

MoF floats draft of financial sector development strategy

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Finance Minister Ram Sharan Mahat addressing a programme titled 'Workshop on Draft Financial Sector Development Strategy' in Kathmandu.

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KATHMANDU: The Ministry of Finance (MoF) today floated the draft of five-year Financial Sector Development Strategy, which, among others, aims to make the financial sector more efficient, effective and inclusive, and raise the sector's contribution to the gross domestic product to eight per cent by 2020 from existing 3.8 per cent.

The document, which comprises 67 core strategies and 212 action plans, envisages to strengthen the financial sector by enhancing the performance of banking and insurance sectors, capital market, non-banking financial institutions and cooperatives. It will be tabled at the Cabinet for approval after incorporating suggestions laid by various experts.

"The main objective of this Strategy is to diversify and

deepen financial sector, make the payments systems efficient and safe, design appropriate legal frameworks to support growth of the sector, ensure compatibility of domestic accounting and auditing systems with those of international ones, and improve financial literacy of consumers," Head of Financial Sector Management Division at the MoF, Navaraj Bhandari, told a workshop organised here.

The workshop was attended by Finance Minister Ram Sharan Mahat, Nepal Rastra Bank Governor Yubaraj Khatiwada, heads of other regulatory bodies like the Insurance Board and Securities Board of Nepal (SEBON), other senior government officials and various experts.

To ensure proper growth of the financial sector, the Strategy has incorporated 70 action plans for the banking sector. These action plans, which will be rolled out till 2020, will enhance the capacity of money markets for effective liquidity management, and encourage banks and financial institutions (BFIs) to diversify product range and mobilise long-term resources for financing. These action plans will also help in expanding banking services to rural areas, raising public awareness through financial literacy programmes, developing crisis management framework and raising the standard of risk management and internal control systems, among others.

Also, the Strategy envisages to provide functional autonomy to the Insurance Board — the insurance sector regulator — make supervision of insurance companies risk-based along with compliance-based, and strengthen legal and regulatory framework to promote insurance business.

Among others, Strategy also envisages to formulate appropriate legislation to introduce venture capital and private equity investment, pave way for opening another rating agency, restructure Nepal Stock Exchange and extend more functional autonomy to SEBON.

"Soon after this document is approved by the Cabinet, we will set up an implementing committee under NRB governor, which will oversee implementation of the Strategy and address problems that have cropped up. The committee, which will also comprise finance secretary and heads of different regulatory bodies in the financial sector, will meet every six months and report to the finance minister on an annual basis," Bhandari said.

Former finance secretary Rameshwor Khanal said that the Strategy was 'comprehensive'. "But it does not spell out ways to manage and regulate the derivatives market, which is growing," he told the workshop.

He also said that provisions should now be introduced to extend loans 'on the basis of personal credit rating if the government wants to raise financial access and cater to around one million households that do not own fixed assets like land'.

Senior economist Posh Raj Pandey, meanwhile, said that the committee to be formed to oversee implementation should be an independent body and comprise independent experts to ensure all the plans in the Strategy are introduced on time.