

WHY WORKING FROM HOME
ISN'T WORKING

TAMING INFLATION

THE DIGITAL AGE AND STATUS QUO OF PAYMENT
SERVICE PROVIDERS

VOL 11 • ISSUE 10 • AUGUST 2023 • RS 100

BUSINESS

INTERVIEW

FINANCE MINISTER
PRAKASH SHARAN
MAHAT TALKS ABOUT
NAVIGATING A
VOLATILE ECONOMY

QUANTUM
COMPUTING:
CHANGING HOW
BUSINESS IS
DONE

SUSTAINED
CRISIS & ITS
CONSEQUENCES
ON BUSINESS

WHY LEGAL RISK
MANAGEMENT
MATTERS

DATE WITH SUCCESS

SHANKAR UPRETY
FOUNDER & CEO, HAMRO PATRO





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On my mind

The recent surge in IPO declarations to me seems a little off the mark. I question its purpose and the due diligence that has gone into the prior processes including questions on a company's earnings and sustainability. I am no financial expert but common sense tells me that not all IPOs are equal. With the IPO frenzy in its heat, investors must remember to ask some basic questions: Who is selling? Who are the Board of Directors? How much of the holding is being sold? Who is the broker? How much of the IPO is being underwritten? Why is the IPO happening - for growth capital, as a retention tool for staff, to pay back debt, or simply because the IPO window is open and they can. When is it happening - is it when business is scarce and what are the consequences of that? What price are you paying and why is it priced the way it is? Have you taken the company's performance into account? What are the risks?

While inflation is still high and the road to normalcy is long and uncertain, it is important to know that at its best, the government can only soften the blow but not shield its citizens. From pandemic disruptions to government interventions, from Russia-Ukraine war to national political instability, consumers have been burdened with increasing prices on everything. Hiring has slowed down, layoffs have happened, small businesses have closed, and salaries have stagnated with no clear solution in sight. The monetary policy is a tool to control inflation but the NRB approach does not seem to be working. While prudent measures have been adopted to maintain some form of stability, it has hit the private sector hard which in turn hits the poorest people the most as they have the lowest resilience to economic shocks.

It's impossible to not talk about politics when we talk about the economy or about business. With an inconsistent parliament and frequent change of ministers, the economy takes a backseat over power struggle. Added to that is the unfolding drama of corruption cases seeing the light of the day with some of the country's most respectable names mixed up in the deed. Severing the symbiotic connection between business and political elite is complicated and even cases that see the light of day often dissolve into pending files and legal inaction. Combating corruption then remaining a feel-good slogan.

Charu Chadha
editor

BIZ INDICATORS

FOREX MARKET	10-Aug-23	10-Jul-23	Year ago
USD	132.34	132.10	127.23
GBP	167.74	168.89	155.54
Chinese Renminbi (Yuan)	18.34	18.92	18.92
Indian Rupee (INR 100)	160.00	160.00	160.00
Euro	145.30	144.75	131.01
Australian Dollar	-	-	-
GOVERNMENT SECURITIES	Lowest	Highest	Weighted Avg.
Discount rate of T-bill (Subject to latest issuance)			
Treasury bills (28 days)	4.83	5.37	5.18
Treasury bills (91 days)	5.27	6.43	6.17
Treasury bills (182 days)	6.04	6.62	6.39
Treasury bills (364 days)	6.00	6.56	6.37
PRICE INDICES	9-Jun-23	13-May-23	13-Jun-22
National Consumer Price Index (base year 2014/15 = 100)	161.36	160.51	151.04

Source: Refinitiv Eikon, Nrb

P = Provisional, R = Revised

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publisher
media9

directors
hemant golchha
saurabh jyoti
sanket lamichhane

editor
charu chadha

editorial
assistant editor
anurag verma
writers
sadiksha chitrakar
prajwal nepali
ashika pokharel

digital
content manager
suresh kumar chaudhary

coordinator
subin bhandari
content producers
harshvardhan chand
brihus neupane

art
senior designer
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designers
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yogesh chaudhary

photography
photographers
sanjay maharjan
ripesh maharjan

sales & marketing
director
sudeep shakya
manager
dewaki makaju shrestha

office support
bella rana magar
ram kumar tharu

All editorial enquiries should be sent to
charu@media9.com.np

All advertising enquiries should be sent to
marketing@media9.com.np

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INTEREST ON LOANS IS HIGH BUT GIVING UP YOUR EQUITY IS EVEN COSTLIER. YOU ARE GIVING UP SHARES IN YOUR COMPANY AND SHARES IN THE COMPANY ARE THE MOST EXPENSIVE THING YOU CAN GIVE UP.

AJAY SHRESTHA
CMD, iCapital

FOOD INSECURITY ON THE RISE WAKE UP CALL FOR NEPAL

IGNORED POTENTIAL UNLEASHING THE IT SECTOR FOR NEPAL'S ECONOMIC PROSPERITY

INFLATION BLEEDS SMES WHITE

MONEY GAMES

AJAY SHRESTHA
CMD, iCapital

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Elegance is an attitude


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DATE WITH SUCCESS

SHANKAR UPRETY

FOUNDER & CEO, HAMRO PATRO

IF I HAD NOT MADE MONEY IN THE INITIAL STAGE WHEN I LAUNCHED HAMRO PATRO, I PROBABLY WOULDN'T BE WHERE I AM TODAY. WHEN THERE IS NO RETURN, YOU WILL LOSE INTEREST AND CLOSE DOWN THE BUSINESS. EVERY BUSINESS OR STARTUP HAS TO MAKE MONEY; THAT IS THE THOUGHT ONE MUST HAVE WHEN OPENING ANY VENTURE.



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SUSTAINED CRISIS
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NOBODY IS PERFECT. THERE IS ALWAYS SOMETHING TO BE LEARNED. I BELIEVE IDEAL IS A RELATIVE TERM. FOR INSTANCE, HOW YOU TAKE CHARGE OF THE FAMILY IS DIFFERENT TO WHAT YOU DO AT THE WORKPLACE. LEADERSHIP AT THE COMMUNITY LEVEL IS DIFFERENT FROM THAT AT THE NATIONAL LEVEL. HENCE, LEADERS ARE OBLIGED TO PERFORM DIFFERENTLY IN DIFFERENT SITUATIONS"

Monika Bhattarai Adhikari
Vice-Chairperson, Social Welfare
Council Nepal

LEADERSHIP

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SANJAY MAHARJAN
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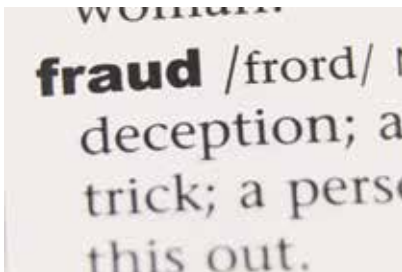
THE LOGIC BEHIND SHUTTING DOWN SOME OF THE GOVERNMENT AGENCIES IS AN EXECUTION OF THE RECOMMENDATION PROVIDED BY THE PUBLIC EXPENDITURE REVIEW COMMISSION (PERC). IRRELEVANT AND NON-PERFORMING INSTITUTIONS IN THE CURRENT CONTEXT ARE A BURDEN FOR THE GOVERNMENT, ESPECIALLY WHEN WE ARE FACING CHALLENGES IN REVENUE GENERATION AND SPENDING SUCH PRECIOUS RESOURCES IN IRRELEVANT AND NON-PERFORMING INSTITUTIONS DOES NOT MAKE ANY SENSE"

DR PRAKASH SHARAN MAHAT
FINANCE MINISTER, GON



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COOPERATIVES FRAUD
ON THE RISE



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WHY WORKING FROM HOME ISN'T WORKING
A RECENT STUDY SHOWED MASSIVE
PRODUCTIVITY LOSSES FOR THOSE WORKING
AT HOME.



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DATE WITH SUCCESS

SHANKAR UPRETY

FOUNDER & CEO, HAMRO PATRO

What initially started as a hobby project has today become one of the most downloaded Nepali apps in the country. Shankar Uprety, Founder and CEO of Hamro Patro, shares that the idea of developing Hamro Patro took root while pursuing his Master's degree in the United States.

Uprety has held a keen fascination for computers and technology since his school days in Birgunj. This led him to pursue a degree in Computer Engineering from the Institute of Engineering, Pulchowk Campus, and postgraduate studies in Computer Science from Boston University. While in the United States, he found that it was difficult to get information on important dates in the Nepali calendar. "Social media was non-existent then. While it was not difficult to get information on bigger festivals like Dashain and Tihar, it was near possible to find anything on the internet for other occasions like Nepali Mother's Day and Father's Day," he recalls.

"I found this to be a common problem for other Nepalis too and so I worked on Hamro Patro and launched it in 2009," shares Uprety.

Here, he is quick to add that the app was launched as a hobby project and at that time he had no inkling that it would become the most famous Nepali app, and he would later be leading a business ecosystem around it someday.

In this edition of **Business 360**, we spoke to Uprety to learn about his journey, about Hamro Patro, and about the information technology ecosystem.

Excerpts from the interview



What made Hamro Patro so popular?

There are two factors I think which have led to the soaring popularity of Hamro Patro. The first I would say is the timing of the launch because back then there was no other Nepali app; we had the first-mover advantage. The other aspect is the app is a basic utility because having information on important dates is something which every Nepali requires. The consistency with which we have upgraded and added features has also helped us stay ahead of the race. Oftentimes, people develop apps and they feel the work has been completed but an app is always an ongoing process. You always need to be updating features and we have been continuously enhancing our app for the last 15 years. Today, Hamro Patro is not just about dates; we have news and radio and a whole gamut of other features. When an app consists of features that people use on a daily basis then it will gain traction.

Any app that has features which people use on a daily basis tends to become more popular. For example, we also have a horoscope feature and trust me literally every person, no matter what their personal or professional status, tends to look at their horoscope every day.

When I first created the app, I had no intention of making a career or business out of it. It was, plain and simple, a hobby. I used to work full time in an organisation and I was developing the app on weekends only. I released the app in 2009 but it really took off in 2015. It became so popular that I started thinking if it could be so famous when I was working on it as a hobby then why not get involved in it full-time. I had a very stable job with a good pay package in a Fortune 500 company at the time but I decided to take the plunge and do my own thing.

Could you elaborate on that initial entrepreneurial journey?

Though I had the idea, I didn't have much knowledge on how to go about developing an app. There were not many people then who were into this segment so getting information on creating an app was an uphill task. I had to study a lot and it took considerable time to understand the process. After having developed the app, the next challenge was in increasing the number of users. I constantly took feedback and suggestions from users on what needed to be improved and I still do that to this day. It is of paramount importance for any business, whether dealing with a product or service, to constantly seek feedback from end-users otherwise your idea could become redundant and everything becomes futile if the customers do not appreciate your offering. I have always compared an app to a toothbrush, in the sense how people use their toothbrushes twice a day, customers must use the app at least twice a day, then only do you stand a chance of surviving let alone making it big. Nothing great happened in the three years after launching Hamro Patro in 2009 and only a handful had downloaded it.

The reason I keep harping on right timing is that in 2013 a lot of Android phones started coming into the Nepali market and this gave rise to the culture of smartphones because they were affordable. The benefit for us was that we were already an existing app and when people started buying smartphones and were looking to download apps, our app was already there. We have several apps under the Hamro Patro brand. The Hamro Patro app itself has over 20 million downloads in Android phones. We also have a Nepali keyboard app which has seen more than 15 million downloads. We have other apps too, so if you look at the total there have been nearly 50 million downloads but we have shared users which means the

same person could be using many of our apps. When it comes to active users, then we have 15 million users.

Yes, I had a stable job with good pay and was working on Hamro Patro only on weekends. However, even then, when I made a small change in the app the number of users would surge and that gave a different sense of satisfaction. The feeling that I could have an impact on so many lives through an app was surreal.

I remember when Android operating system was initially launched, there was no Nepali keyboard. We had to literally type in Unicode and then copy-paste that on the mobile if we wanted to send Nepali text. At that time Google had not focused at all on Nepali text. We took a few days to develop the Nepali keyboard and within 18 months we had 10 lakh downloads. That success really hit me and the other thing is that the app had also started generating revenue. The revenue being generated through the app was somewhat similar to my pay. There was a risk leaving behind a stable job and getting into uncharted territory but I decided to take the plunge. It was a calculated risk though. Moreover, by sticking to my job I would be able to earn a handsome salary but I would not be able to make an impact the way I could with my app. At times, you need to listen to your inner voice if you want to achieve great things in life and here, I am now.

Thousands of apps have been introduced since but only a few have actually survived and made it big. What do you attribute this to?


The first and foremost aspect is one has to constantly work on making the app better over time. Just developing and releasing an app will not make you successful. It never works that way. One important factor is that along with the app, one must also develop a business model. When we first launched Hamro Patro, advertisements

were our revenue source but in the first few years we had no business. It was in 2012, we received an advertisement and earned our first dollar and this excited me. For any app to sustain it must be able to generate revenue. If not, then over a period of time the person could lose interest in their app and it dies out.

The good thing for us is we have been making profits from the initial stage itself. That provided us the energy to better our app and that is why we started investing money in research and development to make it better. If you look at the popular apps, you will notice they are all revenue generating. Yes, the mode of revenue could differ with some focusing on advertisements and others on transactions. So, if you do not have a business model then the app is bound to fail. Generating revenue through advertisements is difficult because you need to go to the masses. You cannot generate revenue through advertisements if only 10,000 people use your app on a daily basis. Therefore, I think sustainability is very important for not only an app but any business to be successful for that matter.

To be honest, initially I did not have any business model when I started in 2009 as it was just a hobby app. In 2012, when I integrated our first advertisement, we received our first dollar and in one day we earned 10 dollars. The benefit for us is since we have a large user base, even if we get just 10 or 15 cents from one advertisement, we can develop a business model based on advertisement revenue. Till around 2019, 100% of our revenue was through advertisements. However, we realised the need to diversify if we wanted to sustain in the long term and since we had so many users, we decided to monetise that.

Though we do have a global presence now, 70% of our users are in Nepal. We

A portrait of a man with dark hair and glasses, wearing a blue blazer over a light blue checkered shirt. He is standing with his hands clasped in front of him against a light blue background.

4 There is no substitute for consistency. And no matter what you are venturing into, you must have a solid business plan. One crucial question that you need to ask yourself is from where are you going to generate revenue. How is the business going to be sustainable?

started brainstorming on the features we could add for our Nepali diaspora living in various other countries. We realised most of them are migrant workers and one thing they will definitely do is send money home. Remittance is a recurring business because workers send money home every month, so in 2020 we started remittance service, which is another way we make money.

We are trying to gradually become a superapp which will have all the necessary features that a person needs. We have partnered with remittance companies abroad and we take money through the app and we have a remit company in Nepal called Hamro Patro Remit and we pay the beneficiaries here through that. All our transactions are digital. The reason why we made it digital is even in Nepal people have gradually stopped carrying cash and remittance is becoming totally digital these days. The main advantage of digital service is that we require very less manpower and operational efficiency becomes very high. The moment operational efficiency becomes high, we can provide a good rate.

We also have a service whereby one can consult an astrologer and that is another way we make money. We have also started a telemedicine service in Nepal. So, any patient from any corner of the world can call a doctor here and take advice. At present, we have 300 doctors on our platform.

You recently launched Hamro Pay, a digital wallet. Could you tell us more on that, and your thoughts on the digital economy?

It has been a little over six months since we launched Hamro Pay. We have so many services so we thought it would be a good idea to start a digital wallet to make payments for these services more convenient. The response has been terrific and we already have 2 lakh users. On the first day itself we had 10,000 users. The growth

has been impressive and now we are working on how we can further activate that.

There are many such wallets in the market but we want to play a long game. There is a misconception that you have to burn money when launching a digital wallet but we have been profitable and the reason I think is because we already have users. We did not have to spend anything to acquire users, we only had to convert them. However, it will take time to gain the trust of more number of people for the wallet to be more widely accepted. But we are happy with the initial growth.

The world is gradually transforming into digital be it education or medicine or economy or even just plain entertainment. Nepal too has taken that digital path and the digital economy is gradually getting better. Previously, even four to five years back, the main problem in our country was that we didn't have much of E-commerce. There were not many online payment services too. Thankfully, now the digital payment system in Nepal has become very good and also transparent. If you look at the economy at present, there has been a proliferation of online transactions be it for delivering products and services or making payments. And this is only going to get bigger. Many people have stopped carrying cash because we can make payments through cards or QR. One reason why we launched Hamro Pay is because we want to be a superapp, whereby once you download our app you will not need other apps. Previously, our focus was on information consumption but in the last three years we are trying to diversify our offerings. The digital economy has tremendous potential in Nepal.

However, having said that there are a couple of things that the government could do to facilitate and boost this growth. The government recently introduced the e-commerce

bill which has so many provisions which I feel could demotivate those involved in the sector. For instance, even for a small mistake, and mistakes can happen during any business transaction, one could be jailed for three years and/or pay a fine. I strongly feel the way that laws are drafted needs to change. The government should always consult concerned stakeholders when drafting a law related to any sector. I understand there are concerns related to consumer protection, however, the government should also think of ways in which it could promote businesses. The new e-commerce bill is a bit problematic. Instead of making processes lean and fast I feel it makes the processes more cumbersome. The online business in Nepal is very low and the government should be promoting it but instead I feel it is only thinking about regulating and controlling it. The concerned authorities should be thinking of how to make it easier but has only thought of ways to control it. This approach needs to change and change fast.

Nepal Rastra Bank has done quite an impressive job in promoting the fintech industry and our development is in sync with that in India. The ecosystem is fantastic right now and all the banks are linked at present. The only problem is it is more Kathmandu- and urban-centric. When we travel outside the valley, we still have to use cash. We need to make people living in suburban and rural areas too aware about digital transactions. The government policies are pretty good but it will take time to change the habit of people who are used to using cash.


How do you view the development of the IT sector in Nepal?

The IT sector has seen tremendous growth over the last couple of years. However, one core issue at the moment is the dearth of manpower. We at

Hamro Patro have been facing this problem; when we take out a vacancy notice for ten people, we rarely get the required number. There are many IT colleges in the country but I somehow feel we are lacking in quality education. When I mention quality, what I mean is that the graduates coming out of college are not industry-ready.

Another aspect is we are gradually seeing many multinational companies in Nepal which is good because they generate more employment opportunities but on the flip side it is a bit difficult for domestic companies to retain talent as they tend to pay higher salaries. So, what is basically happening is that we are competing in the domestic market but with multinational players. This calls for more skilled human resources in the market to balance out things.

My request to the government would be to just create an enabling environment. Previously, when we used to export software, we had to pay 1% tax but this has been increased to 5% to 10% through the budget for the current fiscal year. The government should be careful about introducing such provisions. Why not let the sector grow a bit more first and then apply such taxes? What happens is even before the sector can actually flourish, such regulations nip it at the bud. To further promote the IT industry, the government should convert all its services into the digital mode. There are a few government services that are digital but are available from only 10 in the morning till 5 in the evening. That does not make sense in the IT field. Another problem which also has quite an impact is the fact that at times when we visit certain government offices, their server is down. Online services have to be reliable for people to trust such new innovations and the government could take a lead on this.



4 There are many such wallets in the market but we want to play a long game. There is a misconception that you have to burn money when launching a digital wallet but we have been profitable and the reason I think is because we already have users.

Moreover, there has to be a close collaboration between the industry and education sector. There is always a huge gap in what we study in college and what the industry is seeking and this has been happening since my college days. Gradually, we have seen collaborations happening but more needs to be done on that front. There also needs to be more collaboration within the industrial ecosystem.

And lastly but very vital, we need more investment to make the sector more vibrant.

Usually, what happens in Nepal is that I could have a brilliant idea but it is difficult to raise funds. For any startup to start generating profits it might take five years or at times even ten years. However, people here have the concept that why invest and wait for so long and that too you are not sure whether there will be any return when you can put that amount in a bank as fixed deposit and earn interest. We need more sources of investment.

What advice would you give young entrepreneurs and startups from your own experience?

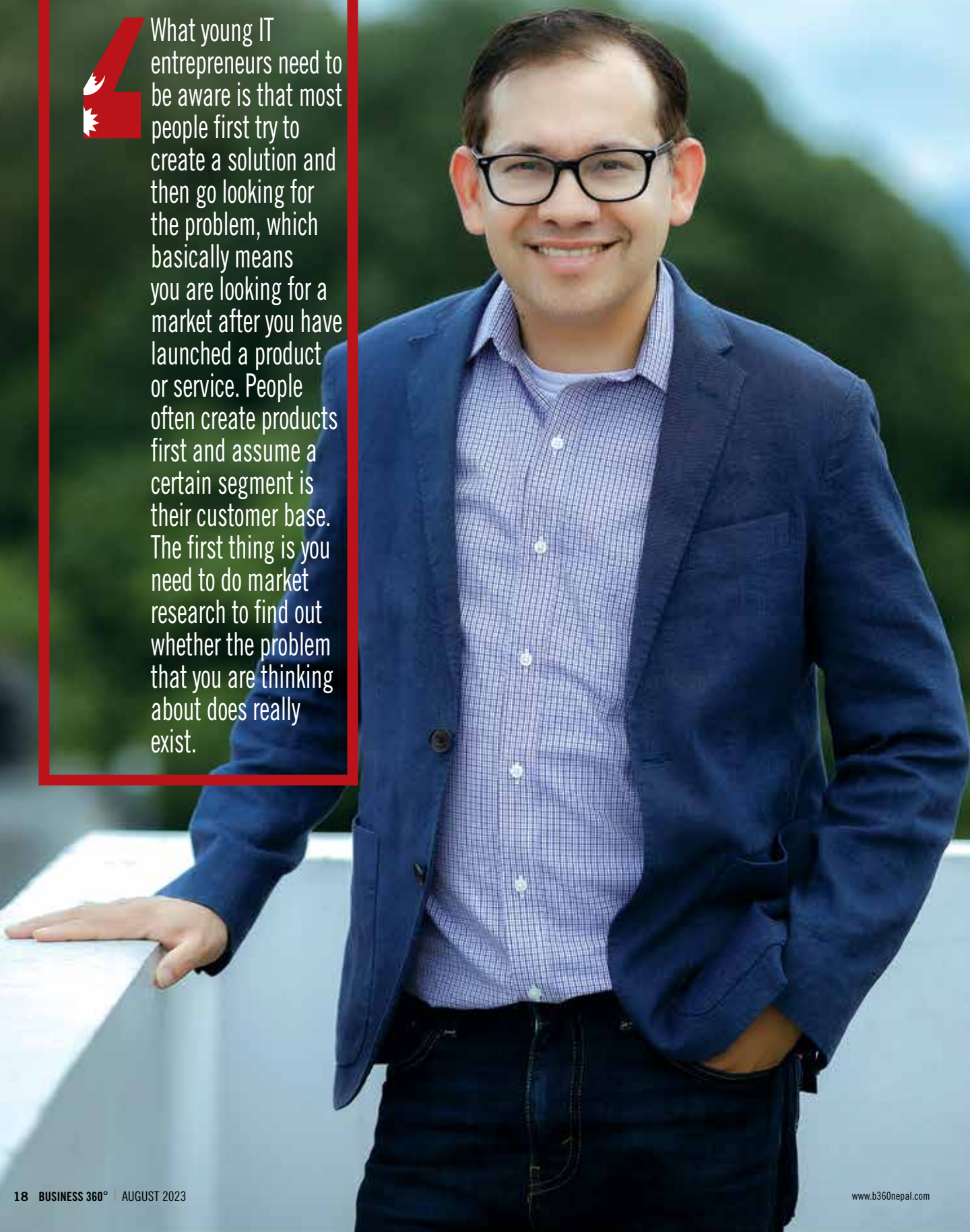
After graduating, I started a small software business in 2004 with some of my friends which was a failure. We had not even formally established the company and we had to close it down. Now I look back and realise it was not a very good idea to have opened a company right after getting out of college. I should have worked in an established company for a few years so that I could have gained hands-on experience

and I would also know what the market was seeking. What I would say is instead of opening a business right after college it is always better to work in an established company for a couple of years to gain experience.

When I joined my first job, I realised there were so many intricacies involved in running a business. In fact, it would be better if you can gather work experience while still in college. Or what one could also do is open a business while still



What young IT entrepreneurs need to be aware is that most people first try to create a solution and then go looking for the problem, which basically means you are looking for a market after you have launched a product or service. People often create products first and assume a certain segment is their customer base. The first thing is you need to do market research to find out whether the problem that you are thinking about does really exist.



doing a job. This is what I did later on. I started Hamro Patro as a hobby project while still being employed. However, one must be careful as to when to leave the job and start your own business. But if you are looking to be called a youth entrepreneur and start just for the sake of it then you are bound to fail. I am talking about this through my experience.

When we open a startup, we must first understand that we are getting into unknown territory and we don't know what the future holds for us. We must first conduct a thorough research to ascertain whether the product or service that we are planning to launch has a market. You have to know how and whether the market is going to accept that product or service. We too had to close down some products as they did not perform well. But again, when it comes to a startup, we can never be 100% sure on whether it is going to succeed. A startup by nature is experimental. Even in the United States, nearly 90% of startups fail.

The other aspect is if our offering does not do good then we have to pre-board, which means you had an idea which was not successful so you go for another idea. The timing of the pre-boarding must be perfect though. The unofficial rule of the market is that it is not necessary that people require all the products or services that are launched in the market.

What young IT entrepreneurs need to be aware is that most people first try to create a solution and then go looking for the problem, which basically means you are looking for a market after you have launched a product or service. People often create products first and assume a certain segment is their customer base. The first thing is you need to do market research to find out whether the problem that you are thinking about does really exist. The basic work of a software is to solve a problem

and if a software solves that problem in a better way, then, people will use that product. So, what young IT entrepreneurs should be saying is there is this problem in the market and if I can solve it then what value will that generate for the organisation. However, it is not easy to find out what the actual problem is. It takes a lot of hard work. If it was easy then we would not be having so many failures. What successful startups do is they provide a better solution to an existing problem at the right time. Any product that you launch should always increase efficiency; it should help people save time. For example, before the ride-sharing concept took root it was very difficult for so many people to commute. But now you can call a taxi from your app and even order food. What that does is it improves efficiency.

What is the future of telemedicine in Nepal with your experience in the area?

Telemedicine boomed globally during Covid and now too there are some problems which can be solved through telemedicine. The sector is growing gradually and this generation might use the service sporadically but the next generation I believe will adapt to it because youngsters today are growing up with access to mobile phones and practically every youngster has a smartphone. The difficulty with our generation is that we are used to visiting doctors and to bring about behavioural change is probably the most challenging task. People are so used to visiting doctors physically that we are actually competing against behavioural change. However, ultimately as the new generation starts growing up, telemedicine will be more prevalent and its future is huge. It saves so much time and the cost to commute to a doctor. Telemedicine will increase efficiency and that's what all our products are

geared towards. Currently, we have a large team working on telemedicine. We are also providing this service to Nepalis living abroad and we get calls from various countries. It is helpful for migrant workers, for instance, if a migrant worker is in Malaysia then it is difficult for them to talk to a doctor there in their local language. So, they can directly connect with doctors in Nepal. The future is bright but we are still in the initial phase.

As a business leader what are some lessons you have imbibed?

Over the years what I have learnt is one must be persistent in what you are doing. There is no substitute for consistency. And no matter what you are venturing into, you must have a solid business plan. One crucial question that you need to ask yourself is from where are you going to generate revenue. How is the business going to be sustainable? Many startups raise funds but you must have a plan whereby the business becomes profitable and sustainable before the funds burn out.

For instance, if I had not made money in the initial stage when I launched Hamro Patro, I probably wouldn't be where I am today. When there is no return, you will lose interest and close down the business. Every business or startup has to make money; that is the thought one must have when opening any venture.

What I have also become aware is about the importance of teamwork. If you don't have a good team, then you are going to face problems. You must have the right people in the right places.

Lastly, the trust that you develop within the team is crucial. There are times when a team member might make a mistake but if we reprimand them, it will definitely demotivate them and they will stop telling you the truth from then onwards. So that trust must be there wherein any team

member can walk up to you and tell you that they have made a mistake. When we are working professionally there definitely will be respect among the team members but more than that there should be trust between everybody. Even I have made mistakes at times and when there is somebody who can tell you about your mistake then not only does it give you the opportunity to better yourself but as a whole it is good for the company too. I find that is lacking among many people. A company's culture is vital for it to be successful.

What are the major differences you have witnessed in the work culture in Nepal and Silicon Valley?

It is a personal observation and I don't mean any wrong to anyone but I feel people take their work very seriously in developed nations and there is a lot of accountability. We still have some way to go with regard to that in Nepal. When it comes to talent, it is similar. Also, the companies in Silicon Valley focus a lot on sales and marketing. Just developing a product does not suffice, there is a whole lifecycle to it and we need to understand that. Another major difference is the open culture they have where there is a lot of sharing of ideas. We are a bit apprehensive about sharing ideas in Nepal as we feel the idea could be copied by someone else. However, in Silicon Valley people share ideas and others give feedback and suggestions which can be incorporated to make it better. What is also important is that having an idea is not enough, it is about executing it. Anybody could have an idea but what holds them back is the execution aspect. So, I think we have prioritised ideas a bit too much whereas execution is more important than just creating an idea. I personally think ideas should be shared because you can improve on them. **B**

“The objectives of the monetary policy are price stability and stability of the overall economy. What I am saying is that NRB must think about whether the lending atmosphere has been helping the economy to grow. Bankers also have to come up with their own homework to minimise the interest rate spread keeping in mind the profit they are making. It is also their responsibility to contribute to navigating the economy during turbulent times by motivating fresh investments in every sector of the economy”

Text: Pushpa Raj Acharya

Dr Prakash Sharan Mahat joined politics as a member of the Nepali Congress while he was a student. Over the years, he has served in different portfolios in the government including Minister for Energy and Minister for Foreign Affairs.

Dr Mahat holds a PhD in Economics from Southern Illinois University at Carbondale, and a Master's of Science in Policy Economics from University of Illinois at Urbana, United States of America.

He was appointed as Minister of Finance in the incumbent coalition government and was responsible for unveiling the budget for fiscal year 2023-24.

As Finance Minister he holds the responsibility of navigating turbulent times in a challenging economy. Business 360 caught up with Dr Mahat to learn about the strategies he wishes to adopt and his concerns. Excerpts:

What are your immediate and short-term action-plans to navigate the economy as it moves through a situation of slowdown?

We all know that there are a few problems rooted in our economy. The structural problems – low productivity, burgeoning trade deficit and high inflation – need to be addressed in due course of time starting from right now and we have already started our interventions. As a result, we are seeing some improvements. The external sector is stable right now; we are in a comfortable position in terms of foreign exchange reserves. Tourism arrival is increasing and timely monsoons might boost agriculture output, which are contributory to jobs, foreign exchange earnings and ultimately to growth. However, this is not sufficient. The chronic problems lying in the economy in terms of low-productivity, unemployment, nosediving growth requires further investments. The kind of investment we are looking for is not happening in a big way. The interest rate is still high, percentage of non-performing loans is going up

which means the capacity of banks and financial institutions (BFIs) to mobilise loans is deteriorating. The current interest rate has to come down for credit expansion.

At the same time, we must improve the performance of government spending as well. But I am confident the investment climate will improve at the private sector level and government spending will gather pace based on our budget execution action matrix and the reforms we have proposed and are going to implement. We had several rounds of interactions and discussions with relevant ministries and I am hopeful and confident that our spending performance will improve in the coming days. Thus, more capital will be injected into the economy that will spur economic growth and generate employment.

The budget execution trend of the last decade shows that projects and programmes are seldom executed prudently; how are you planning to quash the bottlenecks?

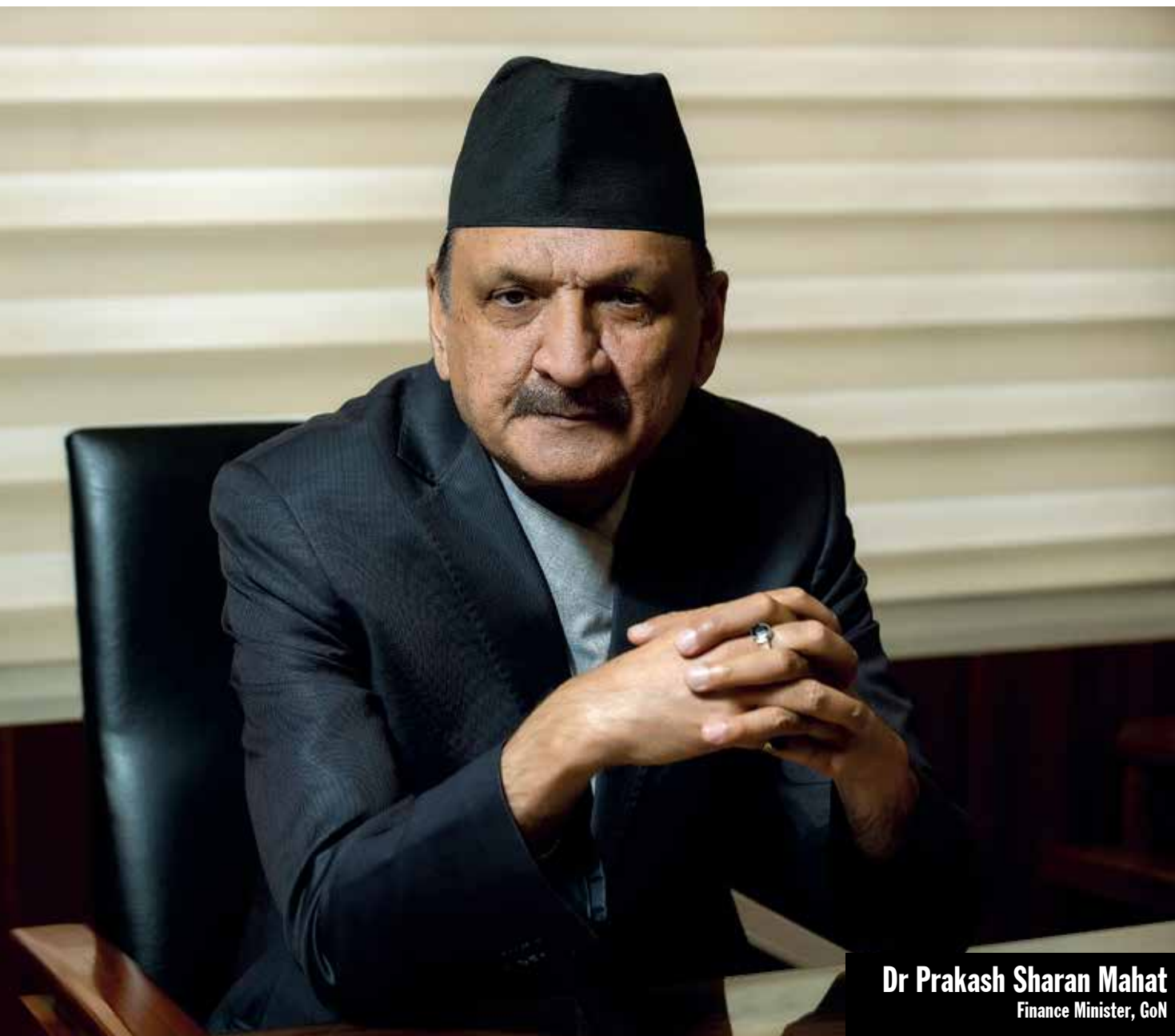
There are some inactions and the pace of work is slow.



We always wait for the eleventh hour to get work done and that culture needs to change. We are strictly telling all the stakeholders that we must change our style of work. Whatever we need to do, we should do it now and we cannot wait for tomorrow. Tomorrow never comes, we cannot wait for an indefinite period for anything to be done. All responsible entities should follow a timebound action plan.

Will there be action against the procrastinators?

Yes, of course. We cannot and should never tolerate uncertainties, there will be no



Dr Prakash Sharan Mahat
Finance Minister, GoN

excuses for non-performance. Problems have piled up over the period. In my opinion, the promotions, exposures and incentives of civil servants must be aligned with the delivery and results, and there must be a thorough performance audit. I will not claim that it will be problem-free overnight. It will take time and all the stakeholders should cooperate. The whole government structure should work in a fashion that this is our common objective. We should minimise our problems and focus on results. Gradually, we will be able to resolve all the remaining problems through

a collaborated way, and we expect cooperation from all sides.

You have highlighted high cost of funds as a major challenge to accelerating economic growth. The private sector is also dissatisfied with the monetary policy of fiscal 2023-24 unveiled recently by Nepal Rastra Bank; this may not complement the growth target set by the fiscal budget. How do you view this?

The monetary policy complements the fiscal budget's objective of growth and jobs by maintaining macroeconomic stability, taming inflation and ensuring adequate flow of

private sector credit. Fiscal policy has a bigger role to play and monetary policy has to complement attaining the growth target by fulfilling the credit demand of the private sector. Cost of borrowing is still considered as the major challenge as business people are reluctant to avail credit due to dismal or no profit. Considering the consistent high borrowing rate and slowdown in the economy, Nepal Rastra Bank should be serious about addressing the genuine demand of those who are working in the private sector. We have asked the central bank to do the needful in this regard and

the government is expecting the central bank to seriously ponder upon the high cost of borrowing through different instruments of the monetary policy.

If this does not happen in line with the government's instructions to the central bank, will the Finance Ministry intervene?

The objectives of the monetary policy are price stability and stability of the overall economy. What I am saying is that NRB must think about whether the lending atmosphere has been helping the economy to grow. Bankers also have to come up with their

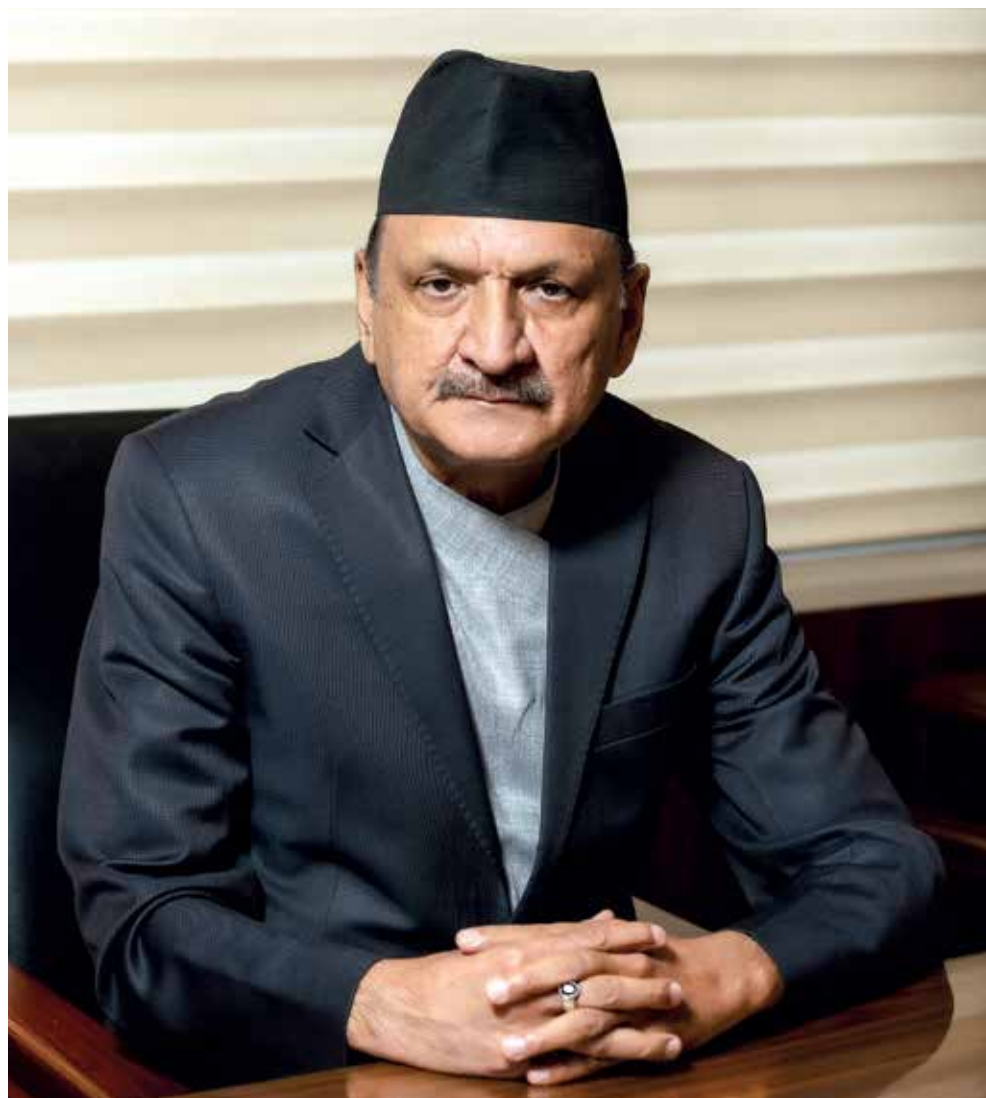
own homework to minimise the interest rate spread keeping in mind the profit they are making. It is also their responsibility to contribute to navigating the economy during turbulent times by motivating fresh investments in every sector of the economy.

Contractors have been protesting for their outstanding dues to be cleared at the earliest by the government. Why is this not happening?

Those who have already fulfilled all the conditions of the contracts or completed their work deserve to be paid. It is true that we were not able to settle all the outstanding dues of the last fiscal within the desired period of the fiscal year calendar. Recently, I invited representatives of the Federation of Contractors' Associations of Nepal (FCAN) and told them that we will settle the liabilities that the government owes. What actually happened in the last fiscal is all those invoices weren't submitted to the Ministry of Finance at the right time. The government will address their grievances.



We cannot and should never tolerate uncertainties, there will be no excuses for non-performance. Problems have piled up over the period. In my opinion, the promotions, exposures and incentives of civil servants must be aligned with the delivery and results, and there must be a thorough performance audit"



However, they also have to introspect on whether they have fulfilled the conditions in prudent inspection of the concerned government agency.

The fiscal budget of 2023-24 has given top priority to reforms in investment regime, legal and procedural provisions and the removal of some boards, committees, commissions and others to operate the federal government in a lean manner. Could you please elaborate on this?

Reforms are a continuous process and always evolving which is why we have to take them forward. Some of the reforms do not require financial backing, some are stroke-of-pen reforms, and some require incentives and financial backing; we've classified these reforms and we will execute them gradually. Transparent legal regime provides smooth

procedural environment that in turn improves the investment climate. The logic behind shutting down some of the government agencies is an execution of the recommendation provided by the Public Expenditure Review Commission (PERC). Irrelevant and non-performing institutions in the current context are a burden for the government, especially when we are facing challenges in revenue generation and spending such precious resources in irrelevant and non-performing institutions does not make any sense. We are doing homework to broaden the tax base, make the tax system more prudent and efficient to meet the revenue mobilisation target. I do admit that the problems also lie within the taxation system and we are trying our best to address the shortcomings and to make it

more scientific, efficient and relevant as well as bringing more taxpayers within the tax net.

Why has the government not been able to mobilise climate related aid from the international community?

I am having a series of meetings with multilateral and bilateral development banks and development finance institutions, among others. We are also trying to bring in resources from Green Climate Fund (GCF) and other climate-related funds. Nepal must be compensated by the CO2 emitting countries. The streamlining of climate financing will help countries like Nepal to cope with the climate change induced challenges as well as achieve the target of net zero carbon emissions by 2045 as promised at COP26.

Rampant corruption is one of the major challenges in ensuring better governance. Even the private sector and renowned corporates have been allegedly involved in corruption. What are your views in addressing this?

Corruption is a serious threat to good governance. We want to make sure there are no illegal activities and actions from the government side. The government is transparent and has adopted a zero-tolerance policy against corruption. Whether the government agencies or the private sector, they must work abiding by the existing legal provisions and respect the rule of law. At the private sector or NGO sector level, it is the duty of all to support the control of corruption.

However, private sector leaders say that the government cannot draw them into corruption charges that are caused by the decision of the government agencies or the failure of governance in the government mechanism...

It does not make sense to say that corruption happens only through the government mechanism. This is not the right way to describing corruption issues. The problem lies in the government and also in the private sector and we should not be blaming each other. We should work towards anti-corruption and act from our own place. No one is convicted without any proof, evidences or their involvement in such malpractices. And no one is above the law. We should help to clean our sector and make it more transparent, prudent and oriented towards achieving the broader objective of national development. In corruption issues, we all must support proper investigation against the charges and whoever is found guilty must be convicted.

The structural problem of the economy, you have mentioned, is low productivity. How does the government visualise orienting the private sector towards production from trading businesses?

Whenever we have had interactions, we have told them to change their mindset from



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running only trading related activities towards production. The fiscal budget 2023-24 has announced incentives for producers of goods and services in the country. We need to come out from such a trap of low productivity and focus on production. The short-term gains through trading may not last long. We want the private sector to get involved in manufacturing, tourism, IT and agriculture businesses, among others.

Sovereign credit rating has been recommended to facilitate the flow of FDI and availing financing from the international market. Why has the process of country rating stalled?

The Ministry of Finance had initiated the process before, and it might have stalled due to the Covid 19 pandemic. We might proceed with it in the near future.

Nepal at present has record-high foreign exchange reserves. How is the government thinking of utilising this?

People should look into the opportunities that we have. However, we have some sort of herd mentality. If someone is making money in a particular sector, everybody starts doing the same business. People have to be innovative and look into new avenues and opportunities. There is a dearth of people having entrepreneurial mindset. We want those who are living outside the country, the non-resident Nepalis, to come and grab the opportunities by investing their technology, skills and capital in Nepal as we have sound investment climate in the country. Nepal, right now is peaceful and we have been initiating reforms for a better investment climate.

Why has the government not given priority to passing the money laundering prevention related bills despite the international compliance?

We have given high priority to these bills. However, the impasse in smooth functioning of the parliament is obstructing in taking these bills forward. We have some other bills to be endorsed by parliament once the parliament starts functioning.

What do you have to say regarding the regular obstruction of the parliament by various political parties?

Parliament is a place for discussions and any issue needs to be discussed. Obstructing parliament may not be the solution. The opposition parties should lodge their point of view, their differences and make the government

responsible. There are various issues concerning the public that should be discussed in the parliament and also the important bills for the smooth functioning of the government should be discussed and endorsed from the parliament.

Shrinking foreign trade and consumption base are hitting revenue mobilisation. Taking these into consideration, the government has announced the management of properties. However, the government does not have aggregated data of its assets/properties and funds created at different levels?

This is an important issue. We need to take that into account and monetise the assets. The government's properties and assets should be fully audited and protected so that it is not encroached upon.

You have taken the responsibility of Finance Minister in a challenging economy having to take forward the legacy of non-economics background finance ministers in the past. It is believed that they have derailed from prudent decisions triggering some of the current problems. How do you perform under such conditions?

The Finance Ministry has to work by example so that other ministries follow suit. Not only words we have to perform also. I am running the ministry professionally. We are in a state whereby there is a huge gap between necessities and availability of resources. The resources that we have must be channelled in priority areas in a prudent manner. We have to take support of all the ministries and we have convinced them on how we should move forward.

I do not want to comment about who have taken the helm of the Finance Ministry in the past and their background. That is not important. I can talk about myself and how I am working here. All of us actors of the economy must work to achieve the common goal and we must cooperate and collaborate to achieve the national development goals. **B**

SUSTAINED CRISIS & ITS CONSEQUENCES ON BUSINESS

HOW ARE BUSINESSES RESPONDING AND ADAPTING?



A prolonged crisis, such as that facing Nepal, requires a strategic change in leadership vision and action. From the earthquake to the embargo and then the Covid 19 pandemic to the Russia-Ukraine war and the ensuing instabilities, Nepal has seen it all. And all this in the wake of a people's war that crossed a decade. Today many economies around the world are challenged by surging inflation, debt tightening, climate emergency, human migration, changing geopolitics, and decelerating growth rate.

Crisis situation demands crisis response but what does prolonged crisis demand such that the country is undergoing and which has seen thousands of young people leave Nepal in search of livelihoods? Add to this, an unstable government,

corruption of huge scales in governance, in law, and in business.

The world output growth is projected to decelerate from an estimated 3% in 2023, marking one of the lowest growth rates in recent decades, according to the United Nations World Economic Situation and Prospects (WESP) 2023.

Future recession and uncertain economic conditions are guaranteed. While global growth is forecast to moderately pick up to 2.7% in 2024, can smaller economies sustain the heat of tightening global financial conditions and debt vulnerabilities? Over 85% of central banks worldwide have tightened monetary policy and raised interest rates in quick succession since late 2021 to tame inflationary pressures and

avoid a recession. But global inflation reached a multi-decade high of about 9% in 2022 and is projected to ease but remain elevated at 6.5% in 2023.

In Nepal, growth rate is in the red. Mining, quarrying and construction industries are struggling. The economy has been shaken by the real estate and stock market crash and credit crunch. Sales have slowed down and business, in general, is down by 10% to 60% based on the nature of business. Industrial production has reduced to 30%. The private sector, which contributes 81% of the GDP and accounts for 85% of the jobs, is struggling to stay open and pay salaries. The situation is so precarious that even teachers and government employees' pension payments

have been put on hold. Both the social security benefit payment and debt servicing are behind schedule. The federal government reduced the equalisation subsidies to the provincial and local governments by 50% as a result of this situation. And things could be grimmer unless the monitoring authorities think fast and think well while executing policies and reforms.

In this edition of **Business 360**, we spoke to different sector experts on how they comprehend the situation, the impact on their business and industry and what are they doing to ease the challenges. Answers have been mildly edited for clarity.



SAHIL SHRESTHA
CEO, Cimex Inc

How has the sustained economic crisis affected your industry?

It's a big crisis that automobiles are facing at the moment. If we look at the statistics, yearly average four-wheeler sales were around 15,000 with a fluctuation of 2,000 up or down. Last fiscal year 2079-80, total sales were only around 9,000. The crisis that is seen in the market has hit every sector severely. Ranging from the liquidity crisis to economic slowdown or downturn, automobiles have gone through a severe crunch.

Economic parameters were not that great overall but if we compare it with the database from the last 4-5 years in the automobile sector, we have seen a massive decline in sales. Only 60% of the market was in function, the people in this industry call the year 79-80, one of the worst years where they faced recession massively in the industry.

If we have to compare, this year has relatively been a better year for the industry to catch pace. We have realised that there is a rise in inquiry about automobiles in the recent term and banks too have granted first phase of loanable funds. Even if these are minimalistic changes it has given some hope to the industry.

On the contrary, we also have to look at the current economic situation of our country and globally as well. The pandemic and war have been a prime cause of global economic imbalance and its ripple effect can be seen today and in the upcoming days as well. Hence, the situation might not be better in an instant but will take some years to get back to the state we were previously.

What are some of the things you have done to address the ensuing challenges in your business?

When we talk about challenges, automobiles have faced a lot of problems. There had been a luxury goods ban from our government and from that point onwards, it has gone downhill.

Similarly, from an EV perspective, sales boomed as people were aware that the price of petroleum products will be increasing and owning an EV will be far more beneficial. The fiscal year 2079-80, was the highest selling year for EVs and there are many reasons behind it. One is the awareness; consumers are aware about the opex expenditure saving meaning they don't have to spend on the maintenance and fuels. Second is probably the consumption of domestic energy, the electricity we use is hydroelectricity which is green energy. Third, is technology. We as humans are always looking forward to learning more about the technology and EV models are providing exactly that.

EV is a new and revolutionary movement in history. As it actually boomed in the last year, we didn't have to resort to any harsh measures. But as a stakeholder in the business, we should be prepared for any scenario in the coming days. Database and its analysis are the most crucial when it comes to being prepared for the future. So, we should always be ready to tackle the obstacles that come our way. Hence, we have to be in touch with other stakeholders to monitor the situation and create a space where we should be prepared for the unknown.

Could the government have better handled the economic vulnerabilities and in what ways?

In business, there are core things that the government needs to address in a basic rudimentary manner. Our economy is 37-40-billion-dollar GDP and it is not moving, growing and expanding according to the pace of our GDP. In Nepal, most of the economic activities have little value addition. Such as manufacturing service should be given priority as they can have the potential to export the products.



If we look at the statistics, yearly average four-wheelers sales were around 15,000 with a fluctuation of 2000 up or down. Last fiscal year 2079-80, total sales were only around 9,000. The crisis that is seen in the market has hit every sector severely. Ranging from the liquidity crisis to economic slowdown or downturn, automobiles have gone through a severe crunch.

If your finances are proper, other things can be streamlined. In the case of our country, there is under-utilisation of budget and the uncertainty of the source. They prepare populist, one sided favourable budgets which are somewhat very dreamy and not reachable. They keep contingency in the sources and are never sure of what and how to proceed.

Despite thousands of hits and trials, the government tends to overestimate their revenue collection and as a ripple effect they start taking money from the citizens of Nepal.

Personally for me, running an organisation is about effective synergy, synchronisation, cohesion between different units because if we can achieve productivity in a cross functional team, then only an organisation or any entity can walk in the path of success. But we can see a severe lack in every government level.

What are some policy reforms or initiatives that could help the industry/sector you are operating in do better?

As a company we always prepare for both good and bad times. One thing that we are always concerned about is the policy department. In the last 3-4 fiscal policies, the EV taxation policy was changed around 5-6 times. As any business, we plan for a year or even more because businesses are there to last for a longer period of time. It involves other players or stakeholders of the ecosystem. But Nepal has been changing policies in a drastic manner. They keep changing the tax rates frequently. The frequency of change is unpredictable and illogical.

The person in the relevant department should understand and have knowledge about it. And what are its benefits in 10-15 years? Our government is only focused on receiving taxes but not looking after what can be its effect for all. There should be a suitable environment for businesses to run. Now the question is: isn't it fundamental for the government to cater to the people of the country rather than changing their policies every now and then to just gain extra benefit from people? They are only thinking for themselves and not being far sighted at all.

Sustainability is the key of any business. Hence, the government should stop thinking from the tax bracket point of view and think for the betterment of businesses which can help generate revenues and profits.

How do you view the immediate future for your sector/industry?

We are hopeful this year can be better than last year. There are definitely challenges, both internal and external but for the EV stream, people have become aware about its benefits, the economic gains, and charging network availability has been a plus point for the EV ecosystem.

On a positive note, there is an increase in charging stations. Nepal Electricity Authority (NEA) has installed 15 chargers and is adding 15 more. Other distributors in the industry have also installed their charging stations. We have 30+ charging points along highways that link major cities and we are planning to add 15 more. Overall, I feel EVs will slowly start taking the market as its sustainability factor will encourage people to opt for it.

But as an overall scenario of automobiles, it might take a longer time to catch the pace of the current market. Vigorous research and study are required to go forward in the current environment.

Your business mantra when addressing a crisis? What can we learn from you?

I think one has to be patient and vigilant. One has to look in all directions and have the knack of checking out all the relevant areas in the business. Knowledge and information are crucial in any business. But information might be true or not. We live in a bubble where we tend to accept things that fit our mindset without looking at the facts.

In any business, one has to look at all the fields that concern you and then only proceed to make decisions. This is something that I follow to be updated and be on my 'A' game.



BIJAY RAJBHANDARY

Chairman & Managing Director
CE CONSTRUCTION

How has the sustained economic crisis affected the industry you operate in?

It has been affected severely. Basically, we are into three sectors, general contracting, real estate and hydropower. As far as general contracting is concerned, there are three stages in it; completed project, ongoing project and future project. Due to the economic downturn, our clients are not able to pay for the completed projects and for ongoing projects, there is lack of cash flow hitting our turnover directly. In earlier days, we used to enjoy credit facility from our vendors but currently we have a limited facility due to the NRB directives' working capital capping. The upcoming projects are on hold due to lack of trust in the economic situation of the country and globally as well.

Real estate is the most impacted during this economic downturn. Real estate is categorised in two parts - investor and end user. Previously, there were 80% investors and 20% end users, but in the current market that 80% has dropped down to 20%. People are not confident in taking the leap because of market volatility. End users might be wanting to upgrade their property or could be first time buyers but their decisions are on hold. End users have declined by 50%. Bank facilities are limited in addition to high interest rates and lack of loan investment and project financing. NRB directives are very stringent in terms of loan percentage and debt equity ratio.

The regulatory authorities have a huge role to play. They impromptu exercise 'hathbandi', 'kittakath', land classification, halsavik and others. These sudden rules and regulations have caused projects to go on hold and this ultimately hits revenue.

In the hydropower sector, we are not getting disbursement from banks. Previously it used to be a lot easier for development work. But now banks are not willing to issue the guarantee; in hydropower

there is performance guarantee and advance payments system. Banks are finding it difficult to fund projects due to LC limitations. We also have severe problems with insurance and its policies making it all the more difficult to work in this sector.

What are some of the things you have done to address the ensuing challenges in your business?

I am practicing focus management. And within it what we call micro management or process mapping. Every process now needs to be more efficient than before. There is a terminology called lean technology and value engineering. We are putting everything we have learned previously in practice during the time of crisis. We have come up with out-of-the-box strategies to pull customers. Mission invented diversion is a model that we are actively using. Despite all the difficulties, we sold around 89 units in the last year.

The major challenge that we are facing is cash flow. Cash flow management is definitely a need but it is an art as well. The objective is to not give up despite the difficulties and to keep climbing the ladder even if it means that we take one small step at a time. These challenges have made us realise that if we keep on moving now, in the coming future, we will have no competitors.

Also, when it comes to layoffs and cost cutting or not being able to pay salaries on time, my question is who has provided salary right on time in this period? I am confident that most businesses are struggling to meet and accumulate revenues and pay their staff. But I believe that with right management we will overcome this obstacle as well.

Could the government have better handled the economic vulnerabilities and in what ways?

The government can handle things so much better. We do have good, intellectual people in there but who is our



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government? For example, one minister is allocated for education but tomorrow the same minister is placed in tourism. So, who is our government when they are changing so often? An expert and established person should be placed in a position where they have knowledge and ideas about the ministry.

Here in Nepal, I am always ready for the surprises that come unannounced and from nowhere. We have been in this business for the last three

decades and every other day, there are new leaders, rules, policies and so much more. When there is a gap and uncertainty from the government, how can one depend on it?

The complexity of the system is something that we have become accustomed to. The uncertainty has trained us to have a far-sighted mindset where we are prepared for anything that is thrown our way. We just have to figure out the intensity of the change and right now, we are doing exactly that, understanding the risk and balancing the intensity of the presented situation.

What are some policy reforms or initiatives that could help the industry/sector you are operating in do better?

Rather than policies, it's about the consistency. Nepal has been implementing policies with less research and dropping them after a while when they realise that it's not working. Irrespective of who is in power, there should be national agendas that should have long-term goals.

For example, hydropower is one of the most sought-after sectors. If we have a concrete policy and management, then we will definitely be able to sell electricity to India and Bangladesh. This will help boost the economy and generate revenue. Additionally, it will have a socio-economic boost. The people where the construction is allocated will greatly benefit with 10% human resources being pulled from the area resulting in financial gains and quality life.

Therefore, consistency of policies is the need in every sector right now. The taxes we pay to the government should benefit us rather than the ones in power.

How do you view the immediate future for your sector/industry?

We don't know what lies beyond the situation but I see opportunity in every problem. We, as a company, have started

using strategies in real estate to help the sector enhance. We are launching 4-5 projects in the coming six months and working to make them possible.

The situation all over the country for construction looks like it will be worse in the coming six months. The government recently has mentioned that they will not be able to pay contractors, meaning that 80% of the flow is not activated from the government. It ties the hands of the contractors as they have to invest in human resources and materials. It's a chain effect. Until and unless the government tackles this issue in depth, we will continue to have problems.

Your business mantra when addressing a crisis? What can we learn from you?

We as humans have to accept that crises do come but every problem has a solution. First of all, one has to know what is the root cause of the problem and communicate about it. Anyone in business has to accept and understand that problems could be anywhere in the system. So, one needs to hear from both the bottom and top levels.

Understanding the workflow and not giving up is the key to running a business. Business ultimately needs exposure and leaders of the business should have good relations with other stakeholders. Networking helps us in identifying problems and working on them.

Strategic planning and brainstorming ideas is the key to tackling many problems.



RABI SINGH

President, Federation of Contractors' Associations of Nepal (FCAN)

How has the sustained economic crisis affected your industry?

When it comes to crisis, Covid comes to mind. It threatened industries like ours. Construction stopped for a long time. The consequences we had to bear and the overheads

were huge. During those two years, the construction industry fell into debt of almost Rs 340 billion of which the interest came to around Rs 34 billion. Overheads reached Rs 100 billion as a cumulative increment. This has shattered

the construction industry.

After Covid, the tariff on Chinese vessels took a hike. This increment in sea freight contributed to increasing costs.

Fuel supply and price volatility badly affected those industries who consumed large

amounts of fuel or were in the business.

Meanwhile, the Russia-Ukraine war had its effect on the consumption sector i.e, the cost of food grains increased.

In face of all these difficulties, demand went down and there was no financial back up left. We became vulnerable to the extent that 20,000 people who were working with us had to leave their jobs.

In Baisakh 2076, the public procurement act had its sixth amendment that brought a new manual stating the deadlines of any construction work not to be extended longer than 50% of its actual time frame. This created hindrance for 2,772 ongoing construction works for 11 months. After 11 months, the government passed the ninth amendment and a new policy came extending the deadline till 60 days from the date of amendment. This created a chaotic situation.

The next thing is, 25% of the payment that comes to the industry goes back to the government in a month. If I have to talk about the scenario a year ago, more than 36% of the cash went back to the government.

Inflation has reduced demand. When there is no demand, the amount of production decreases. When the amount of the production decreases, the cost of production increases. This affects private investments. When there are no private investments, construction decreases.

Previously, when the government could not generate revenue, it tried to stabilise the economy by taking loans at the end of the fiscal year. Basically, the government is obliged to make payments of the previous month but this time the payment due was not of only one month; the payment of 11 months was pending. This affected 200 billion in capital assets. When a company gets its payment only after 11 months of working, imagine how difficult it becomes to survive.

What are some of the things you have done to address the challenges in your business?

To address the challenges, we have done advocacy and brought some changes. After Covid, Federation of Contractors' Associations of Nepal sat for a meeting with the government and we were able to extend the deadline of all the construction works that could not function due to the crisis. Among 2,700 pending works, 1,600 were successfully completed.

We also suggested the government to not allot more than five construction projects at a time to any one construction company. This ensures timelines and quality of work while also helping generate more jobs.

Both the government and Nepal Rastra Bank could have done something to help our sector revive. They could have categorised the construction industry as the most affected but they didn't. We even sent a request letter but received no response. At this time, we are in negative growth rate.

We have forwarded our demand to the government to release all the pending payments so that we can continue the work. Until the government acts professionally, we cannot act professionally.

Could the government have better handled the economic vulnerabilities and in what ways?

Federalism was not a good choice for Nepal. When the country went into federalism, all the plans and policies formulated by the national government applied to both the provincial and the local governments. With little to no experience, both governments could not perform well. They didn't have the potential either. They use their budget in formulating and executing new plans and policies rather than continuing the existing ones.

Therefore, since 2075, we are in a very problematic situation.

Nepal Rastra Bank has corrected its course and made our categorisation as the most affected industry. But then we are suffering from the effect of three consecutive years. If NRB had done this earlier, we need not have had to bear this extent of loss. Ultimately, the overall economy of the government would also have shown some improvement.

There are various problems at the local level. The most frequent problem is land. Cases of fraud have been found. In many places, there is a problem of right to way. Construction of local hospitals is also pending. We go through a crisis every year. The most frequent crisis that we go through is the escalation in prices. Right now, the cost of construction equipment has decreased by 25% but the price increases very rapidly when there is a lot of work. Pre-planning and preparedness could help tackle the consequences that can occur due to any crisis.

What are some policy reforms or initiatives that could help the industry/sector you are operating in do better?

The government is now planning to extend the deadline for construction works for almost 2,700 projects. But deadline extension cannot be the solution all the time. Along with the deadline extension, the government must improve the payment system. Government must prioritise work. Government should focus on initiatives that can give immediate results within the budget.

Initiatives like training for construction workers is also necessary. A technology friendly environment should also be encouraged.

Several construction companies have purchased construction materials on credit but we are unable to pay for it on time and are forced to take loans. There is a rule that if the deadline of loan exceeds 90

days, banks have to provision 100% to cover the credit.

Because of this, banks are also in trouble. If Nepal Rastra Bank actually wants to revive the construction industry, they must consider refinancing on better terms with single digit interest rate. If banks have a mandate to invest 15% of their capital in providing construction related loans, it could help us immensely. Right now, we are working to ask NRB to extend the time frame for loan settlement. Genuine parties must be facilitated and those who have misused loans or are not working on schedule should be terminated and blacklisted.

We have been able to amend the Procurement Rule. Now, it is time to implement it. Unless we implement these policies properly, there is no point in drafting it.

We have been unable to utilise the money that we receive in our national coffers from remittance properly. Recently, a new policy has been formulated which asks to increase 1% interest rate for foreign based Nepali workers which I find very interesting. Along with that, if we could also provide them with information on possible areas of investment, it could add more value to the country's overall income. We should use remittance in productive sectors rather than just on consumption.

We should be glad that Nepali people are so hardworking and ready to work in such risky jobs. Now, it is our duty to capacitate them with skills and knowledge so that they can work more smartly and help the country grow. There must be a respectful environment for migrant workers.

How do you view the immediate future for your sector/industry?

I joined FCAN in 2057 BS. Since then, I am fully committed to making a professional working environment here. I motivate all the staff members to be responsible and at the same time, fight for their rights and ask them to perform their duties properly too.

There are instances when many construction companies have used the payment received from the government elsewhere. Construction of roads and bridges were put on hold for a long duration of time. We didn't investigate those matters before but now we are making all possible attempts to ensure this is not repeated.

I see the future of the construction industry to be bright. Funds are a problem now but it can be managed with the right mindset of all stakeholders.

Your business mantra when addressing a crisis? What can we learn from you?

Reducing expenses and prioritising deadlines are important at this time.

Inflation is on the rise and we are in talks with the central bank to help us mitigate the challenges of rising prices. People's interests should be a priority for the government and staying focused and positive is important for every entrepreneur.



JANARDAN BARAL

President, Society of Economic Journalists - Nepal (SEJON)

How has the sustained economic crisis affected your industry?

Though every other industry is affected due to the declining economy, the most affected is the media. Media makes its revenue from the advertisement of construction and automobile companies. But they themselves are under pressure and in a problematic situation. Due to this, they try to reduce their expenses and in doing so they end up reducing their expenses on advertisements as it is most convenient for them. This directly affects media.

Many other industries have been affected by the current state of the economy but the most vulnerable is the media. I will share one case which will make it clearer about the effects of the declining economy in the media. Back in 2021, when I joined Society of Economic Journalists - Nepal (SEJON) as President, I could see a kind of zeal and enthusiasm in the media industry. Media investors used to be in a crisis of technically skilled manpower. Reporters who could give news on the economy used to be very few. But nowadays, we can see that the media industry is growing. They are somehow able to manage in this regard.

At this time, it is likely that small media might go for shutdowns as this economic challenge is quite huge for them. However, we can be positive with regards to well-established media houses. I would like to add that this is not an economic crisis. This is an economic downturn. This downturn has affected the media sector very badly.

What are some of the things you have done to address the ensuing challenges in your sector?

What I want to suggest to the media sector is that there is a crisis and this will not last long. Economic indicators are slowly showing positive results. We need the media in order to boost good governance and transparency. Media is one of

the biggest stakeholders which has manpower as its asset. Media is a knowledge industry. It is needless to be aggressive and lay off manpower at this time. Rather, the media industry must retain the skilled manpower. If we lay off manpower at times like these then we will face scarcity of skilled manpower in the days to come. Media industry has not been able to function well these days. Well trained workers are leaving the media, they are either in corporate sectors or are out of the country. Media has been unable to retain good brains for a long time. Media industry must realise that the stronger brains it has, the more credible it becomes.

Could the government have better handled the economic vulnerabilities and in what ways?

Poor national policy in Nepal and some disturbing situations in other countries are contributing to a deteriorated economy. The central bank became more protective and supplied almost Rs 300 billion in the market in order to help the economy during the Covid. Banks released funds through various means that reduced the interest rate and increased liquidity. The fund got invested in three sectors which were import finance, stock market and real estate. The interest rate on loans had also been reduced to 6% and banks were literally reaching out to the public to avail loans. But resultantly, imports increased and the nation's foreign currency reserves decreased so quickly that reserves capable of handling import of 16 months were reduced to six months only. Due to this situation, the government and central bank introduced a new policy restricting imports and reducing demand.

The first policy they formulated was to ban the import of certain luxury goods. The second was to increase cash margins on imported goods. When the government used the instrument to decrease



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demand by increasing the interest rate - all at the same time, the CD ratio of 80% turned to a CD ratio of 90%. From that very day, banks suffered and could not provide any money in the market. The government tried to protect the external sector of the economy but in turn affected the internal sector with revenue of the government getting affected badly. The government could have increased its own expenses and given a lift to economic activities but it is doing just the opposite. Reducing unnecessary expenses is good but if the government is reducing

its overall cost, then that's foolishness.

Now, the central bank has introduced a new policy and is assuring credit growth of 12%.

To have this situation under control, the government must think about its sources of income. Whether it is to take international loans or use different instruments such as green finance, green bond chain, blended finance, Industrial Development Corporation Fund, etc. Doing this would decrease expenses and increase demand stabilising the situation.

What are some policy reforms or initiatives that could help the industry/sector you are operating in do better?

The media industry has been facing shocks one after another. During the economic downturn, the high court banned the advertisement of liquor. Liquor advertisement was one of the biggest revenue sources. The government's decision is not wrong but the government should bring some policy incentives that could help the media sector as well.

In the last fiscal year, the government had segregated some portion of the budget for the media but this year, they have not allocated anything. In the entire world, the government is the media's major source of advertisement and the same applies to Nepal as well. The main problem is that there are irregularities in government allocation for the media. Only 20% of the budget set aside for government advertisements is received by media. The rest 80% is distributed along the way even before it reaches the media.

The discounts made to the advertisers are for the sake of sustaining operations at the moment. Ironically, the discount taken by government agencies is nothing but an act of corruption.

If corruption is stopped, there could be a plethora of changes in the industry.

How do you view the immediate future for your sector/industry?

The current scenario indicates that in the next six months, the media sector will still be in crisis as the media industry benefits only when the country's economy is in a better space. The economy has started to get better but other industries too have to be stable to provide advertisements and that itself might take another year. This is all again reliant on policy reform and implementation to secure the economy.

Overall, our indicators do show that we are on the correct path. Our foreign exchange reserves indicate that there is enough money to sustain our imports for the next 10-11 months. Our balance of payments is at Rs 229 billion plus and while comparing to the previous year's sheet, it is only at Rs 69 billion negative whereas previously, it was at Rs 592 billion negative.

According to the economic growth projection, there is a possibility of 4-5% growth and as Nepal records the highest remittance inflow, this indicates that the economic situation is gradually getting better and will help all industries rebound. My prediction is that it might take a year for the industry to gain stable ground.

Your business mantra when addressing a crisis? What can we learn from you?

As I have been working in the media field for a long time and as a person who is in a leadership position, my strategy is focusing on team management. Media is an industry in which working alone will not get any kind of result. It is an industry where collective effort is mandatory to get results. Proper team play is essential.

My three mantras are focusing on media content, networking and keeping a positive attitude.



DARSHANA SHRESTHA

Second Vice President, Federation of Woman Entrepreneurs' Associations of Nepal (FWEAN)
CEO/Founder of Nature Nepal

How has the sustained economic crisis affected your industry?

Economic crises, whether global recessions, local financial downturns or other economic issues, have broad consequences in all sectors and specially affects women-owned businesses. My business is no exception.

Due to recession, the number of orders for my products has decreased indicating that consumers are buying less. They may have prioritised essentials over luxury or non-essential goods. At the same time the prices of raw materials have hiked and availability is also not as per my need. This has impacted manufacturing capacity. In the given circumstances, I struggle between keeping the same price without profit on my goods and raising the price. Another and the most challenging part is following up on payments. My supply chain is completely disrupted.

To manage expenses, I had to lay off workers, limit the number of employees, and relocate my workshop. At the same time, my market share shrank, and there was competition in terms of products and prices resulting in lower profits.

What are some of the things you have done to address the ensuing challenges in your business?

I had more than 20 product lines of soaps, massage oils, body balms and so on which I have now reduced to a handful, focusing only on those that sell well in the market. I only make the others when I receive orders.

I reviewed my financial situation and put cost-cutting strategies in place and managed supplies and inventories.

With a smaller workforce and reduced working space, I focused on my core business operations.

I have attempted to create an online presence and promote myself through digital channels.

Could the government have better handled the economic vulnerabilities and in what ways?

Yes, the government could have managed the economic shocks more effectively. Few things, in my opinion, the government could have done are: Through grants, low-interest loans and subsidies, provide access to finance to vulnerable enterprises, particularly women-led enterprises. These kinds of initiatives should target the right audience. The sad part is that the government has terminated the Women Entrepreneurship Development Fund (WEDF) and has temporarily halted subsidised loans to women entrepreneurs. These loans must be continued. The government could collaborate with organisations like FWEAN to reach out to the right women entrepreneurs who are mostly severely affected by economic shocks.

The government should update regulatory measures such as tax deadlines, refinancing, loan repayment and other compliances to help keep enterprises running in difficult times instead of burdening them further. The government's policies and programmes should not be applied in a blanket approach. The government should devise specific approaches for different challenges. The government should also develop economic recovery strategies, initiatives and policies to address relief measures for economic growth and resilience.

It is also critical to improve skills in digitising the businesses of women and vulnerable groups and to give internet access to all areas of Nepal.

Also, the government should encourage entrepreneurs to localise their enterprises and provide incentives to those who use local resources and create jobs.

The government should assist in identifying overlooked natural resources having significant economic potential.



Economic crises, whether global recessions, local financial downturns or other economic issues, have broad consequences in all sectors and specially affects women-owned businesses. My business is no exception. To manage expenses, I had to lay off workers, limit the number of employees, and relocate my workshop.

What are some policy reforms or initiatives that could help the industry/sector you are operating in do better?

I am into the herbal industry that manufactures natural aromatic skincare products. In my view the herbal industry in Nepal could benefit from several policy reforms and initiatives to foster growth, sustainability and innovation. Let me share a few points:

The government should establish research and development funds to support research and innovation in herbal products, herbs cultivation and processing techniques.

The government should focus on standardisation and certification for herbal products which ensures consistency, safety and efficacy to gain consumer trust.

It is equally important to have proper herbs processing and storage units to ensure quality.

Focus on technologies that support sustainable cultivation and harvest. Special subsidies and incentives should be provided to those who are adapting sustainable and eco-friendly cultivation, harvesting and processing and also to those who are practicing traditional and indigenous methods to produce herbal products.

Marketing is another challenge. The government can support businesses like mine to find a better global market. This can be done by helping us to participate in international trade fairs, exposure visits to promote Nepal-made herbal products. Develop strategic plans and programmes for promoting Nepali herbal products in international markets, focusing on product differentiation, branding, intellectual property and market research.

These policies and initiatives are very important to implement. If implemented, it can definitely contribute to the growth and sustainability of the herbal sector in Nepal, which will create economic opportunities to the wider population in the country and at the same time can preserve our rich natural resources and traditional knowledge.

How do you view the immediate future for your sector/industry?

Businesses that are adaptable, innovative and responsive to changing environment will sustain. I foresee some businesses doing well if supported by the government. There will be growth in health and wellness as more people are shifting their lifestyle and adopting natural products against synthetic and chemical laden products. In this case, there is hope that the demand for natural and herbal products will increase. This trend will support local businesses and sustainable practices in Nepal. There will be more prominent brands for herbal products in the country. There will be more marketing platforms, mostly digital platforms like e-commerce sites. More women will be able to sell their products online.

Your business mantra when addressing a crisis? What can we learn from you?

When addressing a crisis, we can employ some strategies that leverage our strength of doing business.

For me, learning an attitude for adaptability is the mantra to sustain my business. Additionally, digitise your business; explore your e-market. It is possible because everyone has a smartphone in their hands. You can reach the global market easily.

Prepare your business continuity plans for any circumstance. Prepare for change with better planning. Stay informed about market trends, customer demands. Look for opportunities, be ready to diversify your business, and embrace innovation. Build your consumer trust. Know your financial status and channels. **B**

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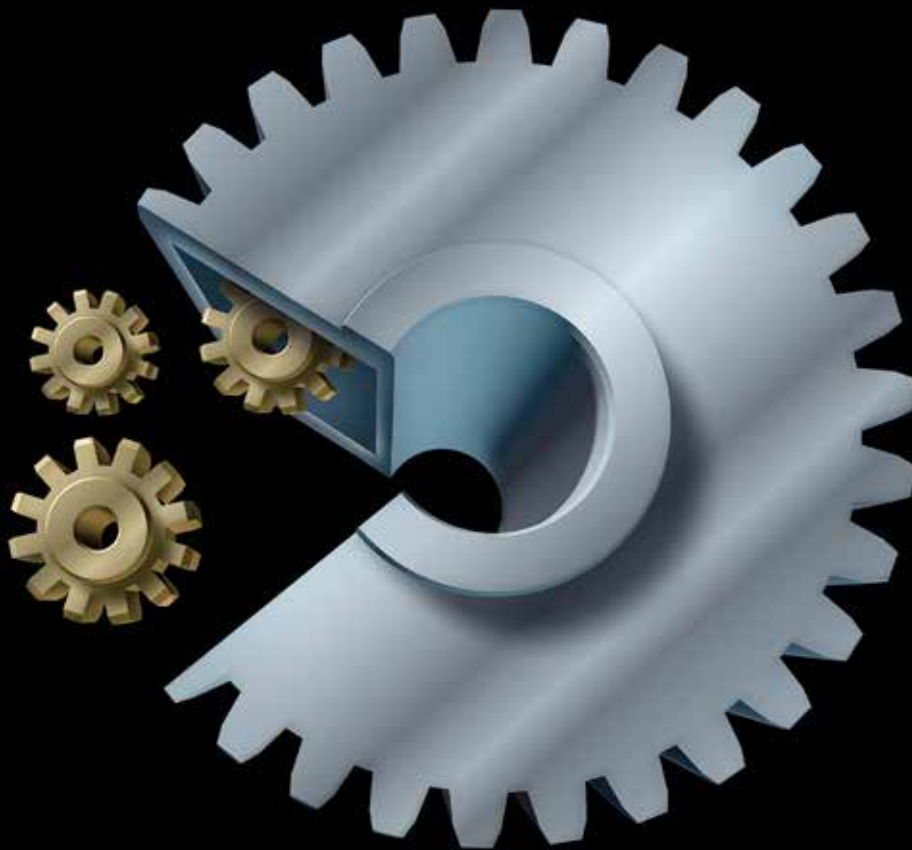
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Mergers and Acquisitions in Nepal's Banking Industry



The buzz surrounding mergers and acquisitions (M&A) has reached a crescendo in recent times. Embraced as a strategic business maneuver, M&A involves the consolidation of two or more organisations

towards a shared objective or even the complete acquisition of one entity by another. This dynamic approach is predominantly aimed at achieving heightened competitiveness, bolstering efficiency, slashing costs, and maximising profits. With its

profound impact on the global financial landscape, M&A has been a pivotal force reshaping the very essence of the banking industry.

Originating in the United States during the early 1980s, the momentum of M&A was further propelled by the Asian

Financial Crisis of 1997-98 and the seismic Global Financial Crisis (GFC) of 2007-08. These pivotal events catapulted M&A into the limelight, propelling its significance in the financial realm to unprecedented heights.

In 2011, Nepal Rastra Bank (NRB) introduced the Merger Bylaws Policy with the aim of strengthening the capacity of banks and fostering healthy competition, especially in anticipation of foreign counterparts entering the market. However, by 2012, the number of Banking and Financial Institutions (BFIs) had surged to 220, comprising 32 commercial banks, 88 development banks, 77 finance companies, and 23 Micro Finance Institutions (MFIs). This high number of BFIs, relative to the size of Nepal's economy, resulted in detrimental consequences. Unhealthy competition ensued among BFIs as they vied for deposit collection, loan disbursement, and an increasing share of bad loans, ultimately leading to underperformance issues.

To address these challenges, NRB introduced various regulatory measures, including the acquisition bylaw in 2013, which was later integrated into the merger and acquisition bylaw of 2016. These regulatory provisions aimed to facilitate consolidation within the banking sector and promote stability, efficiency, and sustainability in the financial industry. By encouraging mergers and acquisitions, NRB sought to streamline the number of BFIs, promoting a more robust and competitive banking landscape that could better serve Nepal's economic needs.

In the aftermath of these visionary moves, Nepal's banking landscape witnessed a surge of transformative mergers. The NRB's strategic initiatives coupled with Article 177 of the Banks and Financial Institutions Act 2063 (BS) and Articles 68 and 69, have collectively encouraged BFIs to embark on the journey of consolidation. Further, the 2015 monetary policy proved to be a game-changer as NRB unveiled a remarkable four-fold hike in the minimum paid-up capital for commercial banks and an astounding 24-fold increment for development banks. This bold mandate necessitated

commercial banks to elevate their paid-up capital to Rs. 8 billion, while nationwide-level development banks required a substantial increase to Rs. 2.5 billion. The resolute stance taken by the banking regulator fortified the conditions necessary to foster a seamless merger and acquisition process.

Astutely seizing the opportunity, numerous BFIs embraced mergers as a strategic pathway to outmaneuver their competitors, attaining a coveted competitive edge. These amalgamations proved instrumental in achieving a harmonious confluence, ushering in enhanced financial indicators and expanding market shares. Emanating from NRB's visionary endeavor to streamline the number of BFIs to an optimal level, bolster competitiveness, and institute fair banking practices, Nepal's financial sector bore witness to a wave of transformative mergers over the past decade. One of the earliest milestones in this transformative journey was the 2004 merger between Laxmi Bank and HISEF Finance Company, setting the precedent for future M&A activities in the financial sector.

Beyond the realm of financial institutions, BFIs play a crucial role in supporting Nepal's overall growth financing program. Operating as representatives, investment and working capital financing companies, and vital channels for funding underfunded individuals, they contribute significantly to the economic fabric. As institutions of public trust and indispensable components of the financial system, BFIs boast a strategic position, becoming formidable allies in propelling economic development to greater heights. Remarkably, the M&A surge has led to 20 Commercial Banks in Nepal undertaking mergers or acquisitions with other BFIs, creating a dynamic transformation in the banking landscape.

The journey towards M&A, however, is not without its share of challenges. Securing the perfect merger partner

proves to be a delicate dance, requiring a meticulous alignment of long-term goals and vision. Deciding on a swap ratio during the merger process can be a tightrope walk, demanding keen negotiation skills. Additionally, the impact on employees, customers, and stakeholders cannot be underestimated. Post-merger, meticulous employee management becomes paramount as organisational dynamics and policies undergo fundamental changes, necessitating a delicate balance between expectations and reality.

The path to merging two banks necessitates considerable upfront costs, integrating systems, processes, and operations with utmost precision. Cultural disparities between merging entities can create internal rifts, hindering effective collaboration and productivity. Customer anxiety, resulting from uncertainty, may drive some clients towards alternative banking options, potentially leading to lost revenues and diminished market share. Regaining customer confidence becomes an ardent task post-merger.

Navigating regulatory approvals is a labyrinthine process, demanding patience and due diligence. Integrating technology systems can cause operational disruptions and downtime, impacting customer service and financial performance. Moreover, an increased exposure to credit risks for the merged entity, especially if one of the banks holds a higher proportion of risky assets, requires vigilant risk management strategies. Yet, despite these multifaceted challenges, the potency of mergers and acquisitions remains undeniable.

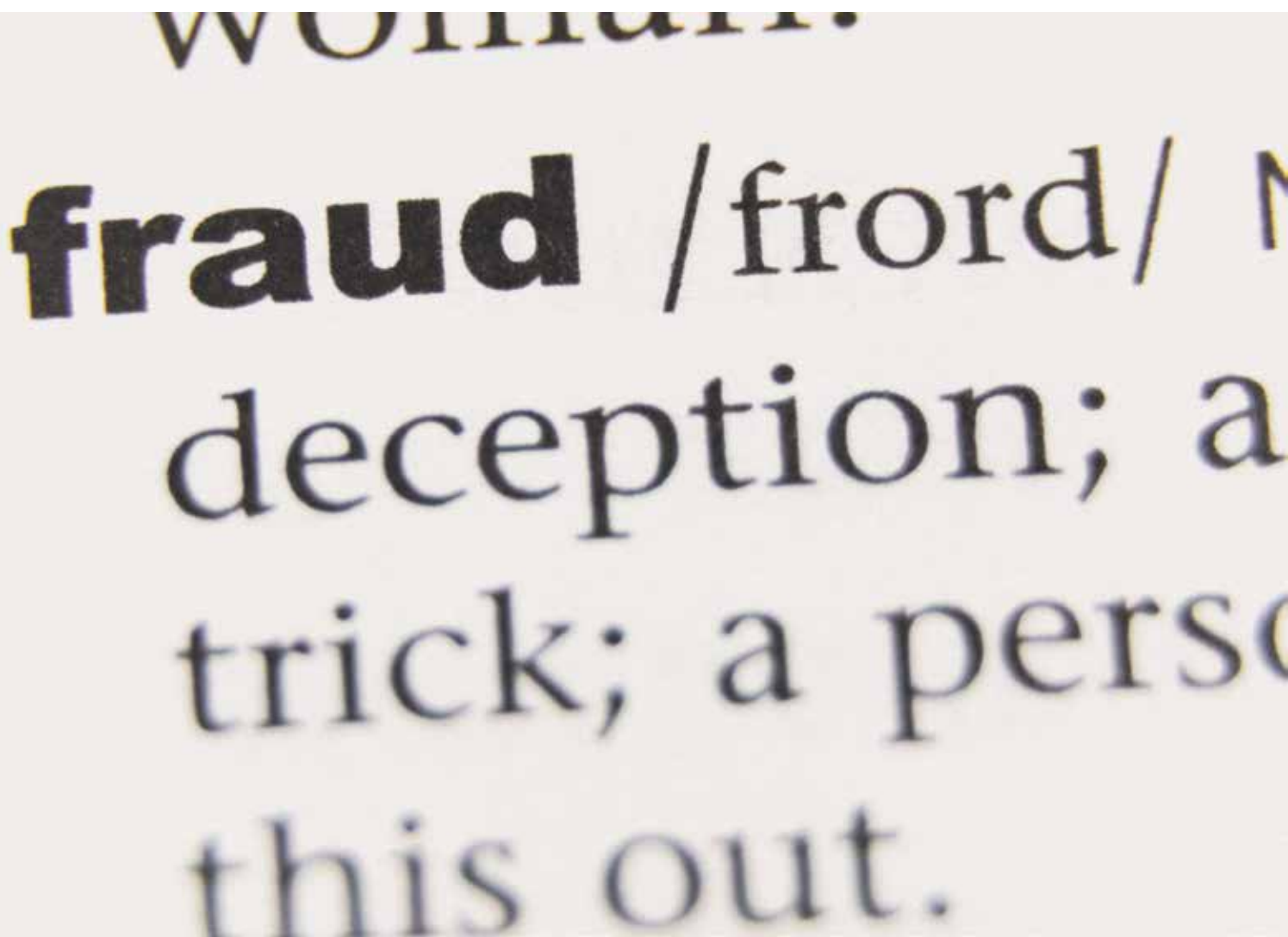
Many banks embark on this journey to capitalise on long-term benefits. Recognising these challenges proactively becomes a vital ingredient in successfully navigating the M&A process, ensuring enduring financial prosperity and strength for the merged entity.

In the throes of an extraordinary transformation, Nepal's banking industry finds itself on the precipice of a new era. The powerful impact of mergers and acquisitions has steered the course of this journey, marking a definitive shift towards progress and prosperity. As Nepal's financial landscape continues to evolve, embracing the transformative potential of M&A will undoubtedly lead to a brighter, more robust future for its banking sector and the nation at large.

Ashoke SJB Rana, Chief Executive Officer of Himalayan Bank, says, "In the context of M&A in Nepal, I would like to refer to only the merger and acquisition policy initiated by Nepal Rastra Bank for the consolidation of financial institutions in Nepal. NRB came out with a policy guideline and a specific directive in this regard. It contained incentives and some regulatory forbearance for a certain time period to comply with NRB rules." He adds that Himalayan Bank's experience with the acquisition of Civil Bank has had some major surprises. "While the overall acquisition has propelled the bank into a larger capitalised institution with a bigger network of branches and human resources, the financial integration has been challenging," he shares.

Rana states that one of the other major financial issues has been tax uncertainty. "As you may be aware that all banks have been presented with an unforeseen tax on the swap ratio as a bargain/purchase tax. Assessing the financials of the target institution has been challenging. Also aligning staffing issues and operational practices are key to a successful merger. Overall, we support and agree with the rational for NRB to introduce the merger and acquisition policy." **B**

COOPERATIVES FRAUD ON THE RISE



Text: Pushpa Raj Acharya

In recent months, victims of cooperatives from different regions of the country have been protesting in the capital seeking

their savings and investment back as many cooperatives have shut shop with owners and management absconding. The number scams in the

cooperatives sector is seen to be increasing as economic slowdown hits the country.

The Central Bureau of Investigation (CIB) of Nepal

Police had arrested Kedarnath Sharma, former Chairperson of Shiva Shikhar Multipurpose Co-operative, Bhaktapur from Mumbai, India, for his alleged

involvement in embezzling Rs 14 billion from deposits of members. Sharma has apparently siphoned off the funds from Nepal to set up businesses in India and Myanmar, according to CIB.

During the investigation, it has come to light that some of the promoters alleged in swindling public deposits are found running other cooperatives as well. For instance, Sharma was also running Tulasi Cooperatives in Morang. The local level administration and the police and Department of Cooperatives have been flooded with grievances related to the cooperative sector fraud.

Renowned real-estate trader and developer, Ichha Raj Tamang, who used to lead Civil Cooperative, is currently facing a court case on money laundering through a scam perpetrated through his cooperative. Just a year ago, the Department of Money Laundering Investigation filed a case at the Special Court against him seeking Rs 3.31 billion as principal.

Glaring examples of political protection and money laundering have been witnessed during the investigation of cooperatives fraud. The Department of Cooperatives based on the grievances of 1,175 members, has recently corresponded with the Ministry of Land Management, Cooperatives and Poverty Alleviation to announce Gautamshree Cooperatives as problematic. However, reportedly, its promoter, Ram Bahadur Gautam has political protection which leaves the victims deprived from getting their deposits back.

The Ministry has also identified and announced two other cooperatives in the red - Oriental Cooperatives and Pashupati Saving and Credit Cooperatives.

There are various categories of cooperatives based on their nature of work — multipurpose and saving and credit cooperatives. Cooperatives in the country have mobilised more than Rs 400 billion of public money,

according to Khimananda Acharya, Deputy Registrar at the Department of Cooperatives. “We must admit that cooperatives are beyond prudent regulations,” he stated, adding, “As a result, there are a large number of such cases, mainly in the urban areas and a majority of the fraud cases are related to the savings and credit cooperatives.”

There are around 31,373 cooperatives in the country with 7.4 million members, however, due to lack of proper regulation and supervision, cooperatives are facing operational and market risks and promoters of some of the large cooperatives have been found to be involved in fund embezzlement and fraudulent activities.

Out of the total 31,373 cooperatives operational across the country, around 14,000 are savings and credit cooperatives. Cooperatives are often alleged to be a tool for promoting informal economy, and sometimes even a resort to park illegal money.

Considering the pressing challenges, the Department of Cooperatives has enforced a directive on cooperatives with annual transaction of Rs 100 million whereby they must abide by the Directives for Money Laundering Prevention in Cooperatives, according to Acharya.

As mandated by the Cooperatives Act 2017, the Department of Cooperatives supervises cooperatives having annual transactions of above Rs 250 million. Cooperatives are being regulated as per their jurisdiction:

- one local level cooperative is regulated by concerned municipality/rural municipality
- cooperatives in two or more municipalities in the same province are regulated by the provincial government
- one provincial cooperative having annual transaction of Rs 250 million is regulated by Department of Cooperatives
- cooperative with transaction over Rs 500 million is regulated by Nepal Rastra Bank.

The central bank, however, is reluctant to regulate and supervise cooperatives citing capacity constraints and is confined to regulating and monitoring banks and financial institutions licensed by the bank.

The main motive of cooperatives is to work at the community level to empower its members financially. Government and development partners collaborate with cooperatives to execute their programmes related to enterprise development, insurance, health services, awareness and production. The member-based organisations in each community are expected to be self-regulated by their members, which has seldom happened, according to the advocates of the cooperative movement. Taking this into consideration, the Cooperatives Act has a flexible provision to establish cooperatives with member base of merely 25 individuals.

Chitra Kumari Thamsuhang Subba, General Manager

of National Cooperative Federation of Nepal, admitted that the cooperative movement has derailed from its original purpose, shifting now to profit mongering. “The Constitution of Nepal has recognised the cooperatives sector as one of the important pillars of the economy. It can be a vital too to promote entrepreneurship and inclusiveness for economic stability,” she said.

Ram Laxman Raya, Managing Director of Rajshree Saving and Credit Cooperatives, which has been providing services in eight districts of the Terai said, “People with strong political nexus have been using the cooperatives sector to loot people’s hard-earned money. They attract the common people by offering high interest rates on savings and flee after swindling a sizable amount of money. Such practice and lack of prudent regulation, supervision and rule of law have created hardships for genuine institutions to survive. **B**

WHY WORKING FROM HOME ISN'T WORKING

A recent study showed massive productivity losses for those working at home.



PETER JACOBSEN IS A WRITING FELLOW AT THE FOUNDATION FOR ECONOMIC EDUCATION.

Zoom recently announced they are calling some workers back to the office. The company's new policy requires close workers to

return to the office at least two days per week. This announcement is only a continuation of a longer trend of bringing workers back. Many tech companies including Google and Amazon are calling reluctant workers back in after a years-long experiment caused by Covid 19 policies.

These bigger cases are representative of what's happening economy-wide. According to Pew Research, 43% of workers who have jobs that can be worked remotely said they worked from home all of the time in January 2022. By February 2023, that number fell to 35%.

Why is this happening? Remote work isn't working for companies. A recent working paper from the National Bureau of Economic Research corroborates this. The authors study the data entry sector in India. They find that working from home causes an immediate average 12% loss in productivity and accuracy, and the loss increases to 18% over time.

It's important to note that this is, again, the data entry industry. It's hard to imagine many industries more suited to make a permanent leap from in-office to at-home post-pandemic.

To be clear, remote work is still more common than it was pre-pandemic. Also, many workers are still retaining some hybrid remote work, according to Pew. But the trend is away from remote work. This flies in the face of a lot of speculation that Covid would push us to a zero-office future.

So, what's behind the waning status of the remote work revolution? To understand why remote work isn't working, we should first consider why there was



so much optimism about the change to remote work.

Switching to Save

I was always extremely skeptical that remote work would permanently replace office work on a large scale. To understand why, think about the cost of office buildings. Office space in a busy place like Manhattan can run tens of thousands of dollars per month. And these are individual suites and floors. Imagine the cost, implicit or explicit, of an entire office building.

Offices are costly. This may sound like an argument in favor of remote work—at first. But ask yourself, why would businesses spend so much money to have a physical office? Why not get rid of the office building and have employees telework?

There are two possibilities. Either lots of businesses are making millions of dollars' worth of mistakes over the years, or having a physical office space provides significant financial benefit to companies. In order for a very expensive office to make sense, it must provide very large productivity benefits.

I tend to believe the second reason is true. I think there are substantial benefits (which I'll discuss more later) to sharing physical space with coworkers (and other business partners). Anyone

“According to Pew Research, 43% of workers who have jobs that can be worked remotely said they worked from home all of the time in January 2022. By February 2023, that number fell to 35%. Why is this happening? Remote work isn't working for companies.”

who thinks these offices are a mistake should consider starting their own business—you'll surely be more cost-effective than your competition if you cut out tens of thousands of dollars of mistakes each month.

Before the pandemic, however, fans of remote work had a good theoretical response. Costly office buildings demonstrate there must be a big upside to buildings. But it's also the case that switching your company from a physical-meeting-space company to a remote work-based company is expensive.

So, it could have been the case that switching was so costly that it made the office space expense worth it. In other words, maybe physical offices only made sense because it's too hard to change a whole company to remote work.

It seemed unlikely to me that the cost of teaching employees how to effectively use email and conference calls exceeded the cost of an office building, but it was at least theoretically possible.

But Covid changed this. Due to pandemic policies, businesses were forced to bear the switching costs. Companies quickly adopted technology, created processes, and established workflows to transition into an era of remote work.

So, switching costs have been paid. In spite of this, businesses are still moving back into the big

expensive buildings. How could this be? Well, the simple answer is work from home is just less productive than work in the office, on average.

The Reversing Revolution

The numbers in the NBER study are staggering. An immediate 12% loss in productivity is a massive drop. Admittedly, this is only one study. But the study is bolstered by the fact that so many businesses are willing to hold on to large office buildings and call their workers back in. Finally, there are also good theoretical reasons why we would expect remote work would lead to lower productivity in corporations.

To understand these reasons, we need to think about teams. Consider two people who are moving the contents of their office into a moving van. Let's say Jon can move 30 items an hour by himself. Patrick moves 20 items an hour by himself.

How much do you think they could do an hour if they worked as a team? You might be tempted to say 50, but that isn't quite right. Think of how long it would take to move a couch by yourself. You could probably do it, but it's awkward to carry alone, and it'd be hard to get it through doors and up or down stairs. Two people moving a couch are probably more than twice as fast as one person trying to do the same.

In other words, the team as a unit is more productive than the individuals' work simply added together. It's more likely that this increased efficiency will mean the team could move more, say 70 boxes, in the same amount of time. The whole is greater than the sum of the parts.

Economists call this team production.

Insofar as people work more cohesively in teams when they are physically present together, the benefits of team production will increase. It's important to note that those who are in-office still have access to all the tools for teamwork remote workers do. You can Zoom the person in the room across the hall. But you can also walk down the hall. If walking down the hall enables better teamwork, it can mean a more productive team unit.

Team production comes with a problem, though. If Jon and Patrick can move a total of 50

boxes individually, but they move 70 when working as a team, who is responsible for the additional 20 boxes? In some sense, the team itself as a unit is responsible. The extra 20 boxes would not be moved without the team.

A similar analogy works in sports. How many touchdowns is a quarterback individually responsible for? You might say all throwing touchdowns belong to the quarterback, but do they?

In football, there are 11 players for each team on the field at any given time. How many touchdowns would a great quarterback be able to throw if you took just one of the eleven offensive players off the field? Probably zero.

At a professional level, defenses are just too good for the offense to succeed even if they're missing just one player. It's probably not right to say that quarterbacks are equally responsible for touchdowns as fullbacks, but it's also wrong to say they are completely responsible. The team itself plays a role.


Returning to our boxes example, this creates a bit of an issue. If we know Jon can move 30, and Patrick can move 20, but the team itself can produce more than 50, how would we know whether Jon or Patrick decided to put in less effort?

In our fictional example, I specified the team could move a total of 70 boxes, but in the real world the maximum number of boxes a team can move is not known. If one of the two decided to not lift as hard or walk more slowly, maybe the total would drop to 60 boxes. Notice, 60 boxes is still more than the 50 that would have been done individually, but it's less than the 70 possible.

In team production, it's difficult to tell when someone is shirking (putting in less effort). Also, the person who shirks does so at the expense of other members of the team. Whenever we don't bear the cost of our decisions, we are more likely to make costly decisions.

Economists Armen Alchian and Harold Demsetz first introduced the problem, and it is now known as the team production problem.

So how is the team production problem solved? Let's now say Jon and Patrick are movers for a moving company. The company wants to minimize shirking. What can they do? Well, the company could hire a manager—let's call him Dan.

 **Offices are costly. This may sound like an argument in favor of remote work—at first. But ask yourself, why would businesses spend so much money to have a physical office? Why not get rid of the office building and have employees telework? There are two possibilities. Either lots of businesses are making millions of dollars' worth of mistakes over the years, or having a physical office space provides significant financial benefit to companies. In order for a very expensive office to make sense, it must provide very large productivity benefits.**

If the moving company wants to cut down the team production problem, they can offer Dan a financial reward for every box the team moves in excess of 50. Notice what this does. Dan now has a financial incentive to use all sorts of techniques and technologies to improve productivity and stop the team production problem.

He could try to motivate Jon and Patrick via good leadership. He could visually monitor them to see if he can catch someone slacking off. He could offer one or both financial incentives.

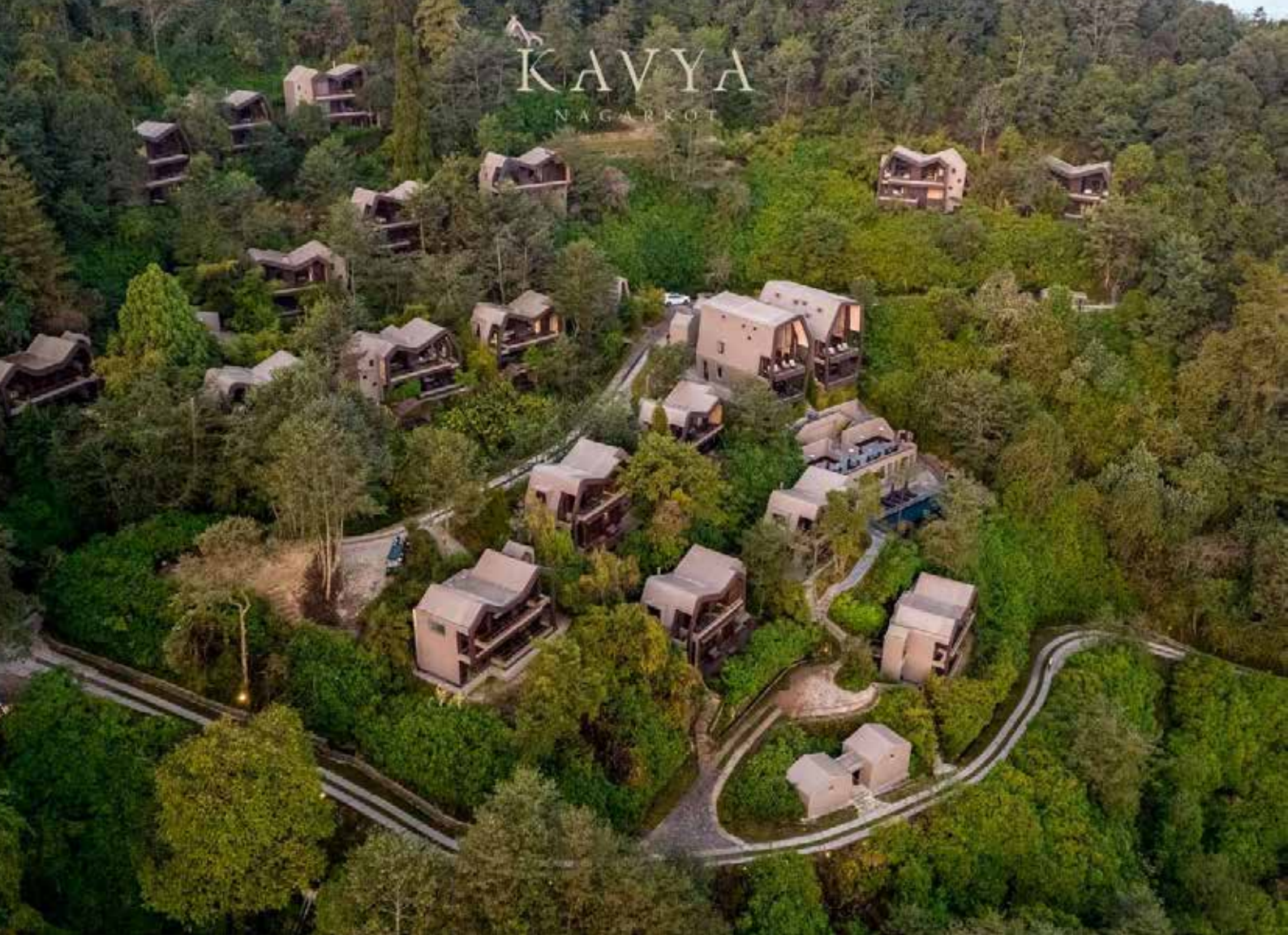
There is not one clear textbook answer to the team production problem, but paying individual managers to solve the problem on a situation-by-situation basis seems to be an effective solution.

So, what does this have to do with remote work? My belief is that the ways managers often solve the team production problem require physical office spaces. For example, a shared company culture which motivates employees to put forth a little more effort may be easier to foster when you see your coworkers frequently and talk about your lives. Similarly, physical, visual monitoring may simply be a more motivating form of monitoring than others.

Many want it to be the case that remote work is more productive, but I chalk this up mostly to wishful thinking (though this is not to say that some people will not thrive in work-from-home situations, or that some jobs are not more conducive to working from home than others). Interestingly, the NBER study showed those workers who preferred working from home were actually even more unproductive than the average worker when working from home.

In any case, it appears the advantages of team production in physical space are still beyond the realm of being completely replaced. It's possible that with technological changes, we may move to a place where remote work is common or universal, but the moral of the story is there is no guarantee. The extent to which it makes sense for people to do remote work varies depending on all sorts of technological, cultural, temporal, and job-specific factors. There is no clear end of history for the question of office vs. remote work. **B**

Source: fee.org



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Central Banks & Gold

Gold is an integral instrument in the financial markets. Bullion is an alternative form of investment during uncertain times and is a trader's best friend. Due to the unique factors driving it, gold always accounts for a respectable position in the portfolio of numerous traders. Among the various elements driving gold is the central bank's purchasing and selling of the metal. Gold has been a significant component in the reserves of economies for centuries and its appeal is exhibiting no signs of diminishing. As per Reuters, central banks now hold more than 35,000 metric tonnes of the yellow metal, about one-fifth of all the bullion ever mined.

One of the primary objectives of gold for the central banks across the world is to simply diversify their reserves. In simple words, the banks are first responsible for their currencies but these are subject to changes depending on the perceived appreciation or depreciation of the economy in question. During times of crisis or emergency, banks may be forced to inject more money into the economy due to interest rates being stuck at around the zero mark for most nations. This increase in circulation may be deemed as necessary to save the economy but it comes at the cost of the currency devaluing further. Enter Gold! It is a commodity whose supply can't easily be added and is a common hedge against inflation forces. Therefore, central banks purchase the 'safe haven' instrument since it retains its value against currencies or declining bond prices. Likewise, traders do not rely on any particular issuer or government.

As per the World Gold Council (WGC), central banks purchased a staggering \$70 billion of gold in 2022 – the most since the 1950s – as



developing macroeconomic and geopolitical uncertainty drove the governments to accumulate and reserve the yellow metal. In hindsight, the Russian invasion of Ukraine, volatile financial markets, and mounting economic uncertainty forced central banks to purchase 1,136 tonnes in 2022. China was the forerunner driven in part by its growing need to deter itself from the greenback on the back of the rising political tensions with its counterpart.

China

The People's Bank of China increased its reserves to 2,076 tonnes from December to May adding itself to a team of other banks that boosted the reserves of Turkey, India and Singapore. However, when the uncertainties of a post-Covid economic slowdown emerged, China began to slash purchases in spring, partly to finance an upcoming stimulus programme to improve its staggering economy.

Turkey

According to WGC, Turkey followed selling 160 tonnes from March to May. Soaring inflation prompted consumers to purchase the precious metal forcing the central bank of Turkey to trim its holdings while curbing the imports of

gold to develop a growing current account deficit. Turkey made a surprise return to the market in June boosting reserves by 11 tonnes to an aggregate of 440 tonnes. The sporadic nature of its purchases has stemmed from its need to tackle heightened inflation along with a financial crisis that has sent the currency into a tailspin. Traders have rushed to acquire gold forcing officials to ban gold imports to support the lira, its official currency.

Russia

In a recent revelation, the Bank of Russia has been accumulating the yellow metal with its holdings jumping by one million ounces as of March. This move helped to limit the effects of the western sanctions in the aftermath of its invasion of Ukraine thereby boosting the holdings to 74.9 million ounces. As per market analysts, gold is much harder to freeze in terms of movement than other liquid assets such as currencies. Following suit, China, India and Pakistan have also boosted reserves to be able to trade with Russia.

Diversifying Asset

The central banks of most of the emerging markets have been purchasing gold to diversify away from a slumping

dollar as it can be exchanged into any currency like the euro, yuan or yen. Protecting from geopolitical and economic shocks is another strong reason for emerging and developed central banks to purchase gold. Eight central banks increased their gold purchases in May, led by Poland, China, Singapore, Russia, Iraq, India, the Czech Republic and the Kyrgyz Republic as per WGC.

Conclusion

Market pundits assess that countering strong recessionary headwinds, emerging nations will continue to accumulate bullion in the near to medium-term future. A recent survey concluded that these institutions have a strong interest in amassing the yellow metal to ward off currency and political risks including those developing from the Russia-Ukraine issue. Chinese purchases are also expected to gradually pick up in 2024 as the country has sufficient room to boost its reserves which stand behind the US with 8,133 tonnes and Germany with 3,354 tonnes. While the cause of the central banks buying gold may have changed over the decades, the reasons for holding the asset have changed little. **B**

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Beed's take on the market

During the review period of July 2 to July 31, 2023, the Nepal Stock Exchange (NEPSE) index declined by 48.62 points (-2.26%) to close at 2,106.18 points. The secondary market, which had seen a significant recovery in the previous review period, faced a downward momentum in this time and reached its lowest point on July 5 at 2,049.44 points. The recent monetary policy unveiled by Nepal Rasta Bank has failed to sustain the growth of the previous period. While the market initially had a positive reaction to the announcement, it gradually continued declining. The overall total market volume plummeted by 15.14% to reach Rs 65.186 billion.

During the review period, seven of the 10 sub-indices landed in the red zone contrary to the previous review period that saw all sub-indices in the green zone.

Life Insurance sub-index (-9.95%) was the biggest loser as the share value of Life Insurance Corporation Nepal (-Rs 195), Himalayan Life Insurance (-Rs 83.9), and Asian Life Insurance Company (-Rs 66.5) decreased substantially. Hydropower sub-index (-8.92%) was second in line with fall in the share prices of Arun Kabeli Power (-Rs 133.9), Shuvam Power (-Rs 84.8), and Mountain Energy Nepal (-Rs 79.9).

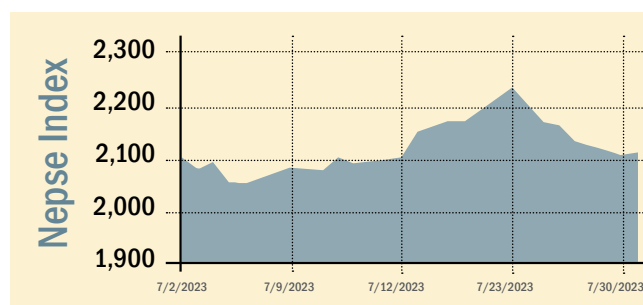
Microfinance sub-index (-6.69%) followed suit with decrease in the share prices of

Upakar Microfinance (-Rs 145), Shrijanshil Microfinance (-Rs 120), and Sashana Microfinance (-Rs 108). Non-Life Insurance sub-index (-3.34%) also fell as share value of Nepal Insurance Company (-Rs 115), NLG Insurance Company (-Rs 89), and Sanima GIC Insurance (-Rs 60) went down.

Finance sub-index (-2.39%) decreased as share prices of Progressive Finance (-Rs 20.6), Janaki Finance (-Rs 20), and Manjushree Finance (-Rs 15) fell. Others sub-index (-2.18%) witnessed a decline in the share prices of Nepal Telecom (-Rs 28.5), and Nepal Reinsurance Company (-Rs 2). Likewise, Hotels and Tourism sub-index (-1.14%) saw a drop in the share values of Soaltee Hotel (-Rs 56.1), Taragaon Regency (-Rs 42.5), and Oriental Hotels (-Rs 23).

However, Development Bank sub-index (+0.49%) was able to make it into the green zone with an increase in the share prices of Corporate Development Bank (+Rs 35.8), Kamana Sewa Development Bank (+Rs 18.7), and Jyoti Development Bank (+Rs 15.2). Manufacturing and Processing sub-index (+1.60%) followed suit with increase in the share value of Unilever Nepal (+Rs 3,770) and Bottlers Nepal (+Rs 975). Commercial Bank sub-index (3.62%) was the biggest gainer with increase in share values of Everest Bank (+Rs 33.1), Sanima Bank (+Rs 28.9),

Figure 1 NEPSE Index during the review period
(July 2 to July 31, 2023)



Source: Nepal Stock Exchange

and Global IME (+Rs 28.3).

News and Highlights

The Securities Board of Nepal (SEBON) has unveiled its policy and programmes for fiscal year 2023/24 which focuses on market development and expansion. SEBON has announced plans to revise the necessary laws to permit Non-Resident Nepalis (NRNs) to invest in the secondary market. It falls in line with SEBON's commitment to increasing participation and developing a competitive environment. SEBON has also discussed reducing share trading costs associated with brokerage services, committing to a study for the same.

On the public issues front, SEBON has approved the Initial Public Offering (IPO) for four hydropower companies, three insurance companies and one investment company. The IPOs for hydropower companies are for Mid-Solu Hydropower worth Rs 748.4 million, Mandu Hydropower worth Rs 1.36 billion, Chirkhwa Hydropower worth Rs 400 million, and Mathillo Mailun Khola Hydropower worth Rs 1 billion. The respective issue managers are NIC Asia Capital, Prabhu Capital, RBB Merchant Banking, and Sanima Capital.

SEBON has approved IPOs of three insurance companies – Reliable Nepal Life Insurance worth Rs 4 billion, Sun Nepal Life Insurance worth Rs 3.2 billion, and Citizen Life

Insurance worth Rs 3.75 billion. The respective issue managers are Civil Capital Market, Nepal SBI Merchant Banking, and NIBL Ace Capital.

Similarly, it also approved the IPO of Hathway Investment Nepal worth Rs 1.17 billion with Global IME Capital as the issue manager. The IPO of IME Ltd worth Rs 100 million is in its pipeline and under preliminary review. Prabhu Capital has been appointed as its issue manager.

Outlook

The decline in the current review period was primarily influenced by investors profit booking tendencies. As the fiscal year comes to a close, NEPSE generally experiences higher selling pressure as investors seek to realise gains to meet their obligations. Further, the provisions outlined in the monetary policy for the current fiscal year 2023/24 has failed to meet investor expectations, and thus the market has not been able to sustain the growth of the previous period. The market is likely to maintain its current momentum while investors await the annual financial figures of listed companies. **B**

This is an analysis from beed Management Pvt Ltd. No expressed or implied warrant is made for usefulness or completeness of this information and no liability will be accepted for consequences of actions taken on the basis of this analysis.

Table 1 Sub-indices during the review period
(July 2 to July 31, 2023)

	July 2, 2023	July 31, 2023	% Change
NEPSE Index	2,154.80	2,106.18	-2.26%
Sub-Indices			
Commercial Bank	1,257.81	1,303.35	3.62%
Development Bank	3,914.26	3,933.56	0.49%
Hydropower	2,531.24	2,305.54	-8.92%
Finance	1,899.38	1,853.96	-2.39%
Non-Life Insurance	11,459.07	11,076.35	-3.34%
Others	1,575.94	1,543.59	-2.05%
Hotels and Tourism	5,738.18	5,672.75	-1.14%
Microfinance	4,172.94	3,893.93	-6.69%
Life Insurance	12,761.86	11,491.63	-9.95%
Manufacturing & Processing	5,647.03	5,737.12	1.60%

Source: Nepal Stock Exchange



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Why Legal Risk Management Matters



Nida Doon Malla is a Consultant at Pioneer Law Associates and specialises in the areas of Legal Risk Management and Best International Business Practices with a focus on the Infrastructure, Investment, Development, Capital Markets, and Alternative Dispute Resolution sectors.

Ahrohi Shrestha is an Associate at Pioneer Law Associates and specialises in Private Equity, Foreign Investment, Intellectual Property, Arbitration, and other corporate matters.

The term Legal Risk Management is self-explanatory; however, it continues to remain a rather uncharted practice area in Nepal. There are many reasons for that, one being the perception that lawyers are only needed at the time of firefighting. Although business decisions are best left to the management, however, it is incumbent upon them to take decisions with reasonable care. This duty of the management is also enshrined in the Company Law of Nepal. The term reasonable is understood to mean what a simple person of reason who understands to be reasonable. For example, taking the advice of professionals in relation to technical matters. For a decision to be reasonable, it is important to look at it holistically. This includes looking at it from the perspective of enforceability, compliance with the law, and possibility of other legal risks.

What is a Legal Risk?

This is the risk associated with how business decisions play out in relation to the law. It is not as simple as understanding whether something is illegal or not. One must also seek to be within the bounds of the



government regulation on the market. Not conducting Legal Risk Management can lead to loss of business and market reputation, the company taking on heavy liabilities in the form of compensation or penalties to be paid, and in some cases even criminal prosecution of the officers of the company.

There are three types of Legal Risk:

- Corporate and Contract Risks
- Litigation Risks
- Regulatory Risks
- Corporate and Contract Risks arise when business operations are undertaken, or contracts are drafted without adequate risk assessment and allocation. Risk assessment and allocation require forethought in relation to legal realities.

Litigation Risks are of three kinds – corporate litigation (arising out of operations), contract litigation (involving recovery of amount and/or specific performance of contract) or prosecution for criminal liability. Risks associated with corporate and contract litigation can be mitigated by having internal compliance check-lists and providing for adequate recourse mechanisms in the contract itself. Prosecution risks can be mitigated by conducting your business strictly within the confines of the law and undertaking business decisions by applying reasonable care.

Regulatory Risks arise when businesses or transactions do

not adhere to the compliance requirements of the law. Example, if you are conducting your business without proper registration then not only would you have to shut down your business completely or till compliance is achieved, but also pay penalties. Regulatory risks can also arise when courts or regulatory authorities interpret the law differently from market practice. As such, it is imperative to continuously seek advice from legal practitioners who are up-to-date in relation to interpretations of the courts and other authorities.

How to conduct Legal Risk Management?

It is important to seek assistance from experts in this field not just at the time of facing the legal risk but also at the time of planning business moves. The key here is to analyse, plan and mitigate.

This is done in the following manner:

A) Compliance Check

– This is done both on the business, and on individual transactions. A check is done of the business, not just at the time of acquisition, but also as a matter of course. For simple understanding, this is like doing a regular checkup of our business's legal health. Transaction checks are done before, during and after entering into transactions. A check before and while concluding the transaction is important as it allows one to take reasonable business decisions, as mandated

by the law. A check after the conclusion of the transaction will help you navigate the processes of the transactions from the perspective of avoiding litigation risk. Further, having a compliance check list can help businesses avoid unannounced risks. This brings us to risk allocation.

b) Risk Allocation – This is done in relation to business operations and transactions through planning of business operations, and negotiations and drafting of contracts. It is important to identify legal risks arising out of any business operation or transaction, and adequately provide for or negotiate risk allocation. It is also important to draft contracts that do not lead to varying legal interpretations under the law.

c) Business Practices –

From the above it is clear that businesses cannot function in a vacuum, and that they need to be aware of the regulatory system in which they function. A simple environmental impact assessment can be the difference between your industry operating or being shut for months causing a severe loss in business, revenue, and reputation. Thus, it is important to have legal risk management be a part of your business practices. Any managerial decision may be the difference between a successful business and one that is riddled with legal problems, and as such, before finalising a managerial decision, it is important to take adequate professional assistance.

d) Insurance – In many countries, there exist Directors and Officers Liability Insurance. This protects the company from legal risks arising from the functions of the directors and officers of the company. A company may also take out policies to protect its directors and officers to have competitive recruiting advantage over its competitors. At present, such types of insurance are yet to be authorised by the Insurance Authority. **B**



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MASTA KALA

Differentiation Is The Key

The knack of building a successful business comes from promising entrepreneurs in search of new, unique and innovative ideas. Arun Agrawal was researching new ideas for a business. Around the time, Nikhil Agrawal had just returned to Nepal after completing his Bachelor's degree. They were invited to a mutual friend's birthday celebration and decided to create a custom-made table organiser as a birthday gift for the friend. Arun says, "He created a custom-made table organiser as a birthday gift for a mutual friend. He used the resources available to him from his college model making supplies to craft the gift according to the birthday boy's requirements. I was fascinated by the simplicity and beauty of the product."

When the two started to talk, they instantaneously saw a business opportunity and decided to open Masta Kala. The company was established in 2019. Today, it has become a sought-after gifting company which focuses on providing customised gifts. Nikhil shares that their products are made in Nepal and caters to a diverse range of age groups and occasions, whether for office or personal use. He elaborates, "Our commitment to customisation, tailoring products to match the individual needs of our customers rather than promoting a fixed line of products has helped set us apart. We take pride in offering thoughtful, one-of-a-kind gifts that leave a lasting impression on the receiver."

Why Masta Kala? The name 'Masta Kala' was inspired by two elements: Masta for fun and Kala for art and creativity. The co-founders feel



that Masta Kala is the perfect representation of their brand's essence.

To meet the increasing demand, they are continuously expanding their product range. Masta Kala has now ventured into merchandising, complementing their core corporate gifting services.

Like any other business startup, Masta Kala has had its share of challenges. One of the significant hurdles was getting people to buy Made in Nepal products. Nikhil says, "People tend to compare our prices to mass-produced Indian and Chinese goods. The personalised nature of our orders has resulted in a slightly higher cost for some products. It has taken time to get people to shift their perspective and appreciate the value of supporting local craftsmanship."

He also says, "Fortunately, government policies aimed at promoting local products have been instrumental in increasing awareness and helped us in overcoming this hiccup."

Masta Kala provides employment to about 30 people. And since its inception, it has successfully developed a strong and loyal customer base with 70% repeat clientele and referrals. Now they are working to build a global market for their products.

The owners share, "We actively promote Nepali culture through our handcrafted products. We incorporate traditional elements like festivals, architecture and cultural motifs into the designs."

Talking about the entrepreneurial and startup culture in Nepal, Nikhil says from experience, "Seek




mentorship from experienced individuals within the thriving Nepali startup ecosystem. Don't hesitate to reach out to industry experts when facing challenges; they are often willing to offer valuable guidance and support. Leveraging the knowledge and experience of others can significantly enhance your entrepreneurial journey." Arun adds, "For aspiring entrepreneurs with startup ideas, conduct comprehensive research to identify unique market gaps rather than copying existing ventures. Choose a niche, remain persistent, and focus on making a difference. Differentiation is key to success in a competitive market." **B**

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Quantum Computing: Changing How Business is Done

In the world of computing, quantum computing stands out as one of the most promising and transformative technologies of the 21st century. Unlike classical computers, which rely on bits to process information in binary form (0 or 1), quantum computing harnesses the principles of quantum mechanics, using quantum bits or qubits, to perform complex calculations at an unprecedented speed. This revolutionary technology has the potential to tackle problems that are practically impossible for classical computers to solve efficiently.

Quantum computing is a cutting-edge field of study that focuses on creating computational systems based on quantum mechanics principles. Quantum computers use qubits which can exist in multiple states simultaneously due to quantum superposition and entanglement. This allows them to perform massively parallel computations leading to a potential exponential increase in computational power compared to classical computers.

Data is the lifeblood of modern businesses and leveraging data analytics is critical for gaining valuable insights and competitive advantages. Quantum computing can revolutionise data analysis by processing vast datasets in parallel, enabling business leaders to uncover patterns, trends and correlations that would take classical computers an inordinate amount of time to reveal. This advantage can lead to faster and more accurate decision-making, empowering leaders to act on real-time data and seize emerging opportunities swiftly.

Businesses often encounter complex problems, such as supply chain optimisation, resource allocation, and



logistical challenges. Quantum computing excels at solving optimisation problems as its quantum algorithms can explore a multitude of possible solutions simultaneously. Business leaders can leverage quantum computing to optimise operations, reduce costs and improve efficiency in a way that was not feasible with classical computers. This capability can help in streamlining processes, improving resource utilisation and ultimately enhancing the overall performance of the organisation.

In the financial sector, quantum computing can be a game-changer for business leaders by enabling advanced risk assessment and portfolio optimisation. Quantum algorithms can analyse a vast number of variables and market scenarios, providing more accurate risk assessments and optimising investment portfolios to maximise returns while minimising risk. With quantum computing, business leaders can make well-informed decisions and create robust investment strategies, bolstering their financial standing and competitive edge.

Further, quantum computing has the potential to enhance data encryption, making it a game-changer for cyber security. Quantum computing can contribute significantly to economic growth by fostering innovation and driving advancements across industries. As businesses embrace quantum

technology to improve their processes and develop new products, it will create a demand for skilled professionals, driving job growth in the quantum computing sector.

Further, quantum computing can accelerate drug discovery by simulating molecular interactions, leading to the development of new and more effective pharmaceuticals. Quantum computers can simulate climate patterns, providing valuable insights for climate change mitigation and adaptation strategies. Quantum computing can revolutionise education by enabling faster and more efficient data processing, which is crucial for research and data analysis. It can aid in personalised learning algorithms, adaptive educational platforms, and advanced research in fields such as machine learning and artificial intelligence. Quantum computing's impact on education can lead to innovative teaching methods and better-equipped students for the technology-driven future.

In the healthcare sector, quantum computing can significantly accelerate genetic sequencing and analysis enabling personalised medicine and targeted treatments. It can also optimise medical imaging processes leading to quicker and more accurate diagnoses. Further, it can support the analysis of large-scale health data, leading to insights

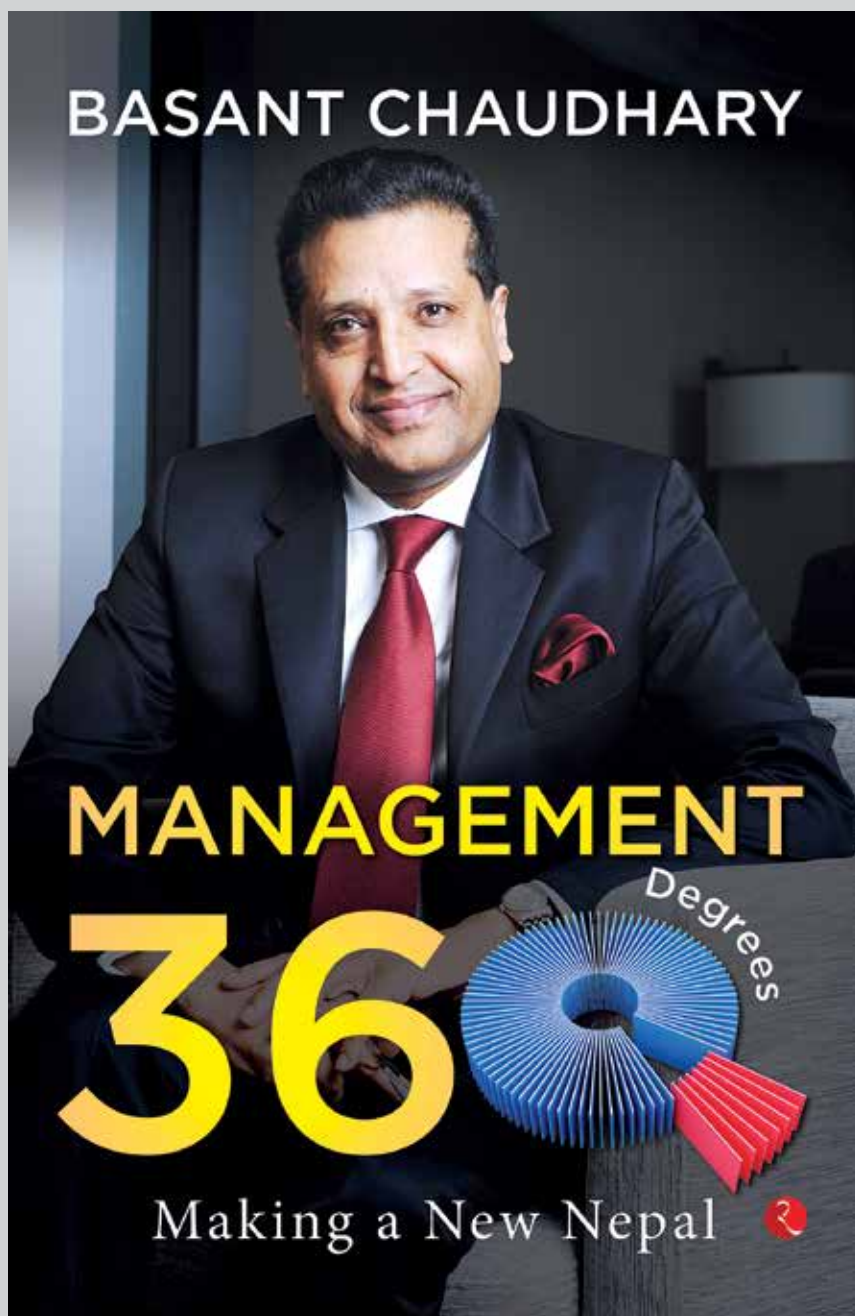
for disease prevention and epidemiological studies.

Quantum computers can analyse vast amounts of atmospheric data, leading to improved weather forecasting and early warning systems for natural disasters. Quantum simulations can analyse and design new materials with specific properties, revolutionising fields such as nanotechnology and energy storage.

In the digital age, safeguarding sensitive information and data has become a top priority for governments, businesses, and individuals. Traditional cryptographic systems, based on mathematical algorithms, are vulnerable to attacks from quantum computers. However, quantum computing can also provide solutions for cyber security challenges. Quantum Key Distribution (QKD) leverages the principles of quantum mechanics to generate cryptographic keys securely. It enables the detection of any eavesdropping attempts, ensuring that the communication remains confidential and tamper-proof.

Quantum computing holds immense potential to revolutionise various industries, from business and finance to education and healthcare. Its unparalleled processing power and ability to tackle complex problems will transform the way we approach challenges and make decisions in the future. Business leaders, policymakers, and researchers will have to embrace quantum computing and invest in its development to unlock its full potential for economic growth and societal advancement. As quantum computing continues to mature, it will undoubtedly shape a brighter and more innovative future for humanity. **B**

Congratulation to our columnist,
Mr. Basanta Chaudhary
on the launch of Management 360



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Taming Inflation



Purushottam Ojha is a Former Commerce Secretary of the Government of Nepal and a Consultant on Trade, Transit, Investment and Private Sector Development.

The unexpected rise in the price of goods and services in recent years have been triggered by geopolitical tensions among big economies, the incidence of pandemic, and supply disruption due to the protracted war between Ukraine and Russia. Uncertainties hovering around the continuity of supply chain has nudged countries to toe along the lines of protectionism, and imposing restrictions on export of vital goods and services.

The trade war between the United States and China since 2018 has tempered the basic rules of the global trade espoused by the World Trade Organisation (WTO). Tariff rates have been raised by the US on a wide range of Chinese goods ranging from industrial machinery and equipment, electrical and electronic products, textiles and apparels, and steel and aluminum. Likewise, the Chinese government has also imposed retaliatory tariffs on imported American goods and agricultural products like soybean, pork, beef, fruits and nuts, automobiles and chemicals. And ultimately, consumers are bound to bearing this pain.

Prices of goods and services have become exceedingly high over the last

few years. Supply of a large quantity of food grains like wheat and barley and cooking oil has been obstructed due to the Ukraine-Russian war. Russia's recent back-out from Black Sea Grain Initiatives (BSGI) has added a problem to the global supply chain as several countries in Africa and the Middle East depend upon Ukrainian supply of food grains. The rippling effect of supply blockade is being felt in other parts of the world too. Taking cognizance of the deteriorating situation of food supply, the Government of India recently decided to restrict the export of non-Basmati rice. Last year, the Indian government had imposed similar restrictions on the export of wheat in view of ensuring supply for its domestic consumers as well as considering the probable supply to its neighbouring countries. With the latest decision of banning export of coarse rice, the price of rice in Nepal will

go up as India remains the major source of supply.

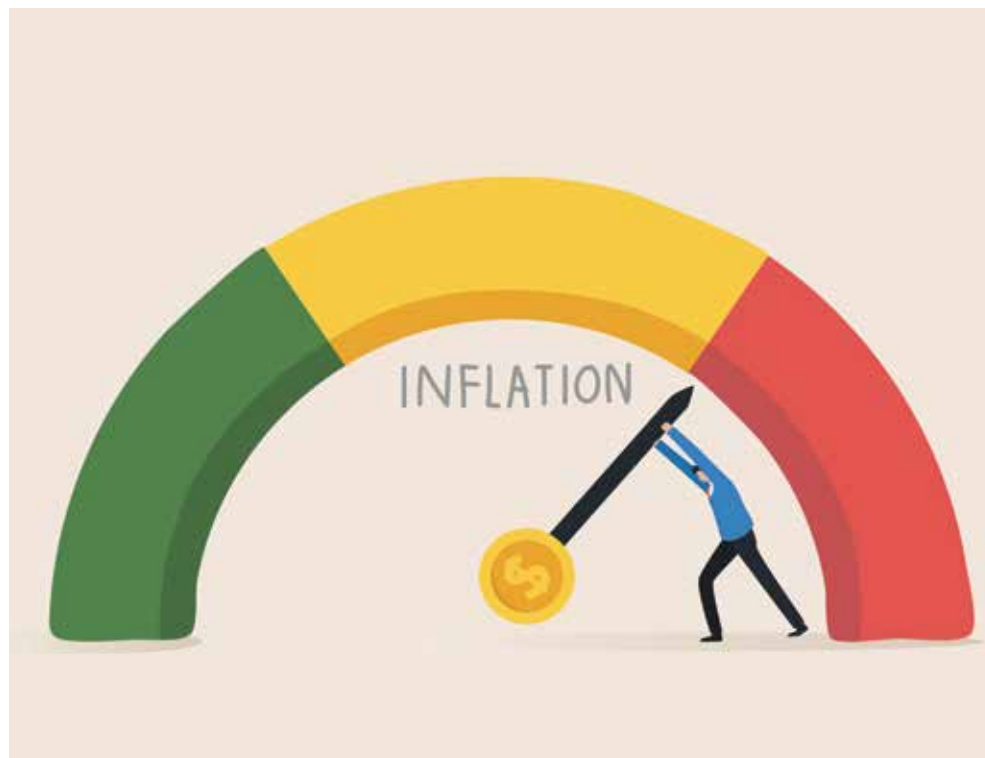
In the wake of decreasing domestic production and ever rising import bill, Nepal is among the South Asian countries with high-band inflation. According to the Monetary Policy 2023 published by Nepal Rastra Bank, the average inflation rate in Nepal over the last 25 years remained at 6.7% and crossed this average reaching 7.77% in fiscal year 2022-23.

Inflation in Nepal is triggered by both endogenous as well as exogenous factors. Declining agricultural and industrial production, poor stockholding of food grains, and insufficient transport network are pushing the country into the realm of food insecurity. On the other side, distribution mismanagement, cartels and syndicates of business houses, corruption and inefficiency of government agencies and regulators are

adding a burden on prices of goods.

As a net food importing country, depending on neighbouring countries for its essential supplies, the price escalation in other countries is automatically transmitted into Nepal. The highest bill of import over the last several years is attributed to fossil fuel. During the last fiscal, Nepal imported petroleum products worth of Rs 352 billion and food grains worth Rs 56.6 billion. Similar is the case with fruits, vegetables and cooking oil. The upward movement in the price of these goods elsewhere impact Nepali consumers adversely.

The impact of climate change is also taking a toll in production of agriculture products on a global scale. Rise in temperatures and heat wave have been the cause of declining wheat and rice production in South Asia. Nepal has experienced excessive





INFLATION IN NEPAL IS TRIGGERED BY BOTH ENDOGENOUS AS WELL AS EXOGENOUS FACTORS. DECLINING AGRICULTURAL AND INDUSTRIAL PRODUCTION, POOR STOCKHOLDING OF FOOD GRAINS, AND INSUFFICIENT TRANSPORT NETWORK ARE PUSHING THE COUNTRY INTO THE REALM OF FOOD INSECURITY.

spells of drought, unusual and erratic rainfall, floods and landslides that are affecting not only the production of food crops but also damaging the transport infrastructure at a greater scale.

In such a scenario, controlling inflation is a challenging task for the government. The basic groundwork lies in increasing production and productivity so that people use domestic production that will have a multiplier effect in the form of saving foreign currency reserve, increased employment, and goods available at low prices in comparison to similar imported goods.

Among external factors of inflation, petroleum products are considered one of the culprits for less developed countries with no such resources. Hydropower may substitute the consumption of fossil fuel to some extent but complete substitution is not practically possible. In the current stage, demand of fossil fuels is not price elastic; hence countries are forced to pay whatever price is determined by the OPEC cartel. On the other side, the rise in price of

petroleum products causes multiple impacts like rise in transportation cost, and agricultural and industrial production.

The steady devaluation of Nepali currency with the US dollar has been another factor of rising inflation. Growing demand of goods and services, met by imports is draining the foreign currency reserves on one hand while such goods are becoming costlier for Nepali consumers due to decreased value of Nepali currency.

Containing inflation requires the government to take actions on multiple fronts. First, it should focus on increasing domestic production of food grains and essential agricultural products. The agricultural sector should get due priority in the national development agenda. Transport infrastructure should be well maintained and made more efficient. Secondly, the production and use of renewable sources of energy like hydropower, solar and wind energy should be promoted to gradually substitute the use of fossil fuels. Third, logistics services in the country like transportation and warehousing services should be well regulated and fourthly, the government should promote healthy competition among entrepreneurs and businesses in order to reduce cost and improve delivery of services.

Increasing investment in innovation and production is critically important to achieve desirable output of the agriculture and industry sectors. This can be achieved only by promoting transparency, accountability and the rule of law anchored in the system of governance. Government policy should focus on creating an investment friendly ecology in the country in order to cope with the problem of growing inflation. **B**

360.QUOTES



Tony Robbins is an entrepreneur, NY Times bestselling author, philanthropist, life and business strategist. He has empowered more than 50 million people from 100 countries around the world through his audio programs, educational videos, and live seminars.

Personal power is the ability to take action.

The secret of success is learning how to use pain and pleasure instead of having pain and pleasure use you. If you do that, you're in control of your life. If you don't, life controls you.

I believe life is constantly testing us for our level of commitment, and life's greatest rewards are reserved for those who demonstrate a never-ending commitment to act until they achieve.

Beliefs have the power to create and the power to destroy. Human beings have the awesome ability to take any experience of their lives and create a meaning that disempowers them or one that can literally save their lives.

Setting goals is the first step in turning the invisible into the visible.

Tony Robbins

The Digital Age and Status Quo of Payment Service Providers



Bishal Bajgain is a final-year student at Kathmandu University School of Law. He is currently engaged with Chhito Paisa as Legal Compliance Officer.

In recent years, Nepal's payment services industry has witnessed remarkable growth, with an increasing number of payment service providers (PSPs) emerging to offer a diverse range of payment services such as mobile payments, online payments and card payments. Nepal currently has 27 payment service providers, and 10 payment service operators (PSOs), and the number will keep expanding once the business environment accelerates making it an investor-friendly venture. This growth is driven by several factors, including the increasing use of mobile phones, growth of e-commerce, and the government's efforts to promote financial inclusion.

Meanwhile, Nepal Rastra Bank has begun its homework in preparing Financial Inclusion Index to measure the actual status of financial access. In the last 10 years, the internet penetration graph has taken an upward direction wherein the post Covid area turns out to be a boon for the digital industry. The number of transactions via e-wallets took a big leap from 124,945,099 in fiscal year 2020-2021 to 167,491,933 in 2021-22, while the number of transactions rocketed from 111,923,386 in 2020-2021 to 181,545,676 in 2021-22.

connectIPS, e-wallets, mobile banking, internet banking, QR code and cards have been the go-to means for financial transactions and thus stood in affirmation. The blend of social media and e-commerce with businesses integrated within social media like Facebook, Instagram, and TikTok is fuelling the use of digital payment transactions. Nepal's rising internet penetration with 15.5 million users recorded at the start of January 2023 is a prospective expansion of the digital payment industry and the number will keep rising once connectivity reaches every nook and corner of the country.

The growth of the PSP industry has created a number of opportunities for businesses and consumers in the country. It has been a plus for consumers and companies as it offers a convenient and effective means to accept payments from customers and make payments for goods and services conveniently. However,

the industry is surrounded by a rabbit hole on one side and a plethora of opportunities on the other. The surge in internet penetration rate is unparalleled to the indispensable digital literacy that is holding back further growth and amplification of PSPs. Having an internet facility or high internet penetration does not equal the digital awareness one has when it comes to digital payments. The purpose, operability and functionality of the digital payment system have to be grasped by the consumers, and it is high time the PSPs shift their focus to delivering digital awareness. On the other side, many Nepali individuals and businesses still harbour reservations about digital payments due to security and lack of familiarity with technology.

PSPs must invest in educating users about the benefits and safety measures associated with digital payments. Alongside, PSPs now have the added responsibility to

adopt and consider the guiding 'Principle of Financial Market Infrastructures', as provided by Payment Systems Related Unified Directives No. 12 of 2079 issued by the central bank. Adoption of this principle exceedingly clears the bug out of risk management and streamlines the system.

While the usage is high among people in urban and semi-urban areas, rural areas are still awaiting accessible digital infrastructure. Nepal's digital payment ecosystem heavily relies on internet connectivity and technological infrastructure. In rural and remote regions, where connectivity is limited, PSPs face challenges in expanding their services and reaching a broader customer base. The development of robust digital infrastructure keeping connectivity at the top of the pyramid remains crucial for the sustainable growth of PSPs.

Regardless, both the government and PSPs have extended their vision to



THE CROSS-BORDER DIGITAL PAYMENT PACT WITH INDIA MEANS THE LEGISLATION SHOULD NOW ADDRESS THE COMPLEXITIES ASSOCIATED WITH CROSS-BORDER DATA TRANSFERS. IT SHOULD DEFINE REQUIREMENTS FOR SECURE DATA TRANSFERS, INCLUDING ENCRYPTION, DATA LOCALISATION, AND ADHERENCE TO INTERNATIONAL DATA PROTECTION STANDARDS.



inculcate digital reach among a majority of the population. It is also necessary for banks and financial institutions to integrate digital systems and shift their focus from traditional payment methods. A benefit of the doubt that Nepal and its contemporaries have is that Nepal is in the early stages of development in the digital payment industry. That holds true in most situations but cannot be the pretext to not address the different vulnerabilities that are in place as quickly as possible.

These vulnerabilities are inherent risks in their operation that then seeps in to consumers, merchants, agents, and so on. PSPs in Nepal and everywhere face the challenges of data security and cyber fraud. Since laws and regulations concerning information technology and data security do not give sheer assurance for the businesses as well as citizens, the risk persists perpetually. Electronic Transaction Act 2063, and the Consumer Protection Act of Nepal 2018 are insufficient to tackle the prevailing issues of data protection and cyber security. Payment service providers handle a vast amount of sensitive customer data, including personal and financial information. Ensuring the privacy and security of this data is of paramount importance to protect individuals from identity theft, fraud and unauthorised access. With the increasing number of digital transactions, the risk of security breaches, data theft, and fraud also rises.

Payment service providers must invest in robust cybersecurity measures, encryption technologies, and fraud detection systems to protect customer data and ensure secure transactions. This is arguably a first-task-in-hand in what the PSPs should do to gain the trust and confidence of people. Further, Nepal Rastra Bank has made it mandatory for the PSPs to have Anti-Money Laundering

Policy to combat financial fraud and other breaches. The onus is on the PSPs to make the policy airtight and minimise the harm. Nevertheless, there needs to be more to do away with risks associated with digital payment systems. Similarly, businesses/investors expect a better framework from NRB. It is commendable that the central bank has increased the minimum paid-up capital amount requirement to Rs 50 million from Rs 10 million allowing improved cost resources for the operation and enhancement of the business but only a handful of PSPs in Nepal have a grip over the ceiling, while others are merely hanging by a thin thread. On the brighter side, NRB has opened the doors to foreign investment in the digital payment system allowing investment of 15% of the paid-up capital of the company.

However, for a PSP initiating a business with the minimum ceiling of paid-up capital, the thirst remains unquenched. In consideration that the paid-up capital can be increased, 15% foreign direct investment (FDI) is still inadequate to serve dire investment needs as the amount is barely enough for business expansion, rather it can be useful to avail foreign technology integration. Revision to this policy is necessary to allow more investments and foster businesses as has been the case in other countries. For instance, India allows for 100% foreign investment in financial service sector, same goes for Bangladesh. To keep PSPs functioning and update with global trends in the digital payment system, there needs to be more investment, inter alia, in the technology. Further, a nexus has to be built with internet service providers (ISPs) in Nepal or there has to be an investment in the ISP sector enabling consumers to avail internet in a cost-effective way. The digital transaction curve

rises significantly if the data/internet prices in Nepal are cheaper. Data prices in India are comparatively cheaper and affordable to all and PSPs have heavily benefitted from this. In the Nepali context, costly data charges bar consumers from making payments digitally. Lower data and internet costs make financial services more accessible to a larger population leading to establishing a strong customer base and reaching a border market with high adoption rates.

A ray of hope that the government is prioritising digital payments stems from the recently signed memorandum of understanding with India for cross-border digital payments. This has other implications though along with additional requirements. The cross-border digital payment pact with India means the legislation should now address the complexities associated with cross-border data transfers. It should define requirements for secure data transfers, including encryption, data localisation, and adherence to international data protection standards. From a business perspective, it calls for more investments to strengthen data security. This has more to do with consumer rights in light of the digital consumption of data and services. The Consumer Protection Act of Nepal does not address consumer data protection and security on the premise of digital payment/digital transactions. Nepal needs a comprehensive Consumer Data Protection Act for the protection of consumers. Comprehensive legislation would provide consumers with explicit rights regarding their personal data, including the right to consent, access, correction and deletion. It would establish a framework for PSPs to handle consumer data transparently and responsibly. Further, the Consumer Data Protection legislation should necessitate

PSPs to establish protocols and procedures for managing data breaches effectively including timely notification of affected consumers, appropriate remedies, and cooperation with relevant authorities in investigations, and the mitigation of the dispute.

The gig economy is ever-growing in Nepal as many people are finding a comfortable space in freelancing. In the coming years, the gig economy's contribution to Nepal's economy will be significant and its financial aspect is sure to extend its root to the digital payment system. In Bangladesh, the gig economy is growing at an annual rate of 20%. Since Nepal lacks the presence of a global payment system, many have not been able to make or accept cross-border payments. Without global presence, Nepal's digital economy works in isolation and its direct repercussion is faced by the people engaged in the gig economy.

Nepal's government does a huge number of transactions as a merchant and the task would be easier with e-payment services. The door opens for PSPs to cash in on the bundle of opportunities and gain a competitive advantage. Nepal Rastra Bank has already prepared a preliminary draft of a feasibility study of Central Bank Digital Currency (CBDC), which will boost the digital payment industry once it has been implemented. The government's resilience to nurture the growth of PSPs will definitely add another brick to the path of economic prosperity. And NRB will stay as a playmaker to balance the need of the payment service industry and the demand of consumers to withstand conventional transactional hassles and prolonged procedures. **B**

Unlocking The Entrepreneurial Potential In Our Mountains: Lessons From The Netherlands



Sabina Uprety Programme Officer, Himalayan Resilience Enabling Action Programme



Nand Kishor Agrawal Strategic Group lead - Shaping Green and Resilient Mountain Economies



Surendra Raj Joshi Head - Living Mountain Lab, ICIMOD Living Mountain Lab



Anu Joshi Shrestha Rural Enterprise and Value Chain Specialist

Growing wild in the hilly and mountainous regions of Bhutan, China, India and Nepal, the Himalayan nettle (*Girardinia diversifolia*), known in Nepali as Allo, is a valuable raw material that can be processed into a fibre stronger than jute. The thread is used to make a range of products including bags, clothing and accessories, while other parts of the plant can be used to prepare traditional medicines to treat various diseases and ailments.

Allo is just one example of high-value niche mountain products hailing from the Hindu Kush Himalaya (HKH), which includes all of Bhutan and Nepal, and the mountainous parts of Afghanistan, Bangladesh, China, India, Myanmar, and Pakistan. Other high-value products from the mountain regions include pashmina shawls, handmade paper, Himalayan honey, tea, coffee and spices, among many others.

These products, enriched by traditional knowhow, skills and Indigenous knowledge systems, are highly sought after in many high-end urban and international markets. Despite this, and its wealth of biodiversity and indigenous knowledge systems, the HKH is home to some of the world's poorest people. There is a need to unlock the entrepreneurial potential in our mountains, and for businesses to support farmers and artisans in our mountain communities – ultimately to improve their lives and livelihoods. For this to happen, a functional 'entrepreneurial ecosystem' must be established, along with an 'enabling environment' which would include well-functioning institutions, a stable macroenvironment and high-quality infrastructure.

Entrepreneurial ecosystems are composed of interdependent sets of actors

and institutions. First coined in a Harvard Business Review article in the 1990s, the phrase has come to identify a system where entrepreneurs are placed at the centre and the contexts that either enable or constrain entrepreneurship are equally emphasised – echoing how elements in a natural ecosystem interrelate.

The Netherlands, known for its mature entrepreneurial ecosystems, offers some effective lessons in unlocking entrepreneurial potential.

Two organisations based in the Netherlands united with a group of experts from government institutions in the HKH region, and the International Centre for Integrated Mountain Development (ICIMOD), based in Nepal, for an exchange programme on entrepreneurial ecosystem cross-learning and collaboration. The two Netherlands-based





organisations were PUM, a volunteer organisation whose aim is to enable the growth of small and medium-sized enterprises in developing countries and emerging markets, and WorldStartup which focuses on inclusive and regenerative global economy for a sustainable future.

The entrepreneurial ecosystem in which they operate broadly comprises four core components – culture, demand, institutions and infrastructure – and six sub-components – finance, talent, intermediaries, new knowledge, networks and leadership. This ecosystem, and a number of inter-connected elements, have resulted in a phenomenon known as the ‘Dutch Entrepreneurship Miracle’ – referring to the fact that the rate of entrepreneurship (i.e., the number of entrepreneurial ventures) more than doubled between 2002 and 2012 in the Netherlands. Here we discuss how these elements can be contextualised to unlock entrepreneurship opportunities in the HKH.

Formal institutions and policy support

The Dutch government is committed to building an entrepreneurial climate by creating the right conditions for business to thrive, especially for key areas including agri-based businesses, water and energy. It has enabled cooperation between research institutes and businesses, created a competitive business climate by eliminating hurdles, clearer regulations, and business-friendly fiscal policy. The government has positioned the Ministry of Economic Affairs and Climate Policy as the central access point for government information and services in the areas of innovation, exports and financing.

A number of initiatives, formal institutions and investment funds backed by the Dutch government play

a crucial role in leveraging resources and networks to support aspiring entrepreneurs to start their venture, apply for entrepreneurship grants and loans, help them enrol in business incubation hubs and provide mentorship facilities. They also support challenge funds, hackathons, and other events and sponsorships.

Business incubation centres

It is no coincidence that some of the numerous business incubation centres in the Netherlands are located on university premises, partially funded by the government. For example, Wageningen University and Research (WUR), has a startup incubator facility on campus called ‘StartHub Wageningen’, which develops the entrepreneurial competencies of students and helps develop their ideas into business models. A spirit of openness to innovation and extending services to international students has played a large part in the Netherlands hosting several innovative businesses and startups.

One example is aQysta, whose CEO and one of three founders, Pratap Thapa, is originally from a small village in Nepal, where the farming community had difficulty accessing water during the dry season. After receiving a scholarship from Delft University for Technology in the Netherlands, Pratap co-designed the ‘Barsha Pump’ with fellow founders – a water wheel-propelled pump that uses the flow of rivers to pump water for irrigation at a low energy cost, without the use of electricity or fuel.

Tapping into demand

A growing number of consumers are becoming aware of the negative environmental impacts of mass production and over consumption. As the demand for environmentally friendly products increases, the trend suggests that big business

will begin to make efforts to become more environmentally sensitive and responsible with their production and waste management; the new generation of entrepreneurs in particular is keen to collaborate with sustainable businesses.

To bridge this gap between demand from conscious consumers and supply from traditional suppliers, entrepreneurs need to step in with new and innovative solutions. One example is from a group of Dutch students, who tapped into a growing demand for nature-based detergents and soaps, after realising that a segment of consumers in the Netherlands did not wish to use chemical-based detergents. The students contacted producers in Nepal who were making natural soap from the shells of the *Sapindus mukorossi* fruit, commonly known as Indian soapberry, washnut, or ritha in Nepal. They founded the company ‘Soaply’ – selling a line of detergents, handwash and soaps made from natural ingredients. This start-up is an example of an unexplored nature-based business that has growing demand in the market.

Learning from the Netherlands

In the Netherlands, there is a strong belief in the concept of the ‘triple helix model of innovation’, which refers to constant interactions between academia, industry, and government. Leydesdorff’s quadruple helix model takes this a step further, emphasising social responsibility and the involvement of citizens in research and development. Following these models has fostered a strong entrepreneurship spirit and a nurturing foundation for entrepreneurship to thrive.

Start-up community culture

A salient feature of the Dutch entrepreneurial ecosystem is the ‘start-up community’ where universities, governments and investors can be ‘enablers’ of an

entrepreneurial ecosystem. For instance, the multinational consumer goods company, Unilever, has established a state-of-the art ‘Foods Innovation Centre’ at Wageningen University, where students develop innovations on sustainable foods. Enablers have created a local culture that is conducive to start-ups, with social values and organisational norms in favour of entrepreneurial risk taking.

Other emerging concepts include ‘zebra’ start-ups which aim to alleviate social, environmental or medical challenges while tending to their own profitability; stewardship, post-growth, social entrepreneurship and circular economy that are attracting many sustainable businesses and young entrepreneurs.

Youth and our future in the mountains

In the HKH, while the spirit of entrepreneurship is strong, the efforts and enablers are scattered. It is necessary to bring them all together – from government, academia, civil society, and the private sector, and to give the new generation the support and opportunities they need.

While drawing on these valuable lessons from the Netherlands, it is essential to contextualise the entrepreneurship approach to mountain specificities. Despite the challenges in the region, there is an upcoming generation of entrepreneurs who are dedicated to applying new social and ecological rules to build successful businesses that have a positive impact on society and nature. They would need a better enabling environment to be successful and to create a long-term impact. With the right kind of support, the youth can play a huge part in shaping the world we want by 2030 – a greener and more inclusive world. **B**

Remittance inflow up 22.7% to Rs 1,112.52 billion, current account at deficit of Rs 69.40 billion

Based on the current Macroeconomic and Financial Situation of Nepal based on 11 months' data ending mid-June, 2022/23, published by Nepal Rastra Bank, the year-on-year (y-o-y) consumer price inflation remained at 6.83% in mid-June 2023 compared to 8.56% a year ago. Food and beverage inflation stood at 5.66% whereas non-food and service inflation rose to 7.76% in the review month.

Under the food and beverage category, y-o-y price index of spices sub-category increased 35.29%, restaurant and hotel 14.36%, cereal grains and their products 13.06%, milk products and eggs 10.98% and tobacco products 8.49% while y-o-y price index of ghee and oil sub-category decreased 16.60%. Under the non-food and services category, y-o-y price index of recreation and culture sub-category increased 15.75%, education 10.56%, miscellaneous goods and services 9.33%, housing and utilities 8.41% and furnishing and household equipment 7.83%.

In the review month, consumer price inflation in Kathmandu Valley, Terai, Hill and Mountain surged to 7.19%, 6.93%, 6.28% and 6.39%, respectively. Inflation in these regions was 8.32%, 8.29%, 9.28% and 8.92%, respectively a year ago.

During the 11 months of 2022/23, merchandise exports decreased 22.7% to Rs 143.59 billion against an increase of 53.3% in the same period of the previous year. Destination-wise, exports to India dropped 32.2% whereas exports to China and other countries increased 106.7% and 9.9%, respectively. Exports of zinc sheet, particle board, cardamom, woollen carpets, readymade garments, among others, increased whereas exports of soyabean oil, palm oil, oil cakes, textiles, silverware and jewellery, among

others, fell in the review period.

During the 11 months of 2022/23, merchandise imports decreased 16% to Rs 1,480.98 billion against an increase of 27.5% a year ago. Destination-wise, imports from India, China and other countries went down 14.8%, 17.1% and 18.5%, respectively. Imports of chemical fertiliser, sponge iron, gold, paper, other stationery, among others, increased whereas imports of transport equipment and parts, MS billet, medicine, crude soyabean oil, other machinery and parts, among others, decreased in the review period.

According to the central bank report, total trade deficit decreased 15.2% to Rs 1,337.39 billion during the 11 months of 2022/23. Such deficit had increased 25% in the corresponding period of the previous year. The export-import ratio declined to 9.7% in the review period from 10.5% in the corresponding period of the previous year.

The report states that remittance inflows went up 22.7% to Rs 1,112.52 billion in the review period compared to a rise of 4.1% in the same period of the previous year. In US dollar terms, remittance inflows increased 13% to \$8.51 billion in the review period compared to a rise of 1.8% in the same period of the previous year.

The number of Nepali workers (institutional and individual-new) taking approval for foreign employment increased 46.6% to 459,415 in the review period. The number of Nepali workers (Renew entry) taking approval for foreign employment increased 0.5% to 260,262 in the review period. It had increased 208.3% in the same period of the previous year.

Meanwhile, the current account remained at a deficit of Rs 69.40 billion in the review period compared to a deficit of Rs 592.14 billion in the same period of the previous year. In US dollar terms, current account registered a deficit of \$536.1 million in the review period compared to a deficit of

\$4.93 billion in the same period last year.

Capital transfer decreased 22.5% to Rs 7.35 billion and net foreign direct investment (FDI) was at Rs 4.65 billion. In the same period of the previous year, capital transfer and net FDI amounted to Rs 9.49 billion and Rs 17.35 billion, respectively.

Meanwhile, Balance of Payments (BOP) remained at a surplus of Rs 228.98 billion in the review period compared to a deficit of Rs 269.81 billion in the same period of the previous year. In US dollar terms, the BOP remained at a surplus of \$1.74 billion in the review period against a deficit of \$2.26 billion in the same period of the previous year.

The NRB report mentions that the gross foreign exchange reserves increased 21.8% to Rs 1,480.87 billion in mid-June 2023 from Rs 1,215.80 billion in mid-July 2022. In US dollar terms, the gross foreign exchange reserves increased 18.5% to \$11.30 billion in mid-June 2023 from \$9.54 billion in mid-July 2022.

Of the total foreign exchange reserves, reserves held by NRB went up 25.1% to Rs 1,321.25 billion in mid-June 2023 from Rs 1,056.39 billion in mid-July 2022. Reserves held by banks and financial institutions (except NRB) increased 0.1% to Rs 159.63 billion in mid-June 2023 from Rs 159.41 billion in mid-July 2022. The share of Indian currency in total reserves stood at 22.9% in mid-June 2023.

Based on the imports of 11 months of 2022/23, the foreign exchange reserves of the banking sector are sufficient to cover the prospective merchandise imports of 11.2 months and merchandise and services imports of 9.6 months.

FM says that G20 provided significant opportunity to bring attention to the economic challenges

Finance Minister Prakash Sharan Mahat said that he meeting of finance chiefs and

central bank governors of the Group of 20 leading economies was significant to inform the international community about the problems and challenges being faced by low- and middle-income countries.

Minister Mahat attended the G-20's third Finance Ministers and Central Bank Governors (FMCBGs) meeting held in Gujarat, India. Talking to the media upon his arrival at Tribhuvan International Airport, Minister Mahat said, "It was a significant opportunity to bring attention to the problems being faced by underdeveloped countries." He added, "We held discussions with donor agencies such as World Bank, Asian Development Bank, among others. We also held bilateral meetings with the finance ministers of India and China and discussed bilateral investment and trade. There was an eventful meeting with India's private sector entrepreneurs regarding investment in Nepal."

Minister Mahat shared that key global challenges like climate change, information technology and management of digital transactions were discussed besides issues pertaining to world economy, health, sustainable finance, infrastructure development, international finance, international tax systems, financial inclusion, etc.

Deliberations also included Similarly, topics relating to cooperation on the management of public debt, regulation and monitoring of cryptocurrency transactions and optimising technology in public infrastructure, he informed.

IBN signs MoU with DIAG Industries to prepare report for chemical fertiliser plant

Investment Board Nepal, on July 13, signed a memorandum of understanding with German-based DIAG Industries GmbH to prepare a Detailed Feasibility Study Report for the establishment of a chemical fertiliser plant (urea) in Nepal.



CEO of IBN, Sushil Bhatta, and Managing Director of DIAG Industries GmbH, Benjamin Becker, signed the MoU on behalf of their respective organisations.



The 50th board meeting of Investment Board Nepal held on March 31, 2022, had decided to issue a survey licence to DIAG Industries GmbH based on the unsolicited proposal obtained from the latter as per the provision of the Public Private Partnership and Investment Regulation, 2020. Likewise, the 53rd board meeting of IBN held on April 13, 2023, had endorsed the MoU draft to be signed with the latter.

According to the MoU, DIAG Industries GmbH will have to submit the Detailed Feasibility Study Report (DFSR) within 24 months following the issuance of the survey licence. The latter shall select the appropriate technology from among natural gas, electrolysis (with carbon capture storage) or hybrid (both natural gas and carbon capture) during the study for production of at least seven lakh tonnes of chemical fertiliser (urea) per annum at a total initial estimated cost of \$714 million.

The fiscal budget of 2023/24 has announced to prepare a detailed project report (DPR) to establish a chemical fertiliser factory in the country, and the work will be carried out through Public-Private Partnership facilitated by the Investment Board Nepal.

Addressing the MoU signing ceremony, Bhatta underscored that a credible study is the key to de-risking the project and providing a sustainable implementation roadmap and urged the proponent to submit a credible study with proper viability checks within the stipulated timeframe as prescribed in the MoU.

Nepal Rastra Bank unveils monetary policy for current fiscal year 2023-24

Nepal Rastra Bank (NRB) made public the monetary policy for the current fiscal year 2023/24 on July 23. The central bank through the policy has dropped the policy rate and kept intact the mandatory cash ratio and the statutory liquidity ratio of banks and financial institutions (BFIs).

Similarly, the bank rate has remained unchanged, and the bidding rate in deposit collection has been decreased. In view of the internal and external economic scenario, the policy rate has been reduced by 50 base points to 6.5%. The bank rate has been kept intact at 7.5% while the bidding rate in deposit collection has dropped to 4.5% from 5.5%.



The secondary market transaction and the bidding in deposit collection will remain open if the weighted interbank interest rate considered the operation target by the central bank is higher than the bank rate and lower than the deposit collection rate.

The provision of permanent liquidity facility in the bank rate and the overnight liquidity facility in the policy rate has been kept unchanged. There will be a provision of providing permanent deposit collection at the lower limit of the interest rate corridor for making the interest rate corridor effective, according to the central bank.

A meeting of the Board of Directors of NRB endorsed the monetary policy on the abovementioned date. The monetary policy is the policy formulated by the central bank to support economic expansion by maintaining macroeconomic stability.

Nepal Rastra Bank will offer additional facilitation in digital payments in a bid to stop financial anomalies and

facilitate revenue collection, according to the monetary policy.

Revenue collection will be facilitated by maximally utilising the digital payment system by the offices offering public services. On introduction of digital currency, additional work will be carried out based on a study on the matter. Similarly, the inflow of foreign currencies by exporting services including information technology will be made more effective.

Nepal's prospects and challenges of exporting to the US

Despite being granted duty free access to 77 products by the US, Nepal's export performance in those select products is dismal. Limited utilisation of trade preferences necessitates a careful examination of the constraints faced by exporters if Nepal aims at improving export performance through such facilities, experts said during a discussion event held on July 20.

South Asia Watch on Trade, Economics and Environment (SAWTEE) organised a roundtable discussion, in association with The Asia Foundation, to discuss the prospects and challenges of exporting to the US.

A SAWTEE study on Nepal-US trade, presented at the event, finds that Nepal's merchandise exports to the US in 2021, at \$108.3 million, were lower than what they were at their peak in the late 1990s even in nominal terms.

The US granted duty-free access to Nepal on an additional 77 products under the Nepal Trade Preference Programme (NTPP), introduced through a legislation and enforced from December-end 2016. The scheme was unveiled to help Nepal recover from the devastating earthquakes of 2015. It will last till December 31, 2025.

As per the study, while total goods exports to the US have been on an upward trend since 2012, exports of

NTPP products have been on a downward trend, the study finds. Exports of NTPP products in 2021 were \$8.47 million and had a share of 7.8% in total exports to the US (compared to 14% in 2012). The utilisation of NTPP remains low, at under 50%, compared to another duty-free scheme of the US, the Generalised System of Preferences, which Nepal also benefits from.

Presenting the study, Dr Paras Kharel, Executive Director, SAWTEE, added that it is crucial to address productive capacity and supply-side constraints, highlighting that even if the available preferences were fully utilised, it would not lead to a dramatic increase in exports of these products without resolving the underlying constraints in production and supply.

Madhu Kumar Marasini, Secretary, Ministry of Industry, Commerce and Supplies, pointed out that Nepal needs to think outside the conventional approaches and explore new products to export to the US in which Nepal has comparative advantage. He said the government is proposing that more products of export interest to Nepal be included in the US's trade preferences for Nepal. He also highlighted the importance of services trade, such as IT exports, for which government intends to ease the process.

Kiran Saakha, President, Nepal-USA Chamber of Commerce and Industry, pointed out that the end of global quotas on textiles and clothing in the early 2000s dealt a severe blow to Nepal's exports to the US as exports of readymade garments, which accounted for over 80% of Nepal's exports to the US at that time, plunged.

He highlighted the existing export potential with respect to the US market, citing the example of Nepali handknotted carpets, which he said were being bought by American consumers, despite being significantly more expensive than their competition on

account of their high quality. He urged the governments of Nepal and the US to provide meaningful assistance to exporters.

Purushottam Ojha, Former Secretary, Ministry of Industry, Commerce and Supplies, said Nepal's Commerce Policy and Nepal Trade Integration Strategy, which have identified priority products, should be the basis for negotiating an extension to the trade preferences provided by the US.

Meanwhile, Shankar Prasad Pandey, President, Federation of Export Entrepreneurs Nepal, said precise items of export interest to Nepal should be identified when seeking an extension of the US' trade preference programme for Nepal. He expressed concern over the underutilisation of

the provision for technical assistance and capacity building under the TIFA. According to Pandey, Nepal must establish clear objectives regarding the kind of technical assistance required from the US to ensure optimal utilisation.

The participants of the roundtable discussion called attention to the need for support promotion of Nepali products in the US through trade fairs, and expanding the product coverage of the NTPP if the latter is extended. They emphasised the need for capacity building and technical assistance component of the NTPP and the Nepal-US Trade and Investment Framework Agreement to enhance the productive capacity of Nepali exporters.

CG Agrotech, DMCC collaborate to increase agricultural trade in South Asia



CG Agrotech under Chaudhary Group, a leading agricultural commodities business in Nepal, has partnered with DMCC to increase trade in South Asia in the agri-

commodities space. Varun Chaudhary, Managing Director of Chaudhary Group and CG Agrotech, and Feryal Ahmadi, Chief Operating Officer of DMCC, have signed a memorandum of understanding (MoU) to that effect.

The agreement seeks to create collaboration between DMCC's business community and CG Agrotech and its partners, leading to increased trade, investment and market access for DMCC member companies. The partnership will also see CG Agrotech and DMCC share knowledge and information related to addressable markets and new opportunities to further boost trade, especially in the coffee, tea and honey sectors.

During the MoU signing ceremony, Chaudhary said, "Partnering with DMCC marks the next step in the Nepal-UAE agri trade relationship, which continues to strengthen. Leveraging DMCC's extensive network of 23,000-member companies and exploring mutually beneficial opportunities will significantly impact our ability to further enhance bilateral trade."

Ahmadi said, "South Asia's net agricultural commodities imports have risen significantly in recent years and this trajectory is projected to carry forward in the coming period. Simultaneously, the critical global issue of food security is in the spotlight now more than ever, creating increased demand for agricultural commodities across the world. Through a range of strategic partnerships such as this, DMCC looks to address these opportunities by further enhancing the efficiency and value provided by its agri trade ecosystem in Dubai, and in particular for our 4,200-plus South Asian member companies."

Turkish Airlines chosen as Europe's best for the eighth time by Skytrax



Turkish Airlines has been honoured for the eighth time with the Best Airline in Europe award, along with accolades for Best Business Class Catering, Best Economy Class Catering, Best Airline in Southern Europe and Best Economy Class Seat in Europe at the World Airline Awards.

The awards were announced at an event held at the Paris Air and Space Museum, known as the 'Oscars of the Aviation Industry'.

The 2022-2023 Skytrax awards survey, available in English, French, Spanish, Russian, Japanese, and Chinese, received and evaluated more than 20.23 million responses representing citizens from over 100 countries. The winners were selected from among 325 airlines.

Commenting on the awards, Turkish Airlines CEO Bilal Eksi, said, "We are proud to have been honoured as the Best Airline in Europe for the eighth time. This award strengthens our flag carrier's leading position in the sector. As Turkish Airlines family, we are also glad to be recognised as the Best Airline in Southern Europe by Skytrax. We will continue to improve our service standards and provide the best possible experience for our guests."

Similarly, Turkish Cargo, the air cargo brand of Turkish Airlines, ranked third among the leading air cargo carriers in the world, in the wake of a prospering performance in May. The successful brand, which

was ranked fifth in the same period last year according to monthly data published by the

International Air Transport Association, became one of the top three air cargo carriers by overtaking the top brands in America, Europe and the Far East during May of 2023.

According to the FTK (Freight Tonne Kilometers), derived by multiplying the cargo tonnage, carried by air, with the kilometers covered, Turkish Cargo increased its cargo tonnage by 17% compared to the previous month while raising its market share to 5.4% from 4.7% by increasing it 0.8 point as compared to April.

As one of the fastest growing air cargo brands in the world, Turkish Cargo continues to raise the bar for success higher day by day and combines its wide range of services and operational capabilities with the unique geographical advantages of its hub in Türkiye.

Finance Ministry issues 81-point guideline for budget implementation

The Ministry of Finance has issued an 81-point guideline to all the ministries, departments and line agencies for the effective implementation of the budget for fiscal year 2023/24. The guideline focuses on the maximum utilisation of resources, becoming economical on expenses and ensuring effectiveness and efficiency. Likewise, the ministry has asked all concerned to maintain fiscal discipline.



The guideline has urged officials and stakeholders to complete preparatory jobs for the implementation of the annual plans and programmes. Furthermore, the ministry has asked government institutions to formulate new procedures, directives and standards within a month if they are to seek approval from the ministry. Such approved procedures should be updated on the agencies' website within a week.

Government institutions should call tenders within the first three months of the fiscal year by preparing the annual procurement plan, detailed design and cost estimation. The contract agreement should be signed by mid-November and work must commence within 15 days of the contract agreement being signed, the Finance Ministry stated.

Likewise, the agreement will be automatically scrapped if the contract agreement is not carried out within nine months after the assurance of resources. This move will come into operation for the projects of last fiscal year as well.

The guideline for budget implementation states that the source agreement will be scrapped for those projects which have not yet gone into bidding process despite the completion of nine months of the agreement and have not been proposed for appropriations in the current fiscal year budget.

Likewise, the implementation of the Parliamentary Constituency Infrastructure Development Programme and the Production and Employment Generation Programme will take place by the thematic committees and implementation provisions will be recommended accordingly.

The Finance Ministry has directed to adopt 'reward' and 'punishment' culture in the construction business. Construction companies are mandated to take permission in writing from the respective project chief if they need to seek services for the entire and specific works via an auxiliary

contract. However, auxiliary contract has been discouraged in most essential case.

The guideline insists on the development of a culture holding project chiefs and construction companies responsible for timely and quality delivery. Likewise, projects worth over Rs 100 million have been recommended to undergo construction quality tests by the National Vigilance Centre.

Implementation has not been recommended for programmes and projects not endorsed by the budget. Likewise, it has been recommended not to introduce any programme in the middle of the budget year. Payments have been suggested only on the basis of physical progress and quality of the projects.

For the second quarterly budget release, there should be 30% work progress, while for the third quarterly release, there has to be at least 50% physical progress. Environmental impact assessment and preliminary environment test should be carried out within the fixed timeframe for facilitating project implementation.

The multi-year contracted projects should be implemented from the allocated budget itself. Organisation and management surveys should be carried out before mid-December so that the existing organisation of public administration can be made smooth.

The Ministry of Finance has asked budget implementers to maintain utmost frugality in administrative expenses including allowance, training, seminar, service fee, visit, stationery, maintenance, fuel, electricity tariff and rent.

Sahaj Challenge Fund seeks service providers with innovative product development

A press meet was held to explain the Sahaj Challenge Fund (SCF) Round 4 and 5 on June 23 in Kathmandu, bringing together various media houses, thematic experts and representatives from Swisscontact, CEAPRED and

Practical Action Consulting.

With disruptive innovation at the core, SCF Rounds 4 and 5 will support service providers with innovative solutions to solve existing bottlenecks in the value chains of maize, cardamom, dairy products and vegetables. While Round 4 of SCF will seek services for sustainable and market-driven product development and quality improvement, Round 5 of SCF will seek climate and environmentally sustainable solutions for better service provision in the four value chains.

sector propagated through unsustainable agricultural practices. Malla brought clarity into the kind of companies the challenge fund will support in climate and environmentally sustainable practices.

The project's product development and quality improvement expert, Deepangshu Thapa, spoke about specific challenges and potential solutions relevant to the context of Nepal. While Bipin Basnet, the project's climate and environmentally sustainable solutions expert, spoke on how the challenge



During the event, Reema Shrestha, Team Leader, Nepal Agriculture Market Development Programme (NAMDP) highlighted how the challenge fund works to support service providers and not farmers directly. Shrestha also gave a description on how Round 1 of the challenge fund focused on logistics and Round 2 focused on dairy.

Subhechchha Shrestha, Manager, Agriculture Services, NAMDP, elaborated on the theme of product development and quality improvement and its relevance to improved agricultural activities. She also spoke about how this round will support product diversification through processed foods. The challenge will support companies that provide consulting services for product formulation and quality improvement.

Brajesh Malla, Manager, Non-Agriculture Services, NAMDP, spoke on the theme of climate and environmentally sustainable solutions, explaining the existing challenges in the agricultural

fund will work to bring sustainable change through disruptive innovation.

With financial support ranging from Rs five lakhs to Rs 50 lakhs per project, SCF will co-finance the costs involved in developing and piloting business models and solutions tailored to Koshi Province. For Round 4, the challenge fund will not support purchase of equipment and machinery, though it will provide technical assistance to applicants if required. However, for Round 5, 30% of the support received from the challenge fund can be used for investment in equipment and machinery.

NRB Governor Adhikari participates in 93rd AGM of BIS



Nepal Rastra Bank Governor Maha Prasad Adhikari attended the 93rd annual general meeting (AGM) of the Bank for International Settlements (BIS) in Switzerland. Representatives of BIS member countries, various central banks and monetary authorities from across the world attended the AGM of BIS held in Basel on June 24 and 25. BIS General Manager, Agustin Carstens, released the annual report of BIS and said central banks around the world are under pressure due to high inflation and challenges in financial stability.

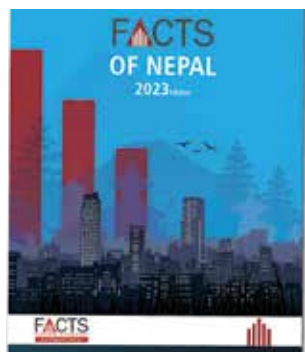
During the meeting, Governor Adhikari participated in the interaction on 'Policy Approaches for Addressing Risks Posed by Crypto Assets and Decentralised Finance' organised by the Financial Stability Institute on June 24. During the interaction, he spoke about the challenges that cryptocurrencies can bring and the policy arrangements adopted by Nepal to address them. Governor Adhikari also participated in the Central Bank Roundtable discussion titled 'Overcoming Cross-border Payment Challenges for Emerging Markets and Developing Economies (EMDEs)', on June 25.

BIS is an international financial institution owned by member central banks, to support central banks' pursuit of monetary and financial stability through international cooperation, and to act as a bank for central banks.

BIS is an international financial institution owned by member central banks, which plays an essential role to support central banks' pursuit of monetary and financial stability through international cooperation and to act as a

bank for central banks. Founded in 1930, the organisation currently has 63 central banks as members. Its headquarters is in Basel, Switzerland.

FACTS of Nepal 2023 launched

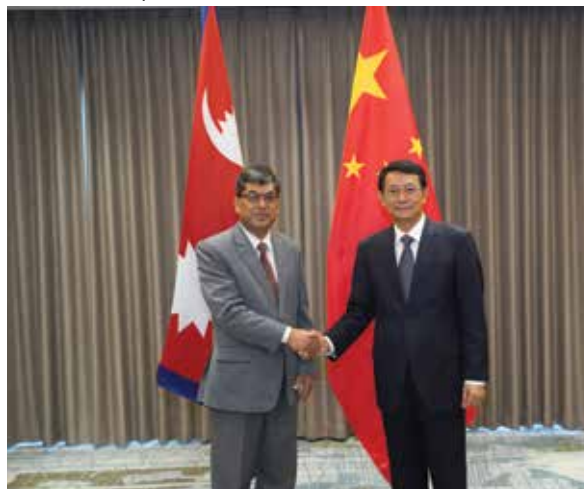


FACTS Research and Analytics, also known as FACTS Nepal, is a private independent firm that has been active in the research industry since its inception in 2012. FACTS Nepal has been providing Retail Measurement Services (RMS), Customised Research and Customer Insight services, catering to the data-driven needs of people and organisations by combining modern technology, proven academics, and human touch.

FACTS Nepal is well-known for its data dissemination efforts through social media, public media partnerships, events, and its annual publication. Among its many activities since its inception, FACTS has published the FACTS of Nepal edition every year. This year, FACTS also published its annual book, 'FACTS of Nepal 2023'. The book contains a wide range of facts and information from both domestic and international sources. This 2023 yearbook also includes informational charts (infographics) created by compiling data from various areas.

This edition of the book includes insights and analysis of sectoral data covering areas such as the nation's social, economic, and cultural sectors. This edition covers 23 national and 19 international topics, providing the reader with comprehensive knowledge and insights into the country's economic, social, political, and developmental sectors.

NPC Vice-Chair discusses Chinese projects with NDRC, CIDCA officials



National Planning Commission (NPC) Vice-Chairman Min Bahadur Shrestha visited National Development and Research Commission (NDRC) office in Beijing, China, and held a meeting with NDRC Vice Chairman Cong Liang. NDRC is a ministerial-level department of the State Council of the Chinese government.

In the meeting, an agreement was reached between NPC and NDRC to expedite the remaining tasks in accordance with the agreements made in 2018 and 2019. A detailed discussion was held about the work to be done by the governments of Nepal and China.

As Nepal is going to formulate the upcoming 16th plan, there was also a discussion about sharing the experience of NDRC and providing technical support in the coming days. During the meeting, Shrestha also invited Cong to visit Nepal.

Formerly known as the State Planning Commission, the NDRC implements the Communist Party of China (CPC) Central Committee's policies and decisions on development and reform, and adheres to and strengthens the party's centralised and unified leadership over development and reform in the process of performing its duties. Meanwhile, the Belt and Road Initiative (BRI) promoted by NDRC is currently in the implementation phase.

A bilateral meeting was held between NPC Vice-Chairman and China International Development Cooperation Agency (CIDCA) Vice Chairman Deng Boqing. The CIDCA is the organiser of the first high-level international summit on 'Forum on Global Action for Shared Development', being held in the capital of China. The agency oversees the works related to international cooperation of the Chinese government.

In the meeting, the two parties held discussions regarding the implementation progress of various programmes and projects announced by the Chinese government for Nepal. They also held discussions about the timely completion of preparatory work to be done by both sides in order to advance the projects related to the major connectivity agreed upon earlier.

Nepali Ambassador to China, Bishnu Pukar Shrestha, high officials of the Nepali Embassy in Beijing, Nepali delegation and high officials of the Chinese government participated in both the meetings.

Indian delegation briefs NPC members about PM Gati Shakti



A delegation from India held a meeting with National Planning Commission (NPC) members on July 19 and briefed them about PM Gati Shakti – National Master Plan for Multi-modal Connectivity, a digital platform for integrated planning and coordinated implementation of infrastructure connectivity projects.

The visiting delegation included Sumita Daura, Special Secretary of Industry and Internal Business Promotion Department under India's Ministry of Commerce and Industry; Karun Bansal, First Secretary at the Embassy of India in Kathmandu, and technical team members from the Ministry of External Affairs and PM Gati Shakti.

The Indian team said they have been working by making the PM Gati Shakti Master Plan according to the vision of their Prime Minister, Narendra Modi in order to achieve success in the journey of prosperity.

Prime Minister Pushpa Kamal Dahal, during his visit to India, had also held a discussion with his Indian counterpart Modi regarding the PM Gati Shakti Master Plan, which is a transformative approach to infrastructure development in India.

PM Gati Shakti was started in India in 2021. Its purpose is to improve the efficiency of transport infrastructure through integrated and multi-modal transport system.

India has established an institutional structure for coordinated and integrated planning, development and implementation. Its objectives are to speed up infrastructure construction, reduce costs, create jobs, and ensure integrated planning and implementation of physical

infrastructure projects in the next four years.

The delegation from India said they could provide the necessary technology and software support to develop an integrated plan for multi-modal connectivity which can be hosted by creating a 'geographic information system (GIS)-enabled platform'. There was also a discussion about the possibility of conducting training and capacity development programmes for Nepal.

NPC Executive Vice-Chairman Ram Kumar Phuyal thanked the Indian team for the presentation and said they will continue to cooperate on necessary issues. NPC Member Jay Kant Raut, Acting Member Secretary Suman Dahal, Joint Secretary Kiran Rupakheti and Ministry of Foreign Affairs South Asia Division Joint Secretary Ram Prasad Subedi, among others participated in the meeting.

Angel Investors Network established in Biratnagar



Angel Investors Network has been established with the aim of helping startup enterprises in initial investment management in Biratnagar Metropolitan City, Morang district.

At the Angel Investors' Meet organised by Chamber of Industries Morang (CIM) on June 22, Biratnagar Metropolitan City Mayor Nagesh Koirala; CIM President Rakesh Surana, Immediate Past President Suyash Pyakurel; Vice-President Nanda Kishor Rathi; Vice-President (Financial Sector) Raj Kumar Golchha; Vice-President (Agro/Hydro/Energy Sector) Bholeshwar Dulal; Vice-President (Employer Council) Bipin Kabra; board members Surendra Golchha, Birendra Rathi, Deepak Kumar Agrawal, Jayendra Sharma, Santosh Kumar Bhagat and Siddhartha Kabra committed to joining the network. Others

who joined the network were Vivek Rathi, Manoj Adhikari, Sujeet Jha, Vinay Vishnu KC, Yukti Golchha, Raghav Koirala, Manoj Bikram Shah, Bikas Kumar Begani, Ashok Wagdia and Roman Kattel.

CIM President Surana said that in the second session of the startup programme, which was in operation for the past two years, programmes such as marketing, boot camp, and haat-bazaar (semi-weekly open roof market) were held under the organisation's professional development services. He said Angel Investors' meet was organised with the aim of facilitating the financial management of startups that were under the mentorship of CIM. The organisation will create a positive environment by encouraging startups — having business plans but still unable to start businesses due to lack of capital for investment — to invest.

Citizen Investment Trust holds 28th AGM



Citizen Investment Trust (CIT) held its 28th annual general meeting (AGM) on July 16. The AGM held under the leadership of CIT Chairman, Surya Bahadur Thapa, approved the proposed 25% bonus share and 1.3158% cash dividend allocated in the income distribution statement for fiscal year 2021/22.

The AGM discussed and passed the annual report for FY 2021/22. The balance sheet, profit and loss account and cash flow statement for 2022 (mid-June to mid-July) including the auditor's report were also approved.

Addressing the AGM, Chairman Thapa said Nepali citizens who are not included in the programme for government, non-government and private

institutions operated by CIT will be covered by the savings programmes with the guarantee of social security.

Thapa said the savings collected by CIT could be used in national pride projects, infrastructure development and productive sectors, which would create opportunities to support the participants of CIT, through various loan agreements and by diversifying investments in various instruments of the capital market. He committed to solving problems and challenges by utilising the existing potential and opportunities in CIT and channeling investments into the productive sector.

During the AGM, CIT Executive Director Raman Nepal briefed the situation of CIT and presented the issues and suggestions raised by shareholders. He informed that the transactions of CIT will be expanded in the future by gradually making the organisation information technology friendly.

According to the details presented at the AGM, the net fund balance of CIT reached over Rs 214.79 billion by the end of fiscal year 2022-23. During that period, CIT invested more than Rs 212.64 billion. Meanwhile, CIT is working towards involving self-employed and foreign-employed citizens to expand the business of CIT. Nepal also informed that efforts are being made to receive funds from such citizens through online system.

Meanwhile, from the group of banks and financial institutions (BFIs), National Life Insurance Company CEO Suresh Prasad Khatri was unanimously elected to the CIT Board of Directors for three years.

Nepal, Mongolia sign MoU for pashmina promotion, research exchange



Nepali pashmina entrepreneurs and Mongolian officials have reached an understanding to collaborate for quality testing and analysis of wool fibres and for exchanging knowledge and research works in this sector. A memorandum of understanding was signed between Nepal Pashmina Industries Association (NPIA) and Research and Development Institute of Light Industry (RDILI) of the Mongolian government in Ulaanbaatar, on June 28. Vijoy Dugar, President of NPIA, and Turmunkh Togmid, Director of RDILI, signed the MoU on behalf of their respective agencies. The MoU was inked in the presence of Madhu Kumar Marasini, Secretary at the Ministry of Industry, Commerce and Supplies (MoICS), and Jambaltseren Tumur-Uya, State Secretary of the Ministry of Food, Agriculture and Light Industry of Mongolia.

As per the MoU, Nepali pashmina entrepreneurs will get samples of Pashmina fibre, semi-processed wools, and woollen products tested and analysed by RDILI in Mongolia. Similarly, both parties have also agreed to share experiences, knowledge, and research works with each other in the coming days. The five-year MoU took effect from the day of the signing subject to extension upon mutual understanding between both parties.

The MoU was signed on the sidelines of the World Export Development Forum (WEDF) 2023 organised by the International Trade Centre in Ulaanbaatar, which was also attended by a Nepali delegation involving senior government

officials and private sector representatives.

The event offered diverse sessions aimed at discussing a wide range of issues pertaining to the export promotion of least-developed countries. Businesspeople, policymakers, representatives of development partner agencies, and experts discussed regional business connectivity, business voices of landlocked countries, business networking, youth and women participation in businesses, and digital transformation with local innovation.

The EU-funded Trade and Investment supported the participation of Nepali pashmina entrepreneurs at the four-day event. NPIA was among the 130 organisations that participated in the B2B meetings during the WEDF in Mongolia.

"The MoU is a significant step towards securing benefits from Mongolia's experience in woollen and cashmere production and export and exchanges of various research and innovation in this field," said Marasini.

NIBL Ace Capital acquires Mega Capital Markets

NIBL Ace Capital has successfully acquired Mega Capital Markets. After the acquisition, the two entities have started joint operations under the new name 'NIMB Ace Capital Limited' effective from July 3. This decision regarding joint operation was made during separate board of director meetings held on June 27 of both companies.

The strategic decision to acquire Mega Capital Markets by NIBL Ace Capital, was resolved by the special general meeting held on June 12 of both organisations. Additionally, NIBL Ace Capital has also assumed responsibility for all assets and liabilities of the acquired company. Following this acquisition, the capital base of the combined entity will amount to Rs 695 million. This integration will benefit over 2.5 million shareholders through the management of

more than 485,000 beneficiary accounts, encompassing seven branch offices and RTS of over 55 companies and total Assets Under Management (AUM) of the capital is above Rs 15 billion.

NIMB Ace Capital has also extended its heartfelt gratitude to the Company Registrar's Office, Securities Board of Nepal (SEBON), Nepal Stock Exchange, CDS & Clearing, Nepal Investment Mega Bank and Mega Capital Markets for their invaluable support in ensuring the successful completion of this integrated transaction. It also believes that there will be a significant impact on merchant banking and investment banking business following this acquisition, leading to a qualitative improvement and expansion of services. Furthermore, the board of directors of NIMB Ace Capital is confident in establishing its distinct identity in the securities market industry and also believes that the acquisition will be a game changer in the history of the Nepali capital market.

The capital also informed all stakeholders that the Company Registrar's Office granted approval on June 26 to change the name of the former NIBL Ace Capital to NIMB Ace Capital Ltd.

Coca-Cola Nepal empowers young women entrepreneurs through Saksham programme



Coca-Cola Nepal, in collaboration with Atelier Platform, has announced the successful implementation of the Young Women Entrepreneurs Accelerator and Mentorship Programme. This programme is a pivotal component of Coca-Cola Nepal's Women Empowerment Programme, Saksham, and

aims to provide comprehensive support and guidance to women startups and potential startups in Nepal, extending Coca-Cola's commitment to empowering women beyond its value chain.

The Young Women Entrepreneurs Accelerator and Mentorship Programme received an overwhelming response from enthusiastic women entrepreneurs across Kathmandu, Pokhara and Chitwan when the applications were opened in April 2023. Out of the impressive pool of applicants, eight exceptional finalists were carefully selected based on their innovative ideas and potential for success. These finalists are Brinda Dewan, Kehikrafts; Menuka Gurung, Duluwa Outdoors; Prakriti Basyal, South and Southeast Project; Rashi Maharjan, Learners Room; A path to wisdom; Rozina Baral, Search It; Sarala Maharjan, Bio-Enzymes; Shanti Rai, Greenspace Nepal and Yaju Maharjan, Swachha Mahinawari.

To kickstart the programme, an orientation session was held on June 11, providing the finalists with valuable insights into the journey ahead. Since then, a series of expert sessions have been organised to equip the participants with the necessary skills and knowledge to thrive in their entrepreneurial endeavours. The finalists have had the privilege of attending sessions led by esteemed professionals and mentors, covering essential topics such as gender and women's rights, feminism and leadership, legal processes, climate change, marketing strategy, access to finance and banking, digital marketing, profitable presentation techniques, and design thinking.

Throughout the programme the finalists had the unique opportunity to engage with and learn from successful women entrepreneurs in Nepal.

After weeks of intensive training and mentorship, the finalists are now in the final stages of preparation for their ultimate pitch. In August,



their innovative ideas and business plans will be presented before a distinguished jury comprising three accomplished professionals. The top three participants will be awarded a cash prize.

Female leaders of major political parties advocate for gender equality



In a united effort to strengthen democracy and promote inclusivity, female leaders – Mahalaxmi Upadhyay Dina, Binda Pandey, Pemba Lama, Renu Chand, Laxmi Khatiwada, Manusi Yami Bhattarai, Srijana Rijal, Rama Giri and Usha Raut – representing the seven major political parties (NC, CPN - UML, CPN - Maoist, US, JSP, RPP, NSP) met with Chief Election Commissioner Dinesh Kumar Thapaliya and his team on July 2 and formally submitted a letter to the Election Commission of Nepal (ECN) addressing crucial aspects of the proposed integrated election law.

Under the fundamental rights of the Constitution of Nepal (2072), it is mentioned in the right of women (Article 38-4) that 'women shall have the right to participate in all state bodies based on the principle of proportional inclusion'. Article 47 further mandates the formation of laws to implement the fundamental rights within three years. But more than seven years after the constitution's promulgation, this process is incomplete. In this context, women leaders have submitted a letter to ECN requesting the body which is drafting the Integrated Law to ensure it abides by the constitution. The delegation urged for the legal provision of political parties to nominate women candidates constituting at least 50% of the total

number of candidates across all levels of government, including the federal parliament, provincial assembly, and local municipality. This call for gender equality extends to key positions such as president/ chief of the municipality, vice-president/deputy chief, and ward president under the first-past-the-post system.

The recommendation letter also emphasises the fundamental right to freedom (Article 17- Women shall have the right to participate in all state bodies based on the principle of proportional inclusion), which grants every Nepali citizen the freedom to travel, work, trade, and reside in any part of the country. However, according to the women leaders, the current voting system presents challenges for specific groups who face obstacles in exercising their voting rights due to the impracticality of reaching their registered polling stations. Additionally, low-income workers and their families encounter difficulties as they are required to return to their permanent polling areas, resulting in additional costs for elections.

Recognising these substantial challenges, the female leaders strongly urged ECN to address voting accessibility through temporary voting mechanisms. Female leaders advocated for enabling voters, including health workers and those facing practical difficulties, to exercise their voting rights from their temporary residence. This proposal is rooted in the genuine concern of ensuring equal participation in the democratic process and deserves careful consideration.

The recommendation letter presented by the leaders reflects a collaborative commitment to promoting gender equality and enhancing voting accessibility within the proposed integrated election law. Leaders from cross-party uniting on issues of women's representation is an unwavering dedication to creating a more inclusive and representative

democracy that epitomises the spirit of progress and equal rights for all citizens.

FNCCI, IMF representatives stress collaboration for economic stability



Federation of Nepalese Chambers of Commerce and Industry (FNCCI) President Chandra Prasad Dhakal and International Monetary Fund (IMF) Resident Representatives for Nepal, Teresa Daban Sanchez, held a meeting at the FNCCI Secretariat in Kathmandu on July 7.

Dhakal expressed his concerns about the existing economic recession in Nepal

and requested for support from the IMF to help the country recover. He mentioned that FNCCI has been advocating for an accommodative monetary policy from Nepal Rastra Bank, focusing on increasing demand, reducing interest rates, revising working capital guidelines, and restructuring and rescheduling loans to revive the economy.

FNCCI President Dhakal emphasised the importance of the IMF's support to bring Nepal's economy back on track. In response, Resident Representative Sanchez assured him that IMF would discuss the issues further and collaborate with FNCCI to work towards economic stability in Nepal. The meeting highlights the collaboration between FNCCI and IMF, with both parties recognising the significance of working together to address the economic challenges being faced by Nepal.

NCC, CNI to collaborate for economic stability



Nepal Chamber of Commerce (NCC) and the Confederation of Nepalese Industries (CNI) have decided to cooperate and collaborate for economic stability. The leadership of both organisations agreed to move forward with cooperation while attending a programme organised to congratulate newly elected office bearers and the executive committee of CNI.

NCC President Rajendra Malla said, "We need to cooperate to boost the country's economy and meet the demands of the private sector." The environment for investment has not been created due to high interest rates, Malla said, adding that the morale of the private sector has decreased.

CNI President Rajesh Kumar Agrawal opined that there should be cooperation among private sector players for the effective implementation of monetary policy. Mentioning that economic development and prosperity are desired by the private sector, he stated that an environment should be created for regular discussions with the government to meet the private sector's demands.



Bajaj introduces new Pulsar NS200 USD and NS160 USD in Nepal



Hansraj Hulaschand & Co, the sole authorised distributor of Bajaj motorcycles in Nepal, has announced the launch of the all-new Pulsar NS200 USD and NS160 USD. Both cutting-edge models are set to redefine the biking experience for passionate Nepali riders. Abhimanyu Golchha, Director of Golchha Group said, "These bikes represent our commitment to bringing innovative, high-performance rides that offer a sharper than ever experience. We can't wait to see these amazing bikes on the streets of Nepal providing riders with unbeatable power and unmistakable style."

The heart of the Pulsar NS 200 USD is in its advanced 199.5 cc, liquid-cooled, fuel-injected modern BSVI engine. With a power output of 24.5 PS at 9750 RPM and a torque of 18.74 Nm at 8000 RPM, this powerhouse delivers thrilling acceleration and exhilarating performance. It features a sleek and aggressive design and offers remarkable stability and precise handling, ensuring an unforgettable riding experience.

The power-packed and exhilarating Pulsar NS 160 USD is a dynamic machine designed to amplify the riding experience. It offers a robust 160.3 cc, oil-cooled, BSVI engine with FI technology. Delivering a maximum power of 17 PS at 9000 rpm and a torque of 14.6 Nm at 7250 rpm, this powerhouse ensures thrilling acceleration and responsive performance.

Designed for ultimate control and safety, both Pulsar NS 200 USD and NS 160 USD are equipped with Dual Channel ABS, providing enhanced braking efficiency and stability.

Adventure knows no bounds with the Pulsar NS 160 USD's excellent handling and maneuverability. The Pulsar NS200 USD and NS160 USD

are now available in the market for Rs 424,900 and Rs 384,900, respectively.

Shangrila Motors opens booking for Citroën eC3



Shangrila Motors, the sole authorised distributor of Citroën cars in Nepal, has opened booking for two variants of Citroën eC3 — Live and Feel. Citroën eC3 is a revolutionary electric vehicle with French DNA that embodies the paradigm shift towards sustainable mobility in the automotive industry.

The Live and Feel variants of the Citroën eC3 will be available at an unbeatable price of Rs 3.29 million and Rs 3.49 million, respectively, which makes it the least-priced EV made in India. This pricing strategy enables more consumers to embrace electric mobility without compromising quality, performance or style.

Citroën eC3, with its combination of eco-friendliness, innovation, and affordability, stands out as a game-changer in the market. Powered by a 29.2kWh battery pack, the eC3 delivers impressive performance with 57hp of power and a peak torque of 143Nm. Its electric powertrain sets it apart from conventional electric vehicles, providing effortless acceleration and exhilarating driving experiences. Citroën claims that charging at a DC Fast Charger multiple times won't affect the battery's life.

The eC3's captivating and futuristic design has sleek contours, bold lines, and vivid details reflecting Citroën's commitment to creating visually appealing and avant-garde vehicles. The design not only exudes style but also optimises aerodynamics for improved efficiency and range.

The eC3 produces zero emissions, contributing to a cleaner and greener environment. Its sustainable performance allows drivers to

enjoy guilt-free mobility while reducing their carbon footprint. By choosing the eC3, consumers actively participate in the global movement towards a more sustainable future.

Equipped with advanced technology and connectivity features, eC3 enhances the driving experience. It includes a touchscreen infotainment system, smartphone integration, and a suite of driver-assist systems. These cutting-edge technologies provide convenience, entertainment, and safety, elevating the overall driving experience.

The Citroën eC3 is a compelling choice for eco-conscious consumers seeking an electric vehicle with irresistible USPs at an unbeatable price.

Prime Ceramics: Revolutionising Nepal's tile industry



Prime Ceramics, the largest tile manufacturer in Nepal, is the first Nepali company to produce both wall and floor tiles. With its official inauguration on July 30, Prime Ceramics boasts an impressive area of approximately 7.5 lakh square metres and an investment of Rs two billion. The venture is led by Ashish Garg as Chairman and Prashant Agrawal as Managing Director. The company is strategically located in Brindaban, Rautahat and prioritises low-cost solutions and affordability for maximum outreach without compromising on quality. Prime Ceramics has created jobs for 300 people with more than 60% of the company's employees being women.

With the latest Italian Scmi machines, the company produces 10,000 boxes of tiles daily, catering to a diverse range of consumer needs. Currently, Prime Ceramics offers five different tile sizes, with plans to expand its product line to include 11 distinct sizes in the near future. From floors and

walls to kitchens, dining rooms, parking areas, and indoor and outdoor spaces, the company provides comprehensive tile solutions to meet customers' varied requirements.

Pradip Kumar Jha, General Manager and Sales Head of Prime Ceramics, highlights the company's ambitious production targets with a goal of manufacturing 4.5 lakh square meters of tiles annually.

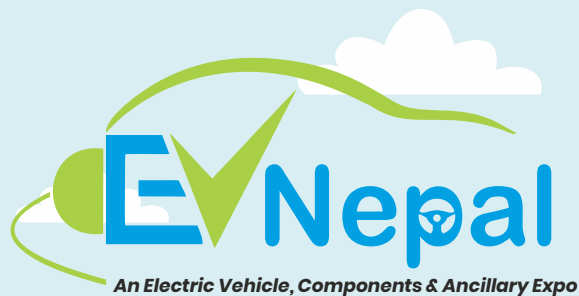
Wyndham Hotels and Resorts debut its upscale brand Ramada by Wyndham in Itahari



Wyndham Hotels and Resorts, the world's largest hotel franchising company with approximately 9,100 hotels spanning more than 95 countries, has announced the opening of the 80-room hotel in Itahari, its first 'Ramada by Wyndham' in Nepal. The owning company is AB Holdings which is a hotel development and investment company.

Located in Itahari, an upcoming business hub of eastern Nepal, the hotel is slated to open by the second quarter of 2024. The property will offer 80 rooms, an all-day dining, lobby lounge and delicatessen, terrace bar, health club and spa, meeting and event halls, and outdoor swimming pool with kid's pool. Built with state-of-the-art technology and equipped with modern amenities, the hotel will be able to host up to 300 persons for meetings, weddings, private and corporate events.

The agreement for the new launch was signed by Desh Bandhu Basnet, Chairman of Grand Central Hotel, subsidiary of AB Holding and Nikhil Sharma, Market Managing Director Eurasia, Wyndham Hotels and Resorts, the world's largest hotel franchising company and leading provider of management services.



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“Great leadership, teamwork and aligning the company’s vision with the vision of the people working in the company in order to get everybody on the same page are prerequisites for any successful venture”

Ananta More is the Executive Director of Lucky Group. With over 15 years of experience, she looks after marketing, corporate communications and branding of the group. She is also a member of the Women Leadership Forum of the Confederation of Nepalese Industries (CNI). She holds a postgraduate diploma in Planning and Entrepreneurship Management.

In this edition of **Business 360**, More speaks about her entrepreneurial interests, her pick of brand and what she has learnt from some of them.

Frequently-used apps

Gratitude Journal: I have been using Gratitude Journal for a very long time now. Ever since I started using this app, it has helped calm me and give me peace of mind. In life, we all feel low every now and then and are in need of motivation and encouragement; this app helps me with that. I believe one must always write down their thoughts as it serves as a reminder of all things that you can also be thankful for.

YouTube: I use YouTube mainly for entertainment.

Instagram: Though I am not a social person, I use Instagram to stay connected with people.

Advice for budding entrepreneurs

Keep going: Regardless of the situation, one should never stop moving forward. While working, it is obvious that we face obstacles every now and then but our thought should be to keep going regardless.

Clarity on the vision of your company: In any workplace you should always have a clear understanding



Ananta More
Executive Director, Lucky Group

of the company’s goals and objectives.

Once you have grasped the company’s vision, you should set your own goals and plans to align with the company’s objective.

Places you want to travel to

Travelling is something I am very fond of and it could be to any destination but if I have to name a few then they would be the Annapurna Base Camp and Jomsom.

A female-led business you look up to

Made in Nepal that was stamped by Latika Golyan has impressed me a lot. She has

more responsibilities than men. However, we can see several examples of women who have been able to perfectly balance work and life. Personally speaking, gender equality has never been an issue in Lucky Group; for us, it is always about performance, skills and talent.

An entrepreneur who inspires you

I receive constant motivation and inspiration from so many entrepreneurs that I meet on a regular basis. However, if I must mention one name, then it would be my father-in-law, Satish Kumar More. I get inspired by him every day due to his hardworking and progressive nature.

Three brands you have learned something from

Tata is known for its ethics and work principles. Another would be India Mart, which has brought digitalisation in India and lastly, Amazon. I have learned a lot from these brands.

Success mantra

Great leadership, teamwork and aligning the company’s vision with the vision of the people working in the company in order to get everybody on the same page are prerequisites for any successful venture. Also, being heard and listening to others adds value to any company culture.

One non-profit you want to contribute to

It would definitely be Maiti Nepal run by Anuradha Koirala. She has done an exemplary job by rescuing girls who have been trafficked while providing a safe space for them. **B**



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Director – MX Business, Samsung Electronics - Nepal Office

“Whenever you start any business or do anything in life, it has to be very strategic. It has to be process-oriented. That is one mantra I keep following in my work all the time”.

Pranaya Ratna Sthapit, Director – MX Business, Samsung Electronics – Nepal Office, has a career spanning over two decades in sales and marketing. Sthapit has honed his skills to become an expert in the field having worked with some of the world's biggest brands. In this issue of **Business 360**, Sthapit shares the five things that have impacted his life and work.

Life is an endless expedition

I decided to specialise in Marketing during my MBA though we had two other options of Human Resources and Finance. I have always been inclined towards marketing because at the end of the day it is about how you generate revenue for the business. That is the main thing for any business organisation. Yes, HR is also important and finance is like the backbone of any company but without revenue we can do nothing.

During my MBA, I got the opportunity to do an internship with Unilever Nepal. It was in 2000 and I was assigned to a project looking into the marketing of Lifebuoy soap which was launched on the health and hygiene platform. We not only had to market the product but also get across a social message on why washing hands with soap frequently is beneficial for one's health, and we had collaborated with UNICEF for the project. During the internship I built a good relationship with the management due to my work and as soon as I finished my MBA, I was called for a job interview. I joined Unilever Nepal in 2001 and I am proud that I was the first Nepali to be chosen for their BLT (business leadership training) programme. I was sent to the company's

northern branch in Gurgaon for four months immediately after being hired. I still vividly remember those days when I had to travel to all the rural interiors of Himachal Pradesh and Punjab. It was quite an experience as I got to learn about the basics of sales from the best people in Unilever which basically means the best expertise in India.

What we must not forget is that in any sphere of work we must get our hands dirty right in the initial period if we ever want to succeed in our career. Once we have moved ahead, then there is no going back to gather that experience and without that it will be difficult to relate to the ground reality and challenges and also the ways to get around those challenges. That was a very important chapter of my career; it literally built the foundation for my career. Within those four months I had to work as a territory sales in-charge, sales officer and also as an area sales manager. After the programme was over, I returned to Nepal but again after a few months I was sent for a marketing stint in the company's head office in Mumbai where I got to work on the internationally renowned brand, Lux.

I was assigned to the brand team. It actually consisted of two teams – innovation and activation teams. The innovation team had to develop the product from scratch after understanding the traits and preferences of consumers whereas the activation team's responsibility was to devise ways to take the product to the consumers. I also got the opportunity to work with the core sales and I would like to share an experience. Unilever

has so many brands and SKUs (stock keeping units) and as a salesperson I had to generate orders at the retail points. Even for the same brand of let's say toothpaste, one consumer might want a 30-gram pack while another might prefer a 100-gram pack. There are various reasons why people want a certain SKU and depending on the consumers' needs, the role of the salesperson is to make the product easily available for the consumer. For that you have to make your products available at these outlets so that consumers have easy access to them.

Never stop learning

While working with the Unilever team in India, I got the chance to learn from the sales experts of India. Unilever was and still is a respected company and it is fundamentally known for its process-oriented approach. Process-oriented means that decisions are made based on a certain system and not on an individual's ideas. When things work according to process then you will be able to deliver results consistently. If work is done as per an individual's ideas, then in the long run it will be difficult for the organisation to have steady progress because the direction will keep changing with change in personnel, and processes will also keep changing. Stakeholders will be confused then. Whenever you start any business or do anything in life, it has to be very strategic. It has to be process-oriented. That is one mantra I keep following in my work all the time.

I also got to know the answer to the role that a salesperson plays. Most often people think that the role of a

salesperson is to just sell the product but in reality, there is so much more to it. Even to this day, I teach my team about those three vital roles of a salesperson. The first thing any salesperson must be aware about is availability; their product should be widely available. The second is visibility. If your product is properly visible in the outlet, then there are higher chances of it being picked up by the consumers from the shelf. Just making products available is not enough. And the third important factor which I feel most salespersons always miss out on is trade recommendation which is about building a relationship with your business partner. You should understand their pain points so that you can motivate and educate them so that they in turn will be able to educate the end consumer. Any person involved in sales must understand that they do not interact directly with the end consumer; it is always through the retailer. So, it is very important to keep your retailer or channel partner motivated and educated. These three things are the fundamentals that any salesperson must understand and fulfil if they want to be effective on the ground.

And of course, as you rise up the ranks, maybe you will be more into strategies. But even if you become the CEO, these three factors are the fundamentals one should not forget because at the end of the day for any organisation, the top line is everything – the revenue! In order to drive revenue, you have to understand the ground reality. My belief is that if your foundations are strong, if your basics are correct, then it is

just a matter of time when you will start progressing and reaching higher positions. That is why I will forever be thankful to Unilever for teaching me these things. I have changed companies; in fact, I have changed the industry I work in but the fundamentals will never change.

Way forward

I also did a stint with Chaudhary Group and was instrumental in launching the Haywards 5000 beer in Nepal where again I got to learn so much. And then in May 2004, I had the chance to join Bottlers Nepal (Coca-Cola). Coincidentally, it was the time when the Nepal bottling unit was bought by Coca-Cola South African Bottling Company (SABCO). They had taken over the business and were trying to build talent within the team and also investing in the infrastructure. I was fortunate to be a part of that team at that point of time because it was the turning point for the company with the new investor. After I joined Bottlers Nepal, I was selected for the Inside Track programme of SABCO, wherein the company would identify staff with high potential from different countries and put them through an intensive training for three weeks. During that training, I got an opportunity to learn from a diverse group of people from various backgrounds. In the global context, SABCO is a small bottling unit but they have a strong heritage and are known for their manual distribution system, which means instead of having a big distributor you have more small but efficient distribution partners. We tried that in Nepal and were successful. I first joined Coca-Cola as Assistant Manager and I was promoted to Country Marketing Manager by 2008. And then I was promoted to the position of Country Sales Manager in 2011.

While in Coca-Cola we introduced the RED (right execution daily). Coca-Cola

ANY PERSON INVOLVED IN SALES MUST UNDERSTAND THAT THEY DO NOT INTERACT DIRECTLY WITH THE END CONSUMER; IT IS ALWAYS THROUGH THE RETAILER. SO, IT IS VERY IMPORTANT TO KEEP YOUR RETAILER OR CHANNEL PARTNER MOTIVATED AND EDUCATED.

(Coke) is a very impulse driven product and study shows that over 80% purchases are impulse driven. Nobody ever leaves home with a plan to drink a bottle of Coke at a certain time. You could be walking down a street or just sitting in a park and if you feel thirsty you may buy a bottle of Coke. In this kind of industry, it is very important to have the right presence in the market and when I say right presence, again it is about availability and back then, we used to serve more than one lakh outlets. Coke's philosophy is "Ice cold within arm's reach". You will not enjoy your drink if it is not cold, especially the sparkling beverages. It is very important to have your cooler at the right temperature and it has to be accessible directly by the consumer. Previously in Nepal, coolers used to be placed at the back of the shop where consumers could see but not reach. So, we started the streetwise cooler project whereby we put the coolers in the storefronts. Research showed that by simply placing the cooler at the front where consumers can easily access them, the incidence rate jumped by 40%, which means revenue increased by that much.

Also, what I have learnt over the years is that when you work with a partner it has to be collaboration for value. As a brand or a company, I have to add value to their business and vice versa. If that happens, then any partnership will last for a very long time. As long as there is benefit for both parties the partnership will flourish. If it is not balanced then that partnership is bound to collapse. There has to be value creation on both sides. What one must also keep in mind is that it is not the strategy that is the most important but the ground reality because once you know the reality you will devise a strategy accordingly. If you know the ground reality and then come up with a strategy then it becomes more robust and effective.

After having worked with Coca-Cola for a decade, I joined Samsung Nepal in October 2014. It was not only a new company but a totally different sector for me but I have always wanted to grow and in order to grow sometimes you have to take the risk and get into a new territory. Again, I was fortunate because that was the year Samsung had decided to establish an office in Nepal and I was among the first employees. Here also I have followed the previous learning and made everything process-oriented because a business is not just for a day or a month or a year. If I do it on an individual basis then maybe I can show a result for today, one more day, two more days but how do I drive sustainability for years to come. That is the key and as a business leader that is what you need to do, that is your responsibility. As you grow in that pyramid, your vision keeps expanding. For instance, when you start a career, you are focused on the now – today, tomorrow and next week. However, as you keep climbing the rungs you are focused on quarterly, first half, second half and annual reports. And then as you rise higher, maybe you are focused on what will happen

three or five years down the line.

Experience, a great tutor

People often talk about one source of inspiration but for me it is an amalgamation from many sources. While studying MBA, I used to read business magazines and get inspired by various business leaders. And then as I started working, I got to interact and learn so much from so many individuals from diverse cultures and backgrounds. What I would say is that I have gathered bits of inspiration from several sources. I think that is the right way. If you are confined to just one source of inspiration then perhaps it becomes too narrow.

Different people have different experiences, different areas of expertise. Some are very good in framing strategies. Some are very strong tactically. Some are very visionary and thinking about long-term planning. As a leader you have to be balanced so you have to take inspiration from various sources.

There is also a saying, "your short terms make your long term". If you cannot survive today there is no point of thinking about five years down the road. So, it is all about balancing the little things. But then again if you just think for only today then you will not grow. So, it is always about balancing today, tomorrow, the next year and the way forward. Not only in business, that's how we need to think even in our personal lives.

One of the major decisions I have taken in my career was joining Samsung because prior to that I had always been involved in FMCG companies and Samsung is all about technology. Yes, there are sales and marketing aspects which are extremely important but here you need to make people understand innovation and technology which is very challenging. With Coke and soaps and toothpastes you don't need to make people understand. These days



Samsung has a minimum of seven to eight launches a year. Nearly every month, a new device is coming and each one of them has new features and technologies. It is very difficult to educate the channel partners and consumers about these new technological advancements. When I was shifting from Coke to Samsung, I was not too sure whether it was a right decision for me. I am not a tech person; I didn't study engineering. So, in the initial days I had a lot of doubt in my mind and it was very difficult because technology is so rapidly changing. The speed of change in the tech world is very fast. Market dynamics are changing fast and competition is also moving very fast. Even our own technology is changing so

rapidly. Initially, when I joined it was difficult for me to adapt and in the initial days, I used to stay awake till three in the morning to learn about various technologies. When you are in a difficult situation it demands more from you, you have to be more committed and that is when you come out of your comfort zone. And when you come out of your comfort zone then growth is obvious. After working for so many years at Coca-Cola things were on my fingertips. If there was any issue I could resolve it immediately, with a click of my finger. But I am satisfied for having taken that risk and joining Samsung.

Mindful decisions

As humans, we have to make decisions on a daily basis

be it at the personal or the professional front. There will be times when a decision may look small at that particular moment of time but later when you reflect on things then maybe that small decision could have led to bigger things in life. At times you realise how big a change has come about due to one small decision only after many years have passed by. For instance, my decision to go to India for my Bachelor's may not have seemed a very big decision then but when I reflect now, that was one big turning point in my life and career. India is such a huge market with so much of diversity – the experience and exposure I got there are unbeatable. Moreover, with such a large population there was no dearth of brilliant minds

to learn from. It was not only about studies; the books and the content would be the same. It was about learning from people.

Earlier, I was a bit introvert and didn't like interacting with people but in Pune I got the opportunity to interact with students from different countries. It was an opportunity for me to learn from diverse cultures. I also got to understand that there are different perspectives that people have based on the culture they are brought up in. I think it is due to this that I have been able to adapt to the various work cultures I have faced during my career in Unilever, Coca-Cola and Samsung. **B**

7 TIPS TO GET YOU STARTED ON YOUR FITNESS JOURNEY



Sandesh Palungwa Limbu,
Certified professional fitness
instructor, founder of RAGE
Fitness, and specialises in mixed
martial arts.



Getting in shape takes time and consistency. For most people it is neither easy nor something they are passionate about. Yet one can't deny that being fit and healthy adds to the quality of your life. If you are contemplating starting a fitness routine, make sure that you set realistic expectations and goals to match your body and your lifestyle. It will take effort, it won't be easy, but it will be worth it!

Be good to your body and remember happiness and health always come first! If you ever slip up, don't beat yourself up about it. Here I have put together a few tips that will help you on your fitness journey:

#1 Focus on athletic gains rather than aesthetics. You must work on improving performance, strength, speed, consistency and overall wellbeing, rather than just thinking about how you look.

#2 Stop comparing yourself with others. Comparison can distract you from not just your goals but all the inner work you are doing to better yourself. It can also lead to conflict about what your real purpose for exercise is.

#3 Find a workout you love or simply mix it up. When you love what you do, it's likely that you'll keep doing it. You will be more committed and will find ways to enjoy what you do more.

#4 Set goals. Write down what you want to achieve. Now write down what can stop you from achieving it. When starting a fitness routine, nothing really goes right. You signed up and started at the gym and next you have to travel for two weeks. These things happen all the time. It should not deter you or make you quit. Instead embark on a plan that is really achievable for you and that you can adhere to. There are always solutions.

#5 If your fitness routine makes you unhappy, change it. Sure a boxing class sounds super cool but maybe yoga is your thing! Your fitness regimen should make you feel invigorated, not depleted.

#6 Start where you are. It could be as small as 10 minutes of spot jogging or a short walk, but do start. Your body will thank you for it as you build your strength and health, and are able to do more and more.

#7 Put the right things into your body. Choose your food and beverages consciously. Eat clean and healthy. Eat at regular meal times. Drink lots of water. Don't confuse thirst for hunger. Make conscious food choices that are fresh and good for your body. **B**

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CAN YOU CHANGE THE WAY YOU THINK?

Questioner: How can I change the way I think? How can I consciously create the thoughts and emotions I want?



Sadhguru. Ranked amongst the 50 Most Influential People in India, Sadhguru is a yogi, mystic, visionary and a New York Times bestselling author. Sadhguru has been conferred the Padma Vibhushan by the Government of India in 2017, the highest annual civilian award, accorded for exceptional and distinguished service.



Sadhguru: The mind is essentially talking about a certain bank of memory. It is this complex web of memory which gives you a certain character. This memory is being gathered every moment of your life, in wakefulness and sleep. You are unconscious of most of the memory that you gather because it is being gathered in such heavy quantities. So many things that you do so easily, something as simple as walking on two legs for example, is possible not just because of your bone and muscle, but because of the memory that you carry. The body remembers how to walk. If you forget, you cannot walk.

Karmic Impressions

When we say memory, people tend to think of the mind, but the body has much, much more memory than the mind. Your great, great, great-grandfather's nose is sitting on your face because something inside your body remembers. Your body still remembers how someone was a million years ago and it is still acting

that out. So the memory of the body is way bigger than the memory of the mind. This memory is what we refer to as karmic impressions. There was a time when in India, society was trying to manage your karmic impressions. It is for this purpose that jatis, gotras and other things were started. But that has all gone now. So you have to manage it within yourself.

What kind of thoughts you have, on the conscious level, is just the memory that you have gathered on the conscious level in this piece of life, from your birth to now. This conscious memory is called prarabdha. But what kind of emotions these thoughts generate within you is coming largely from an unconscious process of memory. That memory is way bigger than the conscious memory and is called sanchita. Sanchita means the unconscious accumulation of karmic mass, which keeps on acting in its own way. It is not active in terms of manifesting itself but it is active in terms of influencing you in a million

different ways. Does that mean you are all fixed and there is nothing you can change? No. It is only because of this basis that you exist. What you want to make out of yourself is still you. Destiny is not a done thing. Destiny is like the skeletal system of your body. It decides your stature but it doesn't decide everything. How much you put onto this skeletal system is up to you.

A Question of Perspective

Instead of looking at what kind of thoughts or emotions you are getting, just see that in the larger perspective of life you are a tiny speck of dust. In this cosmos, our galaxy is a small happening. In the Milky Way, this solar system is a speck. In that tiny speck, planet earth is a super-tiny speck. In that, your city is a micro-tiny speck. In that speck, you are a big man! People have lost perspective of who and what they are. A spiritual process means, even if you cannot experientially see, at least to intellectually understand your place in this existence. This

is the simplest thing to get. If you get this much, a new possibility is open – you will walk differently, sit differently, breathe differently and experience life differently. What this tiny speck thinks and feels is not important. But for most people, what they think and feel is more important than the fabulous cosmic dance that is happening. The whole cosmos is going on phenomenally well today, but just one thought can bother you and put you in the dumps. If you just see “What I think and feel is not so important,” if you bring this distance between you and your thought and emotion, they will become a conscious process. Once your thought and emotion become a conscious process, you are free from the karmic process in many ways. Right now, both your thought and your emotion are a compulsive process. Once it is a conscious process, suddenly you are empowered in such a way that people think you are super human. This is not superhuman, it is just being human. **B**

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“Nobody is perfect. There is always something to be learned. I believe ideal is a relative term. For instance, how you take charge of the family is different to what you do at the workplace. Leadership at the community level is different from that at the national level. Hence, leaders are obliged to perform differently in different situations”



MONIKA BHATTARAI ADHIKARI
VICE-CHAIRPERSON, SOCIAL WELFARE COUNCIL NEPAL

‘Actions speak louder than words’ is the belief that has propelled the career of the Vice-Chairperson of Social Welfare Council Nepal, Monika Bhattarai Adhikari.

Adhikari has always been passionate about the social sector and the opportunity to work on women empowerment with an organisation called

Women Lead during her late teens solidified her interest. “I gained a lot of insight and being assigned to conducting several training programmes helped me hone my organisational skills,” she reflects. A student of Botany, she then went on to pursue a Masters Degree in Sociology.

Commitment is the key to success says this multifaceted individual who also runs a pharmacy. A little-known fact about Adhikari is that she is also a certified yoga teacher.

In this edition of **Business 360**, we spoke to her to learn her views on leadership and the role of Social Welfare Council Nepal (SWC). Excerpts:

What does leadership mean to you and what makes a successful leader?

Leadership is all about inspiring and moving along with the team to achieve a common goal. Individuals who believe in leaving no one behind and in inclusivity can and will go far in life, and definitely become good leaders. Further, a leader

must also be able to take quick decisions because people do not really trust an indecisive person. I also believe that a leader should always be able to walk the talk. Lastly, they should be able to gauge any type of situation because there are times when one has to be tactful and times when one needs to be upfront.

Three things a leader should always be ready for

Leaders should always be ready to listen to others without any preconceived notion. They must be empathetic too. There are times when people commit mistakes unknowingly so a leader must sit down with the concerned person and try to resolve the issue. It always has to be a two-way dialogue. Like I mentioned earlier, they must also be quick decision-makers.

What strategies help you lead Social Welfare Council?

Previously, in our organisation it was rare to find leaders who would look into possibilities. What I would like to add here is that I may be the Vice-Chairperson overlooking the major decisions but every other employee in the institution should think of themselves as leaders in their own right. What I have seen in our country is that leaders tend to be more negative, no matter which field they are involved in. Innovative ideas are seen as risks rather than opportunities. Risk is associated with any new idea but if we give it a shot then who knows which idea could go on to become a great concept someday. We can always work on reducing the risk factor but the foremost thing is we should at least try. If you approach any task with negativity, then oftentimes the outcome too will be such. Instead of being appreciative leaders here are critical of new ideas. There is also a tendency of hastily visualising the future of any work, not keeping in mind the strengths, weaknesses, opportunities and threats that come along. We too were facing similar issues but that has now completely

changed. The environment has changed and SWC has become a more optimistic, responsible and innovative institution.

Is an ideal leader a reality or a myth?

Honestly speaking, it is a myth. Nobody is perfect. There is always something to be learned. I believe ideal is a relative term. For instance, how you take charge of the family is different to what you do at the workplace. Leadership at the community level is different from that at the national level. Hence, leaders are obliged to perform differently in different situations. Some leaders might look perfect while working for the community but might not be properly performing their role at home. Therefore, nobody can be considered an ideal leader. However, I do believe people get inspired by somebody or the other in some way or the other. I, myself, am motivated and inspired by my mother-in-law. She is an example to all women of her age; her political ideologies have helped her shape both her personal and professional life. Having said that, she has her own weaknesses and flaws too.

What do you think inspires people to follow others as their leaders?

If a person has a good idea and their intentions are good, then others will follow that individual. Balen Shah, Mayor of Kathmandu, is a leading example of that. He never asked people to follow him. He had a vision which he was able to communicate to the masses and they elected him because they saw good in that vision. Another example is Harka Sampang, Mayor of Dharan. He identified that water scarcity was the biggest problem the city was facing and his resolution was to solve it, so people voted him in to office. However, the number of followers they have is ever-rising because they have actually worked on issues they pledged on.

Would you consider yourself a leader?

I think I will leave that to other people to judge. However, I am here in this position and have certain responsibilities. I will not say I am a leader because I have risen to this position but over the years I have learnt and tried to apply things that go into making a leader. What I can definitely say is that I am solution-oriented and fulfil my responsibilities to the best I can. While leading the team at SWC, I have always been empathetic with my colleagues.

Have you faced any situation whereby you had to change the way you lead your team?

I wouldn't say a particular situation; it was like a process. Previously, I was an introvert and though I would put across my thoughts during any meeting or discussion, I would never interact. I, literally, would never listen to others. These days it is different; I speak less and listen more. Moreover, previously I used to react very quickly to a situation but now I have changed. I listen, think, visualise and then only respond. After realising these shortcomings, I have made conscious efforts to become a better leader.

What are the areas that the Social Welfare Council focuses on?

We are fundamentally a regulatory body. We are an autonomous wing of the government under the Ministry of Women, Children and Senior Citizens. The major role of SWC is to work for marginalised communities in areas where other relevant government bodies cannot reach. Further, SWC supports and coordinates projects being implemented by NGOs and INGOs which are sustainable, need-based and fall under the policy of the government.

The National Planning Commission publishes data of places where certain initiatives are necessary. After studying the data, we identify places with low Human Development Index and monitor concerned

organisations working in these places. SWC also motivates and encourages NGOs and INGOs who are based in Kathmandu to work in such places. Therefore, our main work is to check whether a project aligns with the policy of the government, provide feedback, and work on necessary changes. We also are responsible for approving projects that fall under our purview and lastly, we monitor and evaluate those projects.

What are the most prominent issues prevalent in Nepal and what has been SWC's role?

One of the burning issues in Nepal is the lack of funds due to which we have not been able to provide quality education, nutritious food, and proper health facilities to the needy. Projects of livelihood enhancement will help reduce such problems. When people are economically sound, every other need is fulfilled eventually.

The other issue I see is that we do not value and respect work. What I mean is if we think the work is big or involves prominent people then we value it or else we tend not to respect that work. Every type of work needs to be valued and when we start doing this then everybody will feel empowered. At the end of the day, development basically means when people do not have to depend on others for their bread.

Previously, the government used to allocate a budget for SWC annually, but since the last couple of years it has stopped doing so. As a result, we do not have sufficient funds to provide funds to others or initiate any project on our own. We encourage NGOs and INGOs to do the needful. We do not give priority to short-term programmes and projects such as food distribution or clothes distribution. We focus on sustainable projects as we are highly motivated by the thought - 'Give people fish, you will feed them for a day but if you teach people to fish, you will teach them to feed themselves for a lifetime'. **B**

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