



Financial Inclusion in Nepal: Current Situation, Past Attempts and Current Policies



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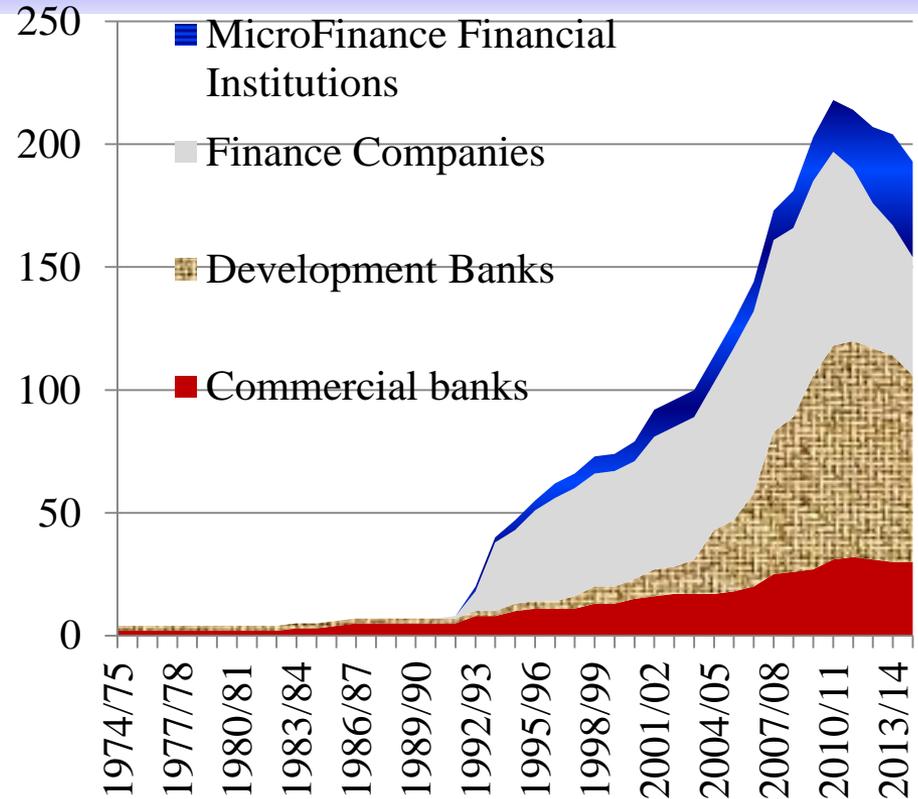
Prepared for First High-Level Follow-up Dialogue on Financing for Development in Asia and the Pacific Incheon, 30 and 31 March 2016



Current Situation

Supply Side

- Population per branch of BFIs (A, B, C & D) = 6930
- 13460 Saving and Credit Cooperatives (15 licensed by NRB, others registered in Dept. of Cooperatives)
- 4031 Multipurpose Cooperatives (also performing savings and credit function)
- 27 NGOs (licensed for limited banking activities from NRB)
- 1 National Cooperative Bank (a wholesale bank for saving and credit cooperatives)



As of mid- Jan 2016

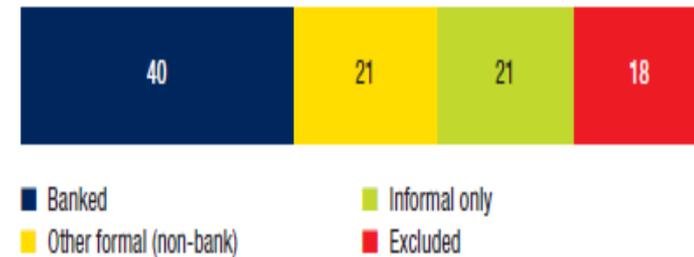
BFI	Comm. Banks	Develop. Banks	Finance Comp	Micro Finance Inst.	Total
No. of BFI	30	73	47	41	191
Branches	1806	856	202	1184	4048



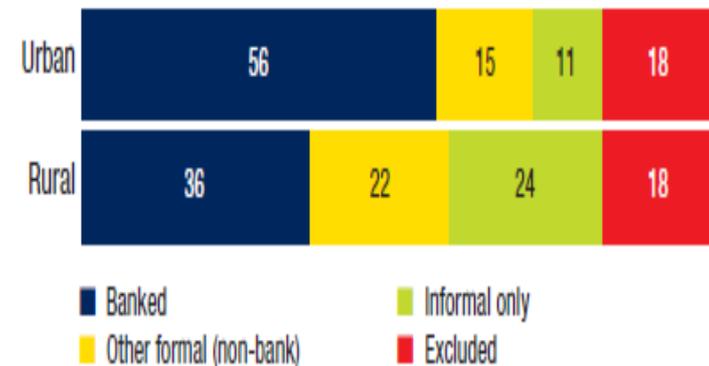
Current Situation

Demand Side (Based on FinScope Consumer Survey 2014)

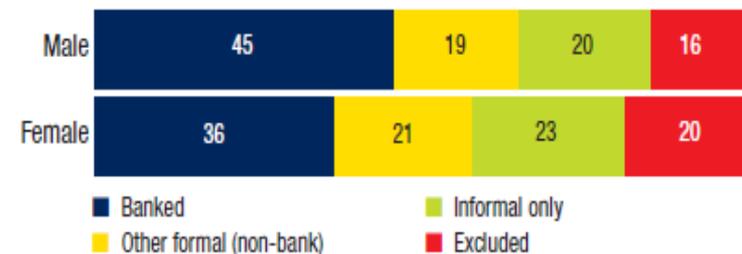
- Financially excluded adults, i.e. they do not use any financial products/services – neither formal nor informal – to manage their financial lives (18%)
- Adults who have/use informal mechanisms only but no formal products/services (21%)
- Adults who have/use formal non-bank products/services but no regulated bank products (21%) –they might also have/use informal mechanisms
- Adults who have/use regulated bank products/services (40%)



Access Strand by location (%)



Access Strand by gender (%)





Past Attempts for Financial Inclusion

- ❖ Priority sector lending in 1974
- ❖ Small Farmer Development Programme in 1975.
- ❖ Establishment of Rural Self-Reliance fund (RSRF) in 1991
- ❖ Establishment of Rural Development Banks in five development regions in the 1990s
- ❖ Allowed the private sector to open micro finance development banks
- ❖ Various Project based microcredit programmes
- ❖ Deprived Sector lending introduced in 1991
- ❖ Cooperative Act, 1991 allows to establish saving and credit cooperatives by at least 25 members.
- ❖ Phased out of priority sector in 2007/08, but continuation of the deprived sector lending
- ❖ Financial intermediary NGOs (FINGOs) were issued licenses by NRB in 1998
- ❖ National Microfinance Policy 2008



Current Policies and Programmes

- Liberal licensing policy to open Microfinance financial institutions in unbanked areas.
- Necessary to open branches in villages before opening in Kathmandu.
- Continuation of deprived sector lending (5 % of total loans for commercial banks, 4.5 % for development banks and 4 % for finance companies).
- Providing interest free loans to BFIs to extend bank branches in remote and rural areas.
- Allow to operate mobile (vehicle), mobile phone banking and agent (branchless) banking.
- Provision of productive sector lending which should be 20 % of total loans for commercial banks, of which 12 % should be on agriculture and

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https://www.yunbaogao.cn/report/index/report?reportId=5_3405

