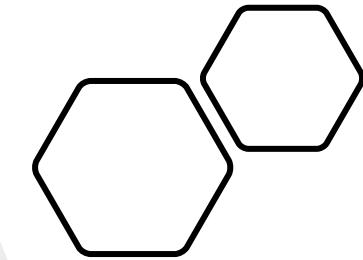


# Economic Outlook Based on Mid February 2024



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## Overview 2023/24

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## Economic Information

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## Financial Sector Highlights

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## Budget 2024/25 Expectations

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## Fiscal situation

1

Overview 2023/24



# 2024 “Familiar risks emerge in new ways”

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*In the wake of the COVID-19 pandemic, Nepal endured a severe credit crunch scenario throughout 2023 and early 2024, presenting daunting challenges. However, amidst these adversities, a glimmer of hope emerges. The country's economic resurgence has commenced, albeit with growth expectations falling below historical norms. Despite this setback, there is a cautious optimism for a resilient recovery. The initial wave of pessimism is gradually yielding to a spirit of resilience and adaptability, signaling the potential for significant economic advancement.*

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*Despite ongoing challenges, there is a dedicated effort to confront them head-on. Strategic measures are being implemented to tackle the aftermath of the financial crisis, nurturing an atmosphere favorable to investment, innovation, and overall economic progress. Considering these challenges and the pervasive uncertainty surrounding the economic landscape, we will remain vigilant, closely monitoring data, particularly the upcoming inflation data revisions and reports. This information will be crucial in determining the suitable trajectory for monetary policy.*

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*Inflation expectations have remained relatively stable. Anticipated growth in consumer spending this year is expected to be slower compared to last year. The substantial reserves of excess savings accumulated in the initial stages of the pandemic have bolstered household spending over recent years. However, it is probable that these surplus savings have been largely depleted, particularly among households in the lower income brackets. There are emerging indications of heightened financial strain among certain households, as evidenced by increasing delinquency rates on credit cards and mortgages.*

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*Business spending growth is expected to slow down slightly this year, mainly due to the anticipated stabilization of the widely discussed low-capacity utilization, which is expected to persist for the next few months. Nonetheless, over time, there is a projection for investment to increase, although this transition is likely to be gradual. Consequently, fiscal and monetary sector conditions are expected to become slightly less restrictive.*

## *Analyzing various economic indicators, it appears contradictory to conclude whether the Nepalese economy is shrinking!*

<p><i>Despite the perception of reduced imports, the average import trend shows an increase.</i></p>	<p><i>Similarly, while there's a belief remittance inflow may fall, the average remittance trend indicates growth.</i></p>	<p><i>Contrary to the notion of decreased in government revenue, the average revenue trend shows an increase.</i></p>	<p><i>Moreover, despite assumptions of reduced government spending, the average spending trend suggests otherwise.</i></p>	<p><i>Although the interest rate is perceived to be at its peak, the average interest rate trend is actually decreasing.</i></p>	<p><i>Additionally, although there's a perception of reduced forex reserves, the average reserve trend indicates growth.</i></p>	<p><i>It is said that NPA level of BFIs are increasing if you look from NRB prospective BFIs are more prudent and are becoming more transparent.</i></p>	<p><i>It is said industrial capacity utilization is low, however it is argued that industries are over capitalise.</i></p>	<p><i>It said that loan growth is slow indicating low confidence, however it is observed that borrowers are over leverage.</i></p>
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*Considering these conflicting observations, it is challenging to determine whether the Nepalese economy is experiencing growth or contraction.*

# 2024 “Optimistic outlook while exercising prudence”

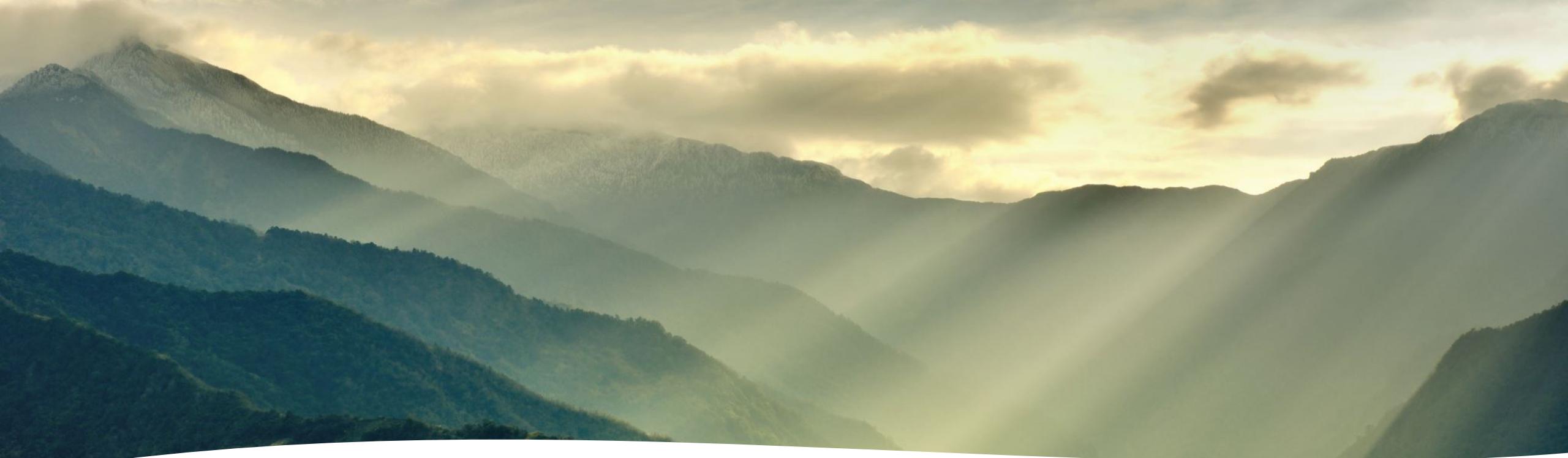
*Positive developments are emerging for Nepal, propelled by proactive measures implemented by the central bank to address financial stability risks and achieve primary objectives. The Nepal Rastra Bank (NRB) acknowledges the intricate relationship between monetary policy and financial stability, emphasizing the need for coherent policy actions to prevent undue strain on the financial system. This commitment underscores a dedication to fostering a positive and secure financial environment.*

*Recent economic indicators for January 2024 demonstrate encouraging signs of improvement in consumer spending compared to previous quarters. Retail sales, particularly in interest rate-sensitive sectors like motor vehicles, have rebounded, indicating a favorable impact of the NRB's accommodating monetary policy.*

*While the recent arrest of some businessmen and bureaucrats has understandably caused concern within the business community. Transparent communication of the rationale behind such actions is crucial to allay uncertainties. Upholding the rule of law is paramount, with the presumption of innocence until proven guilty being fundamental.*

*By promoting transparency and accountability, confidence in the stability and fairness of the legal system can be upheld within the business community. While acknowledging potential impacts on economic activity, trust in the economy's resilience to navigate through challenges is essential. Moreover, positive developments are evident in both manufacturing and non-manufacturing activities among businesses. With moderate long-term interest rates, overall improvements in financial conditions are expected to support household and business expenditures.*

*Although these trends are promising, caution is warranted, given past fluctuations in inflation and economic activity. The recent easing of financial conditions serves as a reminder of the multitude of factors influencing economic trends, underscoring the importance of prudent policymaking. Overall, a positive momentum is anticipated for 2024, with an optimistic outlook prevailing. It's important to maintain an optimistic outlook while exercising prudence.*



# Climate Change: Assessing Nepal's Role and Urgent Needs

*Despite not being a major contributor to climate change, Nepal is currently grappling with its severe consequences. Even though our nation has not significantly contributed to climate-altering activities, we are acutely feeling the impact.*

*As we endeavor to shield our beautiful country of Nepal from the adverse effects of climate change, it becomes imperative to call on countries with substantial emissions to acknowledge their pivotal role in this global challenge. Collaborative efforts are essential to ensure that Nepal receives its fair share of assistance for implementing effective climate protection measures.*

# Strategic Measures for Economic Recovery and Stimulus Initiatives in Nepal

## Strategic Path for Economic Recovery

The Government of Nepal is urged to articulate a comprehensive strategy for economic recovery, incorporating the following measures:

**3. Embrace the "New Economy"**  
Identify and capitalize on opportunities within the "new economy," focusing on financial services, digital technology, telecommunications, and other sectors less reliant on physical presence.

**4. Enhance Competitiveness**  
Evaluate the ease of doing business, aligning with international standards to enhance competitiveness.

### 1. Foundational Concepts for Inclusive Revival

Develop and prioritize foundational concepts to ensure an inclusive economic revival.

### 2. Sectoral Adaptation and Support

Anticipate and address challenges in vital economic sectors through strategic support, encompassing agriculture, manufacturing, retail, hospitality, construction, and related industries.

**6. Stakeholder Engagement**  
Promote active engagement with stakeholders, including businesses, employee representatives, and other bodies.

### 7. Tailored Initiatives

Create, develop, and assess actionable initiatives tailored to specific sectors (e.g., hospitality, Agri, and technology) and overarching themes (e.g., productivity).

### 8. Data Enhancement

Scrutinize existing data sources and explore innovative metrics to improve decision-making.

### 9. Performance Framework

Contemplate a new delivery and performance framework for reporting key economic achievements.

## *Stimulus Initiatives*

*These recommendations are crucial for steering Nepal towards economic recovery and sustainable growth.*

**1**

### ***Stimulating Business Activity***

- Support private sector growth and encourage investment promotion.

**2**

### ***Agro-Industrialization***

- Promote agro-industrialization to address challenges in agriculture, including low production, inadequate post-harvest handling, limited value addition, and insufficient market access.

**3**

### ***Infrastructure Development***

- Invest in essential infrastructure for economic growth, focusing on transportation and power infrastructure.

**4**

### ***Credit Access for MSMEs***

- Implement a scheme to reduce lending risk for micro, small, and medium enterprises (MSMEs), making it more appealing for financial institutions to lend to this subsector.

**5**

### ***Tax Reform***

- Harmonize, abolish, and reduce tax rates to improve the business and investment environment.
- Amend fees and levies imposed by regulatory authorities and departments.
- Strengthen tax law enforcement to address evasion challenges and minimize revenue leakages.

**6**

### ***Effective Public Expenditure***

- Maintain fiscal discipline and increase the efficiency of public funds.
- Allocate funds to priority areas stimulating economic growth.
- Prioritize ongoing projects over committing to new ones.

# Charting a New Course for Reform

## Financial Sector Reform Objectives:

The primary goals of financial sector reform should encompass averting credit crunches and banking crises while emphasizing effective management should such crises occur. Additionally, these reforms must prioritize support for low-income earners. Prudential regulation and supervision should address not only microeconomic but also macroeconomic risks associated with boom-bust cycles.

## Asset Management Company (AMC):

Given the escalating levels of non-performing assets (NPAs) and the potential for corporate defaults to trigger economic downturns and unemployment, the opportune moment has arrived to initiate the establishment of an Asset Management Company (AMC). Establishing an AMC to handle the bad loans of Banking and Financial Institutions (BFIs) can strategically address NPAs and enhance the financial health of the banking sector. The creation of an NPA management AMC is a pivotal step in addressing challenges posed by bad loans, benefiting BFIs by improving financial health and contributing to overall economic stability and growth. I wholeheartedly endorse the establishment of such an institution and believe it can be a game-changer in addressing NPA-related issues in the financial industry.

## Amendment to the NRB Act:

Amending the NRB Act should heavily emphasize a comprehensive evaluation of the NRB Board's composition. The current composition, predominantly comprising retired NRB employees, should undergo restructuring to include experts from diverse economic and professional backgrounds. However, careful consideration of specific qualifications and selection criteria for these external experts is crucial to ensure they possess the necessary skills and knowledge to contribute effectively to the central bank's functions. Additionally, the governance structure should strike a balance between external expertise and the central bank's internal knowledge and experience.

## Establishment of a Monetary Policy Committee:

Establishing a Monetary Policy Committee is crucial for ensuring both independence and accountability in the policymaking process. While delineating the roles of monetary policy and credit policy can yield benefits, emphasizing coordination and communication among responsible authorities is paramount. These factors play a pivotal role in safeguarding overall economic stability and the soundness of the financial system. **While commendable progress has been made with the formation of a Monetary Committee by the NRB, it's imperative to initiate corresponding amendments in the NRB Act to align with these provisions on monetary policy actions.**

# Charting a New Course for Reform

<b>BAFIA Amendment:</b>	<p><i>The proposed amendment in the Banking and Financial Institutions Act (BAFIA) has taken strides towards segregating banking and business activities. However, it is advisable to implement this segregation in a phased manner. Categorizing larger family members as related parties might encroach upon individuals' fundamental rights. Hence, the amendment should revisit this aspect.</i></p> <p><i>Furthermore, the BAFIA requires amendments to include provisions for an exit mechanism for Banking and Financial Institutions (BFI) promoters. Encouraging a substantial public holding will enhance governance standards within these institutions. Additionally, it is advisable to reassess the composition of the Board, introducing a balanced mix of executive and non-executive directors to bolster governance.</i></p> <p><i>Moreover, restructuring BFIs based on their functions, rather than solely on capital, will foster efficiency and relevance in the financial sector. This holistic approach to amendments in the BAFIA will contribute to the overall improvement of the banking and financial landscape.</i></p>
<b>GDP Base Review:</b>	<p><i>The Government of Nepal should contemplate updating the base year for GDP calculation from 2010/11 to 2020/21. This adjustment is warranted due to four significant events post the Great Gorkha Earthquake: a trade embargo, changes in government structure, and the impact of the Covid-19 pandemic. Shifting the base year to 2020/21 will provide a fresh perspective for policy formulation and response, considering the evolving economic landscape</i></p>
<b>Prompt Corrective Action:</b>	<p><i>In addition to the current PCA guidelines, the NRB should consider introducing supplementary provisions. If the net NPA level is below 7%, no further action is necessary. However, if it surpasses 7% but remains below 9%, falling within the first threshold, BFIs should refrain from approving new loans. Crossing the 9% threshold triggers the second tier, where BFIs must abstain from accepting new deposits. Should this metric reach 11% or higher, the bank will be categorized into the third tier, prompting PCA initiation.</i></p> <p><i>Furthermore, concerning the Income Tax Act, the permissible provisions charged to the Profit and Loss statement (P&amp;L) should be increased from 5% to 9%. Additionally, the NRB should undertake a comprehensive review of the risk weightage assigned to various items on the balance sheet. This involves a meticulous assessment of the potential risks associated with different assets and liabilities held by BFIs. Through recalibrating the risk weightage, the NRB can ensure that the regulatory framework accurately reflects the inherent risks in banking activities, thereby fostering prudence and stability in the financial sector.</i></p>

# *Nine Enablers of Nepalese Economy*

*As capital expenditure is crucial for achieving growth objectives in the Federal Structure Economy, Nepal should focus on following basic principles:-*

- *Design Long-term vision and strategy for economic development and social harmony,*
- *Prepare Project Banks - investment project preparation to invite local as well as foreign investment,*
- *Reduce Budgetary processes to speed up capital expenditure,*
- *Improve Procurement Efficiency and maintain budgetary discipline,*
- *Implement Stringent Contract Management and enforcement requirements to maintain time schedule of the project.*
- *Design an Effective Monitoring system to improve the productivity of investment,*
- *Appoint Competent Project Personnel led by dynamic person,*
- *Support effective Legal Institutional Framework for PPP investment and introduce fund base investment approval process.*
- *Enabling sectoral policy Operation Framework*

*The government of Nepal must plan effectively and effectively and should continuously monitor its activities to achieve sustainable goals and high growth.*

## Economic Information

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# Nepal Distributive Trade Survey, 2022

*The Nepal Distributive Trade Survey, 2022 conducted by the National Statistics Office aimed to estimate economic indicators of the wholesale and retail trade sector for national account purposes. This included assessing CPC-wise trade margins of goods and collecting information on income, expenditure, investment, employment, compensation of employees, and changes in stock from a sample of 18,000 trade establishments.*

*The survey revealed that 68.2% of trade establishments (comprising wholesale and retail trade and repair of motor vehicles and motorcycles) are registered with government agencies, while 31.8% remain unregistered. Concerning trade margins, wholesale and retail trade and repair of motor vehicles and motorcycles reported the highest margin at 24.02%, followed by wholesale trade at 13.01%, and retail trade margin at 18.28% among the three NSIC divisions.*

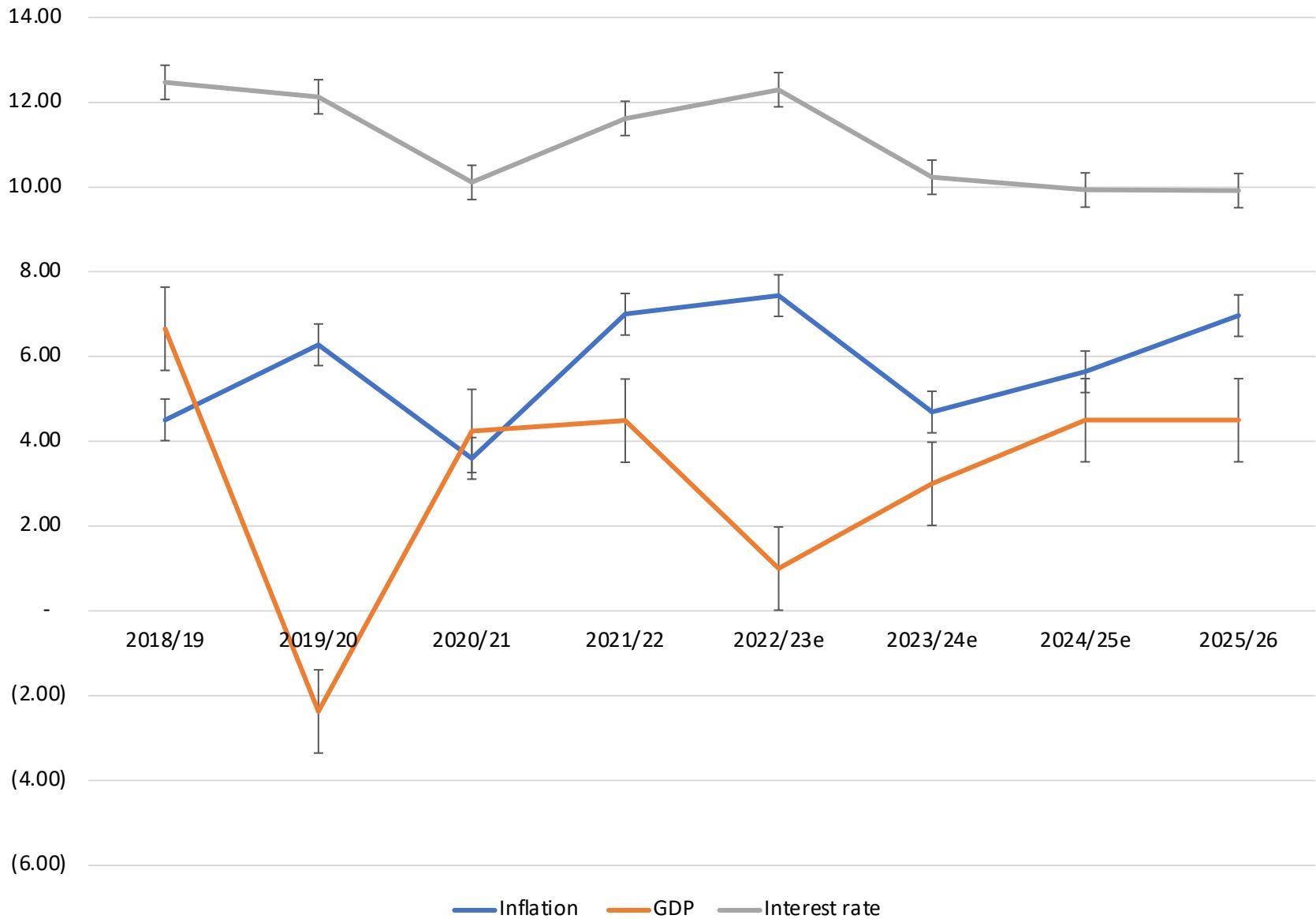
*The total number of individuals engaged in the wholesale and retail trade sector is 1,130,645, with 726,681 (64%) being male and 403,964 (36%) female. On average, there are two individuals engaged in each establishment. The survey found that 88.65% of individuals are involved in retail trade, 5.8% in motor trade and repair, and 5.54% in wholesale trade establishments. Only about one-fifth of the total individuals engaged in this sector are paid. The average annual wages and salaries per paid employee amount to NPR 208,494 (NPR 17,374 per month).*

*The average annual operating cost per establishment stands at NPR 264,373. Wholesale trade establishments recorded the highest operating cost per establishment at NPR 1,314,379, followed by motor trade and repair at NPR 583,393, and retail trade at NPR 219,240.*

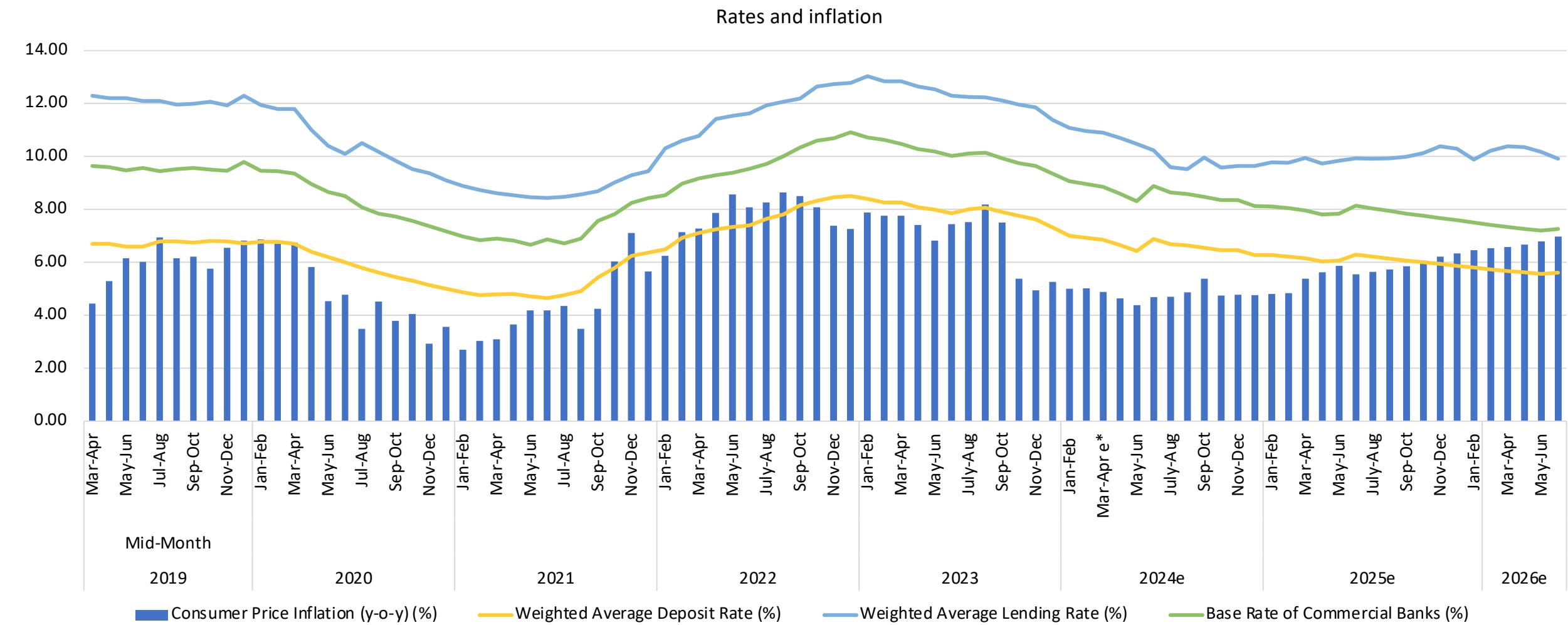
*Geopolitical conditions pose significant risks, including the potential spillover effects from conflicts and the vulnerability of food and energy markets and supply chains to these factors.*

*Moreover, ongoing easing in financial conditions may bolster demand, potentially impeding efforts to curb inflation or even reigniting inflationary pressures.*

*Considering these risks and the overall uncertainty surrounding the economic outlook, NRB should remain vigilant, closely monitoring the data, particularly upcoming inflation data revisions and reports. This will enable NRB to assess the suitable course of action regarding monetary policy.*

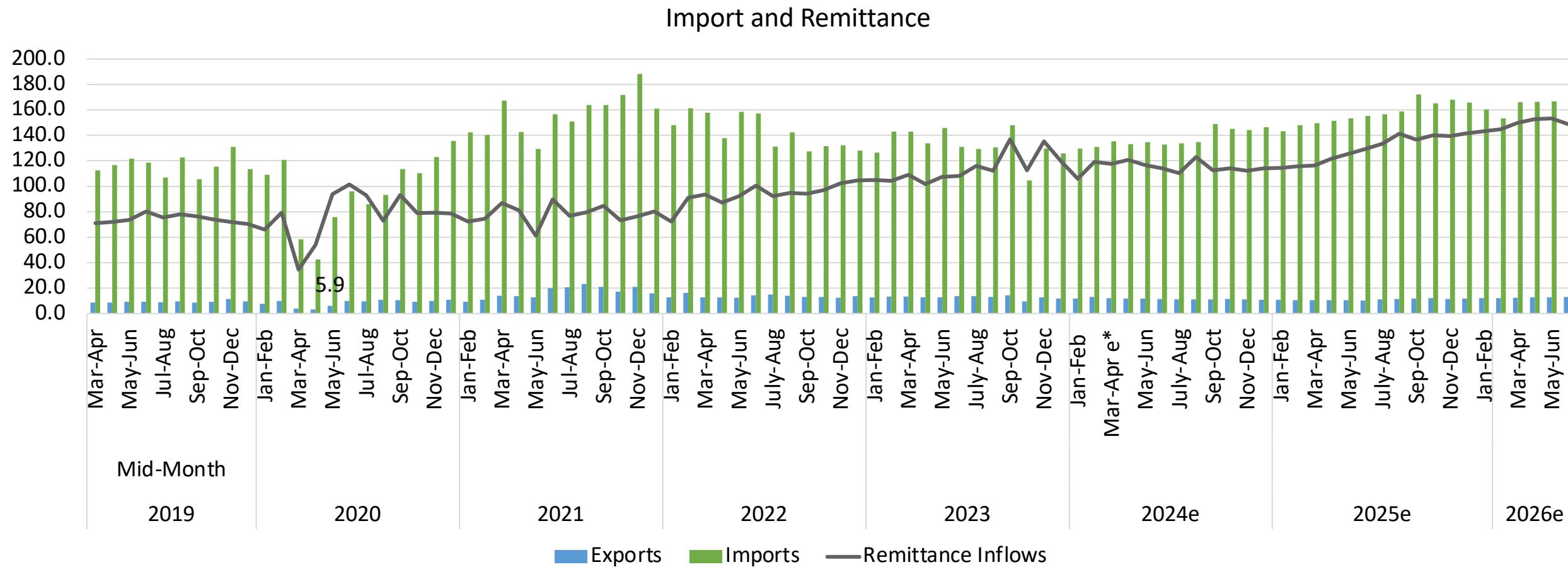


# Interest rates and Inflation



# Imports and Remittance outlook

(NPR in billion)



*The initial outcomes displayed promise, yet this seemingly commendable performance obscured underlying structural weaknesses that went unaddressed. However, we remain optimistic that authorities will redefine policies to address these shortcomings.*

# Monthly indicator. (NPR in billion)

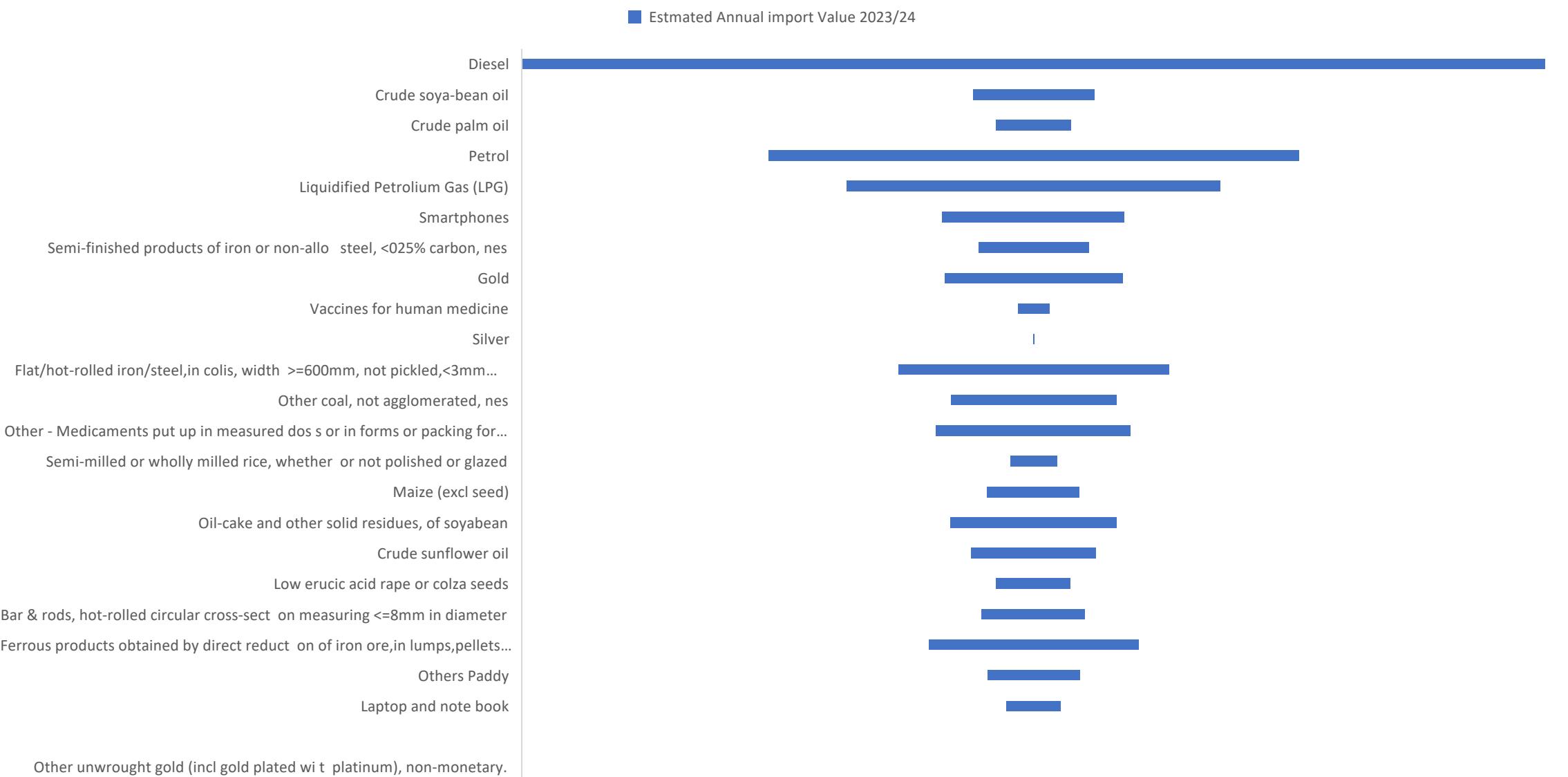
Particulars Amount in NPR Billion	2023												2024e			
	Mid-Month															
	Feb-Mar	Mar-Apr	Apr-May	May-Jun	Jun-July	July-Aug	Aug-Sep	Sep-Oct	Oct-Nov	Nov-Dec	Dec-Jan	Jan-Feb	Feb-Mar	Mar-Apr e*		
Consumer Price Inflation (y-o-y) (%)	7.76	7.76	7.41	6.83	7.44	7.52	8.19	7.50	5.38	4.95	5.26	5.01	5.02	4.88		
Exports	13.50	13.50	12.62	12.69	13.55	13.53	12.92	14.43	9.69	12.64	11.76	11.86	13.00	11.92		
Imports	143.10	143.1	133.8	145.7	130.8	129.2	130.5	148.0	104.7	129.7	126.0	129.8	131.00	135.30		
Remittance Inflows	104.4	109.1	101.8	107.3	108.0	116.0	112.4	137.0	112.6	135.3	120.0	105.8	119.22	117.67		
Government Expenditure	163.82	163.8	104.7	128.3	253.5	35.0	96.1	149.4	75.1	97.4	113.6	120.1	110.0			
Current Expenditure	97.92	97.9	80.0	90.7	128.4	12.1	75.5	125.7	57.8	88.8	77.4	71.7	68.0			
Capital Expenditure	22.99	23.0	18.4	27.4	80.6	0.8	7.3	9.7	12.2	60.7	13.2	14.3	17.0			
Revenue	108.73	108.7	72.4	80.6	120.3	78.9	62.2	78.0	57.5	86.8	133.1	70.9	68.0			
Deposit Mobilization	70.76	75.3	14.9	74.4	182.1	-133.2	125.7	166.1	-3.9	109.1	113.3	20.1	23.0			
Private Sector Credit	35.29	33.8	-8.8	4.2	18.6	-4.4	37.9	75.4	-9.6	10.7	82.6	4.6	-7.6			
Weighted Average Deposit Rate (%)	8.26	8.26	8.08	7.99	7.86	8.00	8.06	7.90	7.76	7.62	7.32	7.01	6.94	6.85		
Weighted Average Lending Rate (%)	12.84	12.84	12.65	12.53	12.30	12.24	12.23	12.11	11.96	11.85	11.38	11.08	10.97	10.91		
Base Rate of Commercial Banks (%)	10.63	10.48	10.27	10.18	10.03	10.11	10.14	9.94	9.74	9.64	9.35	9.06	8.97	8.85		

Our view on the current level of External vulnerabilities

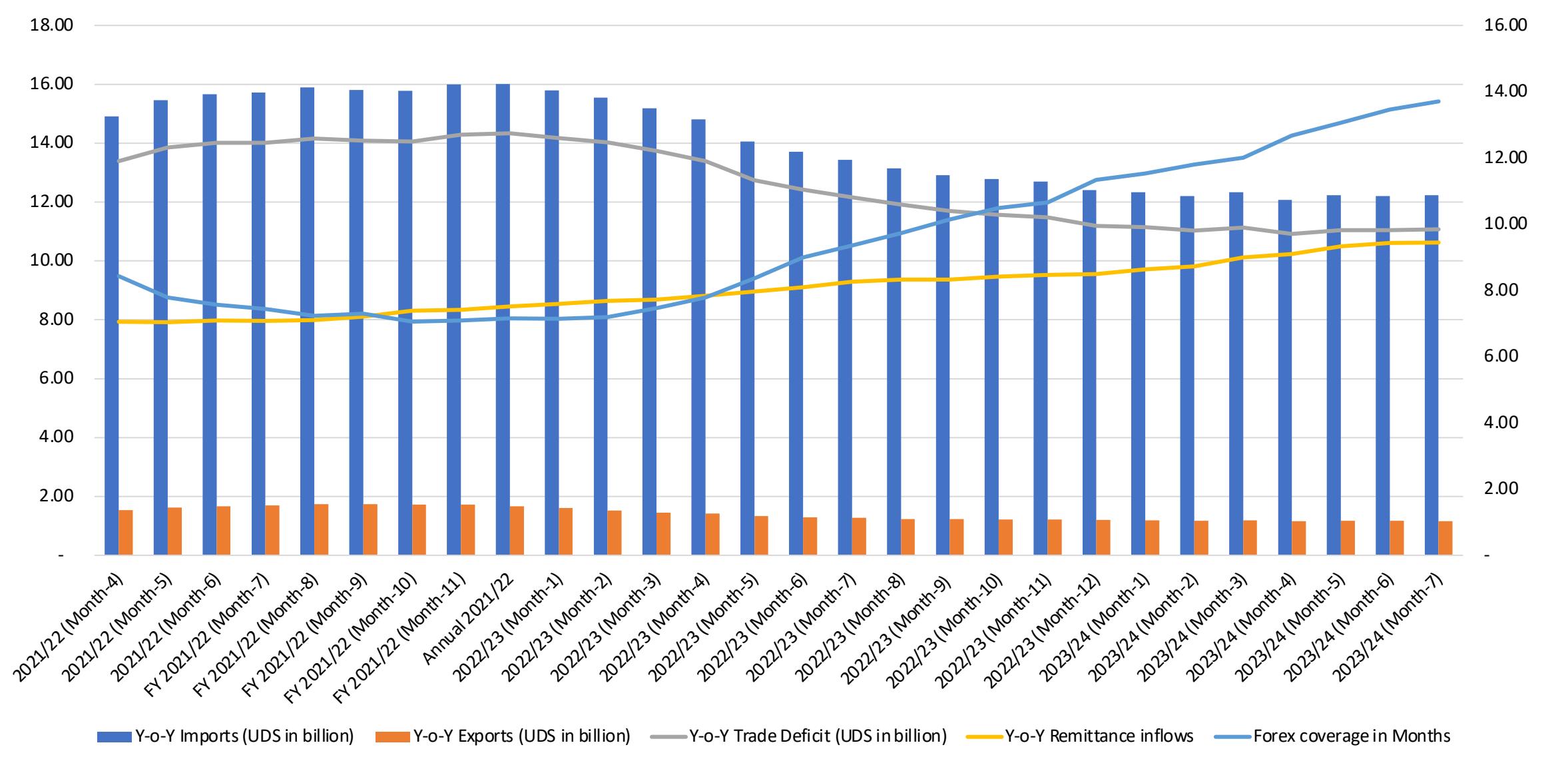
Conversion Rate: 1 USD= NRs 130, 2022/23 and 119, 2021/22 (USD in billion)

Foreign Trade Balance of Nepal	Total Imports	Total Exports	Trade Deficit	Total Trade	Export: Import Ratio	Revenue	Exchange factor
F.Y. 2078/79 (2022/23) (Mid-March)	11.00	1.24	9.76	12.24	1.00	8.86	2.79
Share % in Total Trade	89.86	10.14					1 USD= 119 NPR
Trade deficit % GDP		349.68%					
F.Y. 2079/790(2022/23) (Mid-March)	8.14	0.81	7.33	8.95	1.00	10.05	1.86
Share % in Total Trade	90.95	9.05					1 USD= 119 NPR
Trade deficit % GDP		262.72%					
F.Y. 2080/81 (2023/24) (Mid-March)	7.92	0.77	7.15	8.69	1.00	10.29	2.08
Share % in Total Trade	91.14	8.86					1 USD= 130 NPR
Trade deficit % GDP		256.27%					
Percentage Change in F.Y. 2079/80 (2022/23) compared to same period of the previous year	-25.99%	-34.76%	-24.87%	-26.88%		-33.33%	
Percentage Change in F.Y. 2080/81 (2023/24) compared to same period of the previous year	-2.70%	-4.94%	-2.46%	-2.91%		11.83%	

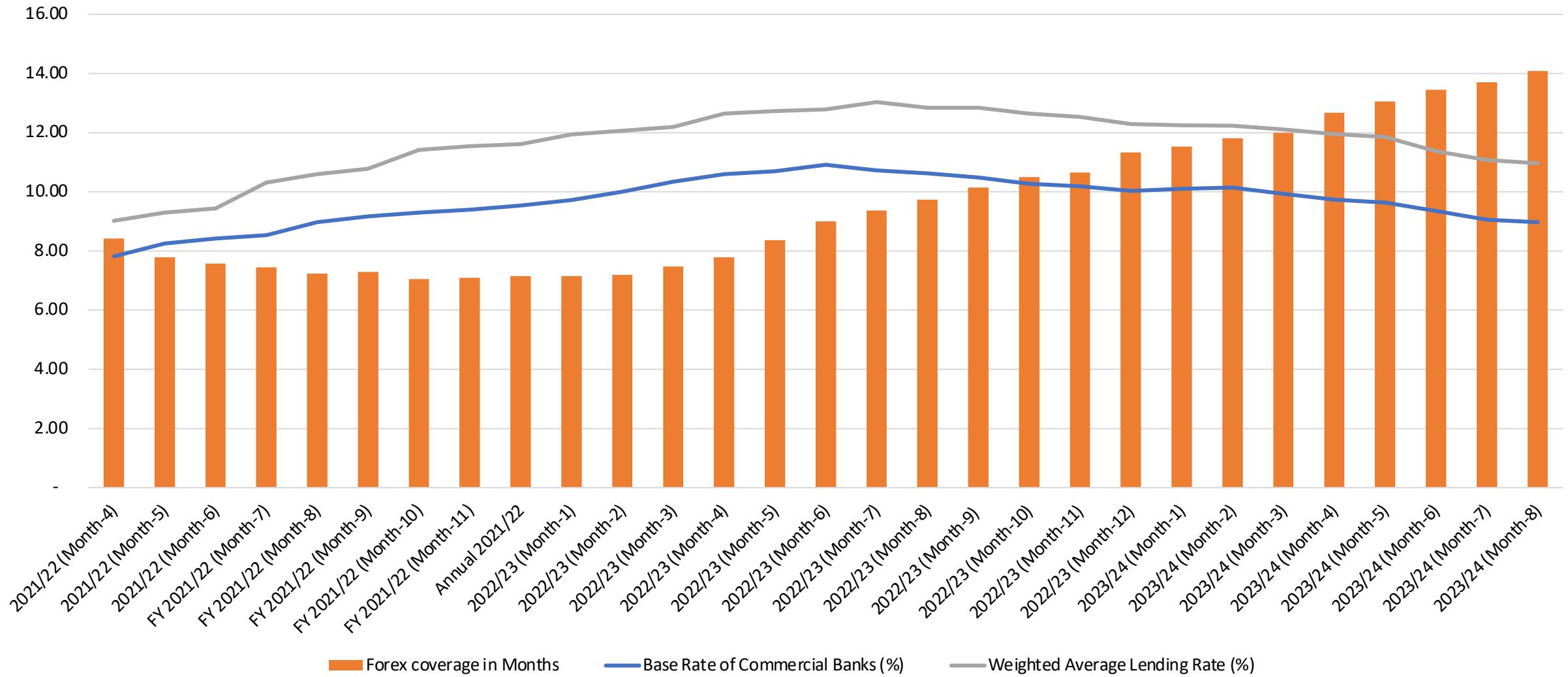
Imports surges during OCT. 2023							
	Description	Surge in Quantity	Surge in Amount	Surge Amount USD Million	Share in Incremental imports	The Potential for BOP Overall Reversal Risk	Root of the incremental imports
Trade to GDP	As a positive sign of improved resilience in the external sector, the Department of Customs announced that the year-on-year trade deficit as a percentage of gross domestic product (GDP) saw a reduction to 17.54% by mid-March 2024, compared to the 20.56% reported in the corresponding previous year.						
Trade Deficit	In the eighth month of fiscal year 2023/24, the trade deficit remained stable at \$0.91 billion, consistent with the previous month. Compared to the same period in FY 2023/24, the trade deficit saw a year-on-year decrease to \$11.01 billion, indicating an improvement from the \$11.69 billion recorded in the corresponding period of the previous fiscal year.						
Import Pressure	Heavy reliance on imported raw materials, capital goods, and consumer products. Limited potential for export growth. Sending unskilled manpower abroad as a primary export. Limited international transportation connectivity. Untapped natural resources.						
Observations	<p><i>Presently, Nepal enjoys robust foreign exchange reserves, providing coverage for over 14.0 months of imports and service payments when considering the year-on-year import ratio. Encouragingly, the Nepalese economy faces no significant challenges, thanks to the decreasing prices of imported energy and food.</i></p> <p><i>Despite the shift in monetary policy from tightening to accommodative, there hasn't been a pronounced improvement in aggregate demand. However, there's optimism surrounding the expectation of continued growth in remittance inflows, offering relief to the balance of payments in the months ahead.</i></p> <p><i>While there has been a noticeable increase in the import of specific goods in the current month, the risk of a significant reversal in this trend has not seen a substantial escalation, contributing to overall stability.</i></p>						
	Smartphones	75%	76%	31.28	24.06%	Insignificant	Festival Demand
	Fertilizer	114%	104%	32.05	24.65%	Insignificant	Seasonal Demand
	Gold	80%	78%	24.80	19.08%	Moderate	Gold import quota increased by 100%
	AFT	60%	70%	14.90	11.46%	Insignificant	
	Electric car	85%	80%	11.58	8.91%	Insignificant	Backlog custom clearance
	Other			15.39	11.84%		
	Total Incremental Value			130.00	100%		



### Y-O-Y External Sector



# Interest rates and Extranational Sector



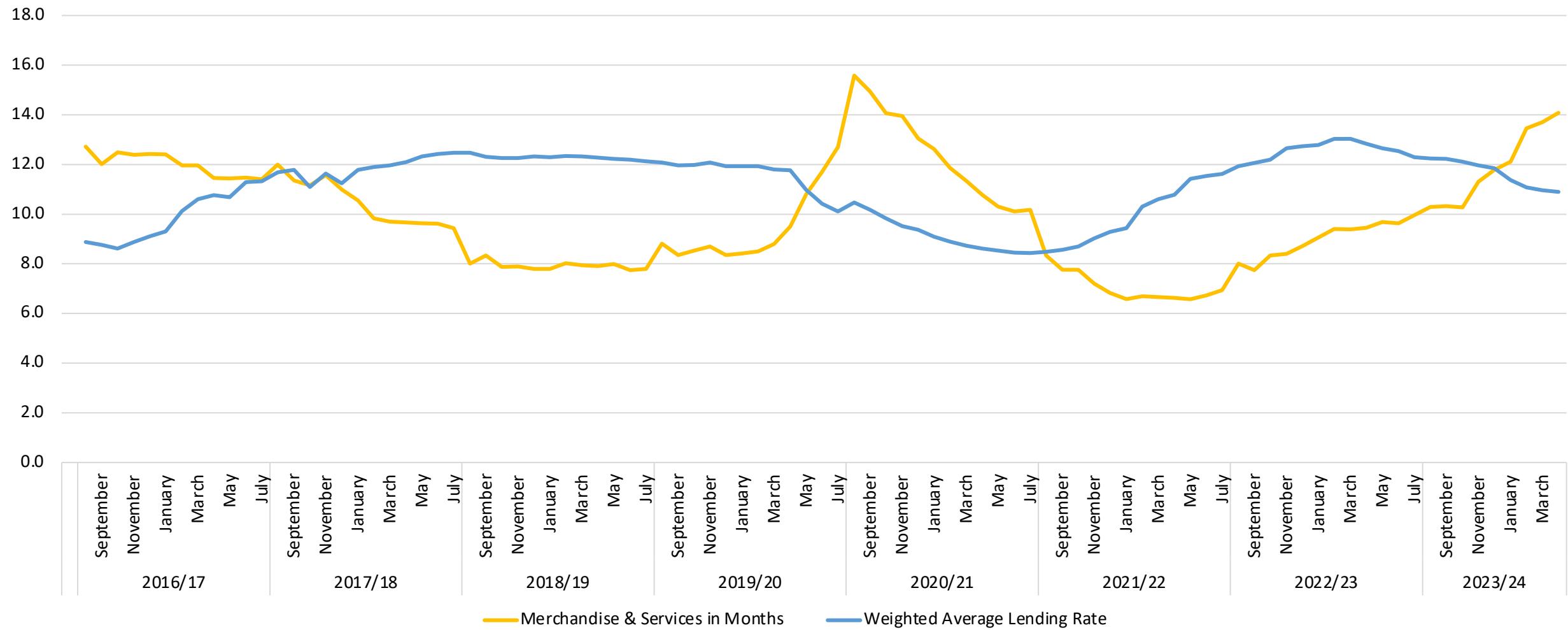
Description	2021/22 Annual Import Value	2022/23					2022/23					2023/24					2023/24					Estimated Annual Import Value 2023/24		Import Direction
		8 month	9 month	10 month	11 month	1 month	2 month	3 month	4 month	5 month	6 month	7 month	8 month	9 month	10 month	11 month	12 month	13 month	14 month	15 month	16 month	17 month	18 month	
Diesel	1,402	761	865	984	1,058	1,183	57	121	230	310	415	511	596	684	1,090	1,090	Decline							
Crude soya-bean oil	468	213	231	245	262	274	15	23	35	44	55	60	66	71	130	130	Decline							
Crude palm oil	328	155	170	178	189	199	6	18	27	35	44	50	57	68	80	80	Decline							
Petrol	595	340	383	429	472	514	42	87	132	176	220	261	299	343	565	565	Growth							
Liquidified Petroleum Gas (LPG)	546	298	354	383	418	447	29	56	89	119	159	196	233	276	398	398	Decline							
Smartphones	317	128	144	157	172	188	22	41	73	89	105	116	134	149	195	195	Growth							
Semi-finished products of iron or non-allo steel, <025% carbon, nes	427	110	128	146	162	176	12	24	28	30	38	49	55	63	118	118	Decline							
Gold	297	127	133	149	172	172	13	32	57	63	77	83	97	124	190	190	Decline							
Vaccines for human medicine	267	53	77		84	86	5	9	10	17	19	22	29	33	34	34	Decline							
Silver	109	5	6	7	10	12	0.03	0.58	0.77	1.00	1.00	1.00	1.00	1.00	2	2	Decline							
Flat/hot-rolled iron/steel,in colis, width >=600mm, not pickled,<3mm thickness	239	67	93	118	139	158	26	46	75	87	111	144	166	188	289	289	Growth							
Other coal, not agglomerated, nes	300	116	149	170	192	209	16	27	35	43	59	83	100	118	177	177	Growth							
Other - Medicaments put up in measured dos or in forms or packing for retail s	192	125	141	154	171	190	12	32	54	67	84	102	124	138	208	208	Growth							
Semi-milled or wholly milled rice, whether or not polished or glazed	198	62	67	71	76	83	7	9	10	11	19	25	29	33	50	50	Decline							
Maize (excl seed)	155	81	87	100	120	127	8	13	19	23	35	47	55	64	98	98	Decline							
Oil-cake and other solid residues, of soyabean	170	67	73	81	88	98	12	22	32	42	59	72	85	100	178	178	Growth							
Crude sunflower oil	151	84	102	115	129	139	14	23	35	42	52	60	74	92	134	134	Growth							
Low erucic acid rape or colza seeds	103	55	62	67	70	72	6	11	15	24	33	40	43	48	79	79	Decline							
Bar & rods, hot-rolled circular cross-sect on measuring <=8mm in diameter	121	72	83	90	104	114	12	19	27	29	34	41	48	58	111	111	Decline							
Ferrous products obtained by direct reduct on of iron ore,in lumps,pellets or si	200	205	236	268	306	335	29	54	74	92	115	149	174	199	224	224	Decline							
Others Paddy	134	110	123	130	140	154	21	22	23	23	31	40	57	66	99	99	Decline							
Laptop and note book	95	31	34	38	42	48	6	11	16	19	24	29	34	39	58	58	Growth							

## Trade Directions

## Expected Annual Imports of Major Items (USD in million)

Description	2021/22 Annual Import Value	2022/23				2022/23				2022/23				2022/23				2023/24				Estimated Annual Import Value		Import Direction
		6 month	7 month	8 month	9 month	10 month	11 month	1 month	2 month	3 month	4 month	5 month	6 month	2023/24/24	2023/24/3	2023/24/4	2023/24/5	2023/24/6	2023/24/7	2023/24/8	2023/24/9	2023/24/10		
Diesel	1,402	539	651	761	865	984	1,058	1,183	57	121	230	310	415	511	1,287	Decline								
Crude soya-bean oil	468	183	203	213	231	245	262	274	15	23	35	44	55	60	130	Decline								
Crude palm oil	328	129	137	155	170	178	189	199	6	18	27	35	44	50	80	Decline								
Petrol	595	258	298	340	383	429	472	514	42	87	132	176	220	261	565	Growth								
Liquidified Petroleum Gas (LPG)	546	217	256	298	354	383	418	447	29	56	89	119	159	196	386	Decline								
Smartphones	317	100	114	128	144	157	172	188	22	41	73	89	105	116	195	Growth								
Semi-finished products of iron or non-allo steel, <025% carbon, nes	427	80	92	110	128	146	162	176	12	24	28	30	38	49	118	Decline								
Gold	297	84	97	127	133	149	172	172	13	32	57	63	77	83	190	Decline								
Vaccines for human medicine	267	41	43	53	77	84	86	86	5	9	10	17	19	22	34	Decline								
Silver	109	2	3	5	6	7	10	12	0.03	0.58	0.77	1.00	1.00	1.00	2	Decline								
Flat/hot-rolled iron/steel,in colis, width >=600mm, not pickled,<3mm thickness	239	36	54	67	93	118	139	158	26	46	75	87	111	144	328	Growth								
Other coal, not agglomerated, nes	300	78	91	116	149	170	192	209	16	27	35	43	59	83	195	Growth								
Other - Medicaments put up in measured dos s or in forms or packing for retail s	192	92	110	125	141	154	171	190	12	32	54	67	84	102	227	Growth								
Semi-milled or wholly milled rice, whether or not polished or glazed	198	47	56	62	67	71	76	83	7	9	10	11	19	25	50	Decline								
Maize (excl seed)	155	64	76	81	87	100	120	127	8	13	19	23	35	47	98	Decline								
Oil-cake and other solid residues, of soyabean	170	50	59	67	73	81	88	98	12	22	32	42	59	72	178	Growth								
Crude sunflower oil	151	56	68	84	102	115	129	139	14	23	35	42	52	60	134	Growth								
Low erucic acid rape or colza seeds	103	34	46	55	62	67	70	72	6	11	15	24	33	40	79	Growth								
Bar & rods, hot-rolled circular cross-sect on measuring <=8mm in diameter	121	41	55	72	83	90	104	114	12	19	27	29	34	41	111	Decline								
Ferrous products obtained by direct reduct ion of iron ore,in lumps,pellets or si	200	148	182	205	236	268	306	335	29	54	74	92	115	149	314	Growth								
Others Paddy	134	75	100	110	123	130	140	154	21	22	23	23	31	40	116	Decline								
Laptop and note book	95	24	28	31	34	38	42	48	6	11	16	19	24	29	58	Growth								

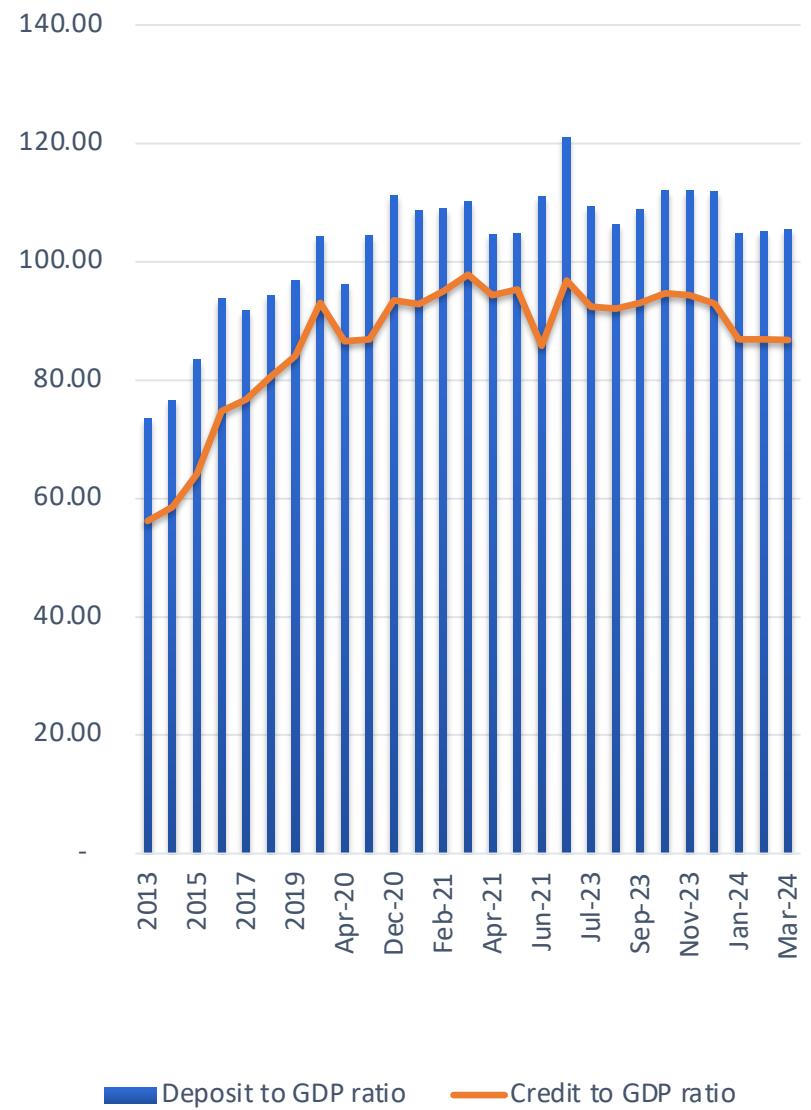
# Import Capacity in Months and Lending Rate!



# *GDP and BFI's Risk Assets and Liabilities!*

- *Government of Nepal must shift base year of GDP calculation 2010/11 to 2020/21 as four major event occurred after 2011 namely:*
  - *Great Gorkha Earthquake*
  - *Trade embargo*
  - *Government structure*
  - *Covid-19.*
- *Shifting of the base year will sufficiently provide new horizon for policy design and response.*

GDP to Deposit and Loan and Advances



# Financial Sector highlights

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While the banking sector remains vigilant against familiar risks such as credit, interest rate, liquidity, and cyber risks, it is crucial to acknowledge that as the banking landscape transforms, so do the associated risks. Recent advancements in real-time payment services have expanded their accessibility. However, this growth brings added risks, particularly concerning the detection and prevention of fraud. Furthermore, banks are increasingly dependent on crucial partnerships with third parties, such as service providers and partners offering services through "banking-as-a-service" agreements. As third-party relationships become increasingly integral to the banking sector, they introduce new avenues for risk that require careful management.

While there is concern over the rising level of Non-Performing Assets (NPAs), it's important to view this within a broader context. Elevated NPAs don't necessarily equate to an economy in decline but rather highlight areas that require attention and corrective action. Understanding the underlying causes is key. NPAs often result from borrower behavior, mismanagement, or the consequences of policy decisions. Loose monetary policies, for instance, have contributed to high NPA levels in Nepalese financial institutions. These policies prompted the introduction of seemingly secure yet risky financial products and low-interest rates, sometimes overlooking associated risks.

Some institutions inadvertently took on substantial risks by bundling risky loans into apparently safe products. While initially promising high returns with minimal risk, these products ultimately proved to be high-risk and low-yield. This underscores the importance of a comprehensive understanding of financial products and their inherent risks to effectively navigate challenges.

Furthermore, banking regulations emphasizing minimal capital requirements, light supervision, and market discipline have inadvertently exacerbated market instability. During upswings, they encourage riskier investments, while during downturns, they lead to reduced investments, amplifying market volatility. As banking and financial institutions (BFIs) grapple with the mounting pressure of meeting capital requirements, it is imperative for the Nepal Rastra Bank (NRB) to consider raising the maximum threshold for regulatory retail portfolios to Rs 50 million. This adjustment would provide much-needed relief to BFIs, allowing them to bolster their Capital Adequacy Ratio (CAR), a crucial indicator of financial health and stability. By accommodating larger retail portfolios within the regulatory framework, BFIs can enhance their ability to manage risk and allocate resources effectively.

Moreover, NRB should conduct a comprehensive review of the risk weightage assigned to various items on the balance sheet. This entails a meticulous assessment of the potential risks associated with different assets and liabilities held by BFIs. By recalibrating the risk weightage, NRB can ensure that the regulatory framework accurately reflects the inherent risks in banking activities, thereby promoting prudence and stability in the financial sector. This proactive approach by the regulatory authority would not only facilitate the strengthening of BFIs' CAR but also contribute to overall systemic resilience and confidence in the banking system.

Despite these challenges, which also include issues related to corporate governance and declining customer confidence, the Nepalese economy remains resilient. With proactive measures and a commitment to addressing underlying issues, Nepal is poised for continued growth and stability.

*In a recent update regarding regulatory dynamics and the regulatory perimeter, we have underscored three key resolutions shaping our regulatory strategy for the foreseeable future:*

- 1. Prioritizing safety and soundness in regulatory enactments and supervisory examinations.*
- 2. Renewing our commitment to tailoring regulations.*
- 3. Increasing transparency in supervisory expectations.*

*We firmly believe that adherence to these principles will reinforce the safety and soundness of banks.*

*These priorities chiefly address the "how" of regulation and supervision — how we engage in supervision prioritization, policy decisions, and interactions with regulated institutions and the public. Equally vital is the "why" — understanding the goals and objectives behind these responsibilities and being mindful of the impacts of regulation and supervision. A keen awareness of the intended and unintended consequences of regulatory changes is essential to inform the regulatory process.*

*The banking sector's diversity, spanning various sizes, locations, and activities, is acknowledged to fortify the banking system. However, excessive regulation or disproportionate compliance burdens can undermine this strength and threaten the economy. Rather than drastic regulatory shifts, targeted changes that address long-standing risks while remaining adaptable to emerging ones are often more efficient and effective. Establishing a consistent regulatory framework, backed by consensus and analysis, provides a more permanent solution for enhancing safety and soundness.*

*As banks evolve, questions arise about the regulatory framework's functionality and potential adjustments needed. This includes defining a "Non-bank financial institution" addressing regulatory cliff effects, and understanding the implications of regulatory proposals on institutions' viability and credit availability. Banks must actively engage with regulators and policymakers to ensure their crucial role is recognized and understood.*

*While the banking system is often viewed through a "regulatory perimeter," this delineation can obscure unintended consequences. Banks, integral to the broader financial system, must consider how regulatory choices influence activities and risk migration across this boundary. Intentional regulatory actions may inadvertently push activities to nonbank entities, impacting banks' decisions on products and services.*

*Regulatory choices can also mitigate risk flow between regulated banks and other entities. Supervisory oversight of third-party service providers under the Bank Service Company Act offers a mechanism to address risks at the perimeter of the regulatory boundary more efficiently. Aligning supervisory focus with risk sources can enhance risk management across the regulatory landscape.*

# Economic Performance

	Outlook
Corporate performance	<p>Following the accommodative stance adopted by the NRB, there is a promising outlook for a substantial decrease in the population of MSMEs experiencing negative economic profitability. This positive trend is likely to contribute to a reduction in default rates.</p> <p>Additionally, a considerable portion of large corporations has witnessed notable enhancements in the return on invested capital (ROIC), accompanied by a rapid decline in the weighted average cost of capital (WACC). As a result, there is a lessened pressure on sustaining a favorable ROIC for these corporations.</p>
Working Capital financing	<p>Under the Working Capital financing guidelines, borrowers are likely to confront persistent obstacles when seeking to inject new equity into their operations. The prolonged working capital cycle will impede borrowers' capacity to finance their operational needs internally. This protracted cycle renders the injection of fresh equity impractical, given the inadequacy of internal resources. As a result, the enforcement of these updated working capital regulations is anticipated to yield adverse consequences, potentially hampering industrial growth and unsettling the equilibrium in supply chain management. <b>Sector-specific adjustments remain pending, adding to the prevailing sense of pessimism.</b></p>
Household debt Regrouped	<p>While the corporate sector bears a substantial portion of the debt burden, it's encouraging to highlight the positive trend of a significant increase in household debt. It's worth noting that, even with this growth, household debt remains below the levels observed in advanced economies.</p>

	Outlook																		
Banking system	<p>Anticipated positive trends indicate that Banking and Financial Institutions (BFIs) are poised for increased profitability in the fiscal year 2025/26. This optimistic outlook is primarily fueled by the favorable impacts arising from the availability of loan reconstruction and rescheduling facilities. Despite facing additional tax burdens and challenges associated with a low-interest margin environment and limitations on non-interest income, the sector is foreseen to witness an upturn in profitability, particularly driven by the reduction in Non-Performing Assets (NPA). As of present, the Non-Performing Loans (NPLs) and Loan Loss Provisions (LLP) of Banking and Financial Institutions (BFIs) amount to \$1.46 billion and \$1.68 billion, correspondingly.</p>																		
Non-performing assets	<p>Exercise caution as Non-Performing Loans (NPLs) are projected to remain at 3.83% by the end of July 2024. Despite this estimation, the prevailing uncertainty is anticipated to exert a notable influence on both bank capitalization and profitability, potentially leading to cascading effects in various sectors.</p>																		
Lending Growth	<p>Prioritizing the reduction of corporate sector indebtedness and curbing the expansion of household debt is essential, even though it is expected to pose challenges to overall economic activity. This strategic focus, however, lays the groundwork for fostering a more resilient and sustainable economic environment in the long run.</p>																		
	<p>Household debts in \$ million</p> <table border="1"> <tbody> <tr> <td>Residential Personal Home Loan (Up to Rs. 20 million)</td> <td>3,915.50</td> </tr> <tr> <td>Margin Nature Loan</td> <td>648.39</td> </tr> <tr> <td>Hire Purchase Loan</td> <td>276.37</td> </tr> <tr> <td>Credit Card</td> <td>42.88</td> </tr> <tr> <td>Education Loan</td> <td>399.03</td> </tr> <tr> <td>Gold/Silver</td> <td>409.03</td> </tr> <tr> <td>Fixed A/c Receipt</td> <td>320.19</td> </tr> <tr> <td>Total</td> <td>6,011.39</td> </tr> <tr> <td>% of total Loan</td> <td>15.37%</td> </tr> </tbody> </table>	Residential Personal Home Loan (Up to Rs. 20 million)	3,915.50	Margin Nature Loan	648.39	Hire Purchase Loan	276.37	Credit Card	42.88	Education Loan	399.03	Gold/Silver	409.03	Fixed A/c Receipt	320.19	Total	6,011.39	% of total Loan	15.37%
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Major Risks/Impact	High	Medium	Low	Remarks
<i>Excessive capacity, supply constraints, and intense competition within the manufacturing sector could potentially have adverse repercussions on asset quality.</i>		v		Improved
<i>Substantial surges in the market prices of vital raw materials, energy, or transportation, along with supply disruptions, may negatively impact the performance of the industrial sector. This, in turn, could intensify the pressure on short-term loan demand and exacerbate financing mismatches due to working capital guidelines.</i>		v		Improved
<i>A heavy reliance on imported raw materials, capital goods, and consumer products can potentially strain the Balance of Payments. Additionally, a supply-demand mismatch could lead to a deterioration in the asset quality of Banking and Financial Institutions (BFIs).</i>		v		Improved
<i>Variations in the current market interest rates applicable to loans and debts, both within the financial market and the overall financing landscape, have the potential to negatively impact business operations and financial health, leading to a decline in asset quality. With credit growth remaining subdued due to sluggish domestic demand, it is expected that many market lending rates will be adjusted downward. This could also lead to a reduction in yields on government securities.</i>			v	Improved
<i><b>The profitability of the banking sector continues to face challenges, including a low-interest margin environment, limitations on non-interest income, and a rising trend in corporate payment defaults. These factors pose challenges to the successful implementation of NFRS 9.</b></i>		v		Improved
<i>The asset quality of Banking and Financial Institutions (BFIs) may experience a decline due to microeconomic vulnerabilities. Additionally, there is a potential for a significant increase in Income Tax liabilities in the event of changes to tax laws and regulations or unfavorable interpretations and inconsistent enforcement, particularly in transactions involving bargain pricing, share premiums, FPOs, and ownership transfers, among other factors.</i>		v		(BFI paid \$ 92 million in taxes for the FPO bargain pricing)
<i>Variations in the exchange rate between the Nepalese Rupee and the U.S. dollar have the potential to influence the market prices of raw materials.</i>		v		Improved
<i>Global supply constraints have the potential to negatively impact both operations and financial stability. An inability to effectively manage supply and distribution gaps could disrupt economic activities.</i>		v		No-change

# Risk Matrix

	Condition	Related effect	Risk	
Low saving/Investment	Improving wholesale and retail operations.	Aggregate demand	Increase	Moderate
	Enhancing foreign exchange reserves and experiencing a substantial inflow of remittances	Pressure on BOP	Decline	Low
	Corporate cash recovery.	Firm Investment	Improve	Moderate
	Improve disposable income.	Consumer spending	Improve	Moderate
Post-Covid	Increasing Tourism activities	Occupancy at Hotel and retail restaurant	Increase	Low
	Outmigration	Demand for worker	Increase	Low
War and conflicts	Increasing commodities prices	Import Bill	Increase	Moderate
	Increasing Energy Price	Cost of production	Increase	Moderate
Interest Rate Outlook	Pressure on Liquidity	improvement of consumer's demand	Increase	Moderate
FDI inflow Outlook	Demand for liquidity in host countries	Flow of FDI	Low	High
Level of NPL	Reconstruction and rescheduling	Reduce NPL	Decline	Moderate
Demand for Working capital	Decreasing cost of borrowing and inputs	Reducing cost of production	Stable	Moderate
Inflation outlook	Lower commodity price	Lower consumer demand	Decline	Moderate

# Way forward

	SPECIFIC MEASURES/WORKABILITY	TIME FRAME	IMPLEMENTABILITY	PRIORITY ORDER
Risk Assets management	<i>The third review of the working capital guidelines should incorporate sector-specific requirements, given that the second amendment does not adequately address them.</i>	Immediate	Possible	High
	<i>Downward revision of policy rates and continuation of Refinancing for another one year</i>	Immediate	Possible	Medium
	<i>Allow assets purchase and allow Peer-to-peer lending and invoice discounting</i>	Immediate	Possible	High
	<i>Review Risk Assets pricing policy</i>	Immediate	Possible	High
	<i>Design and implement a second-phase recovery and stimulus package for agriculture, industries and services</i>	Immediate	Possible	High
	<i>Review base rate calculation method to include all costs</i>	Immediate	Possible	Medium
	<i>Implement mandatory taking Permanent Account Number (PAN) for all size loan.</i>	Immediate	Possible	Medium
Liquidity Management	<i>Replace CD ratio by Net-Liquidity Ratios</i>	Immediate	Possible	High
	<i>Review of Saving Deposit interest rate policy</i>	Immediate	Possible	High
	<i>Review of SLF policy, and Assets purchase policy of NRB</i>	Immediate	Possible	High
	<i>Discourage cash transactions and promote electronic payment system by focusing on digitization &amp; Fin-tech and reducing the cost of transactions</i>	Immediate	Possible	High

# Way forward

	Specific measures/Workability	Timeframe	Implementability	Priority order
Legal reform	<i>Consider revising BAFIA (Banking and Financial Institutions Act) to bolster State-Owned Banks (SOBs) and enhance their financial health. This can be achieved through either injecting fresh capital or through consolidation or acquisition of select private banks, thereby increasing their balance sheet size to a minimum of \$5 billion to attract foreign institutional investors.</i>	Immediate	Possible	High
	<i>Establish an exit policy aimed at balancing the ownership structure to enhance transparency and governance.</i>	Medium-term	Possible	High
	<i>Implement separate policies to supervise systematically important banks.</i>	Medium-term	Possible	High
MSMEs	<i>Initiate steps to have single definition of MSMEs across all regulators. Increase coverage of credit guarantees on MSME loans.</i>	Immediate	Possible	High
	<i>Introduce policy to scale-up agriculture base MSMEs, which can immediately create employment and substitute imports</i>	Immediate	Possible	High
	<i>Introduce E-commerce and digital solutions to increase access short-term bridge loans to micro and small businesses, and digital payments.</i>	Short-term	Possible	High
Risk Assets	<i>Initiate a sector-specific analysis and take proactive measures to conduct a swift assessment of Banking and Financial Institutions (BFIs) in order to comprehend the long-term implications of the ongoing crisis.</i>	Short-term	Possible	High
Forex	<i>Sustain the credibility of the exchange rate peg by periodically reviewing foreign exchange policies and directives.</i>	Long-term	Possible	High

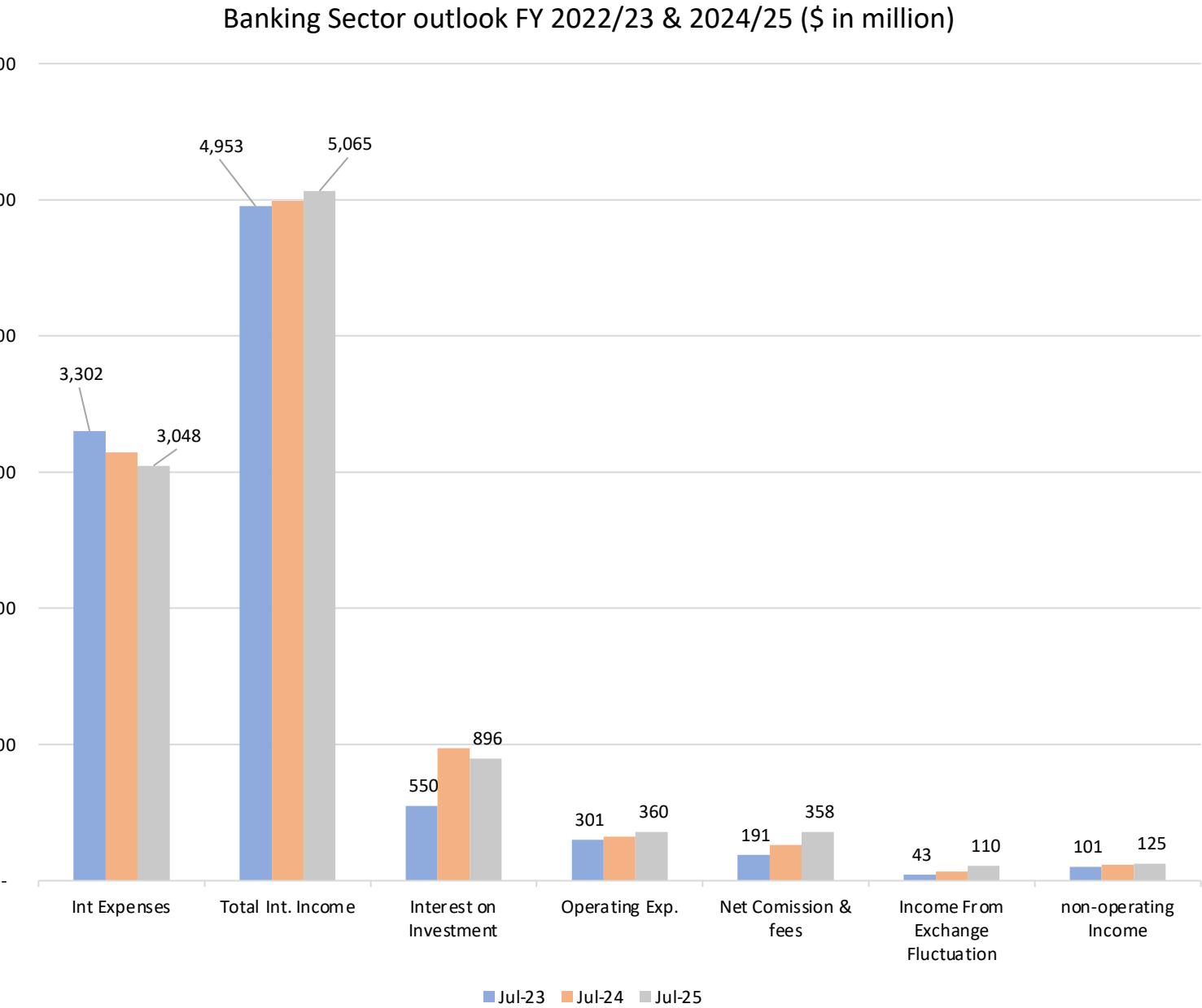
# BFIs Outlook 2023/24, 2024/25 and 2025/26

Assets and Liability (Exchange Factor \$ 1 = NPR 130)							Profit and loss						
Capital, Deposits and Risk Assets													
Particulars	July 2024e	Change	July 2025e	Change	July 2026e	Change	Int on Loans and Adv.	July 2024e	Change	July 2025e	Change	July 2026e	Change
CAPITAL FUND	5,900	12.28%	6,383	8.18%	6,753	5.79%	Total Int. Income	4,018	-8.72%	4,170	3.77%	4,182	0.30%
PAID UP CAPITAL	3,413	4.34%	3,552	4.06%	3,694	3.99%	Avg. Yield From Loan (cash basis)	4,992	0.79%	5,065	1.48%	5,663	11.81%
BORROWINGS	2,226	13.34%	2,652	19.13%	2,692	1.51%	Int Expenses	3,145	-4.75%	3,048	-3.10%	3,526	15.71%
Borrowing from NRB	34	120.55%	301	777.66%	334.26	11.01%	Avg. Cost of Fund	6.88%	-12.97%	6.30%	-8.45%	5.62%	-10.81%
DEPOSITS	47,966	8.05%	52,394	9.23%	55,041	5.05%	NII	1,847	11.88%	2,018	9.27%	2,137	5.91%
Current	3,255	-6.81%	3,337	2.51%	3,126	-6.31%	Interest Spread	3.35%	-14.46%	3.63%	8.35%	3.99%	9.72%
Saving	12,437	6.43%	15,686	26.12%	21,517	37.18%	Commission & fees	263	37.51%	358	36.19%	423	18.03%
Fixed	28,793	11.43%	29,031	0.83%	25,604	-11.80%	Ex. Fluctuation Gain	68	58.92%	110	62.32%	155	41.03%
Call	3,084	2.60%	3,901	26.49%	4,277	9.63%	Other Operating & Non-operating Income	116	15.38%	125	7.71%	102	-18.31%
Others	397	7.41%	440	10.64%	516	17.44%	Gross Income	2,293	15.54%	2,611	13.85%	2,817	7.90%
LIQUID FUNDS	4,119	0.27%	4,178	1.45%	3,867	-7.45%	Employees Exp	439	3.47%	440	0.34%	462	4.82%
GOVT. SECURITIES/OTHER	10,490	29.92%	11,828	12.75%	14,049	18.78%	Employee cost in % of Total Int. Income	8.79%	2.35%	8.40%	-4.44%	8.40%	0.00%
Investment in share and other	2,594	3.04%	3,236	24.76%	3,498	8.07%	Office Operating Exp	323	7.32%	360	11.41%	397	10.44%
LOANS & ADVANCES	39,272	4.67%	41,986	6.91%	43,547	3.72%	LLP & write-off	799	51.29%	592	-25.88%	425	-28.21%
Total Capital/RWA	13.80%	7.86%	13.99%	1.42%	14.32%	2.34%	Additional LLP to Risk Assets	2.01%	48.82%	1.39%	-30.95%	0.98%	-29.72%
CD	81.12%	-1.46%	79.33%	-2.21%	78.35%	-1.24%	Provision Written Back	301	42.07%	304	1.00%	456	50.00%
NPL /Total Loan	3.83%	48.27%	3.25%	-15.17%	3.17%	-2.19%	PBT	1,034	9.52%	1,523	47.32%	1,989	30.65%
Return on Capital Employed	11.28%	-11.65%	15.36%	36.17%	18.97%	23.49%	Return on total assets	1.52%	-4.77%	2.04%	33.92%	2.42%	18.77%

# Profitability of BFIs.

(Exchange Factor \$ 1 = NPR 130

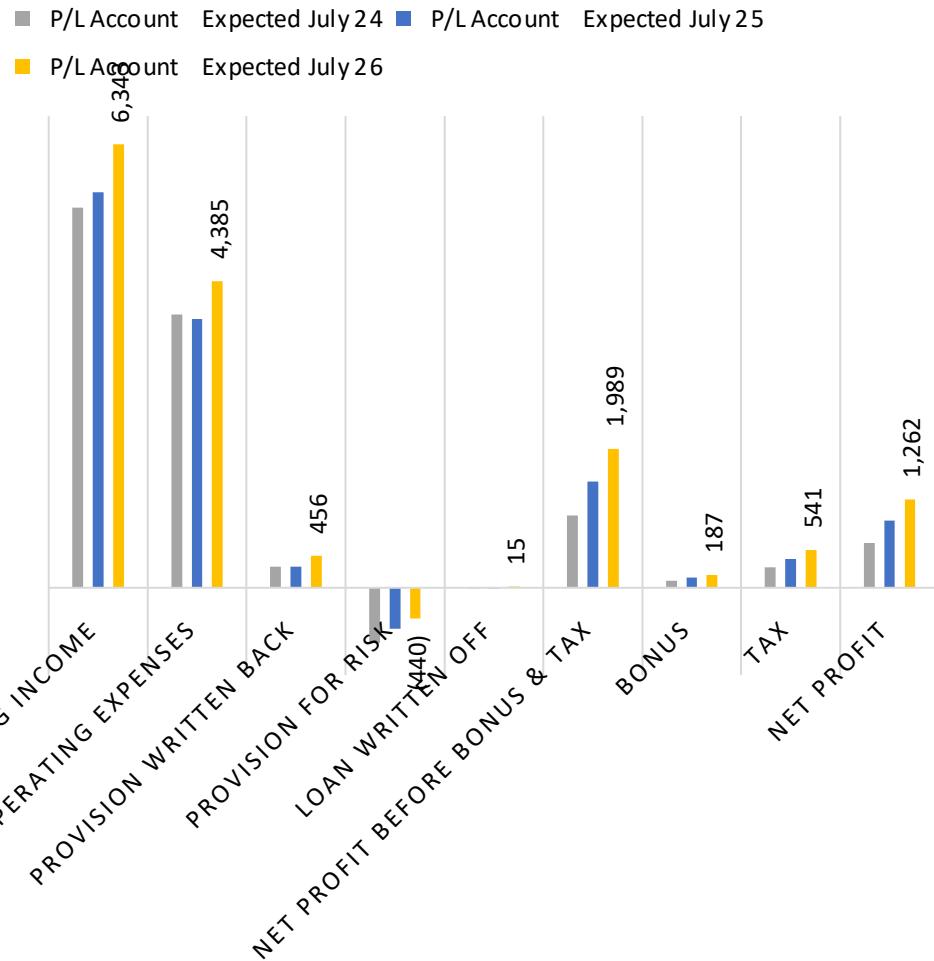
Particulars	\$ in million		
	Expected July 24	Expected July 25	Expected July 26
Total Operating Income	5,438	5,658	6,343
Total Operating Expenses	3,907	3,847	4,385
Provision Written Back	301	304	456
Provision for Risk	(790)	(582)	(440)
Loan Written Off	(9)	(10)	15
Net Profit before Bonus & Tax	1,034	1,523	1,989
Bonus	97	143	187
Tax	291	414	541
Net profit	646	966	1,262



# Profitability of BFIs

(Exchange Factor \$ 1 = NPR 130)

## BANKING SECTOR OUTLOOK FY 2022/23 & 2023/24 (\$ IN MILLION)



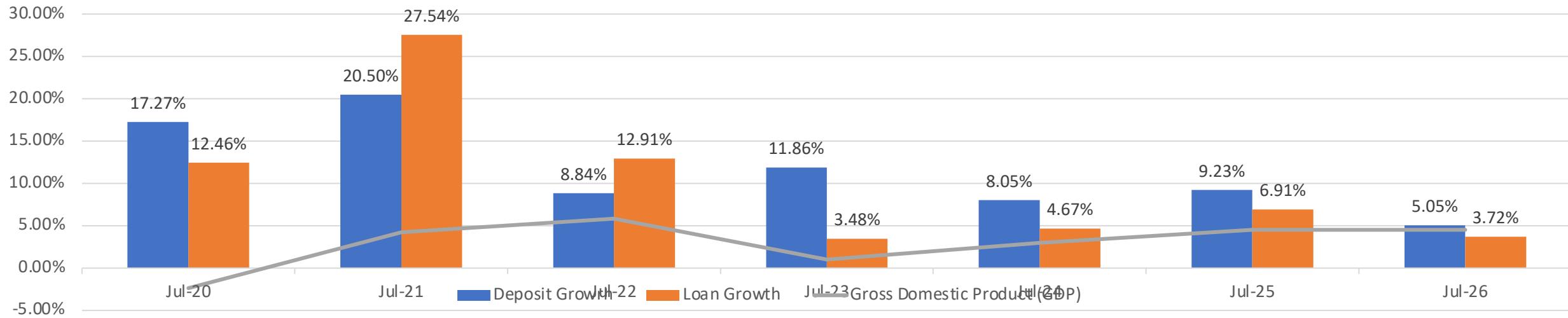
The tax associated with Bargain gain and FPO is anticipated to strain the already stressed capital of financial institutions, resulting in an expected reduction of Rs 60 billion or more in their lending capacity.

The question arises: should the tax payment related to bargain gains and FPO be treated as an expense on the profit and loss statement, or should it be deducted from reserves? Nonetheless, three alternative strategies are available:

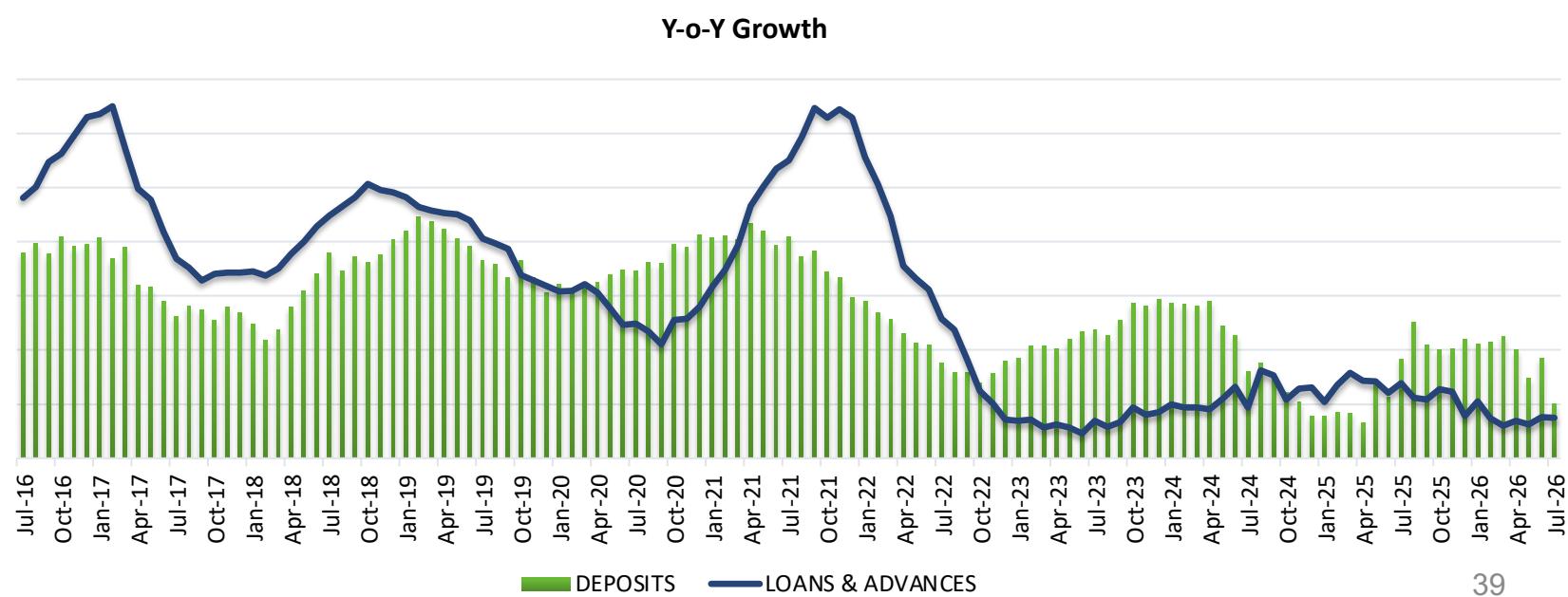
1. NRB could explore allocating it to a reserve, particularly since the capital movement is not a result of regular business operations. Clear directives should be rolled out, accompanied by measures to mitigate the impact on lending capacity (or on CAR). Importantly, this option would have no bearing on the profit and loss statement.
2. If NRB chooses to charge it to the profit and loss statement, it should allow BFIs to spread the impact over five years. This strategic move aims to protect both lending capacity and profitability. NRB should coordinate with the Accounting Standards Board and ICAN.
3. Alternatively, BFIs might be permitted to reduce capital on a pro-rata basis. It needs a lot of regulatory reform.

The prudent approach would be to charge it to reserves. In this scenario, prompt decision-making is imperative to ensure effective financial and fiscal stability.

# Annual Loan and Deposit Growth and LLP

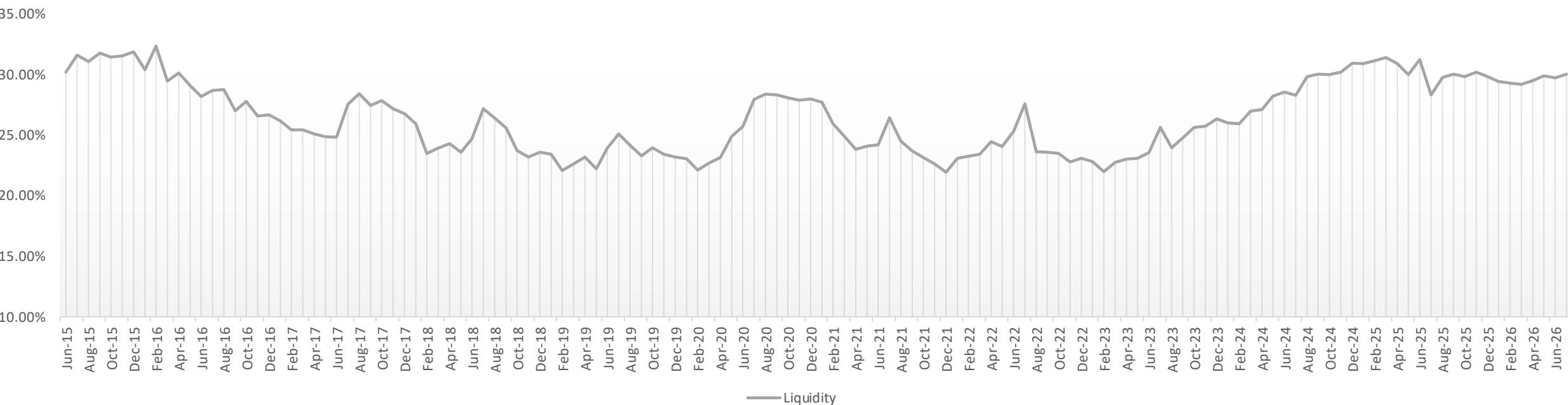
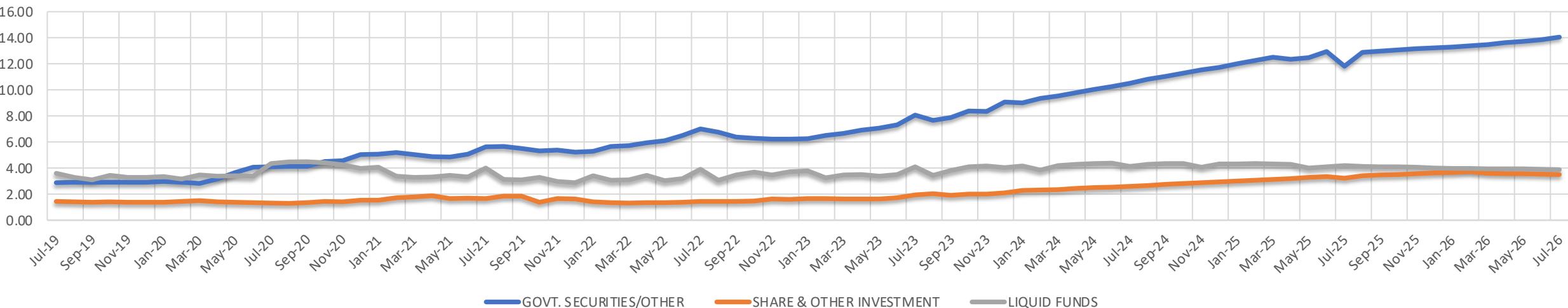


	Amount in USD Million	Incremental LLP
Particulars		
Loan loss Provision	118.37	14.98%
Watch List Provision	370.78	46.92%
Special Loan Loss Provision	23.66	2.99%
	790.29	

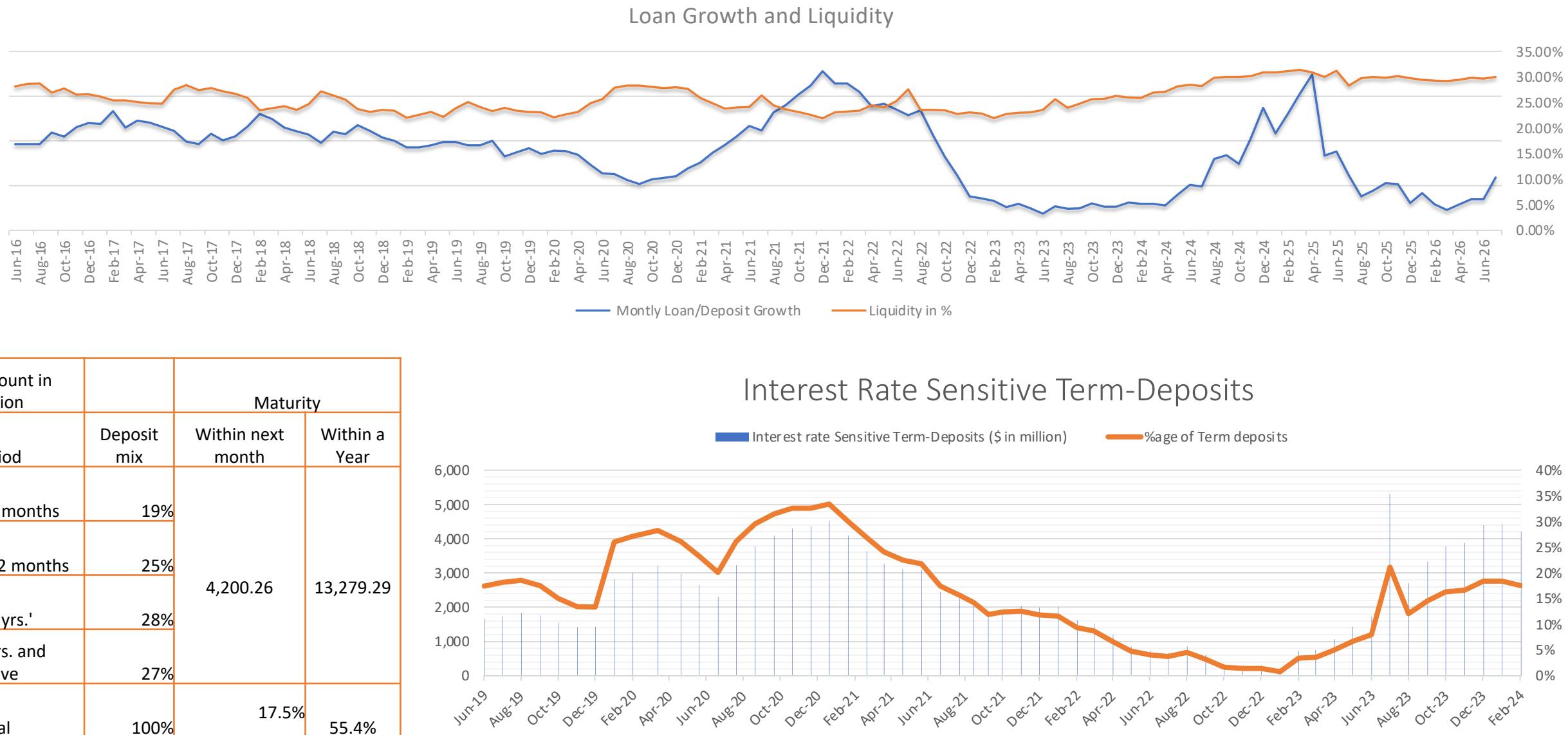


# Liquidity

## Liquid Investment of BFIs (\$ in billion)



# Liquidity



Although interest rate-sensitive fixed deposits are experiencing a decline, fluctuations in the short-term money market are likely to persist. Nonetheless, we expect interest rates to remain subdued over an extended period.

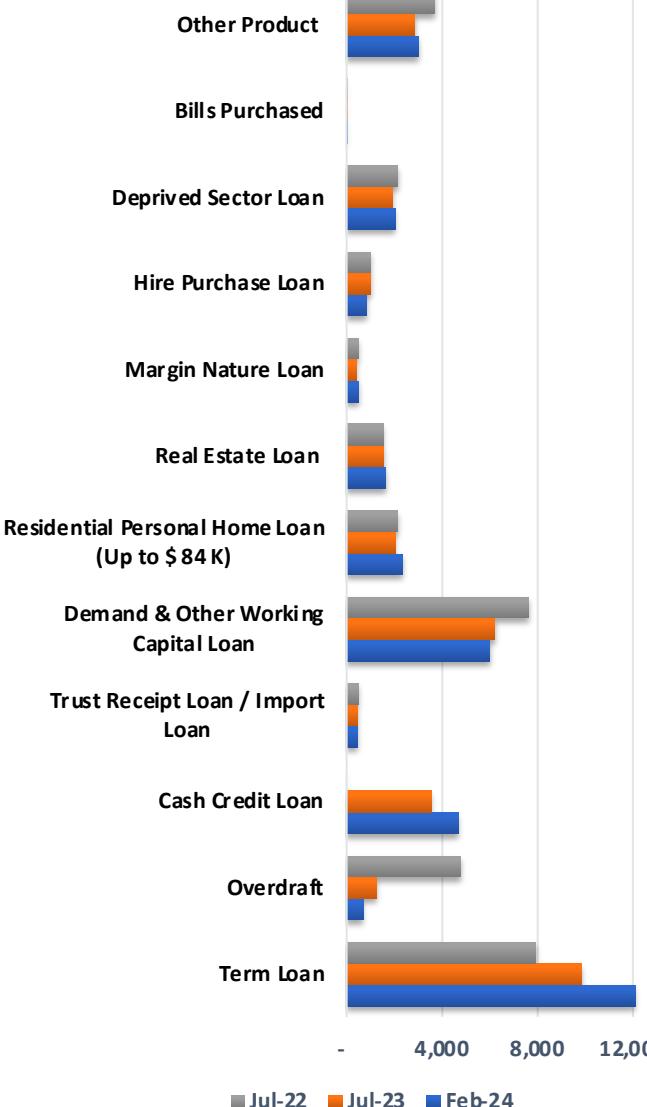
# Sector wise Loan Growth of Commercial Banks

Y-o-Y Loan Growth Commercial Bank

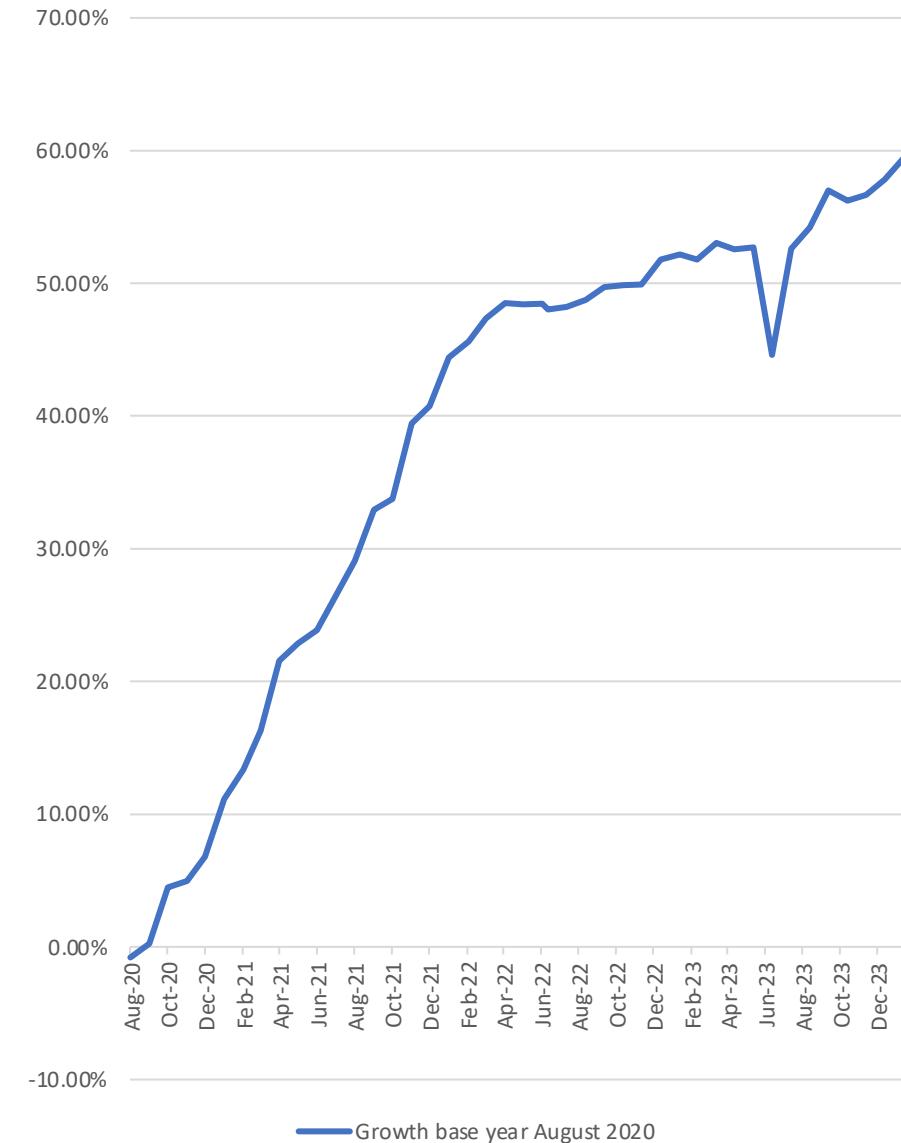


LOAN GROWTH

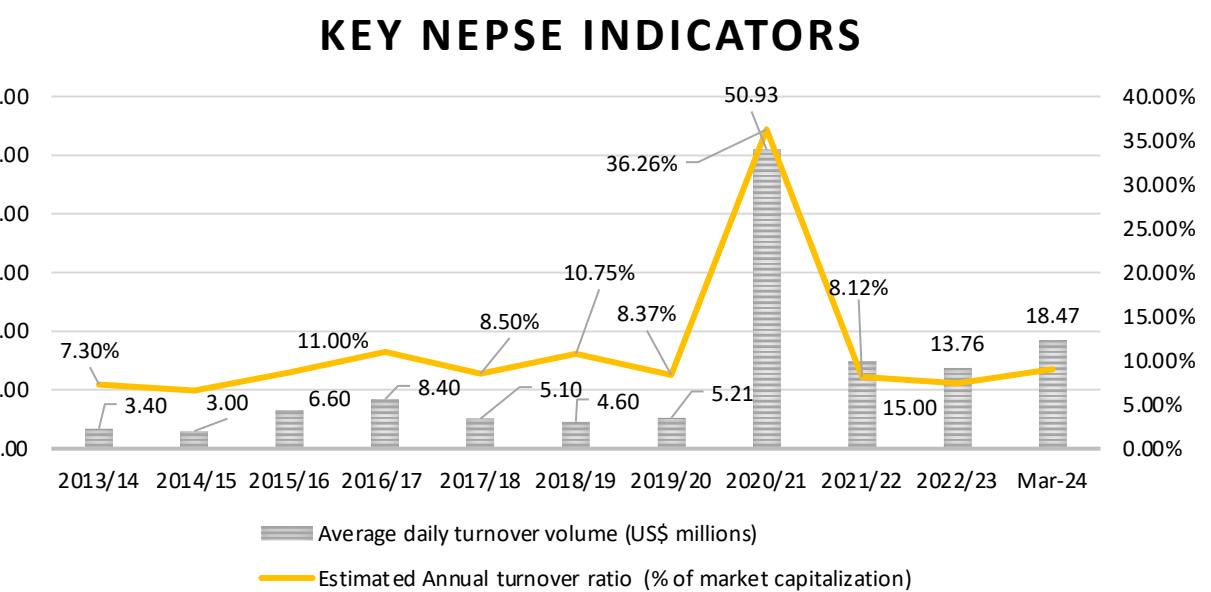
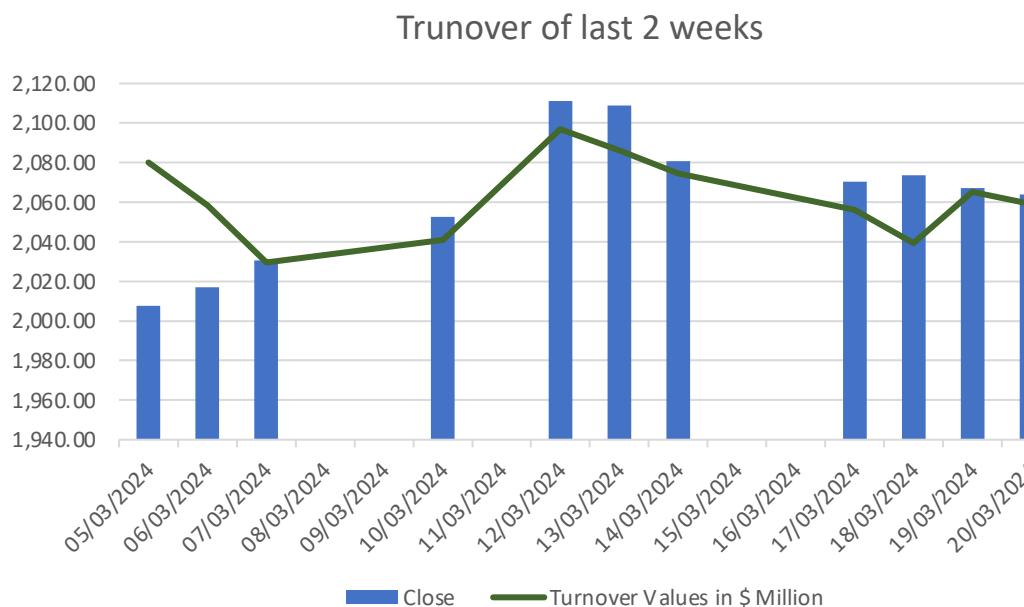
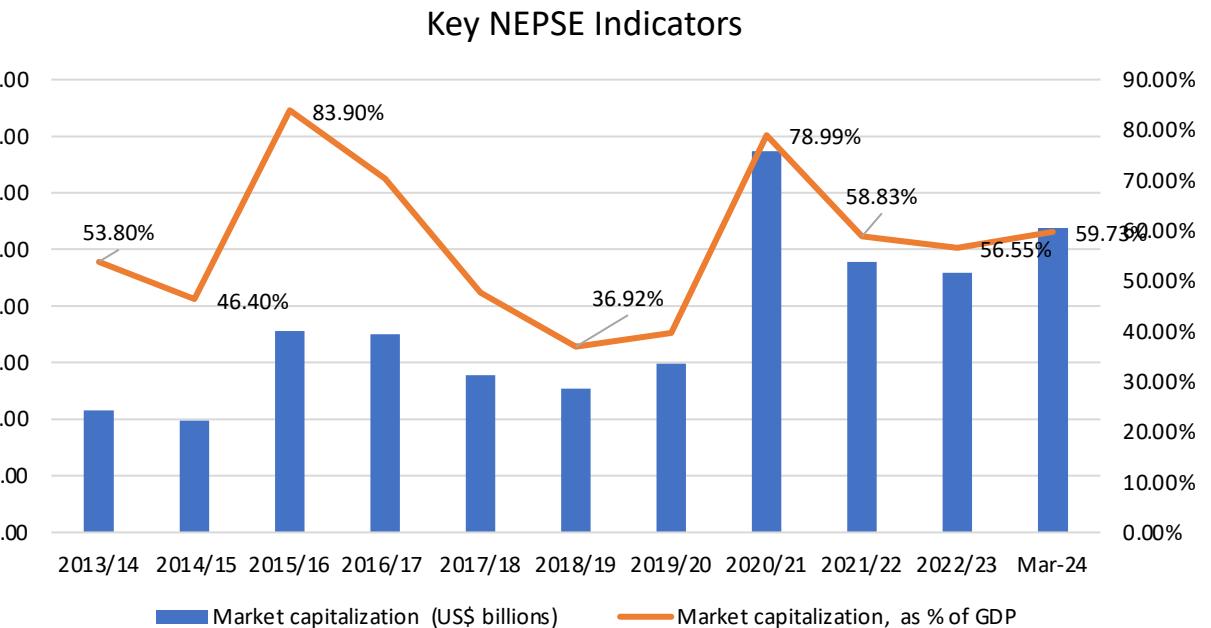
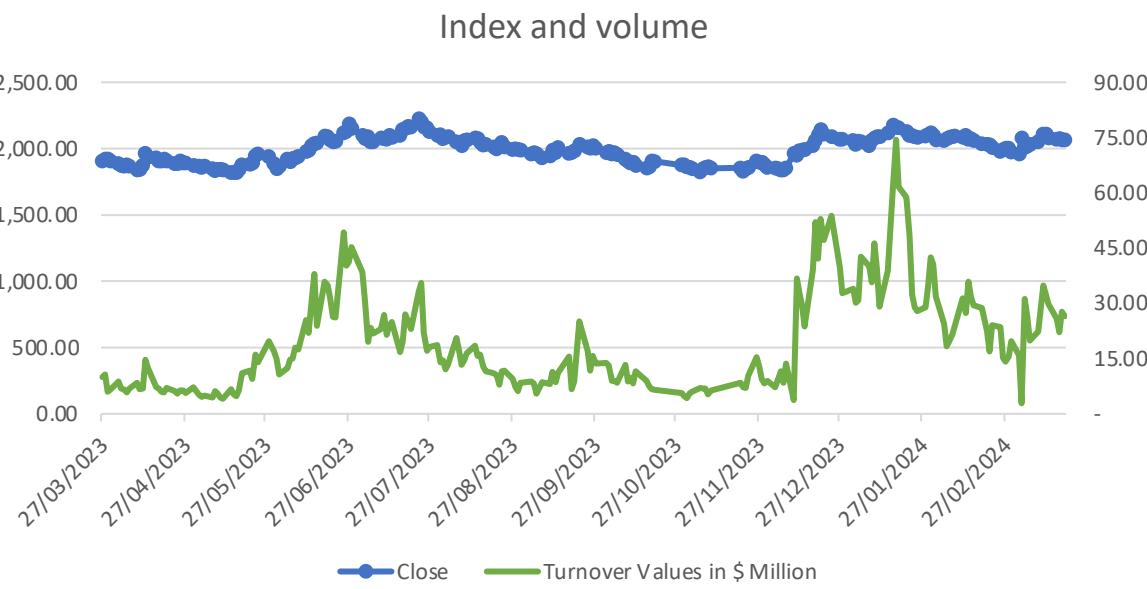
(\$ in million)



Growth from base year August 2020



# Capital Market





# 2024/25's Budget Should Prioritize

Nepal requires an immediate economic rescue plan to revive its economy.

*Nepal requires an immediate economic rescue plan to revive its economy.*

*The plan should aim to restore fiscal balance, ensure financial stability, and control inflation.*

<i>Importance of Fiscal Balance</i>	<p><i>Fiscal balance is crucial for sustainable economic growth. It involves managing government revenues and expenditures to prevent budget deficits. Ensuring fiscal balance fosters investor confidence and supports long-term economic stability.</i></p>
<i>Ensuring Financial Stability</i>	<p><i>Financial stability is essential for a robust economy. It involves maintaining stability in the banking sector, preventing financial crises, and ensuring smooth credit flows. Upholding financial stability boosts investor trust and encourages economic investment.</i></p>
<i>Anchoring Inflation</i>	<p><i>Controlling inflation is vital for economic health. Excessive inflation erodes purchasing power and destabilizes the economy. Anchoring inflation to a reasonable limit supports price stability and fosters economic growth.</i></p>
<i>Components of the Emergency Economic Plan</i>	<p><i>Fiscal Measures: Implementing prudent fiscal policies to manage government finances and reduce budget deficits. Financial Sector Reforms: Strengthening regulatory frameworks and enhancing oversight to ensure stability in the banking sector. Monetary Policy Actions: Implementing measures to control inflation through appropriate monetary policy tools.</i></p>
<i>Immediate Action Steps</i>	<p><i>Assessing the current economic situation and identifying priority areas for intervention. Formulating and implementing policies swiftly to address fiscal imbalances, ensure financial stability, and control inflation. Collaboration between government agencies, financial institutions, and international partners to implement the plan effectively.</i></p>
<i>Benefits of the Plan</i>	<p><i>Stimulating economic growth and creating employment opportunities. Restoring investor confidence and attracting foreign investment. Enhancing the overall economic resilience of Nepal in the face of future challenges.</i></p>
<i>Conclusion</i>	<p><i>An emergency economic plan is essential for Nepal to overcome its economic challenges. By maintaining fiscal balance, financial stability, and controlling inflation, Nepal can jump-start its economy and pave the way for sustainable growth and development.</i></p>

01

## Economic Recovery

- ❑ Facilitate the resurgence of agriculture, tourism, industry, construction, and other businesses impacted by the ongoing crisis by extending regulatory forbearance.
- ❑ Revamp the tax system to enhance revenue generation through asset monetization. Strengthen market oversight, inspection, and supervision to bolster regulatory efforts. Additionally, advocate for financial sector consolidation to fortify stability and resilience.

02

## Qualitative and Practical Education

- ❑ Implementing a qualitative and pragmatic education system while leveraging information technology to its fullest potential. Strengthening university capabilities to foster industry engagement and cultivate collaborative partnerships.
- ❑ Offering assistance for organizing entrepreneurship development and skill enhancement training initiatives.

03

## Employment Creation and Social Security

- ❑ Establishing avenues for job creation and employment, ensuring food security, bolstering social safety nets, and addressing housing needs.
- ❑ Implementing problem-based learning methodologies to cultivate a highly skilled workforce. Offering upskilling opportunities for migrant workers, including training in information, language, and soft skills, while diversifying temporary migration destinations. Developing a comprehensive labor database to streamline the formation of work groups.
- ❑ Provide SMEs registered under Social Security with a 5% tax rebate on taxable income. Introducing social security measures for workers in the informal sector earning up to Rs.15,000 per month.

04

## Agriculture/Farm sector

- ❑ The government is urged to introduce the "Kisan Utpadan Bikri Yojana" (KUBY) scheme, ensuring a guaranteed annual income of Rs 30,000 for small and marginal farmers. Furthermore, announcing a 2% interest subvention for farmers impacted by natural disasters, along with an additional 3% relaxation for timely repayment of agricultural loans, is recommended. This scheme should also encompass farmers involved in animal husbandry, fisheries, and allied sectors, extending support to deprived sector loans.

05

## Infrastructure Development and Real estate/Construction

- ❑ Prioritize the timely conclusion of projects with immediate advantages and the continuation of ongoing projects over the next few years. Foster investments in infrastructure, particularly in roads and electricity.
- ❑ Enhance regulatory frameworks while minimizing government intervention in markets.
- ❑ Lower tariffs on imports related to infrastructure and eliminate obstacles to Foreign Direct Investment (FDI). Establish benchmark rates for accessing long-term debt from the market.

06

## Micro, Medium and Small Enterprises (MSMEs)

- ❑ Introduce a 2% interest rebate for Micro, Small, and Medium Enterprises (MSMEs) registered under VAT for loans up to Rs. 5 crore. Increase the procurement quota of government enterprises from SMEs to 20%, with a minimum of 5% to be sourced from women-led SMEs.
- ❑ Implement a Credit Linked Capital Subsidy (CLCS) program to facilitate technology upgradation. Establish common facility centers for various purposes such as testing, training, raw material storage, effluent treatment, and supporting production processes.

07

## Health

- ❑ Enhance and modernize healthcare infrastructure. Strengthen the capacity of healthcare professionals. Mitigate health risks associated with disease outbreaks.
- ❑ Intensify efforts to mitigate environmental risks. Foster the development of health insurance markets.

08

## Assets Monetization

- ❑ Monetization entails generating additional revenue for the government by realizing the value of public assets.

09

## Corporate Taxes

- ❑ Companies operating domestically with a turnover not exceeding Rs. 20 crore during the fiscal year 2024/25 will be subject to a reduced tax rate of 16%. The base year turnover for eligibility for this reduced tax rate will be the fiscal year 2023/24.
- ❑ The government aims to transition towards technology-intensive tax assessments and return processing within the next two years. This initiative aims to eradicate personal interfaces and enhance transparency in the tax system.

10

## VAT and Capital Gain Taxes

- ❑ Introduce multiple VAT rates, including a 0% rate for agricultural products, within the next two years.
- ❑ Implement proportionate exemption on long-term capital gains from the sale of shares, with the following conditions:
- ❑ Enforce a 2% Capital Gain tax on stocks held for more than 3 years, applicable to capital gains up to Rs. 50 lakh.
- ❑ Enable real estate developers to deduct 50% of Capital Gain derived from the development of affordable housing below Rs. 1.5 crore.

11

## The principle of financial good governance

- ❑ Embrace established principles of good governance and market discipline to cultivate a robust system.
- ❑ Enhancing inclusivity and reinforcing the rule of law are imperative for tackling underlying sources of fragility. It's crucial to enhance the quality and accessibility of public services while ensuring accountable and transparent governance. Improving public institutions is essential to bolster progress in various other domains.

12

## Natural resource Development

- ❑ Facilitate agricultural growth by enhancing market access and ensuring year-round irrigation availability. Encourage private sector investment in critical sectors such as energy, transportation, health, and education. Enhance planning processes and interagency coordination among government entities to streamline efforts and maximize effectiveness.

The 2024 Budget will be evaluated from two pivotal perspectives. Firstly, the anticipation of bolstering economic growth via capital expenditure, and secondly, the capacity to manage fiscal deficit amidst the escalating uncertainties in the global economy. The government's strategy should extend beyond tax collection, encompassing the monetization of assets to augment revenue streams and alleviate the fiscal deficit. Establishing a target for asset monetization, utilizing the resultant resources to fortify infrastructure, revitalize the economy, and provide support to consumption-driven sectors grappling in the aftermath of the pandemic, is imperative.



2024/25's Budget  
should focus on

01

## Public investment

- Boost public investment to develop modern infrastructure.
- Promote inclusive development initiatives.
- Enhance institutional capacity for efficient public procurement and contract management.
- Establish clear procedures for asset management and maintenance.

02

## Startup ecosystem

- Create a favorable environment for both emerging and established fintech companies and startups. Facilitate easier access to funding at concessional rates and reduced taxation.
- Support startups through policy initiatives and establish Startup Nepal hubs to assist with incorporation, registration, and grievance handling.

03

## Energy transition, and climate action

- Transitioning towards energy-efficient solutions.
- The budget should chart the future course of Nepal's energy trajectory.
- Promote green investment initiatives.
- Raise rupee debt from the international market using appropriate instruments designed for this purpose.
- Governments should take the lead in green investment, eliminate regulatory barriers, and support economic activities.

04

## Governance and sector structure

- Streamline the roles of government agencies to reduce overlap. Enhance coordination among agencies for improved efficiency.
- Expand private sector involvement to boost expertise.
- Enhance accountability and reinforce the rule of law, dispute settlement including amending FITTA and other pertinent laws and regulations. Facilitate diaspora investment in Nepal.
- Minimize barriers to market entry and exit while enhancing access to international investment opportunities.

05

## Underserved and unserved MSME segments

- Enhance credit accessibility..
- Regulate the informal lending sector for greater transparency and consumer protection.
- Simplify the business registration process to encourage entrepreneurship.
- Promote digital infrastructure and innovation, fostering business models that serve the underserved segments of society.

06

## Make in Nepal

- Introduce a 2% interest rebate for Micro, Small, and Medium Enterprises (MSMEs) registered under VAT for loans up to Rs 5 crore.
- Increase the procurement quota of government enterprises from SMEs to 25%, with at least 5% sourced from women-led SMEs. Implement an E-procurement System (EoS) platform for Public Sector Enterprises to streamline procurement processes. Ensure the availability of longer tenor debt finance for Make in Nepal projects.

The budget should adopt a transformative strategy to enhance economic growth and sustainable development, focusing on the enhancement of logistics infrastructure. The government should prioritize increased expenditure on infrastructure projects. In terms of Direct Taxation, a comprehensive review of the basic income tax exemption limit, income slabs, and tax rates is essential. Furthermore, the government should introduce and enforce tax and regulatory measures aimed at alleviating taxpayer challenges, minimizing litigation, ensuring certainty, and broadening the tax base.

# 5

## Fiscal Situation

## Government of Nepal Receipts & Payments Status (Exchange Factor \$ 1 = NPR 130)

Government Receipts & Payments Status	Annual Budget	18/03/2024	% age
<b>1. Revenue (USD in million)</b>	<b>10,942.63</b>	<b>4,979.57</b>	<b>45.51%</b>
a) Tax Revenue	10,042.15	4,511.65	44.93%
b) Non Tax Revenue	900.48	467.92	51.96%
2. Grants	384.18	21.22	5.52%
3. Other Receipts	-	169.69	
<b>Total Receipt</b>	<b>11,326.81</b>	<b>5,170.47</b>	<b>45.65%</b>
<b>2. Total Expenditure from Treasury</b>	<b>13,471.63</b>	<b>6,304.28</b>	<b>46.80%</b>
a. Recurrent	8,782.95	4,543.69	51.73%
b. Capital	2,323.65	650.04	27.97%
c. Financing	2,365.03	1,110.55	46.96%
<b>Deficit</b>	<b>(2,144.83)</b>	<b>(1,133.81)</b>	
<b>% of GDP</b>	<b>4.76%</b>	<b>2.52%</b>	

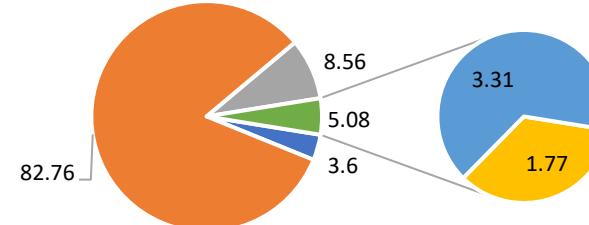
## Key Economic Indicators

Particulars	Mid-Feb 2024 (USD=130 NPR)
CPI-Inflation	CPI-based Inflation remained 5.01 percent on y-o-y basis.
External Trade	Imports decreased 2.3 percent, exports decreased 7.1 percent and trade deficit decreased 1.8 percent.
Remittances	Remittances increased 21.6 percent in NPR terms and 19.1 percent in USD terms
Balance of Payments	Balance of Payments remained at a surplus of \$2.29 billion.
Broad money (M2)	Broad money (M2) increased 7.0 percent. On y-o-y basis, M2 expanded 13.7 percent
Deposits and Loans and advances	Deposits at BFIs increased 7.0 percent and private sector credit increased 4.1 percent. On y-o-y basis, deposits increased 14.4 percent and private sector credit increased 4.7 percent.

## Government of Nepal Treasury (USD= 119 NPR) (USD in million)

	Mid-Month	August	Septemb	October	Novemb	Decemb	January	Februar	March	April	May	June	July
F/Y 2021/22	Expenditure	82	643	1,940	2,381	3,187	4,090	4,892	5,576	6,535	7,428	8,385	10,465
	Revenue	784	1,417	2,143	2,809	3,466	4,555	5,155	5,754	6,632	7,214	7,851	8,900
	Treasury Position	2,338	2,467	2,006	2,316	2,447	2,335	2,558	2,818	2,799	2,710	2,933	1,897
F/Y 2022/23	Expenditure	180	1,048	2,888	3,596	4,707	5,505	5,505	6,449	7,460	8,805	9,813	11,579
	Revenue	670	1,209	2,253	2,747	3,857	4,325	4,325	4,897	5,746	6,355	6,594	8,043
	Treasury Position	2,473	2,238	1,536	1,533	1,673	1,722	1,722	1,602	1,608	1,516	1,426	605
F/Y 2023/24	Expenditure	287	942	2,289	2,890	3,773	4,709	5,685					
	Revenue	663	1,186	1,841	2,325	3,054	4,172	4,768					
	Treasury Position	1,756	1,614	1,441	1,281	1,579	1,989	1,809					

## Ownership Structure of Government Securities



■ NRB Secondary Market ■ Commercial Banks ■ Development Banks ■ Finance Companies ■ Other

# Government Revenue

HEADS	Amount in \$ million	Mid-Months 2022/23									Mid-Months 2023/24				
		Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Customs	542	660	761	882	1,005	1,130	1,270	1,404	113	232	382	471	612		
Import Duties	429	520	597	691	790	886	994	1,098	86	186	311	379	491		
Export Duty	2	2	2	2	2	3	3	3	0	0	0	0	0		
Infrastructure Tax	53	67	80	95	108	124	140	158	10	18	28	39	55		
Other incomes of Custom	4	5	5	5	5	6	6	6	6	6	6	6	7		
Agriculture Reform Duties	22	28	34	39	43	48	53	57	5	9	13	16	22		
Road Maintenance and Improvement Duty	21	26	30	35	40	45	51	57	4	8	15	19	25		
Road Construction and Maintenance Duty	11	12	13	15	16	19	23	25	2	4	8	10	13		
Value Added Tax	829	1,011	1,177	1,356	1,555	1,744	1,948	2,202	184	344	531	672	887		
Production, Sales and Service	324	394	463	529	607	682	765	904	88	146	202	263	348		
Imports	505	618	713	827	948	1,061	1,183	1,297	95	198	330	409	540		
Excise Duties	456	542	601	695	793	894	1,021	1,101	85	164	267	342	436		
Internal Production	351	418	462	536	613	693	796	853	64	120	187	246	316		
Excise on Imports	105	124	140	159	180	201	226	248	20	44	81	96	120		
Educational Service Tax	5	6	7	8	10	12	13	15	2	5	7	9	10		
Income Tax	488	898	1,025	1,108	1,377	1,487	1,587	1,937	156	240	347	462	648		
Income Tax	372	769	853	925	1,183	1,254	1,345	1,684	105	177	274	340	515		
Interest Tax	116	129	172	184	194	233	242	253	52	62	73	122	133		
Total Tax Revenue	2,319	3,117	3,571	4,050	4,739	5,266	5,838	6,659	540	984	1,534	1,956	2,594		
Non Tax Revenue	196	413	388	433	521	551	599	704	67	101	151	172	202		
Total Revenue	2,515	3,531	3,959	4,483	5,260	5,817	6,437	7,363	607	1,085	1,686	2,128	2,796		
Other Receipts	212	239	267	271	276	279	298	410	71	101	119	125	136		
Total Receipts	2,726	3,770	4,226	4,754	5,536	6,096	6,735	7,772	678	1,186	1,804	2,253	2,932		

## Economic Growth

The economic growth for the year 2022-23 is estimated to remain below 3% against the ambitious growth target of 8%. For FY 2023/24 GoN set GDP growth target rate at 6%

### Growth 2022/23

#### Nepal GDP forecast

##### World Bank

Jan. 2023	5.1%	( No change from Oct. 2022)
April 2023	4.1%	(1% down from Jan 2023)
Oct 2023.	1.9 %	(2.2% down from April 2023)
Jan 2024.	3.90%.	(Improved for 2023/24)

##### IMF

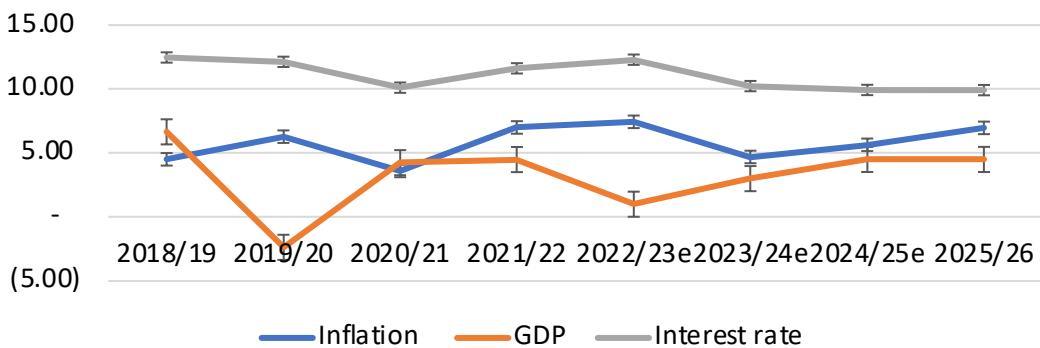
Jan. 2023	5.1%	(0.9% up from Oct 2022)
May 2023.	4.40%	(0.6% down from March 2023)
Oct 2023.	0.80 %	(3.6% down from May 2023)
Dec 2023.	3.5 %	(improved 2023/24)

##### ADB.

Sept. 2022	4.7%
April 2023	4.1% (0.6% down from Sept 2023!)
Sept 2023.	1.9% (2.2% down from April 2023)

##### CBS

April 2023	2.16
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## Inflation

Given the increase in price of oil and war between Russia and Ukraine the inflation has reached above target level. For FY 2023/24 the GoN set target rate of inflation at 6.5%



Don't let numbers mislead you!

Forecasts for Nepal's GDP by various agencies exhibit substantial variation over a brief period. This underscores the potential for misleading figures and emphasizes the importance of exercising caution when employing forecasts to inform policy decisions and growth strategies.

## Growth Rate of Seasonally Unadjusted National Quarterly GDP by Economic Activities (at basic Price , 2010/11)

Industrial Classification	2079/80				2080/81	
	2022/23				2023/24	
	Q1	Q2	Q3	Q4	Q1	
Agriculture, forestry and fishing	2.85	2.27	4.25	1.82	1.38	Down
Mining and quarrying	-1.88	-5.58	-0.08	11.48	15.80	Up
Manufacturing	-3.22	-4.39	-1.99	1.61	1.29	Up
Electricity, gas, steam and air conditioning supply	36.62	12.39	-20.76	31.94	1.60	Down
Water supply; sewerage, waste management	7.62	1.31	-1.01	-2.07	3.09	Down
Construction	-9.61	-7.95	-3.14	9.97	11.40	Up
Wholesale and retail trade; repair of motor vehicles & motorcycles	-0.10	-14.55	-1.53	7.09	-1.24	Down
Transportation and storage	1.16	1.26	1.16	0.89	1.56	Up
Accommodation and food service activities	55.98	0.40	5.76	25.40	11.74	Down
Information and communication	7.06	4.81	4.55	-0.04	3.14	Down
Financial and insurance activities	9.86	3.94	14.18	2.04	13.22	Up
Real estate activities	2.17	2.17	2.17	2.17	2.19	Up
Professional, scientific and technical activities	3.77	3.76	4.59	5.04	5.09	Up
Administrative and support service activities	3.45	4.38	3.88	8.24	8.83	Up
Public administration and defence; compulsory social security	4.95	6.16	8.53	1.81	6.51	Up
Education	3.18	7.07	3.82	2.30	0.79	Down
Human health and social work activities	11.01	6.27	4.88	4.07	1.09	Down
Arts, entertainment and recreation; Other service activities; and Activities of households as employers	9.55	3.04	4.42	3.96	2.85	Down
Aggregate	3.20	-1.0	2.4	4.33	3.16	Down

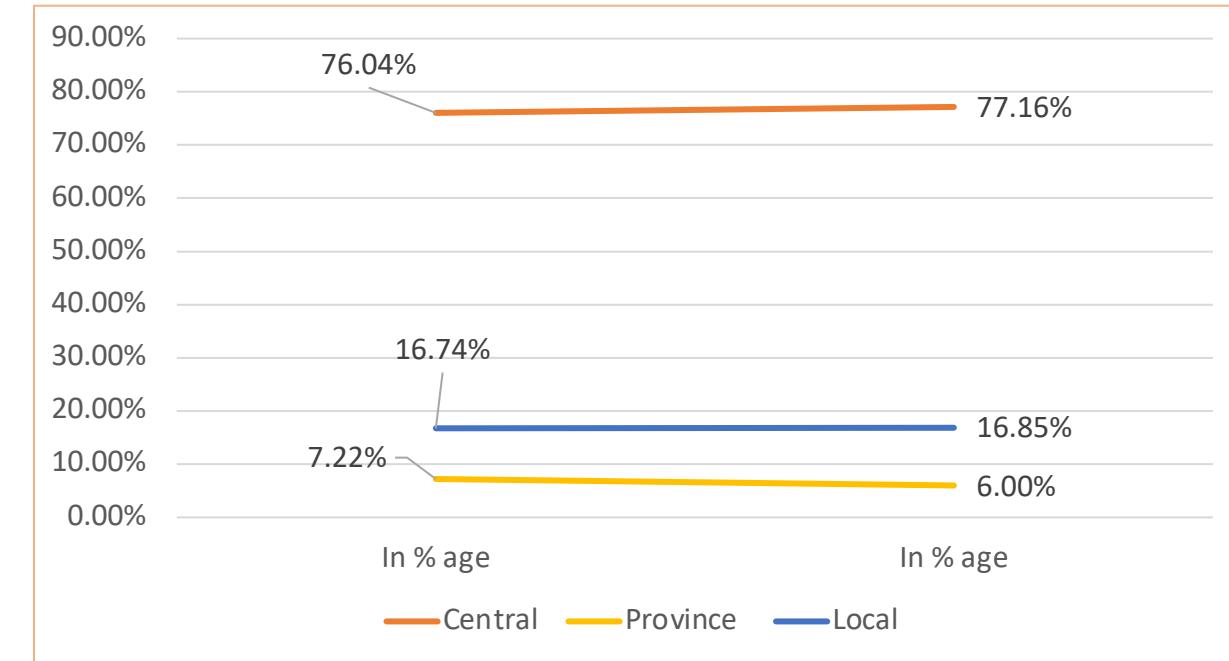
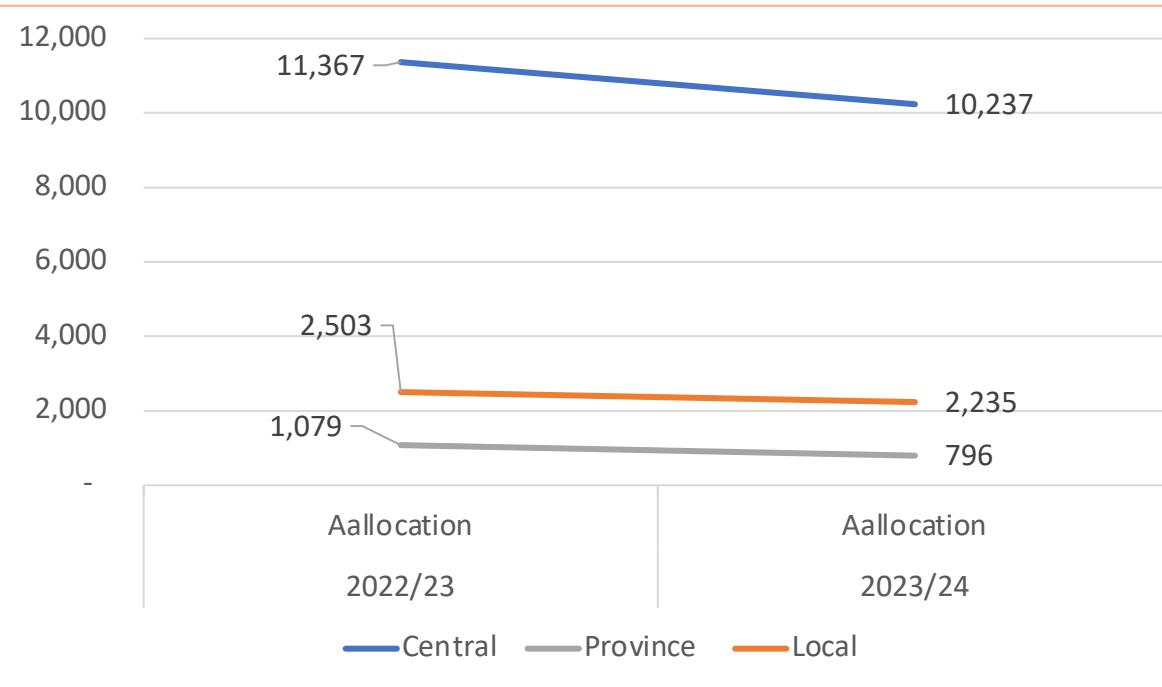
# Budget Source and Allocation 2023/24

## Budget Allocations

(\$ Million)	Exchange Factor 1 USD = NPR 120							1 USD= NRP 132			
	Allocated Budget	Actual Budget Amount 2020/21	Budget Amount 2021/22	Actual Amount 2021/22	Budget Amount 2022/23	Revised Amount 2022/23	Variance	Budget 2023/24	Change	Revised Amount	Variance
Current Expenditure	3,764.18	5,655.11	4,535.35	6,278.36	5,336.60	-15.00%	5,618.92	5.29%	4,791.11	-14.73%	
Capital Expenditure	1,906.97	3,118.91	1,801.78	3,169.87	2,152.88	-32.08%	2,288.44	6.30%	1,925.24	-15.87%	
Financial Provisioning	1,864.53	1,733.15	1,752.41	1,918.48	1,693.83	-11.71%	2,329.19	37.51%	2,035.45	-12.61%	
Intergovernmental Fiscal Transfer	3,287.63	3,222.64	3,383.96	3,581.94	3,358.33	-6.24%	3,030.96	-9.75%	2,841.12	-6.26%	
<b>Total</b>	<b>10,823.31</b>	<b>13,729.81</b>	<b>11,473.50</b>	<b>14,948.65</b>	<b>12,541.65</b>	<b>-16.10%</b>	<b>13,267.52</b>	<b>5.79%</b>	<b>11,592.93</b>	<b>-12.62%</b>	

## Budget Sources

(\$ Million)	Exchange Factor 1 USD = NPR 120							(\$ Million)	1 USD= NRP 132			
	Revenue Sources	Actual Budget Amount 2020/21	Budget Amount 2021/22	Revised Amount 2021/22	Actual Amount 2021/22	Budget Amount 2022/23	Revised Amount 2022/23		Budget Amount 2023/24	Change	Revised Amount 2022/23	Change
Tax Revenue	7,211.40	8,540.89	8,487.72	8,216.69	10,334.32	8,666.67	-16.14%	9,459.24	9.15%	8,100.82	-14.36%	
Foreign Grant	304.01	528.14	206.74	229.07	462.15	320.49	-30.65%	378.36	18.06%	303.95	-19.67%	
Deficit	3,307.90	4,660.78	3,368.19	3,027.74	4,152.18	3,554.50	-14.39%	3,429.92	-3.50%	3,188.16	-7.05%	
Foreign Debt	1,441.24	2,577.44	1,440.65	1,089.11	2,018.84	1,421.16	-29.61%	1,611.74	13.41%	1,369.98	-15.00%	
Domestic Debt	1,866.67	2,083.33	1,927.53	1,938.63	2,133.33	2,133.33	0.00%	1,818.18	-14.77%	1,818.18	0.00%	
<b>Total</b>	<b>10,823.32</b>	<b>13,729.80</b>	<b>12,062.64</b>	<b>11,473.50</b>	<b>14,948.64</b>	<b>12,541.65</b>	<b>-16.10%</b>	<b>13,267.52</b>	<b>5.79%</b>	<b>11,592.93</b>	<b>-12.62%</b>	



#### Observations:

1. The global unrest and the surge in commodity prices are poised to negatively impact government revenue receipts. Consequently, achieving the revenue growth target of 9.18% appears to be a formidable challenge.
2. The endeavor to mobilize \$1,611 million in foreign loans appears ambitious. Furthermore, the acquisition of emergency financial assistance from multilateral agencies and securing other loans hinges on the progress achieved in various projects. Hence, it is imperative to enhance the capacity to absorb capital budget allocations effectively.
3. Domestic borrowing totaling \$1,818 million, combined with limited liquidity in bonds and unexpected tax burdens associated with M&A transactions and tax issues related to FPOs, may exert pressure on Banking and Financial Institutions (BFIs). This pressure could potentially dissuade BFIs from extending credit to the private sector.
4. The target of mobilizing \$375 million in foreign grants surpasses the grants received in recent years.
5. Approximately 22.84% of the budget, equivalent to \$3,031 million, has been allocated to provincial and local governments. This allocation reflects a 1.12% decrease compared to the previous year. Nevertheless, the government aims to empower sub-national governments to assume a more substantial role in national priority projects.
6. Certain sections of the Finance Act have retroactively imposed taxes, necessitating explanatory notes to elucidate these clauses.

# Budget Source and Allocation 2023/24

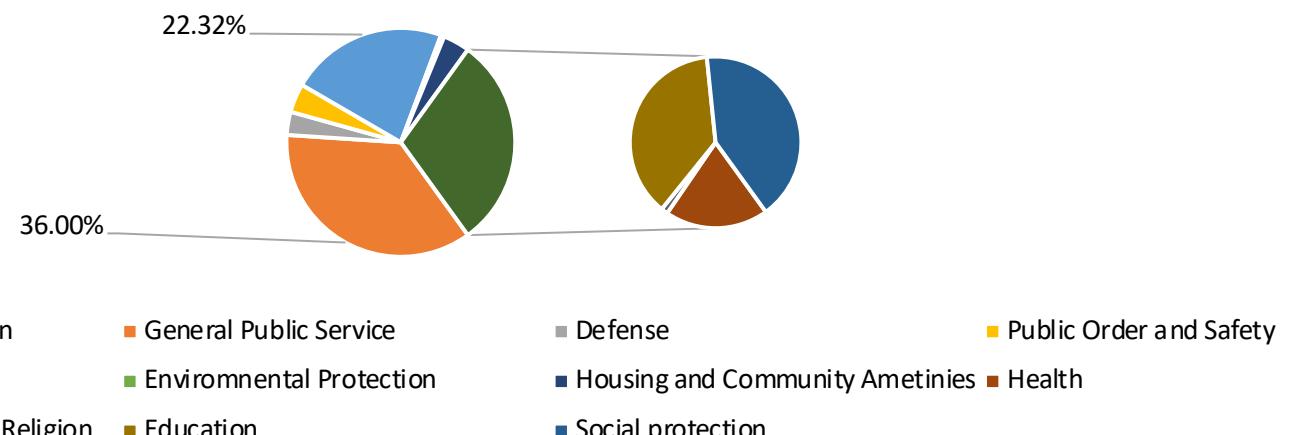
Areas of Budget allocation	2021/22		2022/23		2023/24		Compare to last year	
	Amount in \$ Mn	in % age	Amount in \$ Mn	in % age	Amount in \$ Mn	in % age	In figure	In %
General Public Service	4,034	29.42%	4,779	31.97%	4,777	36.00%	Down	Up
Defense	414	3.02%	462	3.09%	434	3.27%	Down	Up
Public Order and Safety	484	3.53%	545	3.65%	539	4.07%	Down	Up
Economic Affair	3,684	26.87%	3,890	26.02%	2,962	22.32%	Down	Down
Environmental Protection	105	0.76%	92	0.61%	65	0.49%	Down	Down
Housing and Community Ametinies	671	4.89%	738	4.94%	500	3.77%	Down	Down
Health	1,180	8.60%	1,027	6.87%	779	5.87%	Down	Down
Recreation, Culture and Religion	56	0.41%	80	0.54%	50	0.38%	Down	Down
Education	1,500	10.94%	1,641	10.98%	1,498	11.29%	Down	Up
Social protection	1,582	11.54%	1,694	11.34%	1,663	12.53%	Down	Up
Total	13,709	100%	14,949	100%	13,268	1.00		
Exchnage Factor	USD 1 = NPR 120			USD 1 = NPR 132				

## Sectoral distribution

- The allocation for general public service and Economic affair constitute approximately 58.33% of the budget.
- Decrease in allocation allocation of budget for Health and Environmental protection by 24% and 29% respectively.
- Budget for Recreation, Culture and Religion has been decreased by 37%.

## Commitment of Budget

- Boost to economic growth through by increasing economic activities for achieving sustainable growth%.
- Improve confidence of private sector.
- Improve business and investment environment.
- Maintain financial stability.
- Improve governance.



Thank You!

Best regards,  
Kala Legal  
Protecting your creations

<https://www.linkedin.com/company/kala-legal/>