

## Draft of financial sector development strategy ready

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**KATHMANDU, Dec 30** : Nepal Rastra Bank (NRB) has prepared a draft of Financial Sector Development Strategy 2015-2020, envisioning an efficient, effective, inclusive and stable financial sector.

Among others, the strategy aims to strengthen the financial sector by encouraging merger and acquisition of banks and financial institutions (BFIs) for increasing contribution from the sector to GDP to 8 percent by 2020.

GDP contribution from the sector currently stands at 3.8 percent at present.

Nawarj Bhandari, joint secretary at the finance ministry, made a presentation on the draft at an interaction organized jointly by the ministry and National Banking Institute on Monday. The interaction was organized to collect views of experts and concerned stakeholders on the draft.

With the implementation of the strategy, the government hopes daily transaction in the stock market will increase to Rs 2 billion from average daily transaction of around Rs 200 million. Likewise, the strategy aims to modernize payment systems and make significant improvement in financial outreach. The document includes separate strategies for banking, insurance, capital market, cooperatives and non-banking financial institutions.

- Raising contribution of financial sector to GDP to 8 percent
- Raising daily turnover in capital market to Rs 2 billion by 2020
- Modernizing payment systems
- Increasing the outreach of financial institutions

The strategy aims to orient banking systems toward universal banking, increasing availability of financial services in rural and remote areas and bring reforms, and enhance regulatory framework and capabilities to develop more resilient financial systems. Similarly, it envisages forging better coordination among regulators, raising corporate governance standards among market participants, and aligning accounting systems with international standards.

The document envisages forming a high-level committee led by the Governor of NRB, which also includes finance secretary, and a technical committee led by a deputy governor of NRB for implementation of the strategies. The high-level committee will report to the finance minister on a periodic basis.

Meanwhile, experts have suggested putting in place a mechanism for effective implementation of the strategy. Ganesh Bahadur Thapa, former governor of NRB, said a defined implementing body is a must for the success of the strategy. He also emphasized the need to monitor cooperatives and bring down the number of BFIs.

Former finance secretary Rameshwor Khanal said the strategy should also cover derivative market as well as informal money transfer channels like hundi and other off-shore transactions. He also suggested introducing collateral free loans for poor people to make financial system more inclusive.

Speaking at the program, Economist Posh Raj Pandey said equally emphasis should be given to risk-based as well as compliance-based supervision and monitoring for making financial sector more stable. He also pointed out the need to establish linkages between government's priority sectors with core financial sectors.