

NRB Guideline for reduction of Interest Rates

Nepal Rastra Bank policy division has issued following guidelines on 2077-01-16 for reduction of interest rates and others to all banks and financial institutions of A, B, C & D category.

1. The bank and financial institutions shall reduce, in order to reduce the impact of COVID -19 on the borrowers, interest rate by **2% point** on prevailing rates at the end of Chaitra 2076 to be applicable for interest calculation of 4th quarter of F/Y 2076-77.
 - a. However, this provision shall not be applicable for business related to Food processing and distribution, Gas production and distribution, Soap and chemicals, Medicine distribution business, Internet service providers, Telecom service providers, Television service providers, Tobacco and liquor industries, Hydropower projects in operations.
 - b. It is not mandatory to reduce the interest rate so calculated below the base rate.
 - c. Micro-financing institutions of D Category permitted for retail lending shall reduce **3 percentile** point and micro-financing institutions permitted for wholesale lending shall reduce **2 percentile** points on interest rate prevailing at the end of Chaitra 2076 to calculate interest for the 4th quarter of 2076-77.
 - d. The interest rate can be determined according to the prevailing policy based on the base rate after the end of Asadh, 2077.

2. The A, B and C category licensed bank and financial institutions can give additional working capital loan **up to 10 %** of the approved limit on the basis of need assessed to the borrowers classified in active category related to tourism sector including - hotel, restaurant, resort, travel, trekking; commercial purpose vehicles, Small and Medium Industry, Export Industry, entertainment industry, hospital, poultry business, etc. which are affected by the conditions arisen due to COVID-19.
 - a. The loan equity ratio provision shall not be necessary for granting such limit as above.
 - b. The limit so extended cannot be renewed and the repayment period may be up to 1 year.

The point No. 9 of notification number BFIRD/Policy/Notice/18/07/77 dated 2076-12-06 has been repealed.



BM Global Services Pvt Ltd

Shared Services | Business Services

3. The licensed A, B,C and D category banks and financial institutions have to make arrangements to receive monthly/ quarterly installments by end of Asadh, 2077, which were due to be received in Baisakh and Jestha 2077. No panel charges, panel interest, etc can be charged in respect of such installments. The loan is not required to be categorized in lower category due to non-payment of installments.
4. The licensed A, B and C Category banks and financial institutions can extend the due dates by up to 60 days for payment of principal and interest of all short-term working capital loan due for payment in this lockdown period.

DISCLAIMER: This document is prepared for general understanding and should not be taken for any legal purpose without consulting professionals. ** The copyright of the document is vested with BMGS. **

Jwagal, Kupondole, Lalitpur, P.O.Box: 3271, Nepal – 44700

W: www.bmglobalservices.com ; E: info@bmglobalservices.com

Tel: +977-1-5260991/5523736