employees	993	
Branch Network	126 branches, 10 extension counters, 22 branchless banking and 88 ATMs	

HBL

विशेष
बचत
खाता



हर एक विशेष ग्राहकहरूका लागि

सरल, सहज हिमालयन बैंकको 'विशेष बचत खाता' नाबालक, बुद्ध-बुद्धा, लेखपढ गर्न नजान्ने तथा फरक ढंगले सक्षमहरूका लागि न्यूनतम मौज्दात रु. २ हजारमा नै विभिन्न बैकिङ सुविधा निशुल्क पाईने विशेष बचत खाता खोली भविष्यको लागि आजैबाट बचत गर्नुहोस् ।

विस्तृत जानकारीको लागि नजिकको शाखा वा फोन नं ४२२७७४९ / ४२४६३५८ मा सम्पर्क गर्नुहोस् ।

HBL

Himalayan Bank Ltd.

himal@himalayanbank.com | www.himalayanbank.com

f himalayanbankltd



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Himalayan Bank Ltd.

Himalayan Bank (Viber)

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शुद्ध लाभदायक

सरल बैकिङ... सबैका लागि

सेञ्चुरी कमसियल बैंक लिमिटेड

प्रधान कार्यालय: पुतलीचोक, काठमाडौं फोन: ४४४०६२/४४४०६२९

प्याबक्स: ४४४९४२२ ईमेल: welcome@centurybank.com.np वेब: www.centurybank.com.np



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- ✓ अधिकतम रु. १ लाखसम्मको कर्जा लिन सकिने
- ✓ कर्जा अवधि - ३० दिनसम्मका लागि
- ✓ कर्जा-दरस्वास्त स्वतः स्वीकृत हुने
- ✓ कुनै पनि कागजात आवश्यक नपर्ने
- ✓ कुनै पनि धितो राख्नु नपर्ने

*सर्तहरू लागू हुनेछन् ।



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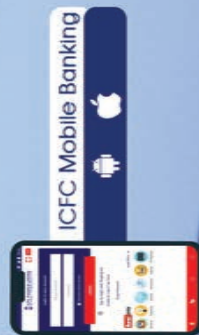
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☎ 4425292



CEO



Name of Insurance: **Prabhu Life Insurance Limited**
 Corporate Address: **Kamaladi Ganeshsthan, Amir Bhawan, 3rd Floor**
 Phone Number: **4262223, 4252012, 4226065**
 Email: **info@prabhulife.com**
 Name of the Chairman: **Dr. Atma Ram Ghimire**
 Name of the CEO: **Narayan Prasad Paudel**
 Slogan of the Insurance: **Bishwas, Surakchhya, Sambriddhi "Shubharanva Naya Sanskar ko"**
 Website: **www.prabhulife.com**

ABOUT THE INSURANCE

Prabhu Life Insurance Ltd. has been serving its valued customers since 2074 Mangsir 28 (December 14, 2017) by providing various life insurance products and services through its networks across Nepal. It belongs to the Prabhu Group of Companies, a renowned business group in the nation. This eminent group has diversified its wide ranges of amenities through various customer service platforms that have been touching the Nepalese lives every day in various aspects. This life insurance company has been majorly promoted by Prabhu Bank Limited and Shangrila Development Bank Ltd. – well trusted financial brands in the country.

Prabhu Life has been established to serve the Nepalese people through its life insurance services according to their needs. Prabhu Life Insurance has Rs. 200 million as paid up capital that safeguards the financial strength of the insurer and its customers as well. The fund we have and our association with renowned re-insurer (Hannover Re, Malaysia) define our ability to settle any sort of claims instantly.

VISION	MISSION
<ul style="list-style-type: none"> To be the most preferred "Nepalese Insurer" by virtue of our strong ethics, efficient workforce and un-paralleled customer experience to pursue a reputation of Trust. 	<ul style="list-style-type: none"> To provide and deliver affordable and customized Life Insurance plans to our valued customers, using modern information technology in a customer friendly environment that will enhance all stakeholders net worth.

KEY FINANCIAL HIGHLIGHTS			OTHER INDICATORS	
Key Indicators	FY 2076/77 (Actuals)	Q3 OF FY 2077/78	Number of Employees	278
Paid Up Capital (in NRs.)	140 Millions	200 Millions	Number of Branches	91
Total Reserves (in NRs.)	253,997,087.00	391,835,279.00	Number of Policy Holders	205,191
Life Fund (in NRs.)	1,035,897,895.00	1,765,802,362.00	Number of Agents	14,040
Total Investments (in NRs.)	2,286,833,134.00	3,111,652,453.00		
Gross Premium (in NRs.)	1,200,714,719.00	1,130,993,777.00		
Total Claims (in NRs)	9,330,518.00	53,419,000.00		
Net Profit (in NRs.)	127,646,760.00	137,838,191.00		
Earnings Per Share (EPS) (in NRs.)	9.12	9.19		
Net worth Per Share (in NRs.)	118.14	119.59		
Policyholder Bonus Rate Range (in NRs)	30 - 70	30 - 70		
Last 180 day's average Share Price (in NRs.)	Rs. 726.00			

NAME OF PRODUCTS AND SERVICES

Baibhav Jeevan Beema (Money Back Plan), Amulya Jeevan Beema (Endowment Cum Whole Life Plan), Sambriddhha Jeevan Beema (Endowment Plan-Regular), Sambriddhha Jeevan Beema (Endowment Plan-Single), Shreee Briddhi (Endowment Plan), Jeevan Kiran (Child Endowment Plan), Jeevan Unatti (Child Money Back Plan), Jeevan Unatti (Single Plan), Jeevan Sparsha (Term Plan), Samunnati Jeevan Beema (Annual Money Back), Prabhu Myadi Jeevan Beema (Term with Premium Return), Prabhu Micro Insurance

सांग्रिला
शेयर कर्जा

आवश्यकता अनुसार कर्जा सीमा
शप/घट गर्न सकिने ।

**आकर्षक
ल्याजदर**

२ दिन नै अग्रण स्वीकृती

सांग्रिला क्रान्तिक मुद्दती खाता

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घाउनेछ जीवनमा सम्पन्नता**

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मुक्तता

* ३५ महिना सक्ने ल्याजदर परिवर्तन नहुने

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Shangrila Development Bank Ltd.
संग्रिला डेभलपमेन्ट बैंक लि.

कोषाध्यक्ष कार्यालय: बालुवाटार - ४, काठमाडौं, नेपाल | फोन नं.: ०१-४४०२८६१/४२/४३, ४४०२८६४, ४४०२८६५ | www.shangrilabank.com

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“जीवन किरण बीमा योजना”**

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प्रधान कार्यालय: कमलादी गणेशस्थान, काठमाडौं, नेपाल
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नेपालको समृद्धिको सहयात्री नागरिक लगानी कोष

संक्षिप्त परिचय :

नागरिक लगानी कोष २०४७ मा स्थापना भई २०४८ देखि कारोबार सुरु गरेको सरकारको स्वामित्वमा समेत रहेको एक गैर बैंक वित्तीय संस्था हो

नागरिक लगानी कोषले संचालन गरेका कार्यक्रमहरू :

आर्थिक विकासका लागि सर्वसाधारण जनतालाई वचत गर्न प्रोत्साहित गरी पुँजी बृद्धिका साथै लगानीका अवसरहरू बढाउन तथा पुँजी बजारको विकासमा गतिशीलता ल्याउने प्रमुख उद्देश्य राखेर २०७४ साल देखि कोष क्रियासिल रहदै आएको छ। कोषले हाल कर्मचारी वचत वृद्धि, नागरिक एकांक योजना, उपदान कोष योजना, लगानीकर्ता हिसाव योजना लगायतका विभिन्न वीमा कोषहरू प्रभावकारी रूपमा व्यवस्थापन गर्दै आईरहेको छ। साथै, उक्त योजनाहरू निरन्तर रूपमा संचालन भइरहेको छ। सुरक्षित बचत र सुनिश्चित प्रतिफलका लागि उक्त योजनाहरूमा सहभागी भई फाइदा लिन समस्त कर्मचारी, कामदार, स्वरोजगारमा रहेका ब्यक्तित्वहरू एवं प्रतिष्ठानहरूलाई कोष हार्दिक आब्हान गर्दछ।

१. कर्मचारी बचत बृद्धि स्वीकृत अबकाश कोष:

- यस कार्यक्रममा कुल आयको ३३ प्रतिशत वा वार्षिक रु.३ लाखमा जुन कम हुन्छ सो रकम जम्मा गरी कर छुट पाउने व्यवस्था रहेको छ।
- यसमा सरकारी, अर्ध-सरकारी वा प्राइभेट संस्थाहरूमा कार्यरत कर्मचारी/कामदारहरूले रकम जम्मा गर्न सक्नेछन।
- जम्मा भएको रकमबाट ८० प्रतिशतसम्म सापटी लिन सकिने सुबिधा रहेको छ।
- यसमा सहभागी कर्मचारीहरूलाई आवास कर्जा रु.८० लाख र सरल कर्जा रु.३० लाखसम्मको कर्जा उपलब्ध गराउन सकिने व्यवस्था रहेको छ।
- अबकास हुँदा सार्वी, ब्याज र थप प्रतिफल सम्पूर्ण भुक्तानी गरिने व्यवस्था रहेको छ।

उपदान कोष योजना :

- उपदान बापत छुट्याइएको रकम सरकारी तथा निजी संघ संस्थाहरूले संस्थाकै नाममा वा कर्मचारीको व्यक्तिगत नाममा समेत राख्न सक्ने व्यवस्था रहेको छ।
- आवद्ध संघ संस्थाहरूलाई कर्मचारीहरूको अवकाश हुँदा एकमुष्ट व्ययभार नपर्ने।
- यसमा सहभागी कर्मचारीहरूलाई आवास कर्जा रु.८० लाख र सरल कर्जा रु.३० लाखसम्मको ऋण उपलब्ध गराउन सकिने व्यवस्था रहेको छ।
- अबकास हुँदा सार्वी, ब्याज र थप प्रतिफल सम्पूर्ण भुक्तानी गरिने व्यवस्था रहेको छ।

लगानीकर्ता अवकाश कोष योजना :

- कर्मचारी तथा कामदारहरूको विदा, औषधी उपचार, कल्याणकोष जस्ता शिर्षकहरूमा छुट्याइएको रकम यस योजनामा राख्न सकिने।
- आवद्ध संघ संस्थाहरूलाई कर्मचारीहरूको अवकाश हुँदा एकमुष्ट व्ययभार नपर्ने।
- यसमा सहभागी कर्मचारीहरूलाई आवास कर्जा रु.८० लाख र सरल कर्जा रु.३० लाखसम्मको ऋण उपलब्ध गराउन सकिने व्यवस्था रहेको छ।
- अबकास हुँदा सार्वी, ब्याज र थप प्रतिफल सम्पूर्ण भुक्तानी गरिने व्यवस्था रहेको छ।
- जम्मा भएको रकमबाट ८० प्रतिशतसम्म सापटी लिन सकिने सुबिधा रहेको छ।

नागरिक एकांक योजना

- नागरिक लगानी कोषले सर्वसाधारण बचतकर्ताहरूलाई सामुहिक लगानी (म्युच्युल फण्ड) सेवा प्रवाह गर्ने उद्देश्यले अन्तर्गत एक ट्रस्टीको रूपमा दक्ष लगानी प्रवर्द्धन सेवा प्रदान गरी बढी प्रतिफल वितरण गर्ने उद्देश्यले यो योजना संचालनमा ल्याएको हो। यस योजना अन्तर्गत जारी गरिने एकांकहरूको बिक्री सधैं खुल्ला रहन्छ। यस योजनामा जुनसुकै बेला रकम राख्न र फिर्ता लिन सक्ने सुबिधा रहेको छ भने यस योजनामा व्यक्तिगत र संस्थागत दुवै पक्षले लगानी गर्न सक्ने प्रावधान रहेको छ।

नागरिक पेन्सन योजना

यस योजना अन्तर्गत आय आर्जन गर्ने, प्रचलित कानून बमोजिम स्थापना भएका संघ, संस्था, एवं प्रतिष्ठानमा कार्यरत श्रमिक/कर्मचारी, स्वरोजगारमा रहेका सर्वसाधारण र गैर आवासिय तथा वैदेशिक रोजगारीमा रहेका नेपाली नागरिक सहभागी हुन सक्ने छन्।

बचत गर्न सकिने सीमा :

यसमा सहभागी हुने बचतकर्ताहरूले न्यूनतम मासिक रु.५००।-देखि अधिकतम आम्दानीको क्षमता अनुसार १० ले भाग जाने संख्यामा जम्मा गर्न सक्ने छन्। बचतकर्ताको आम्दानीको आधारमा मासिक/त्रैमासिक/अर्धवार्षिक/वार्षिकरूपमा रकम जम्मा गर्न सकिने विशेषता समेत यस कार्यक्रममा रहेको छ। यसमा रकम जम्मा गर्दा मासिक रु.५००।- भन्दा कम नहुने गरी जम्मा गर्न पर्नेछ।

पेन्सन पाउन योग्य हुने अवस्था :

- पेन्सन प्राप्त गर्न बचतकर्ताको उमेर साठी वर्ष पुरा भएको र कम्तीमा १५ वर्ष योगदान गरेको हुनुपर्नेछ।
- बचतकर्ताले जम्मा गर्न सुरु गरेको २ वर्ष बचत गरी सकोपश्चात जुनसुकै समयमा कार्यक्रमबाट हट्न चाहेमा त्यसको सार्वी, ब्याज र थप प्रतिफल लिई एकमुष्ट भुक्तानी पाउने गरी हट्न सक्छन।

पेन्सन पाउना विधि :

यस योजनाका सहभागीले जम्मा गरेको बचत, त्यसको ब्याज र कोषको लगानीबाट प्राप्त थप प्रतिफल समेत जोडी हुन आउने कुल रकमलाई १७० ले भाग गर्दा हुन आउने र कम प्रत्येक महिना निज वा निजको आश्रित परिवारले पेन्सनको रूपमा पाउनेछन।

योजनामा रकम जम्मा गर्ने विधि :

- सहभागी बचतकर्ताले जम्मा गर्नु पर्ने रकम कोषले तोकेको बैंक खातामा मौचर मार्फत वा बिधुतिय भुक्तानी मार्फत जम्मा गर्न सक्ने छन्। कोषद्वारा तोकिएको खातामा र कम जम्मा नभएमा उक्त रकम प्रति कोषको कुनै दायित्व रहने छैन।
- कोषमा रकम जम्मा गर्दा सबन्धित सहभागी बचतकर्ताको नाम र कोषले प्रदान गरेको परिचय नम्बर अनिवार्य रूपले उल्लेख गर्नु पर्ने छ।
- रकम जम्मा गर्दा आफ्नो सही नाम र कोषले प्रदान गरेको परिचय नम्बर उल्लेख गर्नु पर्ने दायित्व सबन्धित बचतकर्ताको हुनेछ। गलत नाम वा परिचय नम्बर उल्लेख भई रकम जम्मा भएमा त्यसको जिम्मेवारी कोषले लिने छैन।
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नागरिक लगानी कोष

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- बीमा मुक्तानी अवधिको समाप्तिपछि बीमाङ्क रकम बराबरको निशुल्क जोखिम बहन हुने ।
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- बीमा अवधिमा रु. ७५ लाखसम्मको थप चुचुटना लाभ र स्थायी अशक्तता लाभ उपलब्ध रहने छ ।

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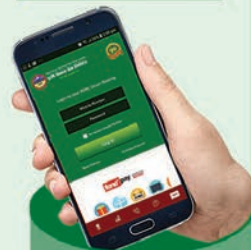
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सम्पूर्ण बैकिङ्ग सुविधा सहितको तपाईं हाम्रो घर आँगनको बैंक

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Machhapuchchhre Bank Limited

माछापुच्छ्रे बैंक लिमिटेड

सबल, उत्कृष्ट एवं विस्तारित

एमबिएल टावर, लाजिम्पाट, काठमाण्डौ, फोन: ०१-४४२८५५६

**CEO**

Name of Bank: **Swabalamban Laghubitta Bittiya Sanstha Ltd.(SWBBL)**
 Corporate Address: **Ward No 30, Kamalpokhari, Kathmandu**
 Phone Number: **01-4534922/ 4528481**
 Email: **info@swbbl.com.np**
 Name of the Chairman: **Mr. Ram Kumar Shrestha**
 Name of the CEO: **Mr. Uday Raj Khatiwada**
 Website: **www.swbbl.com.np**

ABOUT THE ORGANIZATION

Swabalamban Laghubitta Bittiya Sanstha Ltd. (SWBBL) is a financial institution for microfinance with the mission of delivering sustainable microfinance services at the doorstep of the deprived sector target societies. SWBBL, was registered with the Company Registrar's Office as a limited company under the Companies Act, 2053 on October 5, 2001 (Aswin 19, 2058 B.S.) and obtained license from Nepal Rastra Bank- the Central Bank of Nepal on January 3, 2002 (Poush 19, 2058 B.S.) to operate the financial activities under Development Bank Act, 2052.

The microfinance program entitled Self-help Banking (SBP) was implemented by an NGO named Centre for Self-help Development (CSD) in 1993. CSD took initiative to promote SWBBL by shifting all its microfinance program together with renowned commercial banks- Nepal Investment Bank Ltd., Himalayan Bank Ltd., Nabail Bank Ltd. as well as individual promoters committed for poverty reduction.

SWBBL formally started its operation from January 14, 2002 (Magh 1, 2058 B.S.). SWBBL has changed its name to Swabalamban Laghubitta Bittiya Sanstha Ltd. according to Bank and Financial Institution Act 2073. Previously, it was Swabalamban Laghubitta Bikas Bank Ltd. as on January 6, 2006 (Magh 10, 2062) under the Companies Act., 2005 (2062) and re-obtained license from Nepal Rastra Bank under Bank and Financial Institutions Act , 2006 (2063).

VISION	MISSION
■ To contribute to establish poverty free prosperous society.	■ To uplift socio-economic condition of rural and urban disadvantaged poor by providing easy access to financial services.

KEY FINANCIAL HIGHLIGHTS

Key Indicators	Q3 OF FY 2077/78
Clients' Savings (in NRs.)	9,285,153,749
Loans and Advances to Customers (in NRs.)	15,773,076,606

OTHER INDICATORS

Number of Employees	663
Number of Branches including HO	150
Number of Depositors	251,518
Number of Borrowers	161,241

NAME OF PRODUCTS AND SERVICES

1. Loan
2. Savings
3. Insurance Services
4. Remittance
5. Credit Plus Activities



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अस्पताल भर्ना बीमा रु. 95,000.00

बीमा प्रिमियम शुल्क बैंक स्वयंले बेहोर्ने छ ।

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- चेक बुक
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- अन्तर शाखा बैंकिङ्ग सेवा (ABBS)
- ब्यालेन्स सर्टिफिकेट
- गुड फर पेमेन्ट
- डिम्याट खाता (दर्ता शुल्क)
- मोबाइल बैंकिङ्ग (दर्ता शुल्क)

अन्य सुविधाहरू:

- डेबिट कार्ड
 - नयाँ जारी शुल्क २५% छुट
- क्रेडिट कार्ड
 - नयाँ जारी शुल्क २५% छुट
 - वार्षिक शुल्क २५% छुट
- लकर सुविधा
 - सुरक्षा धितो २५% छुट
 - वार्षिक शुल्क २५% छुट
- यु एस डी ट्रान्जिट कार्ड २५% छुट

अन्य जानकारीको लागि सम्पर्क गर्नुहोस्:



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Central Office, Kamalpokhari, Kathmandu, Nepal

Tel. : +977-1-4423436/+977-1-4423215

E-mail : info@pcbl.com.np

Website : www.primebank.com.np

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CEO



लक्ष्मी लघुवित्त वित्तीय संस्था लि.

Laxmi Laghubitta Bittiya Sanstha Ltd.

नेपाल राष्ट्र बैंकबाट "घ" वर्गको इजाजत पत्र प्राप्त संस्था

Name of Organization: **Laxmi Laghubitta Bittiya Sanstha Limited**
 Address: **Kathmandu Municipality-03, Kapan Marg, Maharajgunj**
 Phone Number: **01-4373682**
 Email: **info@laxmilaghu.com.np**
 Name of the Chairman: **Mr. Jiwan Prakash Limbu**
 Name of the CEO: **Mr. Prakash Raj Sharma**
 Website: **www.laxmilaghu.com.np**

ABOUT THE ORGANIZATION

Laxmi Laghubitta Bittiya Sanstha Limited (LxLB), a microfinance subsidiary of Laxmi Bank Limited (a commercial bank of Nepal), is a national level microfinance institution licensed by Nepal Rastra Bank, the central bank of Nepal. It is the first microfinance institution to be registered as a subsidiary of a commercial bank in Nepal. Registered as a limited company on 30th November 2010, LxLB received operating license from central bank as "D" class (National Level) financial institution on 6th March 2012 to operate under Bank and Financial Institution Act 2003. It started formal microfinance operation from June 4, 2012 from its first branch office located in Battar, Nuwakot.

As a professional microfinance institution, LxLB has developed customer friendly financial products and services and plans to reach large number of clients in un-served and underserved areas. It focuses on livelihood business, micro-enterprise and small and medium scale enterprises with an aim to benefit and empower the low income group of Nepal.

Within very short period of time it has established branch offices in all development region of Nepal. It has 76 branch offices spread over 55 districts out of 77 districts of Nepal.

VISION	MISSION								
<ul style="list-style-type: none"> We will be a pioneer microfinance institution committed to improving quality of life through the provision of inclusive and sustainable microfinance services to the economically disadvantaged people of Nepal. 	<ul style="list-style-type: none"> We will provide customer friendly financial products and services to the poor and disadvantaged community We will promote economic activities in un-served and underserved areas of Nepal through digital as well as conventional channel. We will deliver our products and services in responsible and sustainable manner 								
NAME OF PRODUCTS AND SERVICES	OTHER INDICATORS								
Loan products: Income Generation Loan, Social Consumption Loan, Group based Micro enterprises Loan, Individual Micro Enterprises Loan, Alternative Energy Loan, Seasonal Agricultural Loan, Seasonal Business Loan, Laxmi Revival Loan, Home Improvement Loan (Group/Individual), Laxmi Education Loan, Laxmi Foreign Employment Loan Saving Products: Compulsory Savings, Sambriddhi Savings, Center Fund Micro Insurance: Tied up with National Life Insurance Co. Ltd, Tied up with Reliable Life Insurance Co. Ltd Remittances: Himat Remittance, City Express Remit, Surya Remit	<table> <tr> <td>Number of Employees</td><td>322</td></tr> <tr> <td>Number of Branches</td><td>77</td></tr> <tr> <td>Number of Depositors</td><td>92,183</td></tr> <tr> <td>Number of Borrowers</td><td>46,575</td></tr> </table>	Number of Employees	322	Number of Branches	77	Number of Depositors	92,183	Number of Borrowers	46,575
Number of Employees	322								
Number of Branches	77								
Number of Depositors	92,183								
Number of Borrowers	46,575								

KEY FINANCIAL HIGHLIGHTS

Key Indicators	FY 2076/77 (Actuals)	Q3 OF FY 2077/78
Share Capital (in NRs.)	320,045,000	320,045,000
Reserves (in NRs.)	175,243,709	329,822,193
Deposit from Customers (in NRs.)	1,520,341,718	2,043,282,916
Loans and Advances to Customers (in NRs.)	4,242,867,668	6,492,006,170
Operating Profit (in NRs.)	103,822,142	250,299,297
Net Profit (in NRs.)	65,264,666	157,688,557
Capital fund to RWA (in %)	11.06%	10.38%
Non-Performing Loan to total loan (in %)	2.26%	3.14%
Net Profit available for distribution (in NRs.)	50,906,434	122,997,075
Credit to Deposit Ratio (As per NRB Directives) (in %)	279.07%	317.72%
Earnings per share (in NRs.)	23.45	65.29

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9851022714 | NARAYANGHAT 0905559842, 980208627 | BHARATKOT 071-5272994, 9851010228
9851010229 | BHARATKOT 071-5272994, 9851010229 | BHARATKOT 071-5272994, 9851010229
091-410375, 985040415 | BIRATNagar 023-546601, 9801446601 | DURG 082-561758,
9857384384 | JALAPUR 041-521417, 9850202917 | NEPALGUNJ 081-532765, 985031666 |
BIRATNagar 9850206666

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AWARD





CEO

Name of Insurance: **Jyoti Life Insurance Co. Ltd.**
Corporate Address: **Shanta Plaza, Gyaneshwor, Kathmandu**
Phone Number: **01-4445947/48**
Email: **info@jyotilife.com**
Name of the Chairman: **Nanda Kishor Sharma**
Name of the CEO: **Prakash Bikram Khatri**
Slogan of the Insurance: "सयै तपाईंको साथ"
Website: **www.jyotilife.com**

ABOUT THE INSURANCE

Jyoti Life Insurance Company Limited is established under Company Act 2063 and Insurance Act 2049 as a Public Limited Company in July 2017. The Company plans to reach out to all parts of Nepal and make insurance services available to all the Nepali citizens and safeguard their future interests. Jyoti Life takes pride in its diverse list of promoters. The promoters of the company consists of both, individuals from the diverse business background viz. manufacturing, trading and financial and institutions with strong brand value and presence. Jyoti Life takes pride in being, a pioneer to introduce Critical Illness Coverage in Nepali Life Insurance Industry. The Company has an authorized capital of Rs. 300 Crore and currently has a paid up capital of Rs. 220 Crores.

VISION	MISSION								
<ul style="list-style-type: none"> To set the standard of excellence in life insurance industry. 	<ul style="list-style-type: none"> To exceed customer expectations by providing innovative products and services. To be an entrusted brand with highest standard of integrity. To be financially robust and maximize value for all stakeholders. To be the best employer fostering a highly professional and meritocratic environment. To develop agents into knowledgeable financial advisors. To contribute towards the betterment of the society. 								
KEY MESSAGE FROM CEO	OTHER INDICATORS								
<p>Jyoti Life, "सयै तपाईंको साथ" has embarked on a journey to transform the perception of insurance in Nepal. In the past, insurance was perceived as a financial instrument which provided 'death benefit', a technical term which implies that the insurance coverage amount is handed over to next to kin in case of death of the policyholder. We, Jyoti Life, are focusing on living benefits such as our Critical Illness Coverage whereby insurance shall create a financial support system to fight dreadful diseases like cancer and start a healthy life all over again and get full benefit of insurance. Our sales philosophy is governed by ethical selling practices and in order to do that, we are ensuring our agents across the country have these values instilled in them. On behalf of Jyoti Life, I wish the entire BFIN team all the very best for future.</p>	<table> <tr> <td>Number of Employees</td><td>416</td></tr> <tr> <td>Number of Branches</td><td>121</td></tr> <tr> <td>Number of Policy Holders</td><td>34,998</td></tr> <tr> <td>Number of Agents</td><td>20,721</td></tr> </table>	Number of Employees	416	Number of Branches	121	Number of Policy Holders	34,998	Number of Agents	20,721
Number of Employees	416								
Number of Branches	121								
Number of Policy Holders	34,998								
Number of Agents	20,721								

NAME OF PRODUCTS AND SERVICES		KEY FINANCIAL HIGHLIGHTS		
Endowment Plan	Jyoti Surakshit Bachat Jeevan Beema (Endowment Plan), Jyoti Surakshit Bhawishya Jeevan Beema (Endowment Cum Whole Life Plan), Jyoti Sunaulo Bhawishya Bal Jeevan Beema (Child Endowment Plan), Jyoti Ekal Sawadik Jeevan Beema (Single Payment Endowment Plan), Jyoti Samunnati Jeevan Beema (Limited Payment Endowment Plan)	Key Indicators	FY 2076/77 (Actuals)	Q3 OF FY 2077/78
		Share Capital (in NRs.)	320,045,000	320,045,000
		Reserves (in NRs.)	175,243,709	329,822,193
		Deposit from Customers (in NRs.)	1,520,341,718	2,043,282,916
		Loans and Advances to Customers (in NRs.)	4,242,867,668	6,492,006,170
		Operating Profit (in NRs.)	103,822,142	250,299,297
		Net Profit (in NRs.)	65,264,666	157,688,557
		Capital fund to RWA (in %)	11.06%	10.38%
Money Back Plan	Jyoti Dhan Laav Jeevan Beema (Money Back Plan), Jyoti Three-20 Dhan Bahar Jeevan Beema (J-320-Money Back), Jyoti Ezee Pay Jeevan Beema (Annual Money Back)	Non-Performing Loan to total loan (in %)	2.26%	3.14%
		Net Profit available for distribution (in NRs.)	50,906,434	122,997,075
		Credit to Deposit Ratio (As per NRB Directives) (in %)	279.07%	317.72%
		Earnings per share (in NRs.)	23.45	65.29
Term Plan	Jyoti Myadi Jeevan Beema (Term Life Plan), Jyoti Samuhik Myadi Jeevan Beema (Group Term Life Plan) : Yearly Renewal Group Term Plan Insurance.	AWARDS AND RECOGNITION		
		ISO 9001:2015 Certified Company Certificate Number: 105413/A/0001/UK/En		
Critical Illness Rider	Critical Illness Covering 35 diseases up to SA Rs.50,00,000, Critical Illness Covering 18 diseases up to SA Rs.50,00,000			
Accidental Death, Disability and Medical Benefit RiderRider	Accidental Death Benefit Riders (ADB) up to SA Rs.1,00,00,000, Accidental Permanent and Total Disability Rider (PTD) up to SA Rs.1,00,00,000, Premium Waiver Benefit (PWB) up to SA Rs.1,00,00,000, Accidental Medical Reimbursement Benefit (AMR)			

नेपालको पहिलो र सर्वाधिक घातक रोगहरु विरुद्ध आर्थिक सुरक्षा दिने जीवन बीमा कम्पनी

३५ वटा घातक रोगहरु विरुद्ध

रु ५० लाख सम्मको आर्थिक सुरक्षा सहितका योजनाहरु

क्यान्सर जस्ता घातक रोगको विरुद्ध लड्न
आवश्यक **३** अस्त्र:

इच्छा शक्ति

आर्थिक तयारी

उत्कृष्ट उपचार

“ उज्जल भविष्यको लागि आजैदेखि
संगसंगै यात्रा आरम्भ गरौ । ”

JyotiLife
सधैं तपाईंको साथ



CEO



Name of Organization: Digital Network Solution Pvt Ltd
Corporate Address: Manakamana Marg, Naxal, Kathmandu
Phone Number: 014437311
Email: info@digitalnetwork.com.np
Name of the CEO: Mr. Arun Khatri
Slogan of the Organization: We Celebrate Our Customer's Success
Website: digitalnetwork.com.np

ABOUT THE ORGANIZATION

Digital Network Solution Pvt. Ltd is an ISO 9001:2015 certified IT service Provider Company based in Kathmandu, Nepal. Providing Digitization Services and Technology Solutions including Networking, Cybersecurity, Server Infrastructure, IT Consulting, Managed Service, Professional Services, and Cloud-based Solutions. Our solutions are suited to various industries like Banking, Financial Services and Insurance, Enterprises, Healthcare, Education & the Public/Government sector.

Being a hardware agnostic, service-oriented company, we aspire to transcend the product delivery approach, adopted by most companies in the industry. Based on customer's business requirements and assessment of industry practices, we commit to provide cost-effective solutions and services that will ensure proper Return on Investment as well.

We hope to contribute to Information Technological advancement in any organization to accelerate smoothly and securely in today's digital transformation era. Also, to contribute to technological advancements like building smart cities that are churning in Nepal.

As we work on Digital Transformation and Technology, we are committed to helping our customers become successful in their digital transformation journey by providing them best of the breed technology solutions and enable businesses to outperform with our services like video banking, Robotic process automation, Data Analytics and AI, Enterprise Application, Cloud Services, Application Development. We help you build and secure your digital future by leveraging powerful technologies along with our industry experts to help you drive value across your organization.

That is how we have our slogan as: "We Celebrate Our Customer's Success"

VISION	MISSION
■ To become one of the professional service providers, system integrator, and trusted Advisor Company.	■ To provide best as well as affordable services to our customers while keeping in mind the changing needs and expectations of our times.

NAME OF PRODUCTS AND SERVICES

Digital Network Solution offers IT services which is required in every organization such as:

1. Security (Network Security, Data Security, End-point Security) 2. Network (Routing and Switching, Unified Communications, Mobility Services) 3. Infrastructure Optimization (HCI) 4. Managed Services 5. Cloud Transformation and Adoption 6. Data Management and Disaster Recovery 7. Video Banking 8. RPA 9. Data Analytics and AI 10. Enterprise Application 11. System Integration 12. Consulting

Besides, we also conduct trainings in different domain focusing for freshers as well as corporate experts.

KEY MESSAGE FROM CEO

At Digital Network Solution (DNS), we aspire to table different technology and digitization solutions/services as per the business needs of an organization. Apart from our services, we attempt to make the financial analysis painless for our customers through transparency in Capital & Operational Expenditure (CapEx/OpEx), Total Cost of Ownership (TCO), and Return on Investment (RoI).

Being focused on innovation and problem-solving factors, we try to contribute to helping an organization to accelerate in today's digital transformation era seamlessly and securely.

Through DNS, we are trying to reshape the public perception from 'Vendor' to 'Technical Partner'. Thus the slogan - "We Celebrate Our Customer's Success".

AWARDS AND RECOGNITION

SAARC Partner of the Year (Nutanix)
Winner of Palo Alto SE "North Rockstar"

WE
CELEBRATE OUR
**CUSTOMERS
SUCCESS**



OUR SERVICES

- ▶ SECURITY (NETWORK SECURITY, DATA SECURITY, END-POINT SECURITY)
- ▶ INFRASTRUCTURE OPTIMIZATION (HCI)
- ▶ CLOUD TRANSFORMATION AND ADOPTION
- ▶ VIDEO BANKING
- ▶ DATA ANALYTICS AND AI
- ▶ SYSTEM INTEGRATION
- ▶ NETWORK (ROUTING AND SWITCHING, UNIFIED COMMUNICATIONS, MOBILITY SERVICES)
- ▶ MANAGED SERVICES
- ▶ DATA MANAGEMENT AND DISASTER RECOVERY
- ▶ ROBOTIC PROCESS AUTOMATION (RPA)
- ▶ ENTERPRISE APPLICATION
- ▶ CONSULTING



MANAKAMANA MARG,
NAKSAL, KATHMANDU



01-4437311



info@digitalnetwork.com.np



digitalnetwork.com.np



CEO



विजय लघुवित्त वित्तीय संस्था लि.
Vijaya Laghubitta Bittiya Sanstha Ltd.
Banking with Happiness

Name of Organization: Vijaya Laghubitta Bittiya Sanstha Ltd.
Corporate Address: Gaindakot Municipality-5, Nawalparasi, Gandaki Province
Phone Number: 078-503122/078-503130
Email: vlbs@vlbs.com.np
Name of the Chairman: Kapil Neupane
Name of the CEO: Basanta Raj Lamsal
Slogan of the Organization: "Banking with Happiness"
Website: www.vlbs.com.np

ABOUT THE ORGANIZATION

Vijaya Laghubitta Bittiya Sanstha (VLBS), a national level microfinance bank, is in operations since February 2013. VLBS envisions reaching the unreached: demonstrating excellence. It has a mission of establishing the bank as a center of excellence to cater efficient and effective services with less procedural hassle and minimal paperwork. VLBS is a public company limited registered at company registrar's office and it has obtained operating license from Nepal Rastra Bank. Its authorized capital is Rs. 350 Million and paid up capital is Rs. 266.59 Million. As of Chaitra end 2077, total loan outstanding of the company is Rs.4,393.24 Million and Savings collection is Rs. 947.37 Million. The company is serving over 55,794 households of 40 districts of Nepal.

VISION

- Reaching the Unreached: Demonstrating Excellence

MISSION

- Establishing VLBS as a Centre of Excellence to cater efficient and effective services with less procedural hassle and minimal paperwork

PRODUCTS

- Loan: General, Seasonal, Emergency, Alternative Energy Promotion, Festival, Micro Enterprise Promotion, Education, Foreign Employment, Home
- Savings: Compulsory, Voluntary, Vijaya Jiban Aadhar, Special, Child, Festival
- Insurance
- Money Transfer
- Credit Plus Activities

RELIANCE
LIMITED
ENDOWMENT
PLAN

बीमा शुल्क ८ वर्षको सुरक्षा रक्ष को

१. कम्पले टाईम प्रोटेक्शन

बीमा अवधि समाप्तमा बीमा र रकम र कतिपय बोनस (Simple Reversionary + Terminal, if any) पाइने ।

बीमा अवधिमा बिमितको मृत्यु भएमा कुल बीमा र रकमको प्रत्यक्षमात्र वा अतिरिक्त रक्षक प्रलिभल सलम र कतिपय बोनस र रकमको व्यक्तिमाई प्रकानी गरिने ।

बीमा शुल्क प्रकानी भएपछि आफ्नो कृष्ण अनुसन्ध रोचन पाइने ।

सिमिल बर्ष बीमा शुल्क तिरेर बीमादेखि बचतमा सुरक्षा ।

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Corporate Office

Hattisar, Kathmandu, P.O. Box: 8867

Tel: 4444039, Fax: 4443414

Email: info@goodwill.net.np

Branches

Dillibazar 4422250	Indrachowk 5329554	Taumadhi, Bhaktapur 6620067	Kumaripati, Lalitpur 5008690	Tripureshwar 5331533	Birtamod 023-540548
Nepalgunj 081-532056	Ghorai, Dang 082-565350	Ilam 027-520949	Phidim 024-521068	Bardibas 044-550102	Nawalpur 046-570060
		Butwal 071-537282		Dhangadi 091-417357	

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CEO



Name of Insurance: **Sun Nepal Life Insurance Company Limited**
 Corporate Address: **Kamaladi - 01, Kathmandu, Nepal**
 Phone Number: **01-4436126, 01-4436127, 01-4436128,**
 Email: **info@snlic.com**
 Name of the Chairman: **Anuj Keyal**
 Name of the CEO: **Raj Kumar Aryal**
 Slogan of the Insurance: **"Security, Education and Prosperity For All."**
 Website: **www.sunlife.com.np**

ABOUT THE INSURANCE

Sun Nepal Life Insurance Company Limited is registered under the Company Act 2063, and has the requisite license issued by insurance board pursuant to section 10 of Insurance Act, 2049 to carry on life insurance business. Sun Nepal Life Insurance Company Limited is a fast growing life insurance company which has managed to establish itself as a reliable and professional Insurance service provider in a very short span of time.

The capital structure of the company comprises of an authorized capital of 200 Crores. Out of which 140 Crores is paid up from the promoters and the remaining 60 crore is proposed to be called from public through an Initial Public Offering.

Our Company is in constant pursuit of providing best customer service to people of all economics status and geographical locations. We have a strong branch network throughout the country with skilled management team dedicated to provide professional services. The management team includes the most experienced veterans from the insurance industry. These veterans have proven their ability to lead and nurture the organization.

VISION

- To be Flexible, Innovative and Trusted Life insurance to address the changing needs of Nepalese Society.

MISSION

- To provide financial security for clients, adopt policies and procedures to ensure high standards of corporate governance and vigilance that would result into a company of choice for life insurance products.

NAME OF PRODUCTS AND SERVICES

- 1.Sunlife Endowment Plan.
2. Nabin Aajeeban Beema.
3. Sarthak Aajeeban Beema.
4. Bhagyodaya Jeevan Beema.
5. Bal Sambriddha jeevan Beema.
6. Group Term Assurance.
- 7.Renewable Tream Assurance.
8. Dhan Laxmi Jeevan Beema.
9. Foreign Employment Trem Assurance.
- 10.Micro Endowment Plan.
- 11.Micro Term Assurance Plan.
12. Dhananjaya Yearly Moneyback Endowment Plan
13. Swarnim Return on premium Plan.
- 14 Joint Term Plan.
15. Golden Endowment Plan

OTHER INDICATORS

Number of Employees	349
Number of Branches	145
Number of Policy Holders	63803
Number of Agents	23617

KEY FINANCIAL HIGHLIGHTS

Key Indicators	FY 2076/77 (Actuals)	Q3 OF FY 2077/78
Paid Up Capital (in NRs.)	1,400,000,000	1,400,000,000
Total Reserves (in NRs.)	217,750,527	332,284,518
Life Fund (in NRs.)	1,255,841,925	2,183,152,636
Total Investments (in NRs.)	2,700,657,962	3,780,382,300
Gross Premium (in NRs.)	1,098,803,012	1,619,153,110
Total Claims (in NRs)	11,789,907	142,534,519
Net Profit (in NRs.)	78,936,613	95,596,922
Earnings Per Share (EPS) (in NRs.)	5.52	6.83
Net worth (in NRs.)	1,641,945,030	1,769,205,020
Policyholder Bonus Rate Range (inNRs)	22 TO 75	22 TO 75
Last 180 day's average Share Price (in NRs.)	N/A	N/A

बीमा गर्दा ध्यान दिनुपर्ने विषयहरू

- प्रस्ताव फारममा खुलाउनुपर्ने सम्पूर्ण विवरणहरू स्पष्टसँग खुलाई भर्ने ।
- बीमालेखमा उल्लेखित सम्पूर्ण शर्त एवं सुविधाबारे जानकारी लिएर मात्र बीमा गर्ने ।
- बीमितले आफ्नो आवश्यकता पेशा, व्यवसाय एवं आम्दानीको स्रोत समेटलाई मध्यनजर गरी बीमा गरी अन्यथा समयावधि पूरा नहुँदै बीमालेखलाई निरन्तरता दिन नसकिने हुन सक्छ ।
- बीमालेख बीमा शुल्क बुझाउने, बीमालेख नवीकरण गर्ने समय, इच्छएका व्यक्तिको नाम, बीमालेख बमोजीम दायी रकम पाउनेतलपाउने जस्ता विषयमा बीमालेख खरिद गर्नु अगाडि नै बुझ्नुपर्दछ ।
- बीमितले बीमा शुल्क बुझाएपछि यसको आधिकारिक भण्डार वा रसिद लिनुपर्दछ ।
- बीमा सम्बन्धी प्रस्ताव फारम बीमित स्वमले भर्नुपर्दछ । बीमित निरक्षर वा प्रस्ताव फारम भर्ने नसके भएमा निजले तोकिएको व्यक्तिले प्रस्ताव फारम भर्नुपर्दछ ।
- बीमितले आफूले बीमा गर्ने लागेको बीमा कम्पनीको बारेमा राम्रोसँग बुझेर मात्र बीमा गर्नुपर्दछ ।
- बीमालेख नवीकरण गर्ने समय ख्याल गरी समयमै बीमालेख नवीकरण गर्नुपर्दछ ।
- बीमा सम्बन्धी नीति नियमहरू बारे जानकारी राख्नुपर्दछ ।
- आफूले खरिद गरेको बीमालेखसँग सम्बन्धित सम्पूर्ण कागजातहरू सुरक्षित राख्नुपर्दछ ।
- प्रतिवधिको विकाससँग विभिन्न बैंक तथा एक्सचेंज मार्फत घरमै बसी बीमा शुल्क बुझाउन सकिने भएको हुँदा सो सम्बन्धी यथेष्ट जानकारी लिएर मात्र बीमा गर्नुपर्दछ ।
- बीमा गरिसकेपछि आफूले बीमा गरेको बारेमा परिवारका सदस्य तथा इच्छादार्थको व्यक्तिलाई जानकारी गराउनुपर्दछ ।

बीमा सम्बन्धी यत जानकारीको लागि

बीमा समिति

कुण्डोल, नक्सिपुर

फोन : ०१-४४३८३४३, ४४३८३४५

फ्याक्स : ०१-४४३८३४९

Email : info@nib.gov.np

website : www.nib.gov.np

टोल फ्री नं : १९८०-०१-४६८९९



नोट : बीमामा दायित्व निर्धारण फारममा वा गरे पनि बिमितलाई मर्नेको पर्ने गरि दायित्व निर्धारण गरेमा बीमितले त्यसको कारण सत्य छवि बीमा समितिमा उजुरी गर्ने सकिन्छ ।

अन नेपाल लाइफ इन्स्योरेन्स कम्पनी प्रा. लि. गठानुहोस,

ढुक्क ठहर्नुहोस ।

- बचत तथा सुरक्षण गर्ने सावधिक तथा आजीवनमा १०० वर्ष सम्म सुरक्षण हुने
- बाल बच्चाको भविष्य सुरक्षित गर्ने बाल समृद्ध बीमा २ प्रतिशत मासिक आय
- सावधिक धन फिर्ता बीमा पाँच वर्ष, तीन वर्ष तथा वार्षिक
- बीमाङ्क रकमको १५०% मृत्यु लाभ तथा अवधि भुक्तानी ४०% सम्म थप बीमाङ्क रकम भुक्तानी
- १८ घातक रोग विरुद्ध ५० लाख सम्म बीमा
- कामदार (श्रम ऐन बमोजीम) सुरक्षण बीमा योजना
- वैयक्तिक रु ५ लाख बराबर बीमा
- लघु जीवन बीमा योजना
- व्यक्तिगत, दम्पती तथा सामूहिक म्यादी बीमा
- म्यादी जीवन बीमामा बीमाशुल्क फिर्ता सहित बीमा अवधिभर सुरक्षा



अन नेपाल

लाइफ इन्स्योरेन्स कं. लि.

*नजीकको कार्यालयमा सम्पर्क गर्न सकिन्छ ।

“अनलाइफ छ जहाँ, जीवन घीमा छ त्यहाँ”





CEO



Name of Bank: **Garima Bikas Bank Limited**
 Corporate Address: **Lazimpat, Kathmandu**
 Phone Number:
 Email: **info@garimabank.com.np**
 Name of the Chairman: **Shyam Prasad Basyal**
 Name of the CEO: **Govinda Prasad Dhakal**
 Slogan of the Bank: **Access to all**
 Website: **www.garimabank.com.np**

ABOUT THE BANK

Garima Bikas Bank Limited (GBBL) was established by a group of enthusiastic, dedicated and successful professionals and entrepreneurs involved in education, banking, medicine, management, etc. As our network is expanded throughout the country, we at GBBL believe in getting exclusive confidence of Nepalese financial market by rendering quality services through professional management and state of the art technology.

We encompass an ever expanding range of business expertise and personal experience. We have a long history and our ability to adapt and grow has enabled us to respond to changing markets, explore new technologies, and engage new communities. Throughout each change, our unwavering commitment to customer service has been our guiding principle and we always strive to:

- Deliver wonderful banking service to our customers through state of the art technology.
- Satisfy all the stakeholders with healthy and sustainable value creation.
- Make our vision come true through professional integrity, corporate governance and fulfilling regulating compliance

Our Journey

Our bank was incorporated under Company Act on Shrawan 22, 2064 and acquired license from Nepal Rastra Bank to perform its financial transactions on Ashwin 24, 2064. The bank started its formal operations on Kartik 18, 2064 from Waling 3, Syangja. After the successful merger between Garima Bikas Bank Limited and the then Nilgiri Bikas Bank Limited, the bank upgraded to National Level on Ashadh 29, 2072.

Currently we are providing our services through our 106 branches and 51 ATMs that are placed strategically for our customers' convenience.

VISION & MISSION

- We have very clear vision, "Access to All".
- Missions of Garima Bikas Bank Ltd. can be summarized as: Deliver wonderful banking service

KEY FINANCIAL HIGHLIGHTS

Key Indicators	FY 2076/77 (Actuals)	Q3 OF FY 2077/78
Share Capital (in NRs.)	3,238,689,428	3,675,912,501
Reserves (in NRs.)	1,107,912,897	1,430,743,840
Deposit from Customers (in NRs.)	45,188,673,100	61,320,216,042
Loans and Advances to Customers (in NRs.)	35,351,409,663	53,004,869,325
Operating Profit (in NRs.)	812,750,978	968,921,020
Net Profit (in NRs.)	577,255,769	678,276,214
Capital fund to RWA (in %)	13.87%	11.63%
Non-Performing Loan to total loan (in %)	0.79%	0.58%
Net Profit available for distribution (in NRs.)	449,434,391	490,298,739
Credit to Deposit Ratio (CCD As per NRB Directives) (in %)	69.50%	80.28%
Earnings per share (in NRs.)	17.82	24.60

OTHER INDICATORS		NAME OF PRODUCTS AND SERVICES
Number of Employees	932	In majors we have 27 deposit products.i.e. mero share bachar khata, Nari saving and more.
Number of Branches	106	
Number of Depositors	456437	Loan products 25 i.e. professional loan, Garima easy home loan, and more
Number of Borrowers	39393	

Management Team



DR. BINOD ATREYA
Managing Director



MS. RAJJU MULMI
Business Development Manager



MS. NISHU BHAGAT
IT Supervisor



MR. MATIRAM PAUDEL
Supervisor-Accounts & Administration



MS. ASLIN GYAWALI
Program Coordinator



MR. PRABIN ARYAL
Program Coordinator



MS. ALINA K.C.
Program Coordinator



MR. SUGAM POKHREL
Junior Assistant



Glimpses of Strategic Alliances



BFIN and Centurion University of Technology and Management



BFIN and Mewar University



BFIN and MSME Chamber of Commerce and Industry of India



BFIN and Global College International

Glimpses of International Programs



Nano, Micro and SME Entrepreneurship Eco-System Development
CUTM, Odisha, India, 23 - 26 February, 2021



Nano, Micro and SME Entrepreneurship Eco-System Development
CUTM, Odisha, India, 23 - 26 February, 2021

Glimpses of National Programs





Release of Journal Vol I



Chinta Mani Siwakoti , Former Deputy Governor, Nepal Rastra Bank



Chiranjibi Chapagain, Former Chairman, Beema Samiti



Bhisma Raj Dhungana, Chairman, Securities Board of Nepal



Dr. Binod Atreya, Managing Director, BFIN

BFIN-In Details





International Programs

Date	Name of the Program	In collaboration with	Mode
"23 - 24 July, 2021	"Agri-business Entrepreneurship and Value Chain Financing for Bankers	Vaikunth Mehta National Institute of Co-Operative Management	Online Training
02 - 03 July, 2021	Innovation and Application of Financial Technology (FinTech) in the Financial Sector	Vaikunth Mehta National Institute of Co-Operative Management	Online Training
17-24 June, 2021	Trade Facilitation Using Letter of Credit and the Associated Risk Management (Customized)	Bangladesh Institute of Bank Management	Online Training
19-29 May, 2021	Trade Facilitation Using Letter of Credit and the Associated Risk Management (Customized)	Bangladesh Institute of Bank Management	Online Training
14-15 May, 2021	HR Conclave: Managing the Disruption		Conclave
05 - 08 March, 2021	Skill Development of Trainers in the Area of Promotion and Financing of SHGs/JLGs for Financial Inclusion of Rural Poor	Center for International Cooperation & Training in Agricultural Banking	Online Training
03 - 05 March, 2021	Women Empowerment through Micro Finance	Center for International Cooperation & Training in Agricultural Banking	Online Training
21 - 24 Feb, 2021	Frugal Innovation and Rural entrepreneurship connecting the dots in financial inclusion	Center for International Cooperation & Training in Agricultural Banking	Online Training
22 - 26 Feb, 2021	Nano, Micro and SME Entrepreneurship Eco-System Development	Centurion University of Technology and Management	Odisha, India
05 - 06 Feb, 2021	Effective Sales Development Program for Non-Life Insurance Market	Bangladesh Institute of Bank Management	Online Training
22 - 23 Jan, 2021	Digital Marketing	live2win	Online Training
12 - 14 Jan, 2020	Project Finance for Development of Cooperative Agro - Processing Activities	Center for International Cooperation & Training in Agricultural Banking	Online Training
05- 18 Dec, 2020	HR Analytics	Live2Win	Online Training
03 - 05 Dec, 2020	The International Power Negotiator	A Masterclass by Richard Jenkins	Online Training
09 - 11 Nov, 2020	Digitalization and Financial Inclusion	Center for International Cooperation & Training in Agricultural Banking	Online Training
06 - 08 Nov, 2020	Fundamental of Actuarial Science	A Master Class by Mr. Dinesh Chandra Khansili	Online Training
19-20 Oct, 2020	Skilling Livelihood and Financial Inclusion	Center for International Cooperation & Training in Agricultural Banking	Online Training
02 Oct, 2021 onwards	Trade Facilitation Using Letter of Credit and the Associated Risk Management (20 hours Course)	Bangladesh Institute of Bank Management	Online Training
21-25 Sep, 2020	Development of Managerial Skills for Agricultural Co-operatives and Rural Financing Institutions	Center for International Cooperation & Training in Agricultural Banking	Online Training
29 Aug, 2021 onwards	Certified Online Course in Life Insurance (30 hours Course)	Birla Institute of Management Technology	Online Training
24-28 Aug 2020	Equipping Digital Competencies in TVET to Address IR 4.0"	Colombo Plan Staff College	Online Training
24-28 Aug 2020	Adopting Area Based Integrated Approach for Inclusive Cooperative Development of NCDC's ICDP Scheme	Center for International Cooperation & Training in Agricultural Banking	Online Training
14 Aug, 2020	COVID-19 and New Normal : How we can manage our business (Release of Journal)		Annual Conference
10 - 12 Aug 2020	Agri-Value Chain Financing	Center for International Cooperation & Training in Agricultural Banking	Online Training



Date	Name of the Program	Venue
30 - 31 July 2021	Public Procurement and Contract Management	Tinkune, Kathmandu
30 - 31 July 2021	Certification course for Teller	Dhangadi
30 - 31 July 2021	Certification course for care executive	Dhangadi
23 - 24 July, 2021	Certification course for care executive	Pokhara
23 - 24 July, 2021	Certification course for care executive	Simara
23 - 24 July, 2021	Income Tax - Practical Aspects, Shrawan 8-9, 2078	Tinkune, Kathmandu
04 - 09 July, 2021	Certification course for care executive	Old Baneshwor, Kathmandu
04 - 09 July, 2021	Certification course for care executive	Tinkune, Kathmandu
04 - 09 July, 2021	Certification course for care executive	Bhaktapur
29 June - 3 July, 2021	Certification course for care executive	Pulchowk, Lalitpur
28 June - 3 July, 2021	Certification course for care executive	Tinkune, Kathmandu
28 June - 3 July, 2021	Certification course for care executive	Basundhara, Kathmandu
04 June, 2021	Webinar (Budget & Monetary Policy 2078/79)	Live Webinar
28 May, 2021	Crisis to Creativity	Online Training
21-22 May, 2021	Basic Selling Skills	Online Training
16-17 April, 2021	Customer Service Excellence	Janakpur
16-17 April, 2021	Effective field Management	Janakpur
03 April, 2021	Environment and Risk Management	Online Training
26 - 27 March, 2021	Deposit Maximization	Butwal
19 - 20 March, 2021	Customer Service Excellence	Surkhet
19-20 March, 2021	Cash Management and Teller Operation	Dhangadi
19-20 March 2021	Effective Field Management	Dhangadi
12 March, 2021	Board of Directors: Best Practices and Governance	Kathmandu
05-06 March, 2021	Customer Service Excellence	Pokhara
05 - 06 March, 2021	Legal Aspects of Security and Documentation	Pokhara
26 - 27 Feb, 2021	Understanding Collateral Loans for MFIs	Butwal
26 - 27 Feb, 2021	Customer Service Excellence	Butwal
05 - 06 Feb, 2021	Effective Field Management	Chitwan
29 - 30 Jan, 2021	Effective Field Management	Nepalgunj
29 - 30 Jan, 2021	Customer Service Excellence	Nepalgunj
15 - 16 Jan, 2021	Customer Service Excellence	Biratnagar
22 - 23 Jan, 2021	Artificial Intelligence And Robotic Process Automation For Banking	Online Training
09 Jan, 2021	Customer Service Excellence	Online Training
14 - 19 Dec, 2020	Basics of Credit Management	Online Training
21 - 26 Dec, 2020	Basics of Credit Management	Online Training
02 Jan, 2020	Board of Directors: Best Practices and Governance	Kathmandu
10 Oct, 2020	Financial Statements Analysis from the Lender's Perspective	Online Training
09 - 10 Oct, 2020	AML/CFT Compliance	Online Training
09 - 10 Oct, 2020	Board of Directors: Best Practices and Governance	Online Training
02 - 03 Oct, 2020	Unified Directives 2077/78	Online Training
02 - 03 Oct, 2020	Unified Directives 2077/78	Online Training
02 - 03 Oct, 2020	Unified Directives 2077/78	Online Training
25 - 26 Sep, 2020	Risk Management, Inclusive Finance & COVID 19	Online Training
11-12 Sep, 2020	Managing Foreign Exchange Business and its Risk	Online Training
11-12 Sep, 2020	Managing Foreign Exchange Business and its Risk	Online Training
04-05 Sep, 2020	Cash Management	Online Training
28 Aug, 2021	Enhancing MFIs Business During COVID 19 Regime	Online Training
14-15 Aug 2020	Risk Based Internal Audit- CA Sudeep khana	Online Training
10 - 12 Aug 2020	Agri-Value Chain Financing - CICTAB	Online Training
24 - 25 Aug, 2020	"Income Tax - Practical Aspects"	Online Training



CEO

**NCC Bank**नेपाल क्रेडिट एण्ड कमर्स बैंक लि.
Nepal Credit & Commerce Bank Ltd.*Your Business Bank*Name of Bank: **Nepal Credit & Commerce Bank Ltd.**Corporate Address: **Bagbazar, Kathmandu**Phone Number: **01-4246991/4258056**Email: **corporate@nccbank.com.np**Swift Code: **NBOCNPKA**Name of the Chairman: **Mr. Upendra Keshari Neupane**Name of the CEO: **Mr. Ramesh Raj Aryal**Slogan of the Bank: **Your Business Bank**Website: **www.nccbank.com.np**

ABOUT THE BANK

Nepal Credit & Commerce Bank Ltd. (NCC Bank) formally registered as Nepal - Bank of Ceylon Ltd. (NBOC), commenced its operation on October 14, 1996 as a Joint Venture with Bank of Ceylon, Sri Lanka. It was then the first private sector Bank with the largest authorized capital of NRS. 1,000million. The Head Office of the Bank is located at Bagbazar, Kathmandu. The name of the Bank was changed to Nepal Credit & Commerce Bank Ltd., (NCC Bank) on 10th September, 2002, due to transfer of shares and management of the Bank from Bank of Ceylon, to Nepalese Promoters. NCC Bank completed its 24 years of banking services on October 14, 2020 and recently, entered into a historic merger with four Development Banks – Infrastructure Development Bank Ltd., Apex Development Bank Ltd., Supreme Development Bank Ltd. and International Development Bank Ltd. The Bank started its joint transaction from January 01, 2017 has now become one of the largest private sector commercial bank. At present NCC provides banking services and facilities to rural and urban areas of the country through its 133 branches, 101 ATMs and 9 Extension Counters scattered all over the country from Far West to Far East. The Bank has developed corresponding agency relationship with more than 150 International Banks having worldwide network.

VISION

- Bankers with the quality Service Strive for expansion with profitability professionalism and personalized banking services.

MISSION

- Our goal is to provide a wide range of banking services and products in the emerging socio-economic environment within and outside the country maintain high standards of integrity and efficiency with excellence.

KEY FINANCIAL HIGHLIGHTS

Key Indicators	FY 2076/77 (Actuals)	Q3 OF FY 2077/78
Share Capital (in NRs.)	9,353,916,945	10,314,516,680
Reserves (in NRs.)	3,807,085,653	3,947,749,521
Deposit from Customers (in NRs.)	79,587,303,652	105,096,260,500
Loans and Advances to Customers (in NRs.)	69,399,216,197	94,085,865,735
Operating Profit (in NRs.)	1,673,117,491	1,551,978,479
Net Profit (in NRs.)	1,108,473,906	1,101,180,379
Capital fund to RWA (in %)	13.84 %	13.78 %
Non-Performing Loan to total loan (in %)	2.86 %	2.05 %
Net Profit available for distribution (in NRs.)	859,350,128	879,394,523
Credit to Deposit Ratio (As per NRB Directives) (in %)	74.88 %	77.68 %
Earnings per share (in NRs.)	11.85	14.23

NAME OF PRODUCTS AND SERVICES

1. Normal Saving Account
2. NCC Mahila Surakshya Bachat Khata
3. NCC Savings Plus
4. NCC Utasab Bachat Khata
5. NCC Jestha Nagarik Surakshya Khata
6. NCC Sharedhani Bachat Khata
7. NCC Nepali Nagarik Bachat Khata
8. NCC Karmachari Bachat Khata
9. Subha Lav Plus Bachat Khata
10. NCC Bal Suraksha Bachat Khata
11. NCC Bank Retirement Fund
12. NCC Subha Lav Bachat Khata

OTHER INDICATORS

Number of Employees	1387
Number of Branches	133
Number of Depositors	767,348
Number of Borrowers	17,968

“ तपाईं हामी बीचको नाता
सम्बृद्धिको सहयोगी
NCC उत्सव बचत खाता ”



रोहित कुमार पौडेल
नेपाली क्रिकेट टीम



* अर्जुन मलिक कर्णधार *

आरिफ शेख
नेपाली क्रिकेट टीम

उत्सव बचत खाता

विशेषताहरू

- आकर्षक व्याजदर
- न्यूनतम मौज्जात रु. १,०००/-
- न्यूनतम मौज्जात ५०% छुट
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