

NRB urged for 'expansionary' monetary policy

Stakeholders have suggested Nepal Rastra Bank (NRB) to bring an expansionary Monetary Policy for the fiscal year 2018-19 in the backdrop of the country facing the crunch of investment capital.

Citing that the country will require investment of over Rs 500 billion in the next fiscal year to meet its economic growth target of eight per cent, they said that an expansionary monetary policy will ensure supply of money in the market and control interest rates – both of which are crucial to achieving economic growth target and keeping inflation within the targeted 6.5 per cent rate.

“Amid lack of adequate investment funds, it will be tough for the government to achieve the targeted economic growth rate in 2018-19. In such a situation, the central bank should draft a monetary policy that is as expansionary as possible even if it adds to the inflationary pressure to some extent,” said Gyanendra Dhungana, president of Nepal Bankers Association (NBA), at an interaction programme organised by NRB today.

Meanwhile, Dhungana also asked the central bank to look into the possibility of scrapping the credit-to-core capital plus deposit (CCD) ratio limitation in the banking sector through the monetary policy citing that liquidity could be controlled even by maintaining the cash reserve ratio (CRR) and statutory liquidity ratio (SLR).

Other private sector representatives at the event urged NRB to address various lapses of the budget that have demoralised the business community through the monetary policy.

“Among others, the government’s policy to scrap VAT rebate system on different essential goods and the inability of the budget to ensure stability in interest rates in the banking sector are discouraging. The monetary policy should address these bottlenecks of doing business in Nepal,” said Shekhar Golchha, senior vice-president of the Federation of Nepalese Chambers of Commerce and Industry.

Kamalesh Kumar Agrawal, vice-president of Nepal Chamber of Commerce (NCC), said that the monetary policy should be expansionary and ensure production and supply of goods. Similarly, he also stressed on the need to limit interest rates on loans in banking sector within nine per cent, redefine productive and non-productive sectors and allow the use of high-denomination Indian currencies in the domestic market.

Meanwhile, Nara Bahadur Thapa, executive director of NRB, said that the monetary policy for 2018-19 will basically focus on accelerating the current economic growth momentum, narrowing down trade deficit, increasing the flow of loan to small and medium enterprises, controlling rising interest rate and increasing people’s access to financial services.

“The market is already witnessing inflationary pressure and it will likely increase in the next fiscal year. The monetary policy will be prepared by adopting cautious measures to control inflation,” said Thapa.

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Addressing the event, NRB Governor Chiranjibi Nepal said that the monetary policy will be supportive to the budget's target of achieving eight per cent economic growth in 2018-19 and keeping inflation within 6.5 per cent.

“Nepal has witnessed an economic growth rate of over six per cent for two consecutive years despite political instability and frequent changes in government. As the country now has a stable government and the supply-demand situation is improving, the eight per cent economic growth target in 2018-19 is achievable,” said Nepal

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