

Services Trade in Nepal, Bangladesh and Malaysia: A Comparative Case Study of Banking and Insurance Sectors (Scope of the Study and Methodology)



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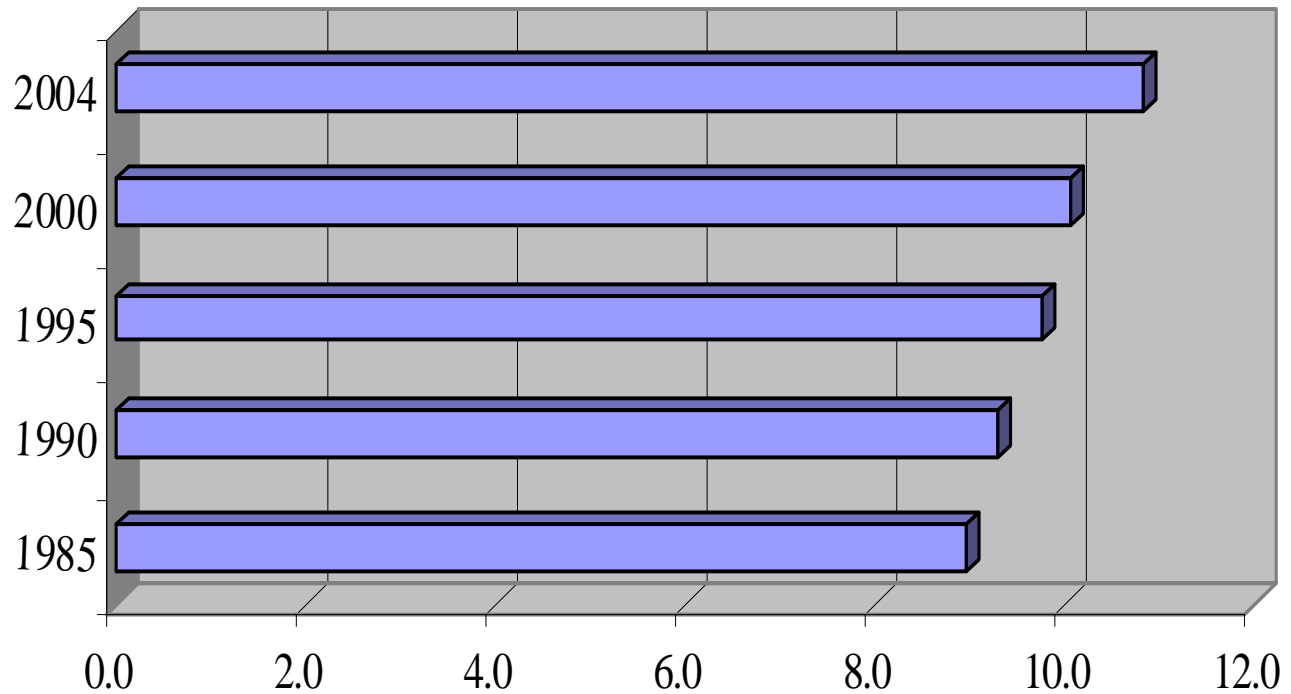
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Motivation and Rationale

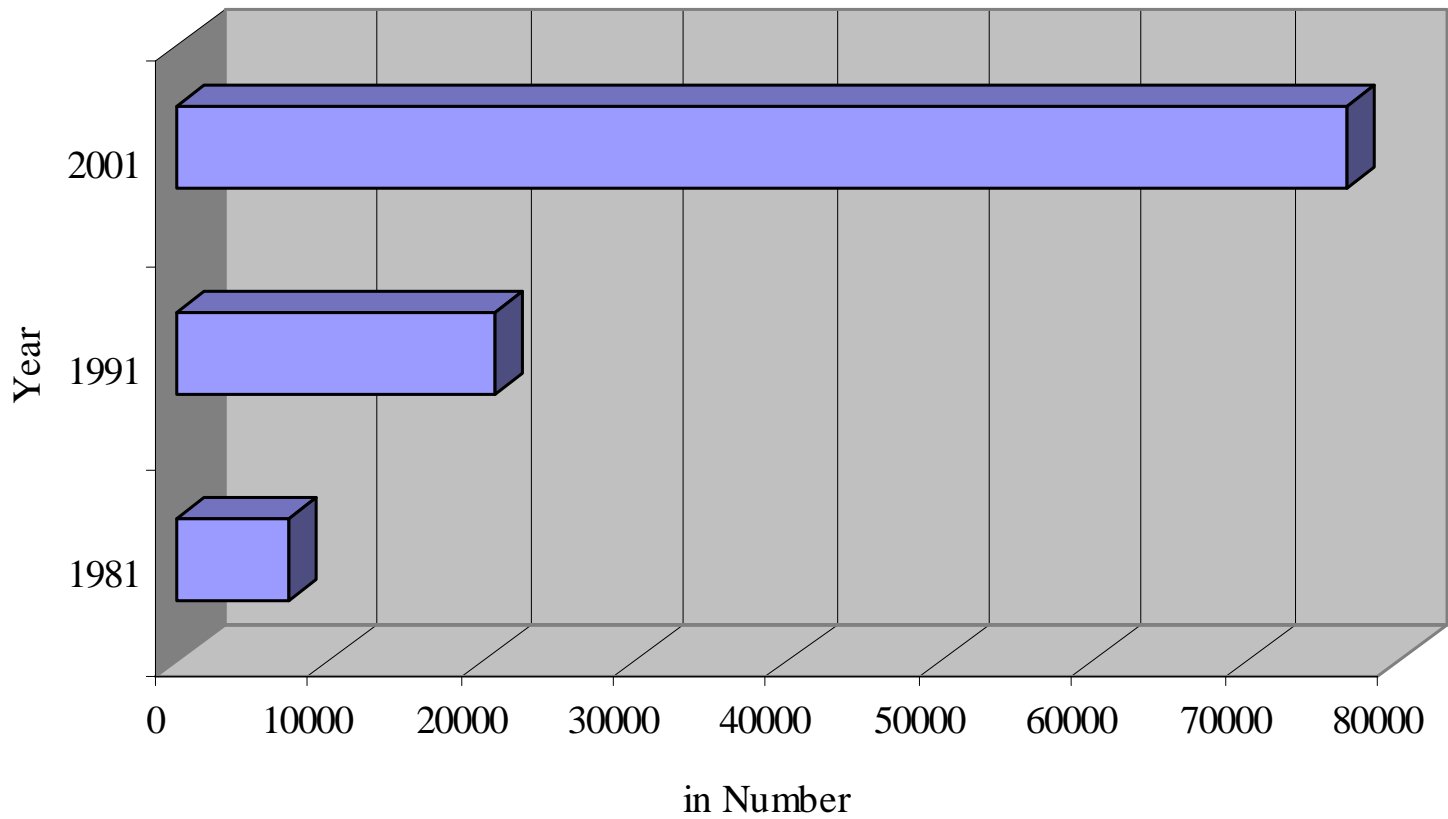
- financial sector liberalization has had wide-ranging positive contribution :
 - financial deepening,
 - reduction in the gap between deposit and lending rates,
 - boosting of business and industry,
 - increased competition and quality services through foreign equity participation and expansion in international trade, and
 - structural changes in the economy through growing contribution in value added and employment.

Finance and Real Estate Share in Total GDP

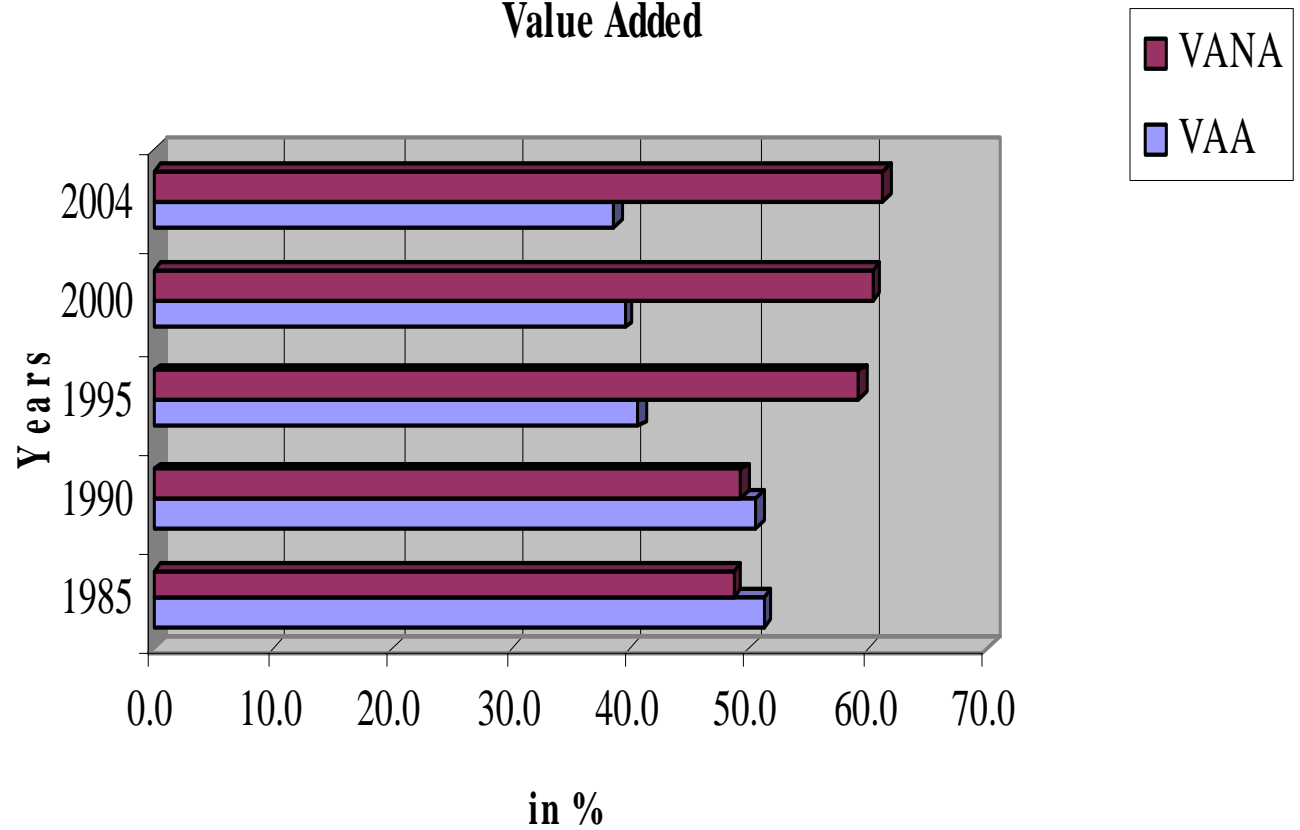


■ Share in GDP

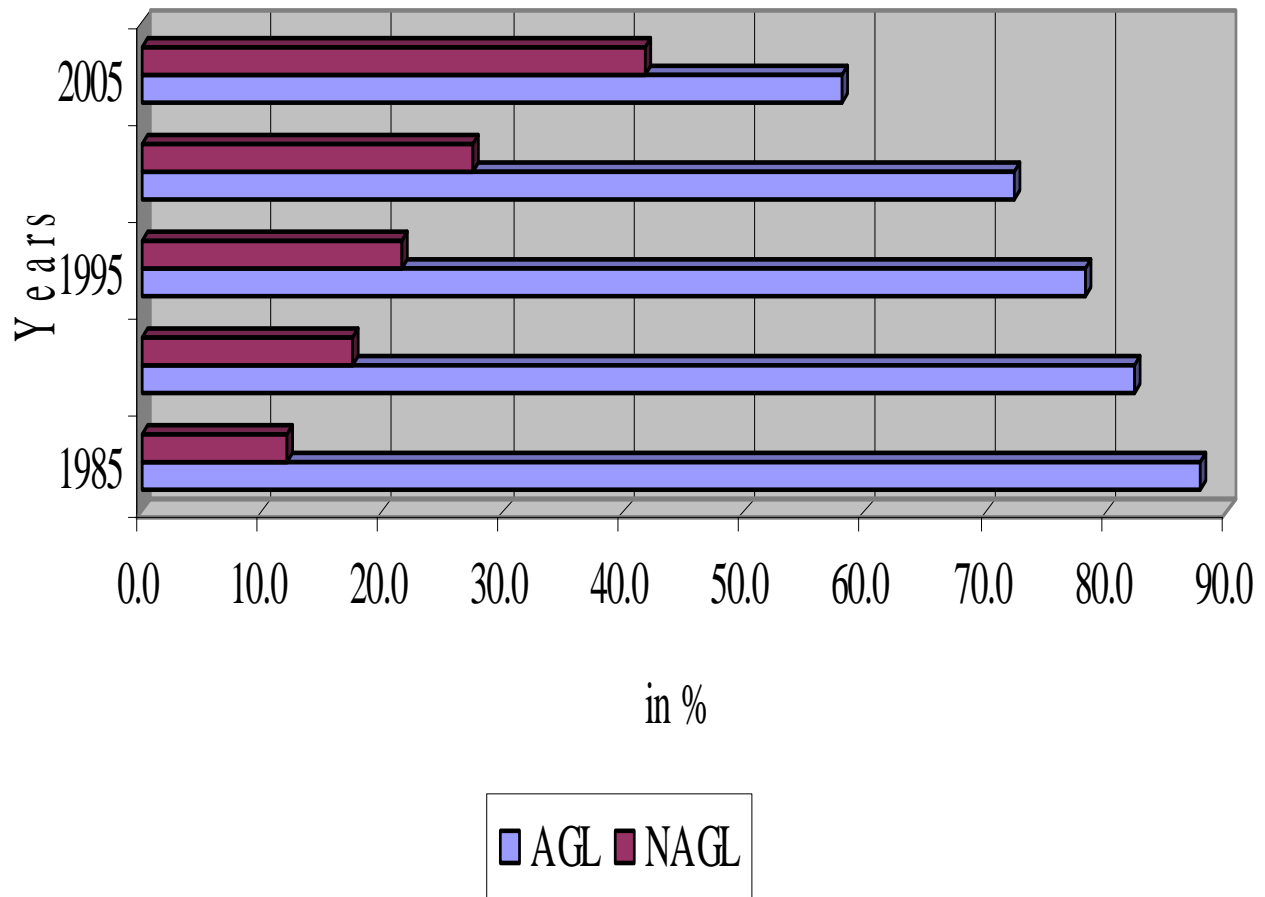
Financial and Real Sector Employment




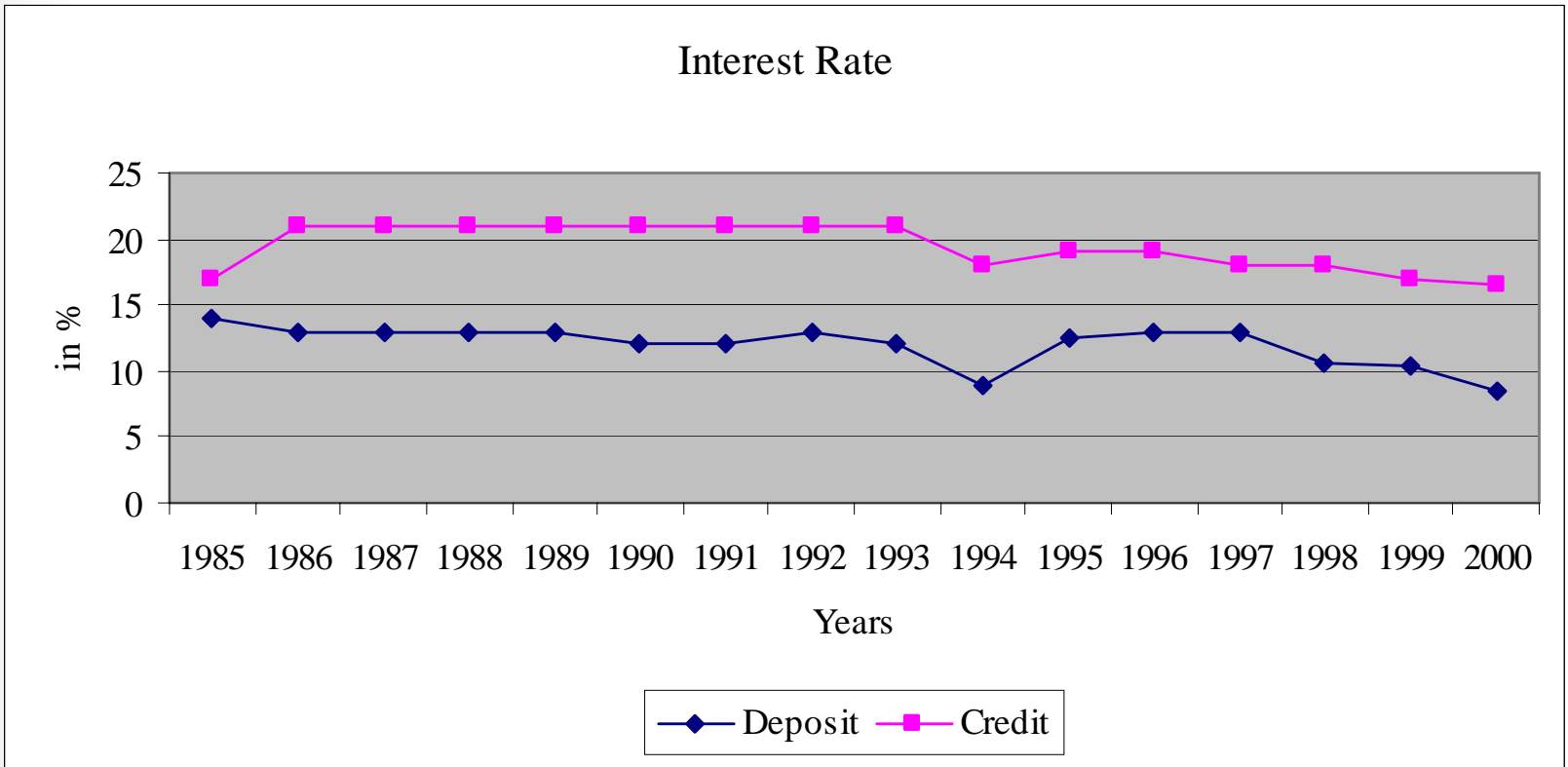
Share of Agricultural and Non-Agricultural Value Added in Total Value Added



Labour Absorption in Agricultural and Non-agricultural Sector

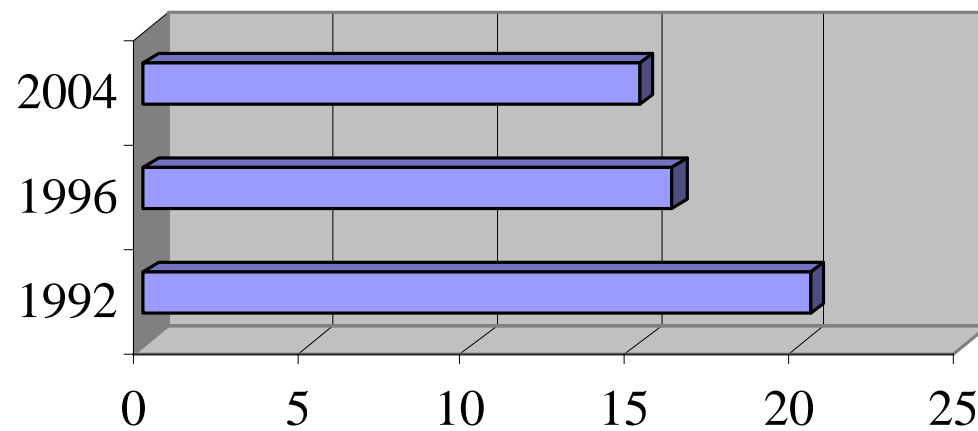


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- at the same time a number of problems compounding:
 - persistence of big gap between the lending and deposit rates mainly due to the predominance of non-performing assets in the banks' investment portfolio undermining ongoing reforms directed to enhancing efficiency in the entire banking system,
 - most of the newly established banks are confined in urban areas with limited portfolio diversification,
 - insurance service is also confined in urban areas with limited activities,
 - collapsing of small and cottage industries year after another raising concern about the role and effectiveness of liberalization in enhancing access of small businesses to the financial services, and
 - growing apprehension about the adverse employment implications of financial sector liberalization with probable more adverse effect on women employment.





Institutional Credit

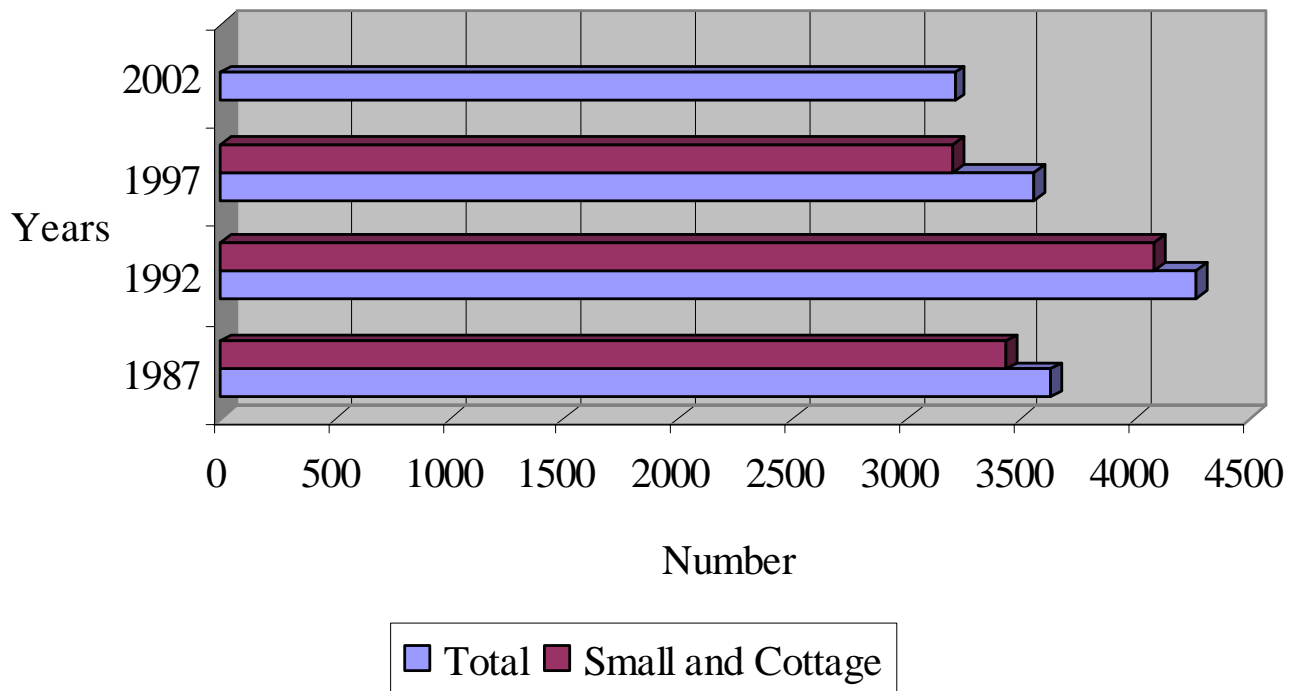


in percentage

■ Institutional Credit




Number of Manufacturing Establishment





Scope of the Study


- The scope of the study is as follows :
 - critically assess the whole gamut of liberalization policy perused in the banking and insurance sector,
 - examine the strengths and weaknesses of the banking and insurance sector liberalization in the light of their contribution in raising efficiency and competitiveness,
 - make comparative assessment on the role of joint venture, private and government owned banks and insurance companies with special focus on gender dimension,


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- assess the role of banks and insurance companies to promote business and enhance international trade of both goods and services, and
 - explore the possibility of enhancing internal as well as external trade in banking and insurance services and chalk out the strategies to be appropriate in the preferential trade agreements especially to the LDC countries like Nepal taking Malaysia's experience into especial account.




Methodology

- three pronged methodological approach to be followed.
 - an analytical approach for examining the features and sequencing of banking and insurance sector liberalization.
 - apart from a thorough review of policies, following indices and their trends will be closely examined for the pre- and post liberalization period in a comparative way:
 - financial deepening in terms of credit to GDP and M2 to GDP ratio,
 - spread between lending and deposit rates,
 - rate of return,

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- access to financial services especially among small industry and business as well rural populous,
 - cost of financing trade (both exports and imports),
 - autonomy to the monetary authority and extent of prudential regulatory system, and
 - contribution of financial services in country's value added and employment etc.
- a case study of banking and insurance sectors (one each from government owned, domestically private sector owned and joint venture banks as well as insurance companies) to look into the impact. For this following aspects will be critically analyzed in comparative way:
 - role of financial liberalization in enhancing efficiency and competitiveness,
 - financial deepening,
 - access to credit,

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- internal financial services trade and international commodity and services trade etc,
 - while examining various aspects in the case studies following parameters will be further analyzed:
 - net interest margin,
 - non-interest income,
 - overhead cost,
 - non performing loans,
 - credit to private sector including resources diverted to support the international trade etc.,
 - effect of financial liberalization and openness on employment and small business with focus on role of the liberalized financial and insurance sectors in enhancing gender mainstreaming. For this, employment opportunities to the women in general and employment structure, level of wages, access to credit etc in particular will be closely examined,

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- restriction to the private investors including foreign investors to open banking and or insurance companies through rules, regulations and other measures, and
 - finally a comparative assessment of three countries study findings in terms of features, sequencing and speed of liberalization and accompanying effect on efficiency, competitiveness, financial services expansion and international trade in both goods and services will be made.

Thank You.