



VANTAGE

10th edition, 2016

Food For Thought:
the Positive and Negative Side of
Negative Interest Rates

बैंकिङ Today

Interview with
Deputy Governor Chinta Mani Siwakoti

What is Demat Account again?



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From the editor

“Gradual Revival until 10th Edition of Vantage”

We revive ourselves time and again. Similarly, magazines need to revive itself time and again. From a newsletter till 2014, Vantage got revived into a business magazine and this year we have taken a step ahead by adding further interesting features that you will be proud to hold in your hand and read.

We have tried addressing two needs of our readers they are: a) to read something that can be used in real life b) to read a magazine that truly takes you on an intellectual journey. We are delighted to announce the tenth edition of KUSOM's Vantage on the theme “बैंकिङ today” that will address both these needs. This edition of Vantage will provide readers the perfect opportunity to immerse oneself on current Banking sector topics from various vantage points.

The last edition of Vantage was on the theme “Starters and Startups” which was dedicated to all those success stories that were once mere rookies. The new edition is banking on the topic “बैंकिङ today” because of the importance of banks as a mediator for a robust corporate world. The magazine includes various research papers, focus group discussion, interviews of personnel steering the banking world.

Let me share that revival will continuously takes place. We will try to add new features to the magazine for which your suggestion is invaluable. Tell us what you liked and didn't like in the magazine. You can even suggest interesting corporate themes to base Vantage on. Write us at publication@kusom.edu.np or message us at <https://www.facebook.com/kusom.vantage/>.

Previous Editions



2014



2013



2012

Features

1 | Understanding the Challenge of NRs. 8 billion

Explores the challenge of NRs. 8 billion paid up capital
By Shreeya Bhattarai

3 | Future Time Bomb for Banks: Its Asset Quality level

Problems with asset quality (loan quality) can severely impact its performance
by Ms. Hisila Maharjan



8 | Food For Thought: the Positive and Negative Side of Negative Interest Rates

Since the introduction of negative interest rate, Euro has fallen almost 20% at present (approxiamately)
by Bhishma Jang Karki

12 | Understanding the Terrain of Nepalese Banking Offences

The major reasons for fraud in Nepal are rationalization, pressure and opportunity.
by Prasen Shakya

14 | The New age Banking

First or Last the digital era as touched the banking needs as well
by Bibek Maharjan

4 | Does Capital Adequacy and Profit Go Hand in Hand ?

by Grishma Bajracharya

5 | Will Big Profitable Banks in Nepal have Big Cash?

by Shreejesh Gautam

6 | Walking Hand in Hand: Being Best and Doing Best

by Adhish Kumar Gorkhali & Rojina Awale

7 | How do Top Officials from Banking Jobs Transition into a Job in Another Sector?

by Nishant Khedia and Deepali Bhattarai

10 | KUSOMITES Discuss Banking Jobs in a Focus Group

15 | Short Bytes: From the Horses' Mouth

by Prayash Aryal

16 | What makes a PYRAMID strong? The BASE or the TOP ?

by Nitesh Kumar Shah

17 | From the First Female General Manager 'Barsha Shrestha'

by Sonali Agrawal

19 | Interview with CEO of Nabil Bank & Member/Past President of Banking Association of Nepal Sashin Joshi.

By Mona Shrestha and Sadiksha Thapa

21 | Uncovering Internship in Bank!

by Ankit Amatya & Sonali Agrwal

22 | Successful Merger Story of KIST and Prabhu Bank

by Amit Sharma Regmi

24 | Interview with Deputy Governor of Nepal Rastra Bank: Chinta Mani Siwakoti

27 | What is Demat Account again?



“ How many banks can actually make the Rs 8 billion jump set by NRB ? ”

2 BILLION

Understanding the Challenge of NRs. 8 billion

By Shreeya Bhattarai



8 BILLION

“This policy has also resulted after the international pressure from agencies such as International Monetary Fund. Nepal requires large funding capacity from banks to increase the number of development projects. The International Monetary Fund (IMF) has forced the central bank to reduce the growing number of banks and financial institutions in the nation.”

Unveiling the Monetary Policy for Fiscal Year 2015/16, Nepal Rastra Bank (NRB) introduced an increase in paid up capital in their monetary policy for the fiscal year. Through the hike in paid up capital by four times to Rs. 8 billion within two years time span for commercial banks, the central bank aims to make banks and financial institutions stronger with large capital base. Currently, the capital base for commercial banks in Nepal is relatively low as compared to several banks operating in South Asia.

In Nepal, there are currently 195 banks and financial institutions which comprise of 30 “A” class banks, 79 “B” class banks and 50 “C” class banks. Among the “A” class commercial banks, Rastriya Banijya Bank Ltd meets the current capital requirement with paid up at Rs. 8.59 billion. Similarly, Agricultural Development Bank Ltd also has a paid up capital of Rs. 9.64 billion.

Moreover, there has been an increase in paid up capital for other financial institutions as well. The national level development banks must increase paid up capital to Rs. 2.5 billion and other development banks operating in 4 to 10 districts must maintain to Rs. 1.2 billion. For development banks operating only in 1 to 3 districts, the capital must be at Rs. 400 million.

This move of the central bank has overtaken all other reforms and policies brought in by the monetary policy of the year. The increase in paid up capital by four times for commercial banks is focused on stabilizing their financial condition and providing competitive edge. The

low capital base hinders the ability of banks to provide large amount of loans. The new policy will enable them to promote large lending independently.

Additionally, the core objective as stated by NRB is to make banks as well as financial institutions able to sustain small market shocks and fluctuations and to finance large scale projects. However, NRB does plan to reduce the growing number of financial institutions in the country. The central bank aspires to develop few banks with large capital base which will uplift banks to an international standard. As the banks have large capital and are small in number, they might not reach throughout the country. This will provide a potential platform for the development of microfinance in rural areas that will work under NRB.

This policy has also resulted after the international pressure from agencies such as International Monetary Fund. Nepal requires large funding capacity from banks to increase the number of development projects. The International Monetary Fund (IMF) has forced the central bank to reduce the growing number of banks and financial institutions in the nation.

The central bank has also allowed the operation of foreign banks only as wholesale banking. But in the long run, foreign banks might enter the market for full fledged banking. So, NRB is preparing existing banks to be competitive and survive alongside international competition. The existing banks of Nepal have been willing to operate in India, but the Indian central bank's policy requires the paid up capital of foreign banks to be IRs

5 billion to open a branch in India.

Furthermore, NRB plans to reduce the number of banks and financial institutions through the increase in capital base. The few remaining commercial banks after mergers will make the financial market even stronger and stable.

The issue of change in paid up capital has been discussed among several experts and personnel from the sector. The time frame of two years will not be sufficient to implement such a large increase. The banks and financial institutions must undergo merger and acquisition, issue of rights and bonus shares, or promote Further Public Offering (FPO) to increase the capital. The banks can also issue bonus shares which will transfer the surplus and reserve to the capital. Moreover, Further Public Offer can be used to increase the equity. However, all the banks and financial institutions cannot be funded by public investment at the same time.

One of the viable options to increase the capital is through mergers and acquisitions. But, for some banks such as development banks, even a merger cannot be sufficient to meet the requirement. The mergers can take place between two large commercial banks or even between bank and other class of financial institutions.

The deadline for submission of bank's plan regarding raising capital has passed.

The banks have assured the central bank to enter into mergers with other commercial banks, but the problem of promoter's loan has been noticed that either needs to be cleared or shifted to other bank. The central bank is willing to supply additional time to shift the loans.

The banks and financial institutions are questioning the time frame provided to implement the capital increment. The objective of NRB to reduce the banks and financial institutions cannot be fulfilled as merger is not a viable option in the short time frame between two or more institutions. It is significant for NRB to negotiate with banks regarding the strategies to be adopted rather than imposing it on the banks.

The monetary policy had brought immediate impact on the financial market and trading. The stock market registered high rise. The market demand for shares is also escalating due to the possibility of mergers and acquisitions, new capital injection and issuance of Further Public Offer and right shares. The banks and financial institutions have provided positive outlook towards new investment being brought in the banks.

The author is an undergraduate student at Kathmandu University School of Management.

“The new provision to increase the paid up capital base of the banking system & ensure financial stability”

- Govener Chiranjibi Nepal

Did you know ?

The Capital increment plan by Nepal Rastra Bank (NRB) is one of the reasons why there has been a bullish run at NEPSE.

“The daily transaction at nepse has been hitting Rs. 1 billion mark” - June, 2016





Future Time Bomb for Banks: Its Asset Quality level

by Ms. Hisila Maharjan

We have long known that world financial media have been featuring company negatively due to its bad debt sharply increasing. In our context, we have seen local media covering Nepal Rastra Bank (Central Bank of Nepal) making Know Your Customers (KYC) policy and hopes of making BASEL III stringent to avoid the failure of the entire banking system. Yet, the basis for this concern has remained unknown. Why is the concern regarding non-performing loan and policies related with Know Your Customer (KYC) being widely reported and studied?

A research was conducted under the supervision of Mr. Mohan Raj Joshi, manager at Nabil Bank to understand these concerns. For this, data of 15 commercial banks (2009-2014) in Nepal were collected with the purpose of understanding the performance of bank and its asset quality. However, during the study important facts related with banking concern that readers' especially those interested in banking and finance must understand the current fears looming the banking industry i.e. maintaining its non performing loan level, in other words a good as-

set quality level.

With the adage "First Thing First", let me put the state outright that asset quality means the loan quality provided by bank. Accordingly, if there is high amount of non-performing loan and bad debt then it

"Accordingly, if there is high amount of non-performing loan and bad debt then it means loan quality i.e. asset quality is low."

means loan quality i.e. asset quality is low. In simpler terms, when bank aren't able to collect its loan on time, which is one of the major income factor for bank, they get into huge problems especially related to liquidity. So, since the quality of loan portfolio and the credit administration program are the main factors for the overall asset quality, the banks should have better credit management policies.

The major finding of this research with the result of 14 commercial banks showed that the asset quality level of the banks was directly related to its performance. The research points that there are many variables

from employee efficiency to various financial indexes like profitability, solubility and market indexes, but one such important factor is the bank's asset quality. High non-performing loan ratio means low asset quality affecting the performance of the bank.

Many authors have stated that the asset quality of a bank is low when it goes through liquidation process. This is why many authors resonate the statement by Nagle (1991) who indicated that the problems of asset quality may become the future time bomb for banks. So, when there is significantly lower non-performing loan or non-collected loans then a bank is under threat of high credit risk even to the point of liquidation. This is one of the reasons why Nepal Rastra Bank as the apex governing body has asked banks to be stringent about Know Your Customer Policy to prevent non-performing loans leading to staggering incidence.

The author has written the article based on a research done under the supervision of Mr. Mohan Raj Joshi.

Does Capital Adequacy and Profit Go Hand in Hand ?

by Ms. Grishma Bajracharya

Various researches have been conducted to prove the importance of capital maintenance. There are myriad reasons like, to ensure productive returns from investment projects and credit supplies of the banks, to manage public funds or to ensure that the banking practices are fair and acceptable to the society. In other companies, investors monitor or attempt to discipline their debt and equity capital. But in banks, the capital is usually made up with tiers and they are not monitored closely by the depositors and creditors. So, that is why regulators, in our case, Nepal Rastra Bank, steps in to direct banks to maintain certain level of capital.

What about banks? Does maintaining certain level of capital ensure that the bank's health is better than it was before? Since there is little evidence of Capital Maintenance's positive relationship with Profitability, how such optimal capital requirement is maintained by the bank is an intriguing issue. The answers could be found out by determining the type of relationship in the latest 7 years trend. For this, a research was conducted by the author under the mentorship of Asst. Prof Sabin Bikram Panta in order to examine and understand the trend of relationship between capital adequacy and profitability in Nepalese Banking Sector. The research study takes 25 commercial banks (2008-2014) in order to study the trend of the very relationship.

After going through the trend analysis, it was found that capital adequacy and total income for banks definitely have strong positive relationship. This means with sufficient capital reliance, the banks' size has grown and with it, their total earnings have also grown in the last 7 years.

[However the flip side is that capital Adequacy and net Income move together in most of the scenarios have weak positive relationship.]

All in all, the concept of positive relationship between Capital Adequacy and profitability is true in a sense that, it is observed empirically in most of the banks. However, the notion that higher the capital base adequacy, the more profitable a bank will be is true to a certain extent and assumption only. There are two reasons behind it. Firstly, there are various other internal and external variables that affect the income generation of a bank. Secondly, a more than optimal level of capital for a particular bank might turn out to be costlier to issue and review and reduce the level of profitability. These are further researchable issues. A further trend analysis by identifying such variables and taking into account a significant number of years should be conducted. There are various other internal and external variables that affect the income generation of a bank. For e.g. Grand Bank, even with an adequate capital, fell into a loss due to huge loan provision. Thus, it is also a time and situation based relationship.

To increase the profitability beyond the interest spread level as discussed earlier, extra supplementary services that add value for the customers should be incorporated in the banks. They must be provided with better service delivery, financial consulting services, secrecy and trust worthy service, Making Venture Capital Loans, Selling Insurance Policies ('Mahila Bachat' in Sanima Bank gives free health insurance worth Rs 10000) and other services such as selling retirement plans, locker services and security brokerage services are also sold by banks nowadays. More than that,

the modern banking should also facilitate investment banking, real estate and community development, merchant banking, insurance and risk management, cash management and thrift and saving function.

Based on the study it was recommended that there should be a constant review of minimum capital requirement of deposit money banks in Nepalese banking sectors to the optimal level. Banks should involve in controlling and efficient management of its internal affairs so that bank's unnecessary expenses can be reduced. On the other hand, modern banking has provided more opportunities to increase profitability by giving valued customer and client services. However, adequate capital reliance is essential.

Also, Nepalese commercial banks should be well capitalized to enable them to enjoy access to cheaper sources of funds with subsequent improvements in profit levels which would go a long way to help the public maintain confidence in the banks and also accommodate the credit needs of customers.

Therefore, this research study revealed the trend of relationship between capital base adequacy and profitability being positive where capital adequacy is more strongly positive with TI suggesting that a larger capital will lead to growth of bank, with hedge against potential risks and ultimately to the growth of total earnings/income generation. But, there was a weak positive relationship between capital base adequacy and NI, which suggests that with the growth in capital base and total earnings, the bank expenses were also in the rise.

The author has written the article based on the research done under the supervision of Asst. Prof Sabin Bikram Panta.



Will Big Profitable Banks in Nepal have Big Cash?

By Shreejesh Gautam

Financial analysts and researchers have always maintained that liquidity is one of the most sensitive issues able to bring huge shock to the financial market. Whenever there is upheaval in the market, one of the most talked about variable then is definitely liquidity along with credit risk. So, it is the single most important aspect for any business, be it small or large. It is even more so for the Banks whose whole operation depends on the perfectly balanced state of liquidity.

Basically for general readers, liquidity can be defined as the availability of cash and other cash equivalent securities (known as liquid assets) in order to meet the day to day cash needs of the business. Without liquidity, no firm will be able to meet its daily bills and other obligations which could create major setback for the business and might force a business to declare bankruptcy in the worst case scenario.

A research was conducted to effectively understand the significant factors that end up affecting liquidity position of commercial banks in Nepal.

For this research 8 experts from NABIL Bank, Sunrise Bank and Laxmi Bank and a few CA firms were interviewed to collect the data.

After thorough research, it was

found out that experts with significant experience have found out through practice that profitability, bank size and net interest margin are components that significantly contribute to a firm's availability of cash and cash like assets i.e. its liquidity position.

Let us understand what these jargons exactly are:

PROFITABILITY OF BANK

Experts state that higher the ability of the bank's cash to earn profit, lower liquid the bank. So, when a firm is very profitable then the firm's cash can definitely reap, but it will invest in order to reap as much profit from the investment rather than keeping cash to itself.

This issue can be seen from another aspect, the firm isn't foolish to hoard cash when they know they can cash in their profitable position by investing, in economic terms the "opportunity costs of fund" with regard to keeping it on hand is higher than investing it.

Hence, as per 7 out of 8 experts, there is negative relation of liquidity and profitability.

RETURN ON THE LENDING

Experts cite that when a bank is in a very good position to earn high return on their lending, its Net Interest Margin (NTM) is higher. It implies that the bank will lose very less if it doesn't hoard much cash so it chooses to remain less liquid at the hopes of earning a higher profit from their lending. The high net interest margin indicates lower the liquidity.

SIZE OF THE BANK

Thirdly, five out of eight experts constitutes a majority of the interviewed experts; they assert that Li-

quidity and Bank Size have a negative relationship. As a bank grows in size the confidence gives them the freedom to remain less liquid and instead have government loan as the safety net in case they are sort of cash and cash like assets.

So, this confidence due to the bank size helps banks remain comfortably illiquid i.e. short of cash or keep it in low level and use it for various purposes.

Even though the result has shown few inconsistencies when the actual financial statement data were taken, which could mean flaw of the method chosen by the banks. Overall the major factor that affects the bank's liquidity position is shown by its profitability, bank size and the net interest margin.

However, there has been inconsistencies in the terms of expected results from the primary (interviews and data collection) and secondary data analysis (past researches), it would encourage the future researchers to study these gaps and the reasons for such deviations by including more factors that could affect the liquidity position of the commercial banks in Nepal. With this research work it was hoped that the examination of these relationship would give a clear picture about what changes the liquidity position of a bank. In general sense, we might have thought that a bank which is more profitable or a bank that is growing rapidly in size have more cash. But the truth is entirely different.

The author has written the article based on research done under the supervision of Mr. Binayak Malla.

Walking Hand in Hand: Being Best and Doing Best

by *Adbish Kumar Gorkhali & Rojina Awale*

Acceptance | Healing | Balance

Spirituality focuses on our energy (Qi-气) and teaches us about being dispassionate, calm, knowing purpose of your life, self-retrospection, developing intuition, sharpening intelligence, creativity and innovation, and most importantly on how to have a peaceful mind.

In today's world spirituality has become important aspect especially in the corporate sector where people from diverse background come together to achieve the organizational goal. Successful organizations require all the stakeholders to work as a team. For that the organizations need to develop a strong system of values and culture. Initially, it may take time and patience but once it is established it will lead to synergy for accomplishing the mission and vision. It is similar to building a house with strong foundation, it takes time but it can endure any earthquakes.

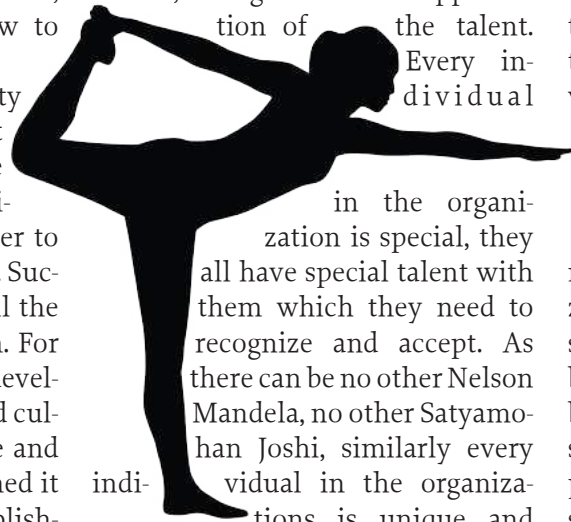
Our corporate world is full of energy and opportunity, the only thing we need to do now is awaken our spirituality and transform all energy into opportunity. Future leaders need to understand corporate business organization fundamentals i.e. profits are the outcomes of mutual coordination among various departments and individuals in an organizations. Organizations that solely focus on profits won't be able to sustain for long because employees are the ones that help gaining the profits. So without building the spiritual culture among employees', organizations are sure to collapse sooner or later. We need to develop a strong spiritual culture in the organization so that each individual of the organization is self-motivated towards his/her duty and loyal towards organization.

Following tips will help an orga-

nization to establish the corporate spirituality:

1. CONGENIAL ATMOSPHERE

Organization can create congenial atmosphere where there is acceptance, recognition and appreciation of the talent. Every individual



in the organization is special, they all have special talent with them which they need to recognize and accept. As there can be no other Nelson Mandela, no other Satyamo-han Joshi, similarly every individual in the organizations is unique and can contribute to the organization differently. Congenial atmosphere encourage every employee to utilize their potential to the maximum level. In such congenial environment employees can have peace of mind, be more mindful, compassionate, content and efficient. Such employees can deliver services to customer more efficiently by creating positive bonding with them and bring good business to the organization.

Thus, spirituality brings win-win situation for organization, employees and customers.

2. PERSONAL SOUL AND HEALING

Organizations that can maintain balance between productivity and health of employees can reap the maximum benefit out of the employees. Without healthy employees organization cannot stay healthy for long. Organization should make proper arrangement of canteen which serve hygienic food for all the employees. Additionally organization should make arrangements of

some warm up exercises before starting the job. Similarly, regular recreational and refreshment sessions of yoga, meditation and Taijiquan (太极拳), along with the working timetable helps enhancing productivity among employees. If employees feel they are being cared and nurtured they reciprocate their behavior with worthy performance towards the achievement of organizational goal.

3. BALANCE

As we need balance in life, we also need balance in corporate organization. Like balance between personal and professional life, balance between passion with dispassion, balance between businesses with services, balance to accomplish our projects with compassion to give something back to society is essential. Corporate spirituality assists creating the balance (Yinyang - 阴阳) in the corporate world by not only expecting performance from employees but also providing them growth opportunities and necessary support, by not only pushing the products but also taking care of consumer health and happiness. Overall corporate spirituality balances the resources of organization with worth performance by enhancing understanding and cooperation between all employees.

Both corporate and spirituality are inseparable terms for organizational success. An organization having corporate spirituality will have more job satisfaction, less employees turnover, more innovation and more corporate citizenship behavior which will result in building a sustainable growing organization.

The authors are undergraduate and graduate students at Kathmandu University School of Management.

How do Top Officials from Banking Jobs Transition into a Job in Another Sector?

By Nishant Khedia and Deepali Bhattarai

Immediate Past CEO of Investment Board and former CEO of Kumari Bank and Bank of Kathmandu explains the learning curve from one sector to another and many more.

ON THE ROUTINE DIFFERENCE BETWEEN BANKING AND CURRENT SECTOR

Not really personally I have been as hard-working in both the sector. However, banking sector was definitely more structured whereas Investment board was more diverse and also it involved working with the governments and reporting to the Prime Minister. It also involved educating ministers about various issues.

ON THE SIMILARITIES AND DIFFERENCES BETWEEN THE TWO DIVERSE SECTOR.

Similarities would be that both sectors involve managing people, understanding critical issues and giving values to staff. Additionally, the hectic and demanding schedule is present in both banking and the sector I am currently involved in.

But the biggest difference is that banking sector is much more structured and systematic whereas being a CEO in IBN is a much demanding job which requires dealing with private sector employees and also on the other hand dealing with government also reporting to the Prime Minister. Additionally, the process is much slow at Investment Board due to government bureaucracy.

ON THE LEARNING EXPERIENCE IN A US BASED FIRM FOR A DECADE

Number one aspect of working in a US based firm is professionalism such as the timing, the commitment and the professional attitude towards doing your job. The second aspect is job ethics which requires utmost sincerity, loyalty and transparency. Lastly the value of team work is another important aspect, this is because anywhere you go in this world one of the most important aspects of leadership is understanding and managing people. So, the experiences learned have been valuable till date.

BANKING SECTOR FROM MR. PANT'S LENSES

Banking is definitely one of the most professional sectors in Nepal and has been corporatized in its true sense. However banking needs to be more analytical and strong in Nepal. There is lack of strategic vision in Banks due to which there is huge gap between what Nepalese banks

GETTING TO KNOW MR RADHESH PANT

(FORMER CEO OF KUMARI BANK AND MANAGING DIRECTOR OF BANK OF KATHMANDU)



FAVOURITE MUSIC: Rock n Roll

FAVORITE BOOK: The Alchemist

FAVORITE FOOD: Japanese

FAVORITE DESTINATION: That's a tough one...San Francisco

TIP FOR ASPIRING BANKERS: Can-do attitude, respect for people, future orientation and high standard of ethics

ROLE MODEL: My father, Late Dr Yadav Prasad Pant

BEST INSPIRATION EVER RECEIVED: Teaching at KUSOM and learning from my students

BEST LEADERSHIP EXPERIENCE: Investment board reason being able to manage the diversity

FIRST INCOME: Rs. 1800/- as a operational engineer

FAVORITE MEMORY AS A BANKER: One of those parties in Bank of Kathmandu

could be and what it is right now. So, Nepalese banking sector could be much bigger than it is now.

ON THE CONSTANT ROTATION OF LEADERSHIP POSITION IN NEPALESE BANKS

Personally I have always had diverse background. I came from an aeronautical engineering background then did MBA at UCLA. After which I got involved with teaching and then became the board member at Bank of Kathmandu and then CEO at Kumari Bank.

So, I have never believed in taking on different challenges and opportunities along the way without being in the same job for a long time.

WISH-LIST FOR THE BANKING INDUSTRY FOR NEPAL

a. Five Strong Banks (15-20 billion capital) in the future because there aren't any now.

b. Banking sector to be much more technical than it is right now

c. Banks needs to be more diversified than right now



Food For Thought: the Positive and Negative Side of Negative Interest Rates

by Bishma Jang Karki

Theoretically, when a commercial bank applies a negative interest rate, it is more profitable not to keep cash in the banks. However, one should take into account the costs of securing money against the risk of theft or fire etc.

“You will be charged to keep money in your bank accounts.” It sounds like a crazy idea, but global financial markets have already experienced the lower bounds of interest rates below zero. As of today, five central banks (European Central Bank, Swiss National Bank, Denmark National Bank, Swedish National Bank, and Bank of Japan) are currently operating with negative rates. In June 2014, ECB became the first major central bank authority to introduce a negative interest rates. The policy was implemented through Deposit Facility Rate (DFR), which is currently -0.30%. In concrete terms, ECB charges commercial banks a penalty of 0.30% on the amount of excess reserve they deposit with it whether on the deposit facility or on current account. The similar rate in Switzerland is -0.75%, in Sweden -0.35%, in Japan -0.10% and in Denmark -0.65%.

Interest on deposits represents the return required by depositors to forego liquidity and to assume risks. Therefore, theoretically interest rates cannot be in negative territory. But holding cash comes with associated costs. That's where the interest rate floor does not respect the theory.

Theoretically, when a commercial bank applies a negative interest rate, it is more profitable not to keep cash in the banks. However, one should take into account the costs of securing money against the risk of theft or fire etc.

And the interest rate a little below zero may be lower than the cost of a security. Moreover, Negative interest rates apply only to large deposits at the central bank, so only a portion of the commercial banks' reserves are subject to them. Commercial banks are unlikely to pass the negative interest on retail customers' deposits.

Negative interest rates are used to induce commercial banks to lend to non-financial sector: businesses and consumers. Banks, following the global crisis in 2008-09, began to accumulate massive voluntary reserves or deposits at central banks. But with negative rates, commercial banks will incur costs to put excess reserves with central banks, there is incentive for banks to put reserve into circulation in the interbank market. The policy is designed to induce commercial banks to lend more. Because the loss due to negative interest rates may be high it is better for them to lend to businesses and households from which they continue to

receive positive interest rates. Low interest credit brings numerous benefits – it makes it easy to pay off debts to individuals, businesses and governments. They stimulate demand, because it encourages investment, since the cost of capital is low, as well as purchases of durable consumer goods. So it helps propel the economy, followed by an increase in production and a fall in unemployment.

Central banks may introduce a negative interest rate policy to loosen the financial and monetary conditions, which is achieved particularly through the effect on exchange rate. The visibly immediate effect of negative DFR can be seen on the weaker exchange rate. With a negative interest rate, country's bonds trade at a negative yield. It reduces the demand for country's bond and currency, and the exchange rate falls. Since the introduction of negative interest rate, Euro has fallen almost 20% (€1=\$1.35 in 2014, €1=\$1.14 at present *approximate figures only*). Swiss and Danish national bank's policies were triggered by rising exchange rate of Swiss Franc and Danish Krone against Euro. A weaker exchange rate supports inflation because it makes the exports more competitive (drives up the cost of imports) which is a stimulant for growth. ECB's medium term objective is to raise the Euro area inflation rate to 2%, which is 0% now (France -0.1%, Germany 0.1%, Spain -1%, Italy -0.2%, Poland -0.4%). Currently, the Eurozone suffers from insufficient demand and it requires sufficient stimulus to reduce the output gap and raise the inflation rate at the target level. ECB can loosen the financial and monetary conditions in the Euro Area through negative rates that will raise the inflation rate and bring full

employment i.e. the equilibrium interest rate.

Negative rates are double edged sword, and there are many costs of it. They can propel inflation as well as speculative bubbles on the markets of financial assets and real estate. Excess money supply in relation to the demand for it has to find its outlet. Low interest rates dent bank's profitability and encourage banks to seek riskier financial investments to increase profits. This momentum can lead precisely to speculative bubbles in the markets of different assets, the increased demand causes a rapid rise in their prices. There is much evidence that very low interest rates cause credit booms, and then bank failures and financial crises. It is also possible inefficient allocation of scarce resources, which sometimes take revenge in the form of lower economic growth, as it will reduce the productivity per effective capital and labor. Low cost of servicing the loan reduces the default risk. With negative rates, there is no interest payments and the mechanism that alerts a distress in borrowers (due to failure to pay interest) does not exist as borrower can default only on principal repayments. Banks will not write off the bad debts and will prolong the loans. As seen in Japan in 1990s, the ultra-low and negative rates can be used to distort the cost of capital and they allow zombie companies to continue operations without closing of inefficient enterprises and moving the capital to another, more productive use.

“Since the introduction of negative interest rate, Euro has fallen almost 20%.”

What the experts say

The European Central Bank (ECB) & central banks in countries like Switzerland, Denmark and Sweden have imposed negative interest on banks

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BNP Paribas Bank Warsaw, Poland*

Back in History



Silvio Gesell (1862-1930) a German economist argued in favour of carrying cost of money i.e. pay bank for holding deposits.

KUSOMITES Discuss Banking Jobs in a Focus Group

At the end of the discussion the so called “boring job” didn’t remain so boring, thanks to interesting jobs such as relationship management, merger specialist, organizational development expert, portfolio manager that were discussed.



Graduate and Undergraduate Students of KUSOM came together to share banking jobs in a focus group discussion on April 30th, 2016.

Topics that came up included scope for creativity in banking jobs. It has been seen that banking jobs are seen monotonous and extremely robotic so much that whenever any character in a movie needs to be essayed as a boring man he is shown working in a bank! The creative ones are always found giving a belittling look when banking jobs are mentioned. The discussion had both side, first side was that the stigma related with the banking job i.e. banking jobs are boring and should be ones last resort while the other side pitched that banking jobs do have scope for innovative ideas Whose proof enough is Anil Shah’s personal loan innovation and presence of strategic analyst and creative investment bankers who strategically make investments after interesting evaluations. At the end of the discussion the so called “boring job” didn’t remain so boring, thanks to interesting jobs such as relationship management, merger specialist, organizational development expert, portfolio manager that were discussed. This discussion helped gain clarity to both parties since both sides of the coin was discussed.

When the creativity oozing or boredom discussion related with banks were being done, a participant interestingly highlighted how the paradigm of thinking about banking job is different in the valley from back home (the participant in discussion lives in Pokhara). She shared the valley culture announces that banking jobs are BORING but back home in Pokhara banking jobs especially for ladies is a COVETED one.

Another key discussion topic came as a follow-up discussion to a participant’s story who shared that a friend of hers back home at Birgunj had a banking job thanks to her “connection” and subsequently her friend without a sound academic background rose the banking career. This story had a ripple effect and many other students pitched in their set of stories underlying the major issue, “Do Banks select individuals majorly based on their aptitude or mere favoritism?”

The next story by another participant further echoed similar fear that banking jobs do land up for those who have the “PR”, the other story was of a friend of a fellow participant who without having a sound academic hold had climbed easily up the career ladder in a bank. Meanwhile, amongst the dark discussion, there were positive discussions for banks wherein participants’ discussed how

“Banking jobs have highest case of sexual harassment and high turnover in lower and middle level.”

“Back home at Pokhara banking jobs symbolized prestige but here it symbolizes monotony & boredom”

- Sumana Bajracharya

banks do publish vacancy periodically on their website and those most upper level jobs aren't given unless the candidate has a strong academic background. This further gave a way for both sided discussion thus contributing to broader base of knowledge to judge banking jobs from.

The discussion also gave way to understanding the dark sides of banking jobs such as the points highlighted in a research which stated points such as banking jobs have highest case of sexual harassment and high turnover in lower and middle level. This research result was analyzed by the participants. Many participants shared that the lower turnover could be majorly due to banking jobs acting as a safe transition phase before youngsters apply abroad for study or rebound to master's degree in Nepal itself after a brief hiatus at a banking job. Additionally, some also shared that the turnover could also be because of the typical

“boredom” bug that bites the employee early in the banking career and these people can't help but feel frustrated with the monotonous pace of life while a banker.

Another interesting bit that took place was that most top Nepali bankers like CEOs are mostly foreign degree holders. This observation by a fellow participant was quickly cut with another argument that stated that the current CEOs had to go out to receive quality education because in the 20th century Nepal didn't have many quality institutions plus the world is flat concept wasn't real then. These seemingly trivial but thoughtful observations regarding banking jobs were discussed in the 1.5 hour long insightful discussion.

The focus group discussion held wasn't the culmination of discussion but as a participant myself, the FGD acted a great starting point for further discussion on the myriad sides of a banking job.

5 Reasons to Say YES to Banking Jobs

source: LinkedIn

1. Security
2. Facilities
3. Get to work with intelligent people
4. Validation from Society
5. Get to steadily make your way up to the top

5 Reasons to Say NO to Banking Jobs

1. Huge Time Commitment
2. Monotonous work at lower levels
3. No mercy for mistakes
4. Risk of Robbery
5. Make people sign collateral and watch people take huge risks

If you work as a doctor you save lives,
If you work as an engineer you build bridges
It's difficult to see tangible value as a banker.

But its high time banking hatred sheds.

It's time to shed anti-banking skin !!
Say yes to Banking



Understanding the Terrain of Nepalese Banking Offences

by Prasen Shakya

In a developing country like Nepal, where a lack of regulation and proper corporate governance is apparent, frequent occurrence of fraud is not headline news. Various empirical cases in the news show the increasing frequency of banking frauds. It may be the lack of awareness or just plain ignorance, but these frauds have been a huge problem in the banking sector and for the governing authority for the Banks and Financial Institutions (BFIs) in Nepal, the Nepal Rastra Bank (NRB).

As described in 'A SPECIAL REPORT IN FRAUD CASES IN NEPAL (Nepal Economic Forum, 2013)', the major reasons for fraud in Nepal are rationalization, pressure and opportunity. Either customers or the employees or sometimes both parties are involved in banking frauds. High frequency of offence seems to involve smaller amount of money while lower frequencies of offences involve very high amount of money.

Growth of the banking sector after the resolution of the political conflict in 2006 played a huge part in high investment in the real estate sector. But, this growth did not last very long, in 2009 new directive of NRB tightened the liquidity of banking sectors as well as stagnation in the real estate sector, credit takers defaulted loans. This added to fuel to the fire as initial cases of banking frauds were crawling up

in the Nepali economy. BFIs with poor governance and inadequate risk management were the first to come under scrutiny as various cases of frauds were revealed.

Various cases of frauds like Lehman Brothers scandal, Citibank fraud, etc. can be seen all over the globe. Nepalese context is also not very different in this regard. According to an article published in Republica on September 11 2014, 104 cases were filed in Patan Appellate court relating to banking offences in 2013/14 with claim of approximately NPR.9.71 billion from which 63 cases were settled amounting to NPR.5.13 billion. Some famous cases in Nepal include the banking offence case at H and B development bank in 2012 where 14 people including both employees and customers were found to be involved. The scale of the fraud was massive as NPR.1.09 billion is estimated to be total amount. Another case of fraud in Nepal is the case of General Finance in 2012 where the General Manager was involved. The manager misappropriated the assets amounting to a total of NPR.78.25 million.

Acts like The Bank Fraud Statute of United states, Fraud Enforcement and Recovery Act (FERA) 2009, deal with the

CASES FILED

- 104 cases in Patan appellate court in 2013/14
- amounting NPR.9.71 billion

CASES SETTLED

- 63 cases
- amounting NPR.5.13 billion

“the major reasons for fraud in Nepal are rationalization, pressure and opportunity.”

“BOPA was introduced to promote trust towards banking and financial system, mitigating the consequences and the risks on account of the offences that may occur in course of transactions.”

News

May 26, 2016

In a bid to control financial crimes, the draft bill to amend BOPA, 2018 has increased maximum jail sentences to 12 years for banking crimes

April 7, 2016

Panama Papers Alert

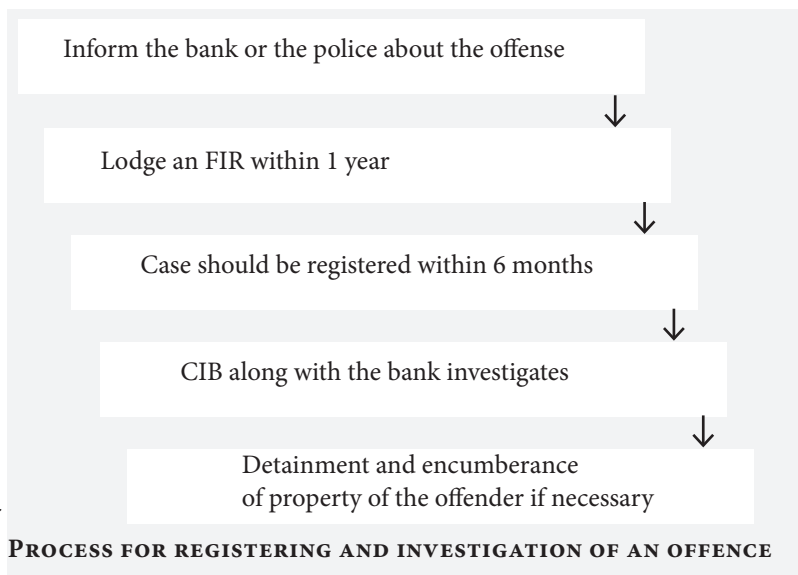
Government's financial intelligence unit (FIU) has directed banks & financial institution not to do transaction with shell companies (institutions without any physical presence

criminal enforcement primarily regarding financial institutions and mortgage frauds. Similarly, to combat the increasing offences, the Banking Offence and Punishment Act (BOPA), 2007 was established in Nepal. Before the establishment of BOPA, the banking offences/

frauds were treated as public or criminal liability. BOPA was introduced to promote trust towards banking and financial system, mitigating the consequences and the risks on account of the offences that may occur in course of transactions. The Act defines various activities as banking offences and demands fines or imprisonment on the basis of the degree of severity of those offences.

The act covers various unethical activities not limited to unauthorized issuance or demand of cheques, cheque-books, cash, bank statements, misuse of bank credit, assets, misappropriation of assets, unauthorized withdrawal or payments and unauthorized changes in the accounts. A fine of NPR.5000 or imprisonment up to 6 months or both may be imposed if a person causes hindrance to the investigation process.

Any complaint in the bank is reviewed by the legal and the compliance departments. If the complaint is found to be truthful, First information report (FIR) is lodged. The FIR should be lodged within 1 year of knowledge of an offence and the case should be lodged within 6 months of the FIR. Generally, the Central Investigation Bureau (CIB) along with the help from the legal and compliance departments in the bank investigates the case. The case can be initiated anytime against an employee during or after his term of service. Detainment of the offender is also possible if the investigative authority believes the person may create hindrances or may destroy any evidence. In case of a foreign national, if the offender does not appear after the issuance of a notice, an order to block international assets as well



as create encumbrances over property or interests held by the individual.

The punishments specified in BOPA are divided according to the type of offence. Offences relating to unauthorized withdrawals, payments have different punishment than the offences involving misappropriation of assets or alterations in the books of accounts. Depending on the degree of the offence, the offender can be charged with a fine, imprisoned or both.

As pointed out by Mr. Deepak Shrestha, legal head of NIBL bank, BOPA still remains in its preliminary stage of implementation though it was established back in 2007 A.D. Proper awareness and successful implementation still remains a concern in Nepal even though acts and regulations like BOPA are the foundation upon which successful economies are built. This begs the question ‘How can these acts be properly implemented?’ Finding the answer to this question is a daunting task which nevertheless can help the economy to develop and prosper through development of banking and financial sectors.

The author is currently a graduate student at Kathmandu University School of Management.



The New age Banking

By Bibek Maharjan

As the banking trends have seen various improvements in their journey, now they are not limited to certain strategies and processes. The traditional practice of banking transactions may be replaced by the modern emerging trend of e-banking and various trends surpassing e-banking may also occur with the advancement in the future. At present, e-banking is one of the emerging concepts. The use of e-banking and online transactions have shown fruitful results as the customers and organization can get quick online access to their concerned banking queries allowing to invest their time on other productive sectors.

E-banking, which popularly resembles the short form of Electronic banking is the process of performing online transactions via Internet independent of the physical form of the financial institutions. The business transactions have been much quicker and reliable with e-banking. Some of the practices of e-banking involve virtual networks such as online banking, virtual banking, etc.

E-banking was emerged in Nepal with the establishment of first Joint Venture Bank, (now NABIL Bank), in 1984 as it introduced credit cards in Nepal in 1990. This led to the origin of ATM as introduced by Hima-

layan Bank Ltd. in 1995. Similarly, with this trend, Tele-Banking (Telephone Banking), Internet Banking and Mobile Banking began to develop. Various e-banking channels available in Nepal are Automated Teller Machines (ATM), Telephone Banking, Internet Banking, Mobile Banking and Point of Sales. Customers can recharge their mobile phone balance accounts, pay Internet bills, transfer accounts to one another, pay electricity bills within a single website network, esewa.com.np. For e.g.- Many banks in Nepal like Ace development bank, Nepal Credit and Commerce (NCC) Bank, etc. have adopted the practice of using that online website for performing their financial transactions, for better customer service and for other purposes.

Internet banking practices also helps to expand the reach ability of financial practices to global markets adding higher-customer value and adding sound international business relation. The combination of wireless and mobile technologies enabled new revenue opportunities for financial service organization assisting to access financial services over multiple channels as ATM, Mobile Banking, etc. for customers. It attracts prime customers and enhance loyalty. It also considers the

time-sensitive financial transactions by providing opportunity to access those data in the presence of network and Internet anywhere at any time.

While e-banking has various advantages, it also involves high risks like Cyber Crime and hacking. Password leakage can be a common problem through e-mails and hacking. Similarly, various frauds like use of fake credit cards can also take place. For example: recent Panama Papers case have raised a question of doubt against seven Nepali shareholders to practice illegal outflow of money accumulated through tax evasion and corruption as per the investigation held by The International Consortium of Investigative Journalists (ICIJ). Nonetheless, the names of the suspects have not been revealed, but the data do name a company: Nepal Ventures Limited. It is found that they have been involved in offshore banking and allowed the flow of huge money through tax evasion.

Recently, Bangladesh's Central Bank became a victim of Cyber Crime. Cyber-thieves stole more than \$100m from the country's foreign currency reserves after which the head of the bank, Atiur Rahman, resigned from his position. However, the suspicions at other banks for the volume of requests of money

by cyber-hackers led to the gang's inability to get away with nearly \$1 billion. So, e-banking in case of weak political regulation, ineffective monitoring and security affects the ethical banking practices. However as per the respected governor's statement, such frauds are not high in number as e-banking is in the developing stage in case of Nepal and e-banking is secure in Nepal. He further mentioned that strict policies and regulations would be made for ensuring ethical and right e-banking practices in case of locating any wrongdoings in the upcoming days. Hence, it is very essential to ensure secure maintenance of information security control measures while performing financial transaction via e-banking services.

If effectively utilized in the presence of strict monitoring and control, then e-banking can certainly overshadow the less effective traditional business practices like traveling to a distant place and withdrawing money.

E-banking has potential of growth in Nepal. Till date, practice of e-banking services in Nepal can be observed high only in major cities like Kathmandu, Pokhara, Biratnagar, etc., hence the practice and access of such services must be spread throughout different parts of the country to integrate all the essential business transactions. Additionally, Nepal need to open its market for the foreign banks which needs a strong connection network; and E-banking is undoubtedly the best possible appropriate network system. Therefore, the right practice of e-banking at right time can definitely leave a phenomenal trademark for all of the banking trends.

The author is an undergraduate student at Kathmandu University School of Management.

Short Bytes: From the Horses' Mouth

By Prayash Aryal

A banker at NIC-ASIA for two years who joined KUSOM MBA thereafter Mr. Prayash Aryal shares his bit about Nepalese bankers.

10 Facts about Nepalese Bankers

1. The higher the ranks one reaches, the more he is stressed.
2. Problem Solving is the most important aspect of any banking job. One is not expected to convey problems to his/her boss and is expected to solve it himself/herself.
3. Deadlines should be met.
4. One should be ready to work for extra hours.
5. The better you work, higher your chances of promotion. (Yes, it is possible)
6. You are expected to dress well.
7. The day of distribution of Employee Bonuses and Welfare are the festive days.
8. The experience of working in Branches and Departments is totally different.
9. Most of the good looking men and women work in banks. (So, good luck with that ;))
10. Life is hectic, you must enjoy the rush!

The author is currently a graduate student at Kathmandu University School of Management.



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What makes a PYRAMID strong? The BASE or the TOP ?

by Nitesh Kumar Shah

Ranger Nurkse said, “A country is poor because it is poor.” The statement reflects the plight of a poor economy that struggles to come out from the shackles of poverty. It is unable to break the chains that are restraining it from moving forward, as the forces act and react upon one another to keep a poor state in the state of poverty. Poor countries have a low level of real income which leads to low level of demand which, in turn leads to a low rate of investment and this means lack of capital which ultimately leads to low level of income due to low level of productivity (Jhingan, 2008), creating a vicious circle of poverty.

The deficiency of capital is faced by both the sectors i.e. public and private in an underdeveloped economy like ours. This is the reason that we are unable to invest in social and economic overheads, which are the prerequisites for development and capital formation is the key for preparing such prerequisites. Capital formation is the strongest determinant for the economic growth. That is why most of the economic growth models emphasize on capital formation.

So what is keeping us from gener-

ating enough capital for our development? The answer is not a rocket science it's just because the marginal propensity to consume is higher in under developed countries like ours. What we are left with after consumption is not substantial, not even near to build significant amount of capital. However, we cannot under-

However, we cannot undermine the power of droplet in the formation of an ocean. That droplet for us could be the banking sector.

mine the power of droplet in the formation of an ocean. That droplet for us could be the banking sector. If we properly use banking sector to bank the unbanked by initiating financial inclusion we can capitalize on the power of small savings coming from the people at the bottom of the pyramid.

Financial inclusion is the access to and use of formal financial services by households and firms (Sahay, Cihak, & Yousefi, 2015). Access to finance is needed for all segments of the society; it is however indispensi-

ble for low income segments i.e. population at the bottom of the pyramid as they are more prone to risks like illness, natural disaster and loss of livelihood (Nepal, 2015). Access to financial services if provided through the formal channels can provide numerous benefits to individuals such as smooth consumption, reach to health facilities, opening of enterprise, investing in education, and managing other unseen risks (Financial Inclusion, 2015).

Thus to end the disparity between rich and poor and also to end the regional imbalance in development, inclusive growth is necessary. When all the segments march together on the path of the development then only we can dream of upgrading Nepal and provide it with the status of developing country. Government of Nepal and Nepal Rastra Bank (NRB) have been working together to bring the financially marginalized section into the mainstream. Policy to provide affordable banking service to the poor, liberal licensing policies to encourage establishment of micro finance institutions and mandatory requirement of deprived sector lending are some of the initiatives taken by NRB. It has also emphasized that commercial banks should go to the

rural areas. Despite these initiations large section of the society still remains untapped because banks have acted in a conservative manner and they are unwilling to reach rural areas. They are worried about the cost implications and high operation cost. It is logical from the bank's perspective because they certainly need to do cost-benefit analysis. However, in the long run their decision to enter unexploited village may reap them first mover advantage. The rural areas of Nepal get significant portion of remittance, so the banks can easily get deposits from them. Similarly, considering the plight of people in rural areas, they borrow at a very higher rate from the local moneylenders and their relatives even for productive investment. So establishment of a proper financial institution can be helpful for them and the banks too can reap benefits from it.

The potential at the bottom of the pyramid is so clearly materialized from the success of Prime Minister's Jan Dhan Yojana launched on 15 August 2014 in India by PM Modi. Poor and marginalized were encouraged to open zero balance account under this program and banks were instructed to make this a success and data shows that 14 crore people deposited INR 14,000 crore till April 2015. This evidence from our neighboring country shows how financial inclusion can emerge as a tool for capital formation. Capital formation can be done by encouraging saving which can curtail the unproductive expenditure. Currently only 26% of Nepalese households have their bank accounts and that too is concentrated in urban areas (Siwakoti, 2015). So this shows the extent of opportunities that lie in rural sector and opting for that untapped market will create a win-win situation for banks as well as locals.

The author was a graduate student at Kathmandu University School of Management.

From the First Female General Manager 'Barsha Shrestha'

By Sonali Agrawal BBA 6th Semester & Riju Joshi BBA 6th Semester

Sitting on a couch with her dog on her lap, Mrs. Barsha Shrestha, takes us back to her Journey of Banking. From being a medical student to having become first women General Manager of Bank in Nepal, Mrs. Barsha recalls of applying for 'Nepal Arab Bank' now 'Nabil Bank' the 1st private joint Venture in Nepal while having a job of Health Assistant. Having joined on 1984, Feb 14 i.e. Valentine's Day, Mrs. Barsha says, 'Love for Bank has never left her since'.



'A women is a boon to a bank as they are responsible and have a sense of ownership'.

A true definition of growth, she recalls her frequent promotion leading her from being a teller in Nabil Bank to General Manager in Clean Energy Development Bank within seven and a half year of her career. She supports this with hard working habit, continuous Learning attitude and sense of responsibility. Recalling back of old times she reflects of having been the young and popular girl of Bank, known for her different take on customer service adapted from observation during her stay in Foreign. Thus, calls Customers as Kings.

Remembering the time with portfolio of General Manager, she proudly shares her International Exposure, travelling experiences and memories of having made important deals.

She says being a Women has never been an obstacle. It is only us who can define our boundaries, if we are ready to take opportunities and work hard, no one can stop us. Mrs Barsha says, 'A women is a boon to a bank as they are responsible and have a sense of ownership'.

In her journey she also reflects Banking Sector to have transformed from having so much to give/ take to/from society to now be suffering from unhealthy competition. She says the recent steps of continuous monitoring, consolidations and restriction by Central Bank some stabilization has been brought. She also puts that lack of new Industries and international opportunities have had a greater cut in Banking Sector. But, within the hardships, she sees a bright future of Bank with growing reach of Banks to rural Nepal through awareness, education and e-banking.

Sharing her learning, she also shared few do's and Don'ts in Banking for young enthusiasts. 'Never act smart beyond rules, never trust anyone blind folded, and respect authority and supervision', puts Mrs. Barsha. She then ended with a note, 'Mantra for success is hard work and continuous learning habit'.

The authors are currently undergraduate students at Kathmandu University School of Management.



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Interview with CEO of Nabil Bank & Member/Past President of Banking Association of Nepal Sashin Joshi.

By Mona Shrestha and Sadiksha Thapa

Vantage interviewed Mr. Sashin Joshi, discussing a wide range of topics related with Nepalese banking sector from the operator's perspective. Here's the "Vantage" cut of the interview.

Sashin Joshi, CEO of Nabil Bank, who was previously CEO of NIC Asia Bank and Director at Standard Chartered Bank Nepal and the former President of Nepal Bankers' Association, in a candid interview with Vantage, shared that when he finished his studies he had no clear plans of joining a bank and never imagined being the CEO of one. But something he always believed in was having a positive attitude and the will to put his best foot forward. Vantage talked with him to get an insight on the banking sector from this experienced banker.

YOU HAVE BEEN IN THE BANKING INDUSTRY FOR THE LAST 29 YEARS. COULD YOU ACQUAINT THE READERS WITH HOW THE BANKING SECTOR HAS EVOLVED OVER TIME?

I started my career as a management trainee and it has been 29 years since then. And yes, there has been a paradigm shift over the years. Three decades ago, banking sector was a government monopoly with just three banks in the country. Gradually, in 1984 the sector got liberalized and the metamorphosis from a highly controlled, less customer friendly and manual format to a more corporate and customer oriented industry.

Overall, the major accomplishment in this sector would be the spread of banking to semi-urban and rural areas which helped improve access to finance, development of a competitive environment which changed the face of the banking through introduction of new products and services including a very cost-effective payment system. However, with banking licenses being issued liberally in the later years, the proliferation of banks also brought to the surface issues of poor corporate governance, imprudent lending practices and poor management practices which led to problems in quite a few banks and financial institutions.

WHAT DO YOU THINK SHOULD HAVE BEEN IMPROVED ALONG THE WAY? REGULATORS HAVE ALWAYS MAINTAINED THAT CORPORATE GOVERNANCE SHOULD BE IMPROVED FOR A ROBUST BANKING SYSTEM. DO YOU HAVE A SIMILAR OPINION?

The regulator believes that banks need to improve governance, risk management practices and ensure robust technology to prevent any systemic risk. It has also taken

GETTING TO KNOW MR. SASHIN JOSHI



FAVORITE BOOK: Bhagwat Geeta

FAVORITE MUSIC: 70's Rock and Reggae

BEST THING ABOUT BANKING SECTOR: One sector in Nepal that is truly corporatized; along with being a respected job in the society.

WORST THING ABOUT BANKING SECTOR: Nothing I can think of. On second thought, maybe one: having to take possession of and sell security to recover dues when there is a default.

ROLE MODEL: I don't have any role models. One just needs to be your best and do your best.

MEMORABLE DAY DURING YOUR BANKING CAREER: June 30th 2013 when Bank of Asia Nepal merged with NIC Bank to form NIC Asia Bank; and, coincidentally, June 30th, 2015 when I joined Nabil Bank.

YOUR ROUTINE IN NUTSHELL: I leave my home for office at around 8:15 a.m. and return around 8:00 p.m. Sometimes it may be much later when there are events or customer dinners to attend. I catch up on my reading after dinner. Earlier, I used to take work home and even work on Saturdays but now I keep weekends for myself and my family.

steps requiring banks to increase paid up capital so that there are fewer but larger and stronger institutions capable of protecting depositors by absorbing any downturns arising out of non-performing assets and other risks.

I think corporate governance has definitely improved in larger institutions but there is still a lot to be done. The root of the corporate governance problem lies in potential conflict of interests in decision-making, be it in the Management or the Board. When decisions are made by persons or groups which are in conflict with the pri-

many interests of the organization, the outcome will be invariably always flawed and to the detriment of the organization. Corporate governance, however, cannot be improved solely by complying with regulations. Good corporate governance has to go beyond regulations with its foundations laid on high standards of ethics and value systems that a company and its Board and employees imbibe.

A POLICY THAT IS VERY MUCH IN VOGUE IS THE DIRECTION OF NEPAL RASTRA BANKS TO RAISE THEIR PAID-UP CAPITAL FOUR TIMES TO RS. 8 BILLION BY MID-JULY 2017. MANY OFFICIALS ASSOCIATED WITH THE BANKING SECTOR HAVE SAID THAT THIS POLICY DOES NOT GO WELL WITH THE BANKING INDUSTRY. DO YOU THINK THESE OFFICIALS ARE RIGHT?

Banks have no choice but to ensure compliance with the regulations. If I have to talk about Nabil Bank, we have already submitted our capital plan to Nepal Rastra Bank consistent with the regulations and have also made it public. We will meet the Rs. 8 billion requirement by capitalizing our earnings through issuance of 30% bonus shares every year for 3 years, of which, the first year's 30% has already been issued. However, one needs to understand that, for banks, the absolute quantum of capital is not that relevant and it does not necessarily reflect the strength, or otherwise, of an institution. As a principle, the amount of capital required should be determined by the size of a bank and the risks embedded in its business and operations.

FROM JUNE 30TH 2015, YOU HAVE JOINED NABIL BANK AS ITS CEO. HOW IS BEING CEO OF NABIL BANK DIFFERENT FROM BEING CEO OF NIC AND NIC ASIA BANK?

I headed NIC Asia Bank for over 12 years. When I joined the bank it was a small bank requiring extensive managerial interventions for re-building its business and brand. So, I had to work like a start-up entrepreneur: moulding its systems, policies, products, processes and people. I had to basically de-construct the bank and building it up again. So the entire process was entrepreneurial which required a lot of handholding and training, developing systems and policies, processes and people while also having the responsibility of growing the business.

Furthermore, the merger of Bank of Asia Nepal with NIC Bank (the first ever merger of commercial banks in Nepal) where two culturally different companies converged into a single entity required special attention and was another challenge along the journey.

Now, here at Nabil Bank, the experience is altogether different. The bank has always had very good systems and good policies, products, processes and people. My primary focus is on strategic direction, business leadership and governance to help sustain its position as a market leader. The two banks required different approaches of management.

WE HAVE ALWAYS BEEN RATHER INTRIGUED BY THE ROTATION OF NEPALESE BANK'S CEO FROM ONE BANK TO ANOTHER. COULD YOU GIVE OUR READERS THE INSIGHT ON THE AGENDA?

There is a regulation restricting the tenure of CEOs to a maximum of 2 terms of 4 years each. Furthermore, there appears to be dearth of good talent in leadership positions. Many of the CEOs who are currently heading banks have cut their teeth and developed skills working in foreign joint-venture banks that were permitted into the country in the early days. It would help develop more people in the banking industry through transfer of skills and technology if a few more world class international banks were to establish their presence in the country.

LAST YEAR WAS DEFINITELY A DIFFICULT YEAR FOR THE ENTIRE BANKING INDUSTRY. OVERALL COULD YOU RE-ITERATE MAJOR CHALLENGES THAT A BANKING INDUSTRY FACES?

Currently the major challenges are the continuing fluid political situation which hampers policy predictability, which then makes it difficult to attract both domestic and foreign investors.

During earthquake and the embargo it was a major challenge to keep the banks operating after fuel crisis. It was difficult to even move around so business and economy both suffered with project delays. However banks didn't close down during adversity.

The strength and resilience of the banking system was truly tested successfully after the earthquake. Almost all banks opened some branches, even though with limited services, the very next day of the earthquake and most branches with near full seamless functionality within 2 days. People did not have to resort to panic withdrawals and the confidence in the banking system was really strengthened.

WISH LIST FOR THE ENTIRE BANKING INDUSTRY

I wish more international banks come to Nepal. This will definitely help the entire market not only by keeping Nepali banks on their toes but also help in bringing in new investments, products and services; and transfer of skills and technology. Additionally, I would also like to see our regulations being consistent with international standards.

RECENTLY WE HELD A FOCUS GROUP DISCUSSION ON BANKING AND ONE SUBJECT THAT WAS QUITE DEBATABLE WAS IF BANKING JOBS ARE BORING. IS IT?

Yes banking is boring if you have that kind of perspective. But it is exciting if you put your mind and heart into it. There is a lot of opportunity to let your creativity flow, interact with people, help build businesses, innovate new products and processes. There is the excitement of seeing a satisfied smile on a customer's face. There is satisfaction in contributing to creating value. But then it may not be everyone's cup of tea.



Uncovering Internship in Bank!

by Ankit Amatya & Sonali Agrwal

“**I**nternship in Bank is like picking up water from ocean, it depends on you whether you choose to come with a spoon or a tank”, says Mr. Ramesh Shrestha, HR Manager of Nabil Bank. Vantage team this time had an exclusive talk with Mr. Ramesh, an MBA graduate from KUSOM and currently the HR Manager of Nabil Bank Ltd., who today is armed with more than 20 years of experience in the banking sector.

Interns are always found with high energy and zeal to do best in the work setting. They come with a hope of being involved in big projects of the company and to grab the most out of the opportunity.

But Internships are often led by Reality Shock!

Interns get lost in the miscellaneous works and spend their internship period learning nothing. “The interns need to open their door and get the best of the resources available”, says Mr. Ramesh. “First time interns come with full authority to ask as many questions as they wish to and it’s the responsibility of the company’s employees and head managers to respond to all their queries”, allows Mr. Ramesh.

Internship is a match practice for the big game following.

Nabil Bank provides internship

opportunities to around 500 to 600 interns a year. “Internship is an additional facility provided by banks to business schools to let their stu-

“Interns get lost in the miscellaneous works and spend their internship period learning nothing.”

dents have first time knowledge on job dimensions. Internship works as a tool that links corporates and interns” puts Mr. Ramesh. It is an opportunity to build network in work space and to understand the working environment. Banking sector is transforming and we need to keep learning new things every day.

Internship guarantees takeaways but not job.

He says, “Banks expect interns to have some takeaway with them. Banking has its own charm and interns who put effort and dedication can really learn essential knowledge about the practical environment of banks.”

But, there is no guarantee that every intern gets a job in the bank. He/she has to compete with all other candidates who apply for the job vacancies. Selecting process of employees differs from bank to bank. A

candidate with Bachelor degree with minimum CGPA of 2.5 is eligible to apply for job at Nabil Bank. Banks lookout for people with good ethical values, positive attitude, and who are innovative and can easily deal with people.

For new comers those who wish to intern in banking sector, Mr. Ramesh recommends, “if someone is dedicated and motivated in work and can be an above average person and work hard then this sector is for them.”

The authors are undergraduate students at Kathmandu University School of Management.

“Photocopy, tearing & stitching cheque book, scanning were my only task at CSD”

-Anonymous NIBL Intern

Successful Merger Story of KIST and Prabhu Bank

By Amit Sharma Regmi

Why has the number of mergers suddenly escalated? Well, we need to turn the pages of history to appropriately answer this question; the numbers of bank in Nepal have been increasing rapidly since 1980s, after the adoption of liberalized policies and establishment of first private sector bank. As of July 2014, the number of banks and other financial institutions reached 204. Due to large number of banks, many banks were not getting the right amount of business to sustain. So, Nepal Rastra Bank has always been encouraging the banks for Mergers and Acquisitions (M&As) as many

the net effect for the merger was a positive one mainly because Prabhu Bank had experienced mergers before and KIST bank improved its performance after the merger process.

of them started failing. Additionally, after Nepal Rastra Bank asked Nepalese Banks to raise the paid up capital by Rs. 8 billion (July 2015), the inclination towards mergers in order to increase the bank's paid up capital level has been seen in paramount.

However, what is interesting to understand are the various vantage points regarding mergers like what are the exact reason for merger for the specific bank along with what happens after banks merge? Let us get acquainted with the concept of

mergers in the Nepalese Banking sector through a research conducted on the merger of KIST and Prabhu Bank. For the study, different corporate level, management level, and lower level staffs of the main branch of Prabhu Bank and KIST bank were taken. In addition, the financial statements of the company were also evaluated to support the analysis and to determine the financial performance of



the company.

The following aspects of the merger process have been studied:

- Reasons behind the merger
- Condition after the merger

- Reasons behind the merger:

According to Mr. Pokhrel, the chief internal auditor of the company, "The primary reason for Kist Bank to merge with Prabhu Bikas Bank was because of the poor financial health of the company. Kist Bank had a huge amount of Non-Performing Loans (NPLs). A bank should have not more than 5% NPL to Total Loan ratio, but Kist bank had it around 27%. The issue was so alarming that Kist Bank was under pressure of NRB to either (a) inject more capital, or

(b) merge with other company."

Similarly, the net profit of Kist Bank was also declining. The financial statement read a net loss of 24 crores. Besides the financial hardship, Kist Bank also had problems with the senior management. The senior management of the company had some legal issues regarding some cases of frauds.

Similarly, Prabhu Bikas Bank proposed merger because the bank alone couldn't have achieved the target of becoming a commercial bank without the merger.

- Condition after the Merger:

As anticipated by both the banks especially Prabhu Bank since it had experience with merging process before merging with KIST bank, there were few structural and cultural issues that got identified after the merger process.

One of the major problems that occurred after the merger was that of cultural mismatch which caused the employees' morale to drop due to which some of the employees were finding it difficult to adjust. Moreover, employees also found it difficult to work under a new structure and hierarchy after the structural change. An interview with assistant level staff, Rita Lamsal, the assistant of customer service department, she said, "I used to work in Prabhu Bikas Bank under credit department. However, the hierarchy was flexible and I also worked under other departments as per my convenience or as per order. My job was easy. But after the merger, I suddenly got transferred to customer service department. Now the company has differ-

ent people and different hierarchy to work with. I personally found it very difficult at the beginning as whom to report and who will supervise my work, but now I'm getting used to it."

Similarly, there were few technical problems faced by the banks. For example, there were 24 such branches which were very near to each other. Those were branches of different banks before the merger but after the merger they became the branches of same bank. These two banks couldn't operate two branches very near to each other as it would increase their operating cost and NRB also does not allow the practice. So, the accounts had to be integrated into one branch. The process was difficult on itself,

moreover the integration led to demotion of many employees, which again was another problem for this particular merger case.

[In spite of these issues, the net effect for the merger was a positive one mainly because Prabhu Bank had experienced mergers before and KIST bank improved its performance after the merger process.]

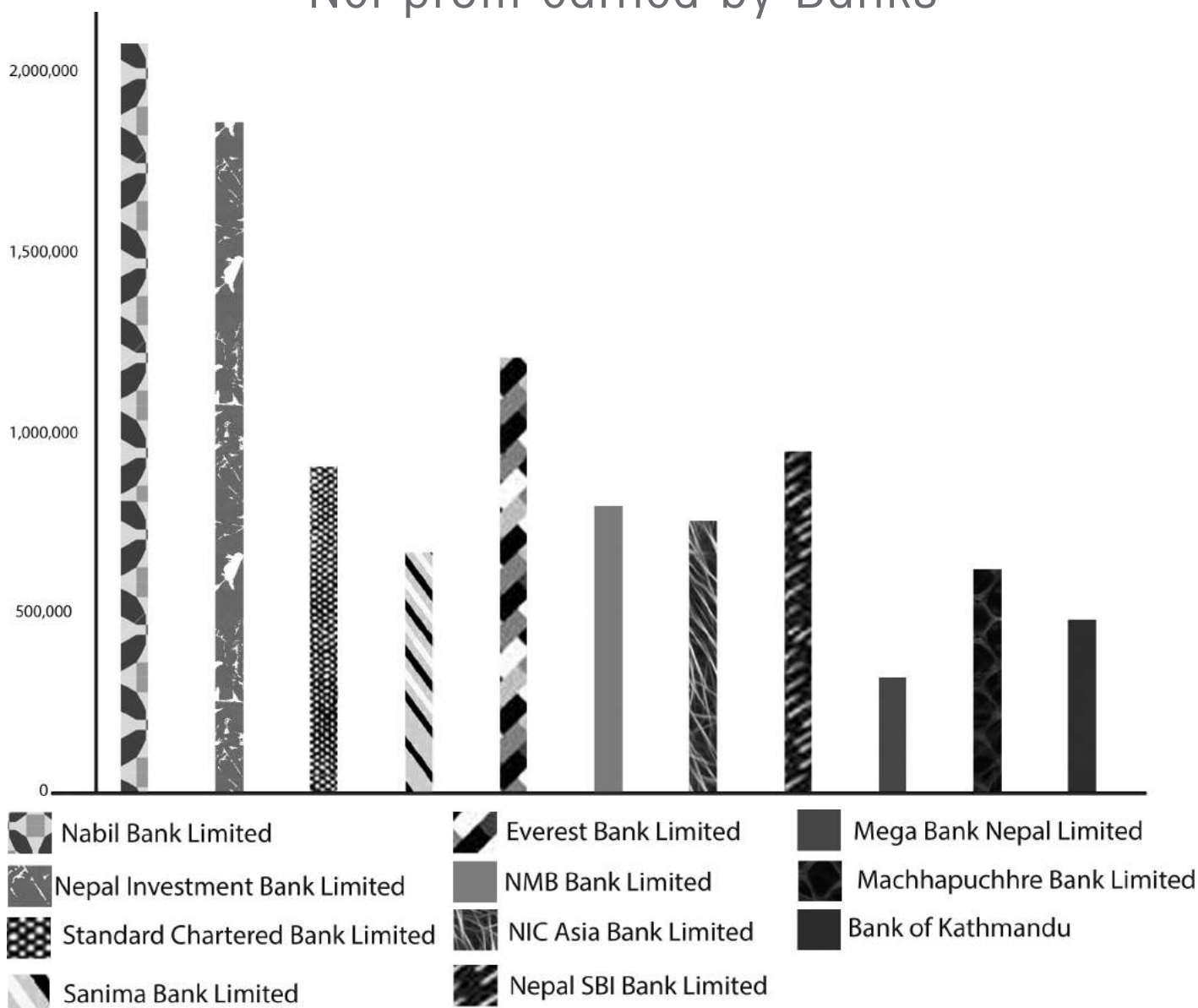
To elaborate the net effect of merger, Prabhu Bikas Bank had some prior experience of merger as it had already merged with two different financial institutions in the past. Similarly, another reason why net effect was positive is because Kist bank

was having a lot of problems in its operation before the merger. However, after the process of merger, the new management was successful in solving the problems of Kist Bank. The reason might be the management of Prabhu Bank had some prior experience to merger that they strategically solved the problem of Kist Bank.

The research is based on a successful merger which worked in spite of various challenges. However, success stories may not be for everyone when it comes to the tough decision of merger.

The author has written the article based on the research done under the supervision of Asst. Prof Jaykar Vaidya.

Net profit earned by Banks



Interview with Deputy Governor of Nepal Rastra Bank: Chinta Mani Siwakoti

Vantage interviewed Mr. Chinta Mani Siwakoti, discussing a wide range of topics related with Nepalese banking sector from the regulator's perspective. Here's the "Vantage" cut of the interview.

WITH THE SERIES OF UNFORTUNATE EVENTS NEPAL FACED ON YEAR 2072, HOW DID IT AFFECT THE OPERATIONS AND FUNCTIONING OF NRB?

Yes, the situation remained difficult in 2072, as we faced devastating earthquake on Baishakh 12 and its aftershocks. This caused the loss of 1/3rd of GDP. We were in the process of reconstructing the loss from the devastating earthquake but again the disturbances in transport of fuel and essential commodities hit us hard. Due to disturbances in easy availability of fuel and essential commodities we not only faced obstacles in daily lives but also had to encounter serious problems in our economic activities and normal flow of the economy.

Our institution was also negatively affected by those unfortunate events. The earthquake had damaged our buildings of main office at Baluwatar, Banking Office at Thapathali and Mint office at Sundhara. However, we were able to deliver normal banking operation and regular guardianships to banks and financial institutions without any delay. We delivered the banking service effectively after earthquake despite of regular aftershocks and the persisting fear in our staffs.

WHAT ARE YOUR MAJOR VISIONS FOR 2073 AFTER YOU'VE TAKEN THE OFFICE THIS MARCH?

We have clear-cut vision of improving the financial access to the rural people and increasing the banking habits of people in the coming days. We are in the process of formulating strategic plan of NRB (2017-21) and we will make our financial regulation system more sound and efficient through the modernization of our infrastructure & by enhancing the efficiency of our staffs through different motivating schemes.

HOW DOES NRB VIEW THE BANKING SECTOR OF NEPAL? GOOD, BAD OR UGLY.

In the view of NRB, the good thing in the banking sector of Nepal is efficient and dedicated staffs with prompt service delivery system. The banking sector is implementing the tools of international standard like Basel III accords, risk based service delivery systems and secure banking service.

The ugly thing is the lack of corporate governance & inability to maintain compliance in some banks, they

GETTING TO KNOW MR. CHINTAMANI SIWAKOTI (DEPUTY GOVERNOR OF NRB)



FAVOURITE MUSIC: Yo Nepali Sir Uchali

FAVORITE BOOK: Muna Madan and You can Win

TIP FOR ASPIRING BANKERS: Dedication and hard work

BEST THING ABOUT BANKING CAREER IN NEPAL: Gradual progress with experience.

WORST THING ABOUT BANKING CAREER: Less time for family.

WHERE DO YOU SEE YOURSELF IN 10 YEARS: As a contributor for policy making and implementation related to banking and financial sector.

ROLE MODEL: My mother.

BEST ADVICE YOU HAVE RECEIVED: If you have a positive attitude and constantly strive to give your best effort, eventually you will overcome your immediate problems and find you are ready for greater challenges: By former governor Mr. Dipendra Bahadur Kshetry.

TWO DIFFERENCES AS A JOB AS DEPUTY GOVERNOR AND THE HEAD CURRENCY MANAGEMENT DEPARTMENT (PAST JOB):

- Policy related issues and operational activities.
- More responsibilities and limited responsibilities.

MEMORABLE DAY AT NRB SO FAR: The day of being appointed as a Deputy Governor on 19th Falgun 2072.

couldn't run their businesses smoothly in the past due to which they went into liquidation.

HOW WELL PREPARED IS THE BANKING SECTOR FOR ANY MAJOR SHOCKS?

To be frank we were not prepared for huge shocks like the devastating earthquake and we had not anticipated the disturbances in transport of essential goods and fuels. However, we remained capable to tap such shocks. This is due to our sound mechanisms of institutionalization and efficient as well as hard working banking professionals. We are glad in this respect.

However, we must review our banking sector thoroughly and make it more efficient in order to make them capable to absorb the shocks like these in the future. The best practices of precautions should be applied to be safe from the natural calamities, which is the worldwide practice. The banking sector should be strong enough to tap the economic shocks and not get shattered.

The past shows that our banking sector is sound enough to adapt in the changing scenarios of economy. The existing situation of banking sector seems somehow satisfactory but we must be cautious about the rooms to be fulfilled.

Our supervisory mechanism of risk and research on the pertinent areas should improve the situation of BFIs in the future and make it more efficient and capable to absorb such type of shocks.

AFTER THE 101 MILLION BANGLADESH BANK HEIST ALARMING CENTRAL BANKS EVERYWHERE ESPECIALLY IN DEVELOPING COUNTRIES, OFFICIALS OF NRB HAVE SAID ITS PAYMENTS SYSTEM IS "SECURE". WHAT HAS BEEN DONE FOR THIS SUCCESS?

We are cautious about the technical payment systems. In this regard Society for Worldwide Interbank Financial Telecommunication (SWIFT) Control mechanism should be secret and well equipped. This mechanism helps us to send and receive information about financial transactions in a secure, standardized and reliable environment. We are really in critical zone and our SWIFT mechanism is not in the situation as per our expectation even though our payments system is secure till the date. But, we are trying to make different mechanisms for creation of message, checking of message and sending (out-bound) it to the concerned parties. These processes will be completed through at least three layers of officials.

In addition to this we will make our SWIFT controlling room more secure and reliable while shifting in the new building.

Similarly, we had set a different department (Payment and Settlement) for the smooth functioning and for applying the modern tools and technologies of payment settlement modes with the practice of international level.

RBI GOVERNOR OF INDIA HAS BEEN SUPPORTING SMALL BUSINESS AND LOW-INCOME HOUSEHOLDS, HOW DOES NRB PLANS TO SUPPORT ENTREPRENEURSHIP AND INCREASING BANKING PENETRATION ESPECIALLY IN RURAL AREAS BECAUSE DESPITE RAPID GROWTH IN THE NUMBER OF BANKS AND FINANCIAL INSTITUTIONS, A LARGE PROPORTION OF RURAL POPULATION DO NOT STILL HAVE ACCESS TO FORMAL FINANCING SYSTEM. WHAT ARE THE MAJOR PLANS TO ADDRESS THIS PROBLEM?

In addition to our other goals, our activities are also directed to expand the banking systems in the rural areas. We are giving priority to open new branches of BFIs in

the rural areas. We already have several Micro Finance institutions that are operating in the rural areas. These institutions are expected to provide the banking services in the rural areas at a reasonable cost and favorable environment.

We also provide some funds without interest if any BFIs open a new branch in the identified 14 districts, which are facing the limited financial access and Microfinance Companies in 22 districts. Up to midterm review of the monetary policy of FY 2072/73, Rs. 25 million fund has been used on this scheme. Recently, we had made a mechanism to identify and give suggestion to resolve the problems that persist in the local level while implementing the financial access to the targeted groups.

THE INFLATION RATE IS AT 9.1% WHEREAS THE DEPOSIT RATE IS ONLY 2-3%. HOW DO YOU STAND ON THIS POLICY RATE CRITICISM AS BEING UNJUST TO THE DEPOSITORS?

This is more or less similar to Indian situation. The current inflation rate of Nepal seems a little bit higher than India but the scenario is not drastically deviating from the limit. This is not due to the demand side activities but due to the supply constraints. I think this is not a long-term phenomenon and will come in normal situation in the coming days. We have excess liquidity in the market which lowered the deposit rate a little bit. When the suitable investment climate comes then lending will grow up and this will eventually resolve the present problem of excess liquidity and high inflation. When the economic activities come into normal situation our deposit rate will go up and gap will be narrowed lowering the inflation rate from the present situation.

AFTER THE PROBLEM IN THE TRANSPORTATION OF FUEL AND ESSENTIAL COMMODITIES, PEOPLE ARE QUESTIONING THE BASIC PEGGING SYSTEM WITH INDIA, WHAT'S NRB'S STAND ON IT?

Yes, you raised a pertinent issue. We are making the peg exchange rate with Indian rupee since February 1992. The review of this issue is important but we, as a central bank, are reviewing this situation internally. However, our current pegging exchange rate system is not hampering our economy much severely than it would if we had entered into floating exchange rate regime. We are facing the high inflation rate, low export volume, high imports and politically unstable situation. In such a scenario we must be cautious to change our policies.

In the context of changing the currency peg system or making the review to revisit the exchange rate of NRs to INR, this will not add more advantage to our economy. International agencies like IMF are also suggesting to keep the current exchange rate system in the short term. We have given the permission for Nepali or Indian citizens to bring and take it out up to INR 25,000 of the denomination of INR 500 and INR 1000 as well.

NRB'S DEAL WITH CHINA BANKING REGULATORY COMMISSION (CBRC) HAS BEEN SEEN AS A POSITIVE ACTION FOR THE NEPALESE BANKING SECTOR. WHAT FACTORS LED TO IT AND HOW IS THE MOU PLAN BEING CARRIED FORWARD?

The major reasons behind this deal is the fact that China is one of our two giant neighbors and it is also our second largest trading partner. Now China is taking initiatives to be one of the donor partners for Nepal's development process. The support of China is oriented towards the infrastructure and trading business activities. These foundations led us to make good relationships with China in different sectors including banking sector.

Recently as of FY 2072/73, it has been announced that NRB will increase the paid up capital of commercial bank by four times by the end of FY 2073/74. Due to this many BFIs have been involved in mergers and acquisition. What is Central Bank's view on merger and acquisition and its effect on banking sector of Nepal?

From the supervisory perspective, more BFIs with retail banking have created hurdles and unnecessary burdens. The risk bearing capacity of the BFIs should be increased through the strong and sound capital position. To make our BFIs globally competitive, they should have sufficient capital structure. To avoid the cut through competition and to enhance the corporate culture in the banking system, merger and acquisition provision have

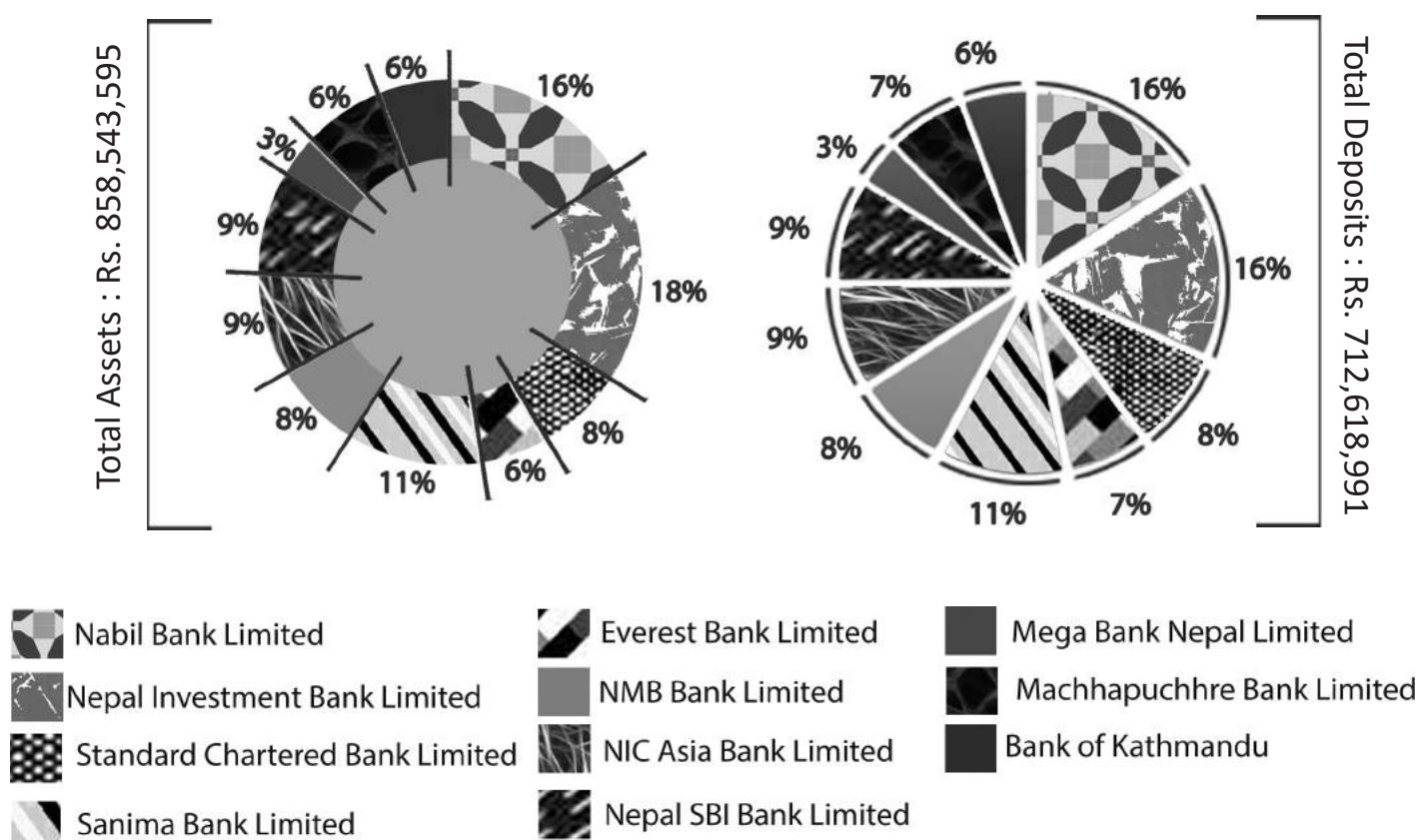
been incorporated. We had made a study related to the effects of merger comparing the indicators before and after the merger, which showed positive impacts (in efficiency, working capacity, inspiration to staffs for work etc.) of merger. I hope the consequences created by this policy will be controllable and efficiencies of BFIs will be increased.

WHAT ARE YOUR GOALS FOR 2073 REGARDING THE BANKING SECTOR OF NEPAL AS AN APEX BODY REGULATOR?

As a regulator of the banking system of Nepal, NRB has several issues/challenges to be addressed. On one side, we need to adopt and adapt to international best practices in our regulation and supervision. And on the other hand, we need to consolidate our local banking system to develop it as a safe, sound, stable and resilient system. We are making progress on both sides of the stated issues.

We have implemented international best practices like gradual implementation of Basel Core Principles, major components of Basel III accord, stress testing mechanisms, risk based supervision approaches etc. We have incorporated these issues in the amendments of our legislation like BAFIA, NRB Act etc. In the days to come, we will be continuing our best efforts to adopt international best practices. Our committed and dedicated efforts will be to develop deeper, sound, stable and inclusive banking system in Nepal.

Assets and Deposits



What is Demat Account again?

Demat Account explained in brevity

Year 2014 and 2015 saw a number of articles on business section of Newspaper and magazines like “NEPSE has given ultimatum of 21 days to the NEPSE listed companies to get their securities admitted with CDSC (August, 2014)”, “Workshop on depository service training to investors highlighting importance of Demat account to develop capital market(June , 2014)” , “Central Depository System and Clearing Limited(CDSL) has begun full implementation by enforcing the Demat transaction of 14 selected companies scrips on different dates (April, 2015)” and “Global IME Cap-

storing wherein shares and securities owned by the investors are represented and maintained electronically, thus eliminating the troubles associated with paper shares. it is an account offered by banks or other companies known as Depository Participants (DP) offering DEMAT services to its clients. DP basically hold securities in an account on behalf of an invest. It is opened by the investors and the DEMAT account number is quoted for all transactions to enable electronic settlement of trades to take place.

In simple words, demat account is just like Bank account where both Dr. and Cr. transactions occurs but

b. Transaction Costs like paying for stamps is reduced. For a company printing costs, paperwork is less after DEMAT account is introduced.

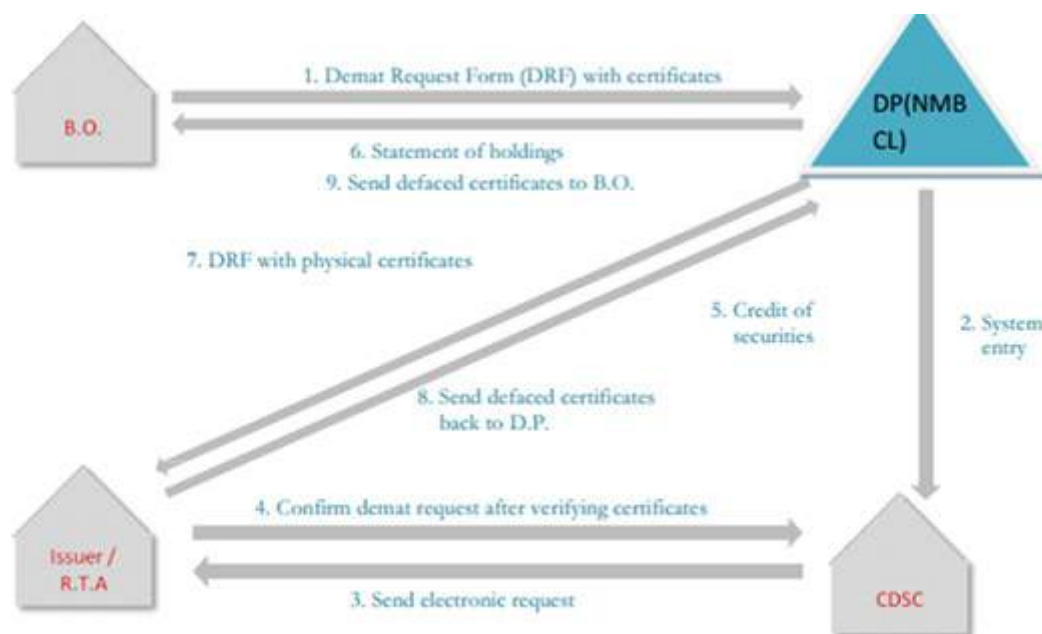
c. Safer than paper-shares (earlier risks associated with physical certificates such as bad delivery, fake securities, delays, thefts, etc. are mostly eliminated)

d. Immediate distribution of shares in IPOs and immediate settlement cycle(T+3 settlement cycle)

e. Proper portfolio management of securities in a single Account

f. Automatic credit into Demat Account for shares arising out of bonus/split, consolidation/merger, etc

However, the cost of these benefits



Source: NMB Bank

ital Ltd has started opening Demat accounts online(Dec, 2015)”. The appeal around Demat account as an effective alternative to paper shares is abundant, has been tainted with few confusions. Therefore, clarity is required when it comes to Demat account disclosures.

Demat (Dematerialization) account basically refers to electronic

only differences is that in Bank account we deal with CASH but in Demat Account we deal with

shares, debentures and other securities i.e.

Some more advantages of DEMAT account are:

a. Risk of loss avoided due to theft, fire, forgery or other damages are less.

should also be understood properly which are opening charge, annual maintenance fee and transaction fee. Some banks offer free DEMAT services to its clients like NIC Asia (via Share Subidha Bachat Khata) and NIBL Capital. However, when opening a DEMAT account, a charge of Rs. 150(account opening and operating charge) and renewal charge Rs.

Particulars	Fees
Account Opening Fee	Rs.50
Annual Fee	Rs. 100
Shares Transfer Fee	Rs. 25
Re-Materialization	Rs. 50
Share Pledge Fee	Rs. 50
Account Holding Fee	Rs. 25
Total Fee	Rs. 300/-

100 is incurred. Similarly, every DP charges a fee of Rs 25 per transaction of securities.

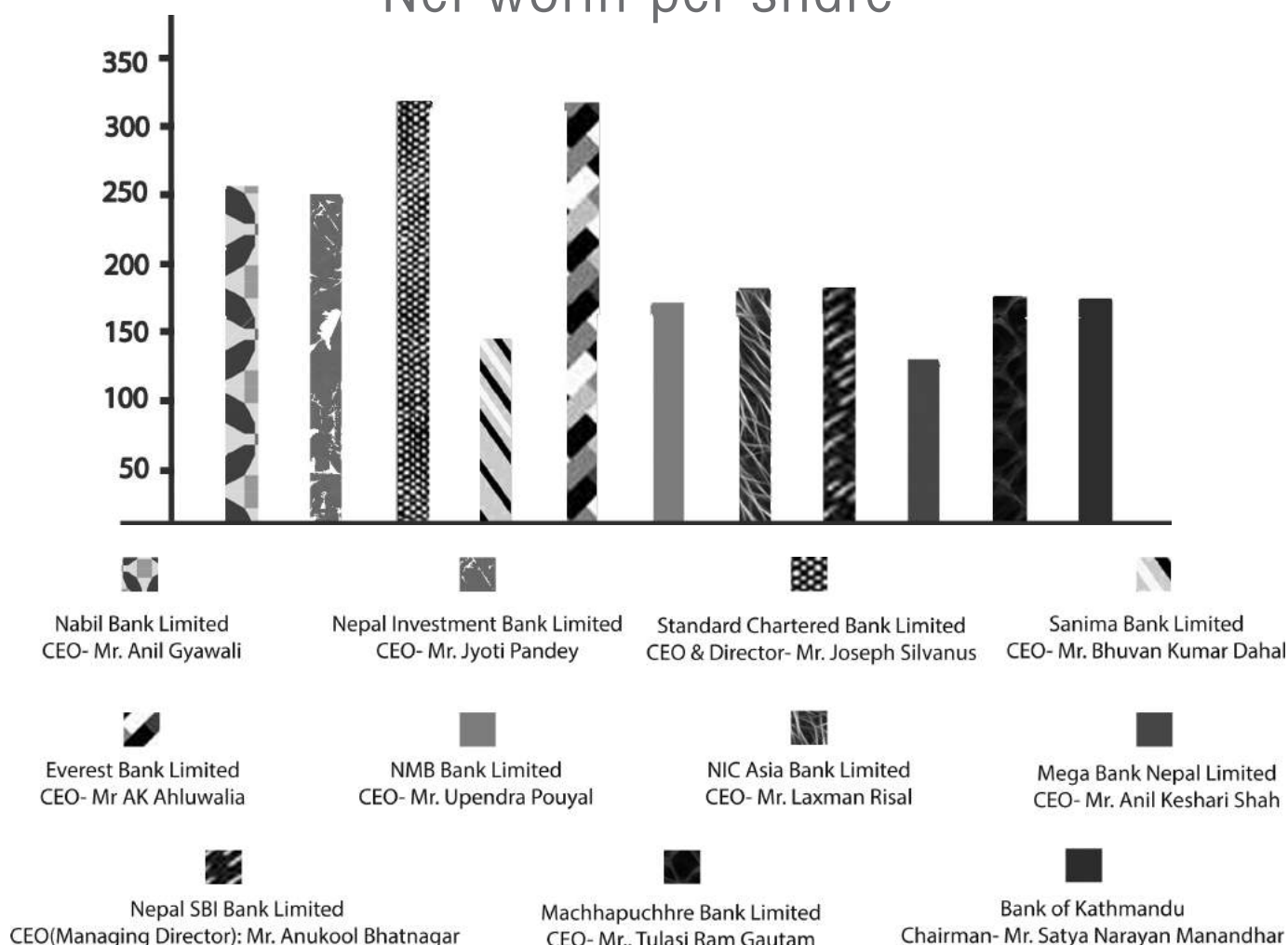
Also, the requirement can't be left behind, they are original and photocopy of citizenship certificate, one passport size photo and duly filled application form along with fees to make a DEMAT account. For institutions further documents related with organization like company registration certificate, tax payment certificate, PAN certificate, citizen-

ship certificate of board members, board minute for opening Demat a/c etc must be present. Just wait for 10 working days and you will have a DEMAT account in case of any problem with your account, you can always contact the bank.

Compulsory demat account for the trading of stocks rule for Kathmandu Valley will be implemented from 16th July 2016 (1st of Shrawan, 2073) and outside the valley from 15th Jan 2017 (1st Magh, 2073). **As**

of March 31st, 2016 the depository participant service has already reached 55 districts and CDS and Clearing Limited plans to expand the DP service to the 75 districts by Mid July 2016 (Ashad, 2073). But for industry affected area, compulsory demat account will not be required for the IPO issue.

Net worth per share



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Nothing is Funny About Banking.

Mark Twain once said, “A banker is a fellow who lends you his umbrella when the sun is shining, but wants it back the minute it begins to rain.” I was on a look out for my Mark Twain who could spin words and share humorous bit about banking. Just then, I remembered a friend of mine who is about to complete Financial Engineering and has a special talent to make you laugh. He can force water out of your nose sabotaging your plan to allow the water to safely transport to your tummy. I asked him a favor to write a column on banking, merging his finance prowess to his special talent of killing people with his punches (jokes). He straight up disagreed and looked at me like I was Barack Obama and he were the Russian President, Putin. If that wasn’t enough he tried guilt tripping me and said, “You’re kidding me right? We are dealing with people’s money here. Nothing is funny about it, period.”

I tried my luck with him and shared him a banking joke (straight from the World Wide Web) and said, “There was once a man who came from the woods and went to the city bank. He asked the banker for some money to which the banker demanded collateral. The man gave his cows and after some months came back to deposit some money and then asked for collateral from the banker as a safety for his deposits” Haha I laughed alone. The moral of the story was either nothing is funny about banking or I need to work on my Googling skills may be really funny banking jokes are hidden in the deep web so that one of the strong pillars of economy i.e. banks, aren’t ever laughed at.

Well, jokes aside. Banks are definitely a serious institution and bankers are definitely serious people who as soon as they are born safely deposit their pennies in their moth-

er’s safety pocket from where they should actually be receiving nutrition. So, with this belief intact about banks and bankers I went to a reputed bank which is definitely “Here for doing good for Nepal”. I had to wait for sometime so instead went to their canteen. I eavesdropped at the conversation of the bankers and expected the bankers to talk about the downfall of deposit rates, rise of inflation rate and the consumer index of the country but they were really taking a break since they were talking about the downfall of Tom Cruise, rise of their fights for remote control during Euro-Cup season and the BMI index of their body. Well, bankers do lose interest in banking like we lose our saving interest rates.

But, interest rates isn’t something I abhor about banks, I hate waiting in lines with one eye on the serial number and another on my watch. The time hand never seems to move a bit when I am waiting for my turn to arrive but finally when my turn does come it feels like I’ve finally found water in the desert, truly an oasis experience. The long lines are the reason I never walk alone into a bank, I need to have a friend to accompany. Last time I was waiting in the queue, I explained about central bank to a friend in his language. I explained that like Iron Bank of Bravos is the strongest financial institution in the Game of Thrones series, similarly one of the strongest banks in Nepal is the Nepal Rastra Bank. It picks up the bank but also throws it down hard when rules are broken so the paid up capital strictness is because the central bank wants to be sure banks don’t fall hard.

Before I could make him understand the fact I myself truly don’t understand, my turn came and then I looked at the bank teller, the modern day hero. I call them a hero because each day they work so close with cash bundles but he/she goes back

home with so less. She must have separation anxiety when she does so which is what I call true strength and resilience.

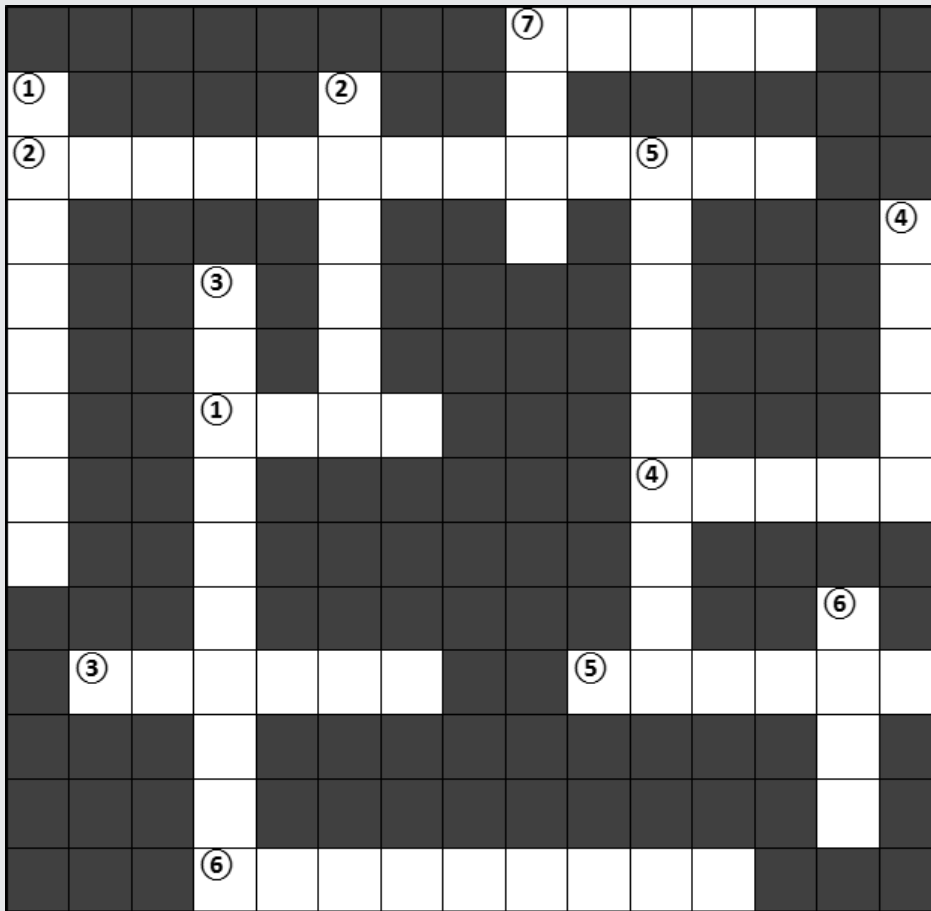
Just as I left the banks, I could see old men luxuriously reading business news in a small tea shops. One particular old man was reading about mergers, I bet reading myriad news related with mergers he was wondering the speed with which banks are getting married to each other we might end up with just one bank at the end. Well, another gentleman back home was discussing investing in shares of a reputed bank instead of saving in banks, either ways I don’t think banks need to worry.

Well, now that I have pondered so much about banking I realize banking can’t be discussed with a light heart because we regard it highly and trust it too much. Banks may never trust us with their pens and will forever have a cord to tie it with the desk (a feeble attempt to bind the soul of the pen) but we trust banks a lot.

Hail Banks and the spirit of saving for the rainy day and investing for the fish market like IPO ritual. Gone are the days when women used to save their pocket-money in their breast pocket, now they have fancy schemes acting as a breast pocket. If it weren’t for banks, more than anything else this edition of Vantage would have never been possible!

The author is currently a graduate student at Kathmandu University School of Management.

| Crossword



ACROSS:

1. Legal Claim against a property
2. The issuance of approval by a credit card issuer to complete credit card transaction
3. An order to a bank to pay a stated sum from the drawer's account
4. Official Inspection of an organization's accounts typically by independent body
5. Many Banks in Nepal have been going through unison process
6. The availability of liquid assets to a market or company
7. Contract transferring the use of property

DOWN:

1. Insufficient assets to cover their debt
2. Person who is expected to pay a cheque or draft when it is present for payment
3. Assets that are offered to secure a loan or other credit
4. Ability to obtain goods before payment
5. Guarantee of compensation for specified loss
6. A sum of money that is owned or due
Borrowed Money

| Sudoku

The rules of the game are simple: each of the nine blocks has to contain all the numbers 1-9 within its squares. Each number can only appear once in a row, column or box.

	8			7		9	
9							7
		2				6	
	3		6		4		8
	7		2		8		5
		4				8	
5							2
	1			9		3	

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GSM नेटवर्क बाहिर (मुलुकभित्र वा विदेश) तर कुनै Internet Zone भित्र रहेको अवस्थामा आफ्नै Postpaid Number माफत विश्वभर कल गर्न वा कल प्राप्त गर्न प्रयोग गर्नुहोस् NTPro सेवा

NTPro बाट NT Network मा कल गर्दा लाग्ने शुल्क: रु. ६/- प्रति मिनेट
 NTPro मा कल Receive गर्दा लाग्ने शुल्क: रु. ६/- प्रति मिनेट
 NTPro बाट हुने अन्तर्राष्ट्रिय कल: रु. ६+ कम्पनीको विद्यमान अन्तर्राष्ट्रिय महसुल दर सरह
 NTPro बाट NTPro मा हुने कल: नि:शुल्क

मासिक शुल्क :
 रु. १००/- मात्र

प्रयोग गर्ने तरिका :

1. Username र Password को लागि sub ntpro टाईप गरेर १४२८ मा SMS गर्ने । To Unsubscribe type unsub ntpro & send to 1428
2. SMS माफत प्राप्त Username र Password प्रयोग गरेर NTPro login गर्ने Android /iOS user ले क्रमशः Google Play Store/ App Store बाट NTPro app download गर्ने ।
3. Internet zone मा रहेका अवस्थामा आफ्नै Postpaid मोबाईलमा आएको कल NTPro माफत call receive गर्ने **62*775 *****# डायल गरी NTPro मा कल forward गर्ने ।
 For Example : **62*७७५ GSM Postpaid मोबाईलको शुरु तीन अंक **62*9851011111# को ठाउँमा **62*7751011111# डायल गर्ने ।

यो सेवा GSM Postpaid मा मात्र उपलब्ध छ ।
 महसुल दर कर बाहिर ।



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मत्स्यपालन



पशुपालन



नगदेबाली



कुखुरापालन

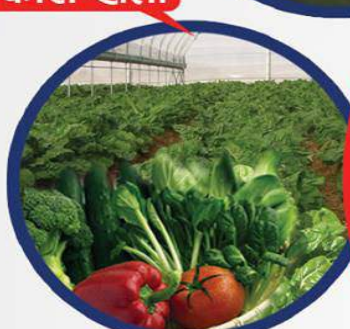


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*शर्तहरु लागु हुनेछ ।

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