NRB Unified Directives for Class A, B and C Licensed Institutions

Directive 17

Language mode: En

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SOURCE-GAP REFERENCE - NOT A COMPLETE DIRECTIVE

Circular No. 12 (A/B/C), FY 2082/83 dated 17 Mar 2026: Prescribed-sector rewrite recorded; exact circular wording not reproduced.

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Contents

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Controlled English translation

Provisions on Credit to the Deprived Class and Prescribed Sectors

Preamble

Controlled English translation

In exercise of the authority conferred by Section 79 of the Nepal Rastra Bank Act, 2058, the following directives are issued in relation to credit required to be extended by Class “A”, “B” and “C” licensed institutions to the deprived class and prescribed productive sectors.

Source Page: 142

1 Minimum Ratio of Deprived-Sector Lending

Controlled English translation

Class “A”, “B” and “C” licensed banks and financial institutions shall extend at least 5.0 percent of their total loans and advances (including bills purchased and discounted) as credit to the deprived class.

Explanation: For the purpose of this Directive, “deprived class” means low-income persons and, in particular, socially disadvantaged women, indigenous/nationalities, Dalits, differently-abled persons, marginalised communities, small farmers, artisans, labourers and landless families. Microcredit extended up to the limit prescribed by this Bank for self-employment-oriented micro-enterprises operated for the economic and social upliftment of the deprived class shall be counted as “deprived-sector credit”.

2 Period for a New or Upgraded Institution to Reach the Deprived-Sector Requirement

Controlled English translation

A licensed institution commencing financial operations, including a newly established or upgraded institution, shall, after completion of one year of operations, mandatorily extend deprived-sector credit in each quarterly period on the basis of total outstanding loans and advances six months earlier.

3 Direct Deprived-Sector Credit

Controlled English translation

4 Indirect Deprived-Sector Credit

Controlled English translation

Credit indirectly extended by a licensed institution as follows shall be counted as deprived-sector credit.

(a) Term-type wholesale credit extended, against institutional capacity and institutional guarantee, to a Class “D” licensed institution on the condition that it will lend to the deprived class. However, a licensed institution may extend to any one Class “D” institution only up to 40 percent of its total wholesale credit extended under this provision.
(b) Term-type wholesale credit extended, against institutional capacity and institutional guarantee, to a Class “D” microfinance financial institution established for the purpose of providing wholesale credit to small-farmer cooperatives and institutions carrying out microfinance transactions.
(c) Investment by a licensed institution in debentures issued by a Class “D” microfinance financial institution may be counted as deprived-sector credit.
(d) Credit up to NPR 150,000 extended to workers going for foreign employment by licensed financial institutions after borrowing from Class “A”, “B” or “C” licensed banks/financial institutions. Such credit shall be counted only in the deprived-sector lending of the Class “A”, “B” or “C” lender.
(e) A bank or financial institution providing wholesale credit for counting as deprived-sector credit shall obtain, every six months, particulars from the recipient institution confirming whether the credit has been used for the deprived class; any amount found to have been misused shall not be counted as deprived-sector credit.
(f) Investment by a licensed bank or financial institution in promoter shares of a Class “D” financial institution shall also be counted as indirect deprived-sector credit.

5 Limit on Counting Direct and Indirect Credit

Controlled English translation

A microfinance financial institution receiving credit under deprived-sector lending shall mandatorily deploy one hundred percent of such amount as deprived-sector credit. Where it is not so invested, the corresponding wholesale credit extended by the lending institution shall not be counted as deprived-sector credit.

6 Basis of Calculation

Controlled English translation

Deprived-sector credit shall be calculated at each quarter-end—Ashwin, Poush, Chaitra and Ashadh—on the basis of total outstanding loans and advances (including bills purchased and discounted) six months earlier.

7 Counting Low Cost Housing as Deprived-Sector Credit

Controlled English translation

Credit extended, on the basis of need, for purchase of house/land and construction of a house only to persons eligible to be counted in the deprived class shall also be counted as deprived-sector credit:
(a) credit up to NPR 700,000 extended directly or indirectly, collectively or individually, against adequate security;
(b) the concerned bank or financial institution’s credit policy shall clearly provide for such house/land purchase and house-construction credit to the deprived class;
(c) all procedures required by prevailing laws and the policies/directives of this Bank shall be completed;
(d) “deprived class” has the meaning stated in Clause 1.

8 Youth and Small Entrepreneur Self-Employment Fund

Controlled English translation

(1) Of the amount required to be extended to the deprived class—3 percent for Class “A”, 1.5 percent for Class “B” and 1 percent for Class “C”—one-third shall be deposited in an account opened in the institution itself in the name of the

Government of Nepal, Ministry of Finance, Youth and Small Entrepreneur Self-Employment Fund (“the Fund”). This does not prevent a bank or financial institution from depositing more than the stated amount. The amount deposited in the Fund shall be treated as credit extended by the bank or financial institution to the Fund and shall be counted as deprived-sector credit.

(2) Credit extended under sub-clause (1) shall, for classification and loan-loss provisioning purposes, be treated as good credit in all circumstances. For risk-weight purposes, banks may classify such credit under Claims on Government under the Capital Adequacy Framework, and Class “B” and “C” institutions may assign the applicable risk treatment.

(3) The bank or financial institution shall open an account in the name of the Youth and Small Entrepreneur Self-Employment Fund upon obtaining documents authorising account opening, account operation and execution of the credit agreement.

(4) The Fund shall be liable to repay the amount extended to it by the bank or financial institution under sub-clause (1).

(5) The agreement between the Fund and the bank or financial institution shall be in the form prescribed in Schedule 17.1. No document other than that agreement shall be required for this purpose.

(6) Where a bank or financial institution, under the Youth and Small Entrepreneur Self-Employment Fund (Operation) Rules, 2065, extends credit up to NPR 200,000 to youths and small entrepreneurs against project-only collateral, such credit shall be counted as deprived-sector credit. However, it shall not be deducted from the amount required to be deposited under sub-clause (1). Such credit may have a term of up to five years depending on the purpose of the business, shall be repayable in instalments fixed by the concerned bank or financial institution under its rules, and the Grace Period for principal and interest shall be as prescribed by the Fund.

(7) To provide credit under sub-clause (6), a bank or financial institution may obtain refinance from the Fund at 7 percent per annum.

(8) Operation of the Fund shall be in accordance with the Youth and Small Entrepreneur Self-Employment Fund (Operation) Rules, 2065, the Directive on Credit and Insurance Arrangements, 2065 and this Directive issued by this Bank.

(9) Notwithstanding anything above, until further notice by circular, Class “A”, “B” and “C” licensed institutions need not deposit in the Fund the amount otherwise required for counting as deprived-sector credit, as suspended from Chaitra-end 2069 under the circular dated 2069/11/26. Such institutions shall, however, continue to invest the full amount required under Clause 1 in deprived-sector credit.

9 Quarterly Reporting of Deprived-Sector Credit

Controlled English translation

A quarterly statement of credit extended to the deprived class in the format of Nepal Rastra Bank Directive Form No. 17.1 shall be submitted to the concerned Supervision Department of this Bank within seven days after the end of the quarter.

10 Credit Policy to State Deprived-Sector Arrangements

Controlled English translation

The concerned licensed institution shall clearly state in its credit policy the policy and procedural arrangements relating to credit extended to the deprived class.

11 Additional Loan-Loss Provision

Controlled English translation

Notwithstanding anything in any other Directive, an additional twenty-percent loan-loss provision shall not be required for credit directly or indirectly counted as deprived-sector credit and extended against group, personal or institutional guarantee.

12 Borrowed Amount Not to Be Deposited Elsewhere

Controlled English translation

An amount borrowed for extension to the deprived class shall not, instead of being lent to the target class, be deposited with any bank or financial institution so as to earn interest. However, this provision shall not prevent a Class "D" licensed institution from using a Line of Credit.

13 Wholesale Credit to Be Used Only for the Stated Purpose

Controlled English translation

An institution extending wholesale credit under Clause 12 shall obtain particulars confirming whether the entire wholesale-credit amount has been used for the stated purpose, certify the same and inform the concerned Supervision Department at Poush-end and Shrawan-end of each fiscal year.

14 Penalty

Controlled English translation

Where a licensed institution fails to extend, or under-extends, the credit required under the deprived-sector lending provisions, a penalty shall be imposed on the shortfall from the minimum required amount, calculated under Section 99 of the Nepal Rastra Bank Act, 2058 at the maximum weighted-average lending rate charged by the institution during the relevant calculation period. The quarterly interest amount on the shortfall shall be determined and the same amount treated as the penalty.

However, where a licensed institution uses lender-of-last-resort facilities, exemption shall be granted for the period from the date such facility is obtained until the applicable deprived-sector shortfall period, for as long as the lender-of-last-resort facility remains in effect.

A bank or financial institution declared problematic under Section 86B of the Nepal Rastra Bank Act, 2058 or subject to action under Regulation 3(b) of the Prompt Corrective Action Regulations, 2074 shall, for the relevant period, be exempt from penalty for failure to meet the deprived-sector lending requirement.

15 Provisions Relating to Lending to Prescribed Sectors

Controlled English translation

(1) Minimum lending:
A commercial bank licensed by this Bank shall extend the following minimum proportions of its total loans and advances to the prescribed sectors:

(a) Agriculture — at least 15 percent by Ashadh-end 2085:
Ashadh-end 2082 — 11 percent
Ashadh-end 2083 — 12 percent
Ashadh-end 2084 — 13 percent
Ashadh-end 2085 — 15 percent

(b) Energy — at least 10 percent by Ashadh-end 2084:
Ashadh-end 2081 — 6.5 percent
Ashadh-end 2082 — 7 percent

Ashadh-end 2083 — 8 percent
Ashadh-end 2084 — 10 percent

(c) Micro, cottage, small and medium enterprises — at least 15 percent by Ashadh-end 2085:
Ashadh-end 2082 — 11 percent
Ashadh-end 2083 — 12 percent
Ashadh-end 2084 — 13 percent
Ashadh-end 2085 — 15 percent

For this purpose, the following credit may be counted in the micro, cottage, small and medium enterprise sector:
(i) credit up to NPR 20 million and directly extended deprived-sector credit;
(ii) credit up to NPR 30 million to productive industries operating around the Postal Highway and Mid-Hill Highway, and to hotels/restaurants holding a Green Sticker under the food-hygiene grading directive, 2074;
(iii) special priority shall be given to industries based on domestic raw materials;
(iv) where a commercial bank has met the minimum agriculture ratio but cannot meet the percentage for another prescribed sector, it may invest the shortfall additionally in a prescribed sector in which it has specialisation and count it toward the aggregate prescribed percentage.

(e) In agriculture, micro/cottage/small enterprise/business, energy and tourism, by Ashadh-end 2085 Class “B” institutions shall reach at least 20 percent and Class “C” institutions at least 15 percent:
Ashadh-end 2082 — Class “B” 16 percent; Class “C” 11 percent
Ashadh-end 2083 — Class “B” 17 percent; Class “C” 12 percent
Ashadh-end 2084 — Class “B” 18 percent; Class “C” 13 percent
Ashadh-end 2085 — Class “B” 20 percent; Class “C” 15 percent

(2) Outstanding Loans shall be counted as credit extended for compliance with these minimum limits.

(3) Banks and financial institutions may purchase/sell among themselves agriculture- and energy-sector credit for management through another financial institution. Customer consent is not required where the originating institution continues Relationship Management. Under a Repurchase Arrangement, an amount equal to the purchased/sold credit shall mandatorily be transferred and recorded in the purchasing institution’s books. Only the purchasing institution shall count the purchased credit as prescribed-sector lending.

(4) Investment in Agricultural Bonds may be counted toward mandatory agriculture lending.
(5) Investment in debentures issued by agriculture-related public limited companies may be counted toward the prescribed agriculture limit.
(6) Investment in Energy Bonds may be counted toward mandatory energy lending.
(7) Investment in energy-related debt instruments, including energy bonds issued by public enterprises and public limited companies, may be counted toward the prescribed energy limit.

(8) Monitoring and penalty:
(a) where the required lending is not made within the prescribed period or is under-extended, the shortfall shall attract a penalty under Section 99 of the Nepal Rastra Bank Act, 2058, calculated at the institution’s maximum lending rate for the calculation period; the quarterly interest amount on the shortfall shall be the penalty;
(b) commercial-bank shortfalls are calculated separately for agriculture, energy and micro/small/medium enterprise sectors;
(c) Class “B” and “C” shortfalls are calculated on the combined prescribed-sector requirement;
(d) compliance is calculated quarterly on the basis of total outstanding credit six months earlier beginning from Poush-end 2081.

Explanation:
“Agriculture sector” includes Schedule 4 industries under the Industrial Enterprises Act, 2076 and industries related to fertiliser, agricultural inputs and irrigation.
“Energy sector” includes renewable energy, renewable-energy-powered public vehicles and charging stations.
“Tourism sector” includes trekking, travel agencies, mountaineering, resorts, rafting, camping, tour operators, skiing centres, casinos, massage spas, hotels, tourist accommodation, motels, rural tourism, homestays, restaurants, eco-tourism, bungee jumping, recreation/cinema, adventure tourism, golf/polo, mountain flights, cable cars, cultural/religious/sports tourism and public urban transport in the cities listed in the source.
“Micro enterprise”, “small industry”, “medium industry” and “cottage industry” have the meanings assigned by the Industrial Enterprises Act, 2076.

16 Repeal and Saving

Controlled English translation

(1) The following directives previously issued to licensed banks and financial institutions are hereby repealed: Directive No. 17/081 under the provisions relating to credit to the deprived class and prescribed sectors in the Unified Directives, 2081, and all circulars relating to the same subject issued thereafter up to Magh 2, 2082.
(2) Any acts or actions done or taken pursuant to the directives and circulars repealed under sub-clause (1) shall be deemed to have been done or taken pursuant to this Directive.

Schedules 17.1: Agreement between Bank/Financial Institution and the Fund

Source Image: image121.png

Source Page: 224

Clauses: 9

Human Review Required: True

Forms 17.1: Monthly Statement of Credit Investment in Agriculture, Hydropower/Energy, Tourism and Small and Medium Industries

Source Images

1. image122.png

2. image123.png

Source Pages

1. 225

2. 226

Human Review Required: True

Forms 17.2: Priority-Sector Credit Investment Statement

Source Image: image123.png

Source Page: 226

Human Review Required: True

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