

Credit flow to service sector jumps 14 percent

Lending of bank and financial institutions (BFIs) to service industries jumped by 14 percent in the first eight months of the current Fiscal Year 2017/18.

According to a data of Nepal Rastra Bank (NRB), outstanding credit of BFIs to service industries rose 14 percent year-on-year to Rs 177.97 billion in mid-March. Bankers say that the recovery in tourism sector has led to the rise in demand for loans in service industries.

Nepal welcomed 940,218 tourists -- a record high arrival -- in 2017. Though the number of was short of the target of welcoming one million visitors in a calendar year, the encouraging growth has made tourism entrepreneurs upbeat.

The buoyancy in the service industries, particularly tourism and hospitality, has also led to expansion of businesses." "Looking at the data, you see that tourism and hospitality are the best performers. There are so many hotels being built, while travel and trekking agencies are also doing well," said a banker" "There is a surge in the demand for credit for business expansion as well as setting up new project"," added the banker.

BFIs have outstanding loans of Rs 15.05 billion on tourism sub-sector under the service industries as at first eight months of the current fiscal year -- a rise of 24.7 percent compared to the corresponding period of the last fiscal year. Banks lump their loans to trekking, mountaineering, resort, rafting and camping, among other businesses, under this sub-category.

Similarly, total loans to Hotel, another sub-sector under service industries, also rose by 19.5 percent in the review period to Rs 60.84 billion. Similarly, there was a growth of 18.5 percent in Advertising Agency sub-sector in the first eight months of FY2017/18. Credit flow in this sub-sector stood at Rs 1.76 billion. Outstanding lending to Automotive Service inched up 0.4 percent to Rs 2.94 billion. BFIs have an outstanding loan of Rs 25.19 billion in health services that include hospitals, clinics and pharmacies, among others. Educational Services received total credit of Rs 25.19 billion, up by 9.5 percent from the corresponding period of the last fiscal year.

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Similarly, outstanding loans to entertainment and recreation sub-sector increased by 8.1 percent to Rs 3.81 billion. Lending to other service companies also rose 13.6 percent to Rs 35.73 billion in the first eight months of the current fiscal year.

Source : My Republica, 29th April 2018