

TRU Flash Alert

29 April 2020



NRB announces 2nd COVID-19 Stimulus Package

The 2nd stimulus package for borrowers impacted by COVID-19 was announced by NRB on 28 April 2020 with the following relief measures:

Reduction in interest rates

NRB has, for the first time, directed all BFIs including Class “D” financial institutions dealing in bulk loans, to reduce interest rates on loans for the fourth quarter of FY 2076/77 (FY 2019/20 AD) by **2%** (200 basis point) from prevailing rates charged during third quarter ending Chaitra 2076. The reduction in interest rates by Class “D” financial institutions dealing in retail loans shall be **3%** (300 basis point).

The following exceptions shall be applicable while implementing the above reduction in rates:

- BFIs shall not be forced to reduce the rates below the applicable base rate. Interest rates shall be computed based on the base rate for quarters beginning 1 Shrawan 2077.
- The above relief shall not be extended to borrowers dealing in food processing and trading, gas refilling and distribution, soap & chemicals, selling & distribution of medicine, internet service provider, telecom sector, TV service provider, tobacco & alcoholic beverage industries and hydropower entities which are in operation.

Increase in working capital loan limits

Based on identification and evaluation of necessity, BFIs except class D financial institutions are permitted to enhance the sanctioned limit of working capital loan to borrowers affected by COVID-19 by an additional 10%. The sections where such increment can be made are hotels, restaurants, resort, tours & travel, trekking, airlines, other business related to tourism, small & medium scale industries, commercial vehicles, export industries, entertainment industries, hospital, poultry farm with the following conditions:

- The tenure of the increased limit shall be for a maximum period of 1 year and cannot be renewed.
- Loan to core capital ratio provision will not applicable in case of such increment.

Extension of repayment instalment due

- a) NRB has directed the BFIs to extend the due date for collection of monthly and quarterly instalments on loans and advances for Baishak and Jestha 2077 without charging any penalty and other applicable charges. Additionally, downgrading of such loans and advances are not required if collected within Ashadh 2077 (mid-July 2020).
- b) Further, BFIs except Class D financial institutions, can extend the tenure of repayment of interest and principal due during lockdown period by additional 60 days for all types of short term working capital loans.

Withdrawal of relief granted to certain sectors

With the above stimulus announced by NRB to various sectors impacted by COVID-19, the relief granted to borrowers of tourism and transportation sectors vide circular 18/2076.77 dated 29 March 2020 (Point no. 9) for eligibility of new loans within 5 days from the date of application if repayment of instalments and interest were regular till Paush end 2076 has been withdrawn.

For circular [click here](#)

PKF Nepal Comments – *The reduction in the interest rates and eligibility to avail additional 10% working capital loans under the 2nd stimulus package targeting the most impacted industries and businesses by COVID-19 will bring a huge relief to the borrowers. The banks' earnings may be reduced due to the reduction of interest rates which is expected to be compensated by the disbursement of new loans and advances.*

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