

CICTAB Program on
"Development of Rural Financing Institutions and Cooperatives"
Bode, Bhaktapur | 10 September 2017

Address Delivered by Dr. Chiranjibi Nepal
Governor of Nepal Rastra Bank

Mr. Chairman,

Program delegates,

Ladies and Gentlemen,

It gives me immense pleasure to address this august gathering at this opening session of this Training Program on "Development of Rural Financing Institutions and Cooperatives" in Nepal.

At the outset, I would like to thank Centre for International Cooperation and Training in Agricultural Banking (CICTAB) for again selecting Nepal to host this topical program and would give my best wishes to the Nepalese organizing member-institutions for success of the program.

I would like to extend my warm welcome to all the foreign and national participants at the inauguration of this 5-day program being held in Kathmandu.

Being one of the founding members of CICTAB, Nepal Rastra Bank has been actively participating in most of the CICTAB programs held in Nepal as well as other countries.

Ladies and Gentlemen,

- It has been recognized that among the several mechanisms that could be utilized to accelerate economic development and broad based growth, one critical instrument is the development of rural finance– this will contribute to inclusive growth.
- While the microfinance revolution has been largely successful in expanding financial services to many poor people, there are instances when the very poor and other especially disadvantaged and marginal groups tend to be excluded.
- Although the number of BFIs has been significantly increased in Nepal during last three decades, most of them are found centric in urban and accessible areas. Some of the survey results show that only 40 percent of Nepalese people are in the net of formal financial access. In this context, the role of rural financial institutions and cooperatives in the country like Nepal has become more important as the economy itself is rural-based.
- If we look upon the latest available data, some 34 thousand cooperatives has already been in operation in Nepal. Of these, half of them are involved in saving and credit activities while others are engaged in different agro-based production activities like agriculture farming, milk production, fruit and vegetable farming, tea and coffee farming, production of herbs, sericulture, horticulture, etc. More than 6 million people are directly involved in these cooperatives as their members and these institutions have employed some 60 thousand people as their regular staffs. Their savings have already reached nearly 300 billion rupees while they have disbursed some 290 billion rupees as a credit to their members for different income generating activities. In this regard, cooperatives are felt to be an important provider of rural financial services to spurt inclusive growth.

Ladies and Gentlemen,

- Government of Nepal in Financial Sector Development Strategy (FSDS), issued in January 6, 2017 has recognized the importance of the Cooperative Sector to achieve economic development and in this regard, has devoted a separate chapter to its elaboration.
- This is recognition of importance of cooperative sector in economic development; however Government of Nepal and Nepal Rastra Bank (NRB) have already been involving themselves in the policy formulation and program initiation regarding the rural financing since almost four decades.

- I would highlight that NRB has also joined hands with the government to establish and manage a wholesale lending fund, that is the Rural Self-Reliance Fund, which lends concessional fund to the cooperatives of rural areas for further lending to the deprived and poor households.
- The establishment of five rural development banks in five development regions during 1990s decade to do micro financing activities replicating Grameen model is another instance on NRB's commitment on enhancing access to finance for rural poor. Currently, these banks have been merged.
- We are also exercising to harness the mechanism of technology to enhance its inclusive nature with regard to rural financing.

Ladies and Gentlemen,

- Allow me at this juncture to provide a glimpse of Nepal's experiences with regard to rural financing. The country is basically a rural economy with more than 80 percent of its population residing in rural areas.
- It is expected that Nepalese economy will perform very well in 2016/17, registering a growth of 6.9 percent. This trend is expected to continue in the current fiscal year 2017/18, given the series of election are going to be held, which is expected to raise domestic demand.
- As the agriculture sector presently contributes more than one-third to the country's gross domestic product (GDP) and employs more than two-third of total labor force, economic growth of the country is largely determined by the performance of the agriculture sector. Moreover, a better performing agriculture is instrumental in promoting rural jobs, improving trade imbalance, reducing poverty and fostering equitable distribution of income.

Ladies and Gentlemen,

- CICTAB, set up in 1983, has been providing an effective forum for exchange of experience in agricultural banking and related fields between different developing countries of this region. In this respect, I am delighted to note that some of the innovative financial products and services developed and mainstreamed over the last three decades for the rural economies of this region, have been, to some extent, positively influenced by CICTAB. In this scenario, CICTAB has become very prominent for us as it conducts various training programs with special focus on cooperatives and rural development by providing a common platform to the agricultural and rural development institutions of its member countries.
- Nepal Rastra Bank, as a member of CICTAB, would like to assure the Centre that it will continue to support the Centre's objective of providing a common platform to the agricultural and rural development institutions of its member countries by imparting comprehensive and top quality training, seminars and workshops.

Ladies and Gentlemen,

- Looking over the program schedule I am happy to note that many topical and interesting issues are covered.
- I am confident that there will be a most active participation and exchange of ideas from the participants over the next five days, which will contribute positively to their respective institutions development.
- I also hope that all the participants, especially our foreign guests, will also have time to enjoy both the beauty and the flavor of Nepalese culture.
- Thank you very much and my best wishes for the successful conclusion of this program!