



गरीमा क्यापिटल लिमिटेड

**GARIMA CAPITAL LIMITED**

(A Subsidiary of GARIMA BANK LIMITED)

सम्पत्तिको सार्वजनिक

# Garima Monthly Insight

## THE ANALYTICS

BHADRA 2082

(17 AUGUST 2025 -16 SEPTEMBER 2025)

VOL: 4, ISSUE: 2



MARKET AHEAD



MACROECONOMIC FACTORS



NEPSE SCANNER



MARKET SCANNER



ARTICLE OF THE MONTH



## Market Update:

In the month of Bhadra 2082, NEPSE trended downward as early profit-taking and weakening turnover eroded the gains from the previous month. The benchmark index, which closed at 2,788.36 on 14th August, slipped gradually through the second half of the month, closing at 2,739.95 on 24th August and hovering around the 2,749–2,761 range by month-end. Declining turnover and trading volumes reflected waning investor participation, while the absence of strong new drivers kept sentiment cautious.

The first week of September brought sharper volatility, with political protests and nationwide unrest on 8th September triggering panic selling and heavy corrections across sectors. NEPSE fell by 36 points that day to close at 2,672.25, marking a cumulative decline of 116.11 points, or 4.2%, over the three-week span. Trading then remained suspended from 9th to 17th September due to lockdowns and curfews, and when the market reopened on 18th September it immediately hit a negative circuit, reflecting intense investor anxiety. Since then, the index has continued to trade under pressure, with sentiment dominated more by political uncertainties than by corporate fundamentals.

NRB has released first month CME & Financial Situation Report of Nepal for FY 2082/83. Additionally, it has published the financial performance of BFIs for the same period. Commercial banks have announced the revised interest rates for Ashwin 2082. The key highlights of these significant developments are summarized below:

1. In Shrawan FY 2082/83, the collective net profits of commercial banks reached Rs. 8.38 Arba, with Global IME Bank (Rs. 78.45 crores) leading, followed by Nabil Bank (Rs. 71.64 crores) and Nepal Investment Mega Bank (Rs. 63.42 crores), while Agriculture Development Bank reported the lowest profit of Rs. 37.50 lakhs.
2. In the first two months of FY 2082/83, Nepal's total public debt increased by 69.3 billion and reached Rs 2.74 trillion (44.92% of GDP). The debt includes Rs 1.46 trillion as external debt and Rs 1.28 trillion as domestic debt.
3. Commercial banks have revised their Ashwin fixed deposit rates with an overall slight decline compared to Bhadra, as 9 banks kept rates unchanged while 11 adjusted them. Among the changes, 9 banks lowered rates—led by Prime, Sanima, and Everest (–0.5%), while only 2 banks increased rate i.e., Laxmi Sunrise Bank increased individual FD rate by 0.25% and Standard Chartered Bank slightly raised rate by 0.05%.



4. Per the Banking & Financial Statistics, the average CD Ratio of Banking sector (A, B, and C Class) is 76.19 which is higher than 75.79 of earlier month. NPL is unchanged at 4.62% compared to previous month and CAR has improved to 13.19% from 12.95%. Weighted average interest rate on deposit has come down to 4.02% (saving 3.07%, fixed 5.33%) and weighted average rate on credit has fallen to 7.76%.
5. On the external front of the economy, remittance inflows rose by 29.9% YoY to Rs. 177.41 billion in the first month of 2025/26. Exports inclined by 95.7%, while imports rose by 11.4% and the trade deficit increased by 2.5%. The balance of payments (BOP), current account balance, and gross foreign exchange reserves all grew to Rs. 89.30 billion, Rs. 78.14 billion, and \$20.03 billion, respectively. Additionally, 44,466 Nepali workers received their first-time approval for foreign employment, while 23,644 received renewal entry approvals.
6. As per the CME Report, Y-o-Y deposits at BFIs has increased by 12.3% while the private sector credit has increased by just 7.8%. Monetary Policy has targeted the Private Sector Credit growth of 12% in FY 2082/83.
7. NRB's report estimates Nepal's economic growth at 4.61% for FY 2024/25, with agriculture, industry, and services expected to grow 3.28%, 4.53%, and 4.21% respectively, contributing 25.16%, 12.83%, and 62.01% to GDP.
8. NRB has issued a circular directing A, B, and C class banks to prioritize clean energy loans, including Green Sticker projects like electric vehicles, offering a 2% provisioning reduction as an incentive to support Nepal's climate commitments.



9. According to Nepal Tourism Board (NTB), Nepal received 88,680 foreign tourist in August 2025 i.e., 22% higher than the same month last FY but still 6.4% below 2019 levels. A total of 7,36,562 tourists has arrived in Nepal in the first seven months of 2025.

**Coda:** Market is subject to several forms of risks, especially the fundamentals, and investors have tendencies to be behaviourally biased, leading

to making the sub-par investment decisions. It's always important to screen the facts vs opinions. Facts are going to last the market long while opinion can likely make market volatile.



# The Growth of Digital Banking and Its Risks

***Author-** Sylvester Swee, Credit Risk Professional*

In a world increasingly defined by digital disruption, few sectors have experienced transformation on the scale witnessed in banking. Traditional banks face an existential threat from rapid technological innovation and shifting consumer behaviors. Additionally, the rise of fintech is intensifying competitive pressures across the industry.

There are over 1.75 billion active digital banking accounts worldwide, collectively processing \$1.4 trillion annually. This tremendous scale underscores the importance of robust risk management.

While digital banks have undoubtedly improved user convenience, they have also introduced complex and emerging risks:

## **Fraud Risk in a Frictionless World**

By virtue of its speed and global reach, digital banking is susceptible to fraud.

For example, financial messaging giant SWIFT has rolled

out AI-driven enhancement to its Payment Controls Service, precisely because conventional monitoring is unable to keep up with the speed of digital flows. The enhancement analyzes pseudonymized data from billions of transactions across its network, aiming to flag anomalous behavior in real time – recognizing that static, rule-based systems are no longer sufficient.

To address deficiencies, regulators have begun penalizing digital banks for compliance failures. In October 2024, the U.K. Financial Conduct Authority fined digital lender Starling Bank £29 million for lax controls, where its automated sanctions screening system only covered a fraction of the full list of names involved in fraud or money laundering.

The Monetary Authority of Singapore's Shared Responsibility Framework for phishing scams took effect in December 2024. Financial institutions in Singapore are required to implement real-time fraud

surveillance (e.g., automatically holding or blocking suspicious transactions involving sums exceeding SGD 25,000 or rapid outflows).

Digital banks have been increasingly criticized for their inability to scale anti-financial crime capacities as quickly as their user bases grew – a gap not seen in more established traditional banks. It is noteworthy that a single high-profile breach can erode public confidence in an institution overnight.

Beyond fraud risk, digital banks face elevated credit risk, particularly as their target markets primarily involve the underserved population.

### **Serving the Unbanked – at What Cost?**

According to Fitch, a majority of Asia-Pacific digital banks face higher credit risks than traditional ones, due to their focus on underserved or unbanked market segments. While this finding pertains to the APAC market, similar dynamics exist for U.S. digital lenders.

A study by researchers at UCLA, cited in Chicago Booth Review, highlighted that digital banks' charge-off rates – the percentage of loans written off as uncollectible – are more than triple those of traditional ones, because of their larger share of riskier loans. The exact impact in an economic downturn remains to be seen.

The funding side of the equation, i.e., how digital banks attract and retain deposits, also plays a pivotal role in shaping their risk profile.

### **Deposits and Riskier Lending**

Research in the Chicago Booth Review finds that digital banks offering high deposit rates to compete with traditional ones have two distinct challenges: They need to loan out money at a rate that exceeds what they are paying depositors, and must also manage the volatility of “hot” deposits which are easily withdrawn in times of uncertainty. App-based ease of transfers poses destabilization risks as sudden outflows could cause instability.

In a bid to address those challenges, the finding is that

digital banks tend to make shorter-term and higher-risk loans, i.e., hold portfolios with weaker credit profiles.

### **AI, Bias and the Black Box Problem**

Automated fraud detection, transaction monitoring and credit scoring by digital banks rely heavily on machine learning models. These models possess known vulnerabilities:

- **Model drift:** Predictive accuracy deteriorates as real-world economic conditions change. According to a Banking Risk & Regulation article, unchecked model drift could materially impact bank profitability with some estimates suggesting 3% to 5% losses in annual profits.
- **Bias and fairness:** Training data reflects social or demographic imbalances. For example, the U.K. Department for Work and Pensions' AI system for detecting welfare fraud was found to be biased according to age, disability, marital status and nationality – incorrectly recommending people to investigate for possible fraud.
- **Explainability:** Regulators have expressed concern about the opaque, or black box, nature of AI in credit decisioning under legal regimes like the EU General Data Protection Regulation (GDPR) and AI Act. Authorities are increasingly calling for algorithmic transparency and auditable decision-making as part of consumer rights.

### **Systemic Technological Risk: Cloud Failures**

Digital banks' growing reliance on third-party providers introduces systemic risk that extends beyond individual firms to threaten broader financial stability. For example, an AWS data center power failure disrupted services for major centralized crypto exchanges and digital banks – most notably Binance, MEXC and associated wallet providers. The outage demonstrates how dependency can halt critical financial services, triggering market volatility and panic.

South Korea's Financial Supervisory Service has published new guidelines on third-party risk management in which draw on international standards and are observably in response to the increasing reliance on outsourcing and cloud services.

### The Way Forward

**For digital banks:** Embed risk-based authentication and multi-factor (MFA) protocols to prevent unauthorized access or account takeover. Real-time anomaly detection should also be deployed, leveraging behavioral analytics to flag suspicious behavior early.

Workload distribution across multiple cloud platforms can reduce both the impact and likelihood of potential service disruptions. In addition, there is need to develop and regularly test disaster recovery plans to ensure business continuity during system outages.

**For consumers:** Individual users can protect themselves by ensuring funds are held with an insured institution. Funds should also be diversified across multiple banks, especially including traditional ones, to guard against sudden outflows and run risk.

Users may also consider retaining transactional records – statements or screen shots, especially for essential services. That way, if digital bank apps are not working, payments can still be verified during outages.

### Parting Thoughts

The growth of digital banking is a story of innovation and inclusion. Its swift expansion has irrevocably transformed banking. However, it has also introduced the global financial system to complex and evolving risks.

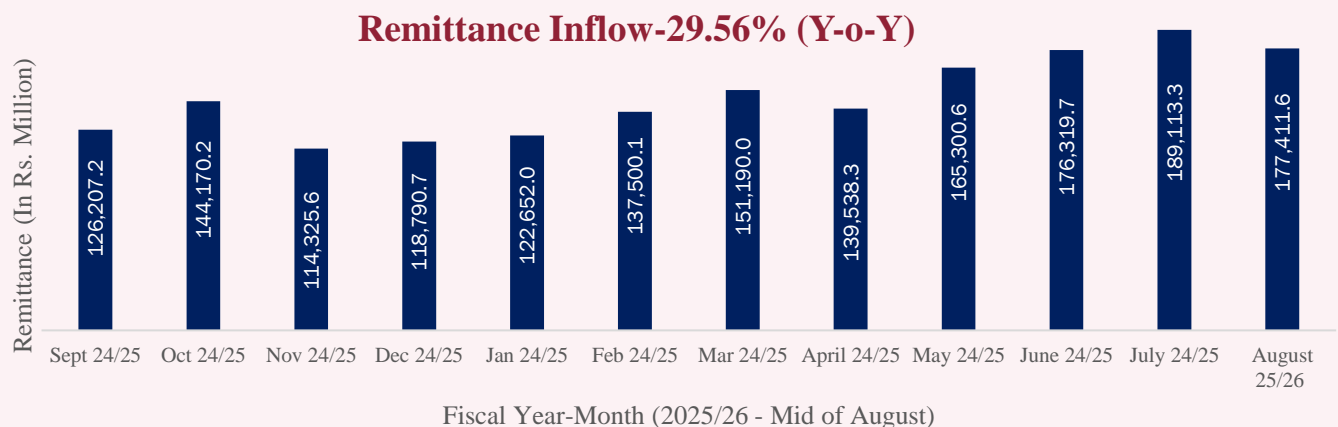
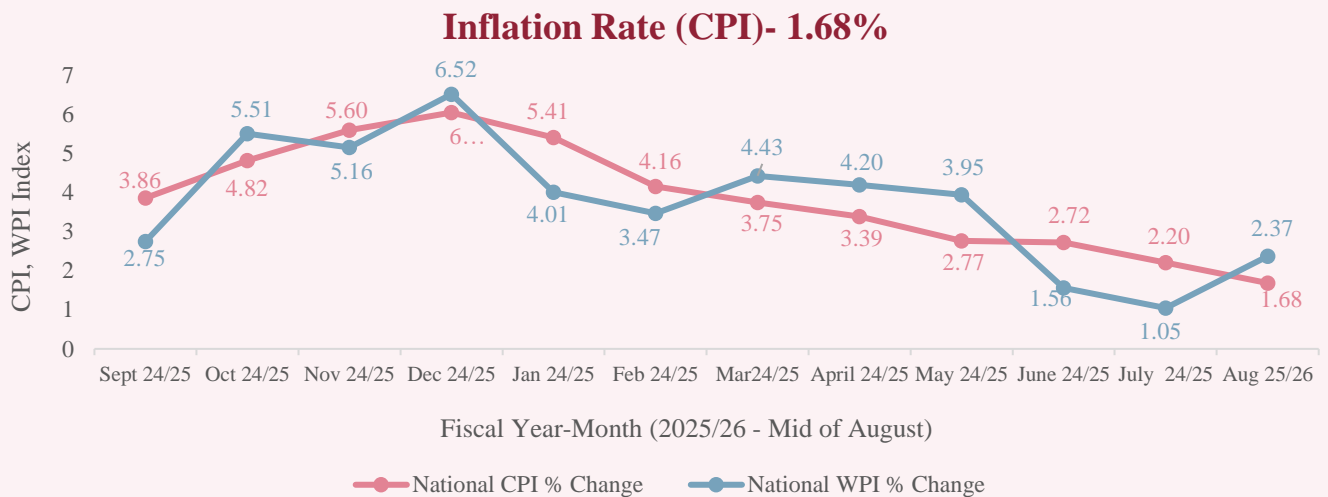
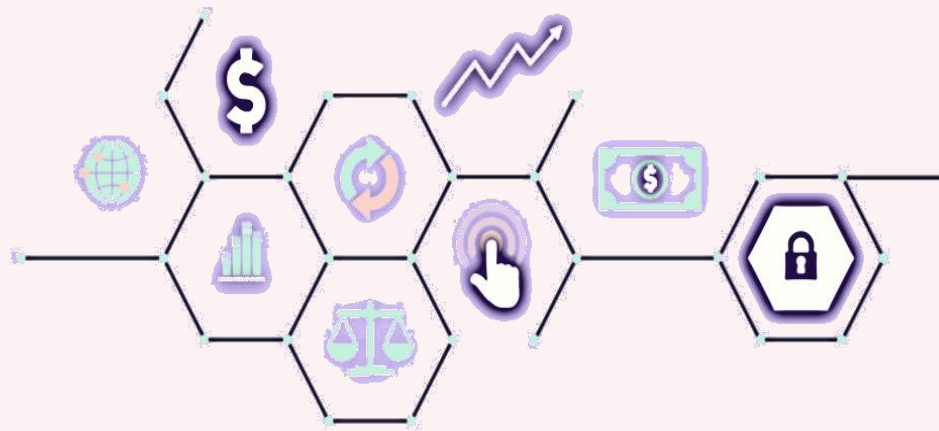
If left unaddressed, these threats can erode institutional trust and destabilize markets across the broader ecosystem. The challenge, therefore, is not only to innovate, but to do so responsibly.

*Sylvester Swee, FRM, (sylvesterswee@hotmail.com) is a credit risk professional with 17 years of experience across APAC banks and a member of the Economic*

*“The investor’s chief problem—and even his worst enemy—is likely to be himself. In the end, how your investments behave is far less important than how you behave. An investor who has the proper attitude toward market fluctuations and who adopts a long-term, disciplined strategy is likely to achieve satisfactory results, even if the market itself is irrational in the short run.”*

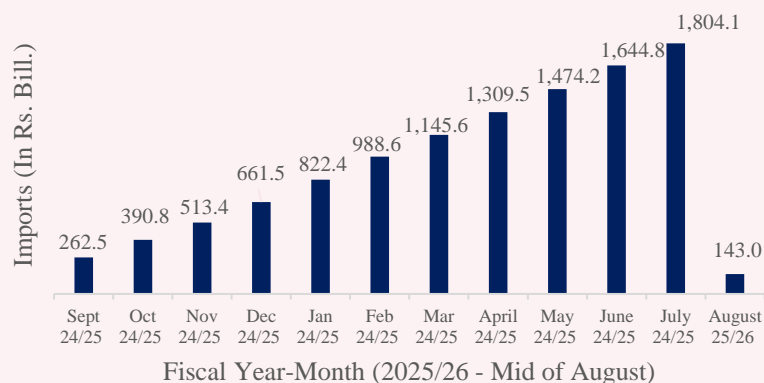
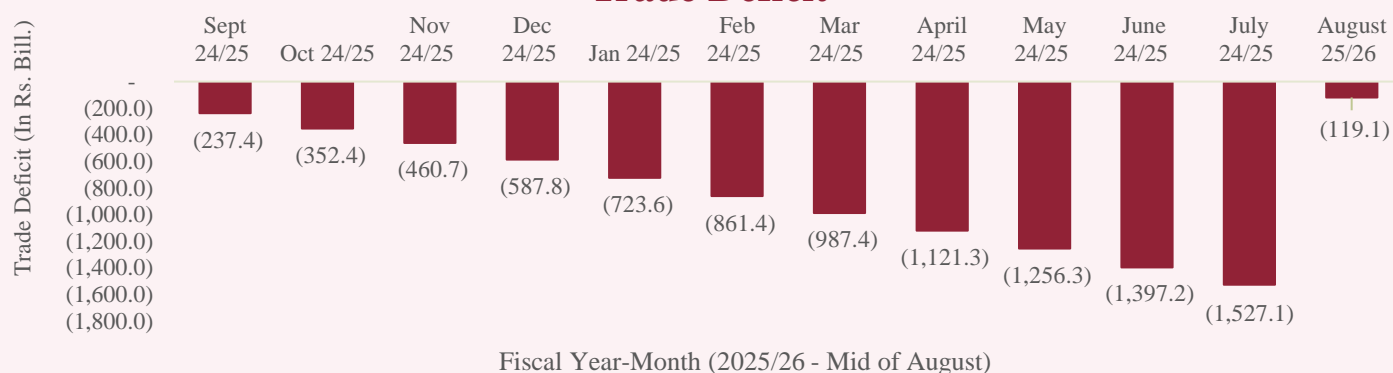
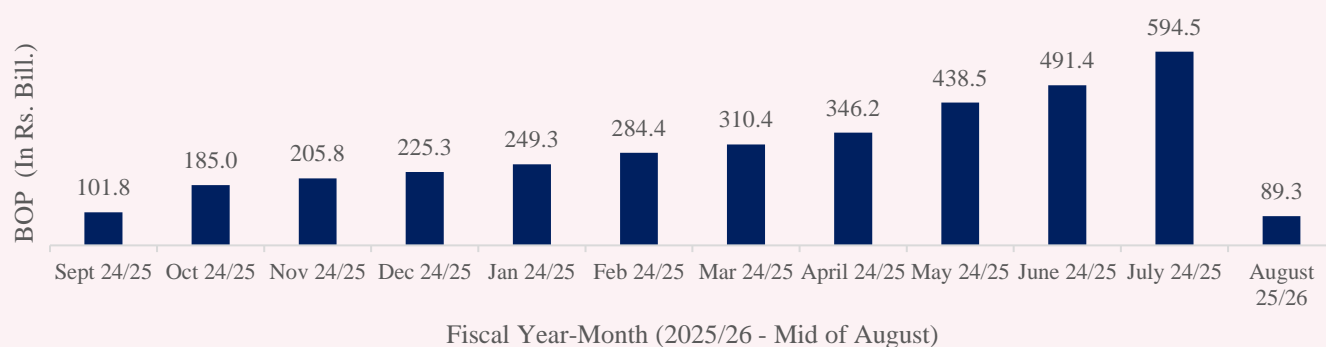
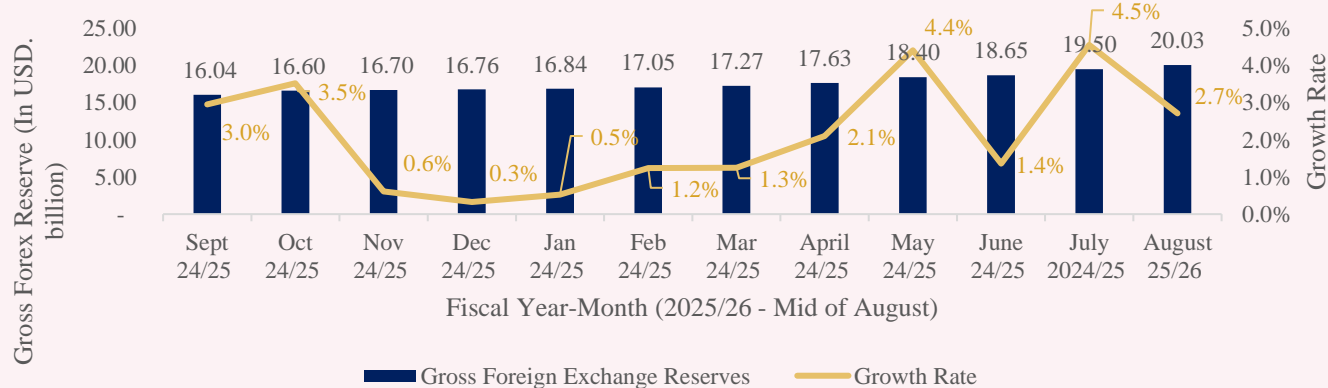
*- Benjamin Graham*

# WHERE DO THE FACTORS STAND?



## Liquidity Indicators (As on 18<sup>th</sup> September 2025):

- ❖ BFI's Deposits: NPR. 7,354 billion
- ❖ BFI's Lending: NPR. 5,627 billion
- ❖ CD Ratio: 75.57%
- ❖ Inter-bank Interest Rate: 2.75%

**Total Import (11.4% Y-o-Y)****Total Export (95.7% Y-o-Y)****Trade Deficit****Balance of Payments (Surplus)****Gross Forex Reserve (+28.59% YoY)**

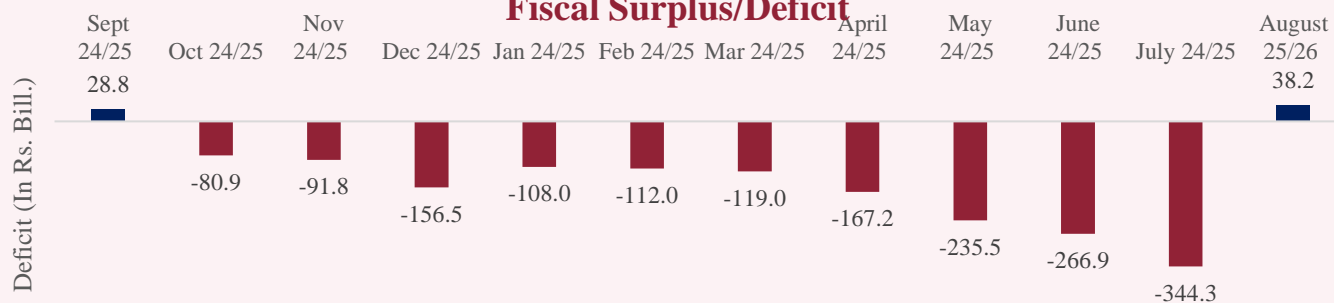
Total Revenue (In Rs. Bill.)

**Govt. Revenue**

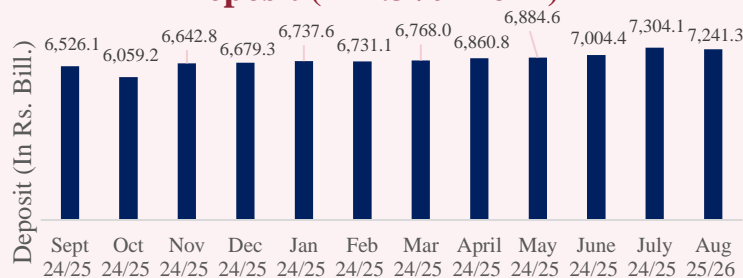
Fiscal Year-Month (2025/26 - Mid of August)

**Govt. Expenditure**

Fiscal Year-Month (2025/26 - Mid of August)

**Fiscal Surplus/Deficit**

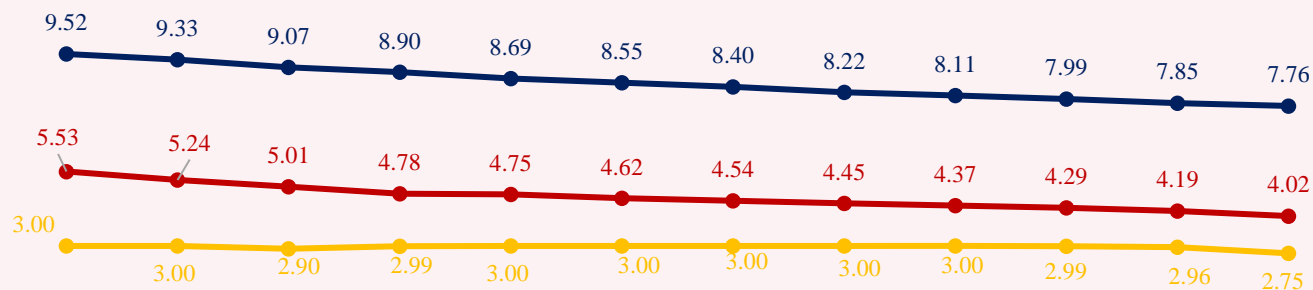
Fiscal Year-Month (2025/26 - Mid of August )

**Deposit (+12.3% Y-o-Y)**

Fiscal Year-Month (2025/26 - Mid of August )

**Credit /Lending(+7.8% Y-o-Y)**

Fiscal Year-Month (2025/26 -Mid of August )

**Market Interest Rates**

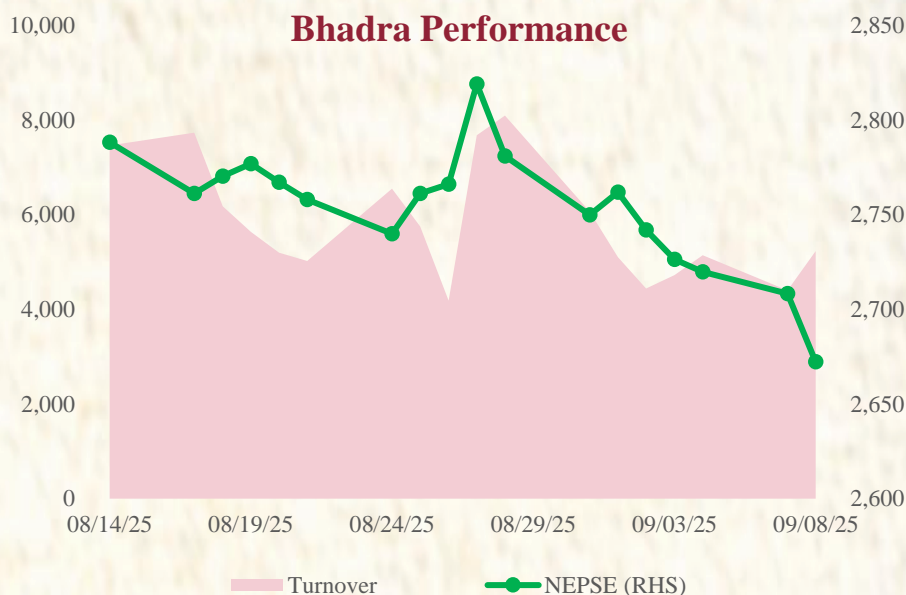
Sept 24/25   Oct 24/25   Nov 24/25   Dec 24/25   Jan 24/25   Feb 24/25   Mar 24/25   April 24/25   May 24/25   June 24/25   July 24/25   August 25/26

—●— Weighted Average Interbank Rate (Commercial Banks)  
 —●— Weighted Average Deposit Rate (Commercial Banks)  
 —●— Weighted Average Lending Rate (Commercial Banks)

**Short-term Interest Rates (As on 9<sup>th</sup> September, 2025):**

❖ 28 days: 2.46 %   ❖ 91 days: 2.00%   ❖ 364 days: 2.61%

# Market Update: NEPSE SCANNER

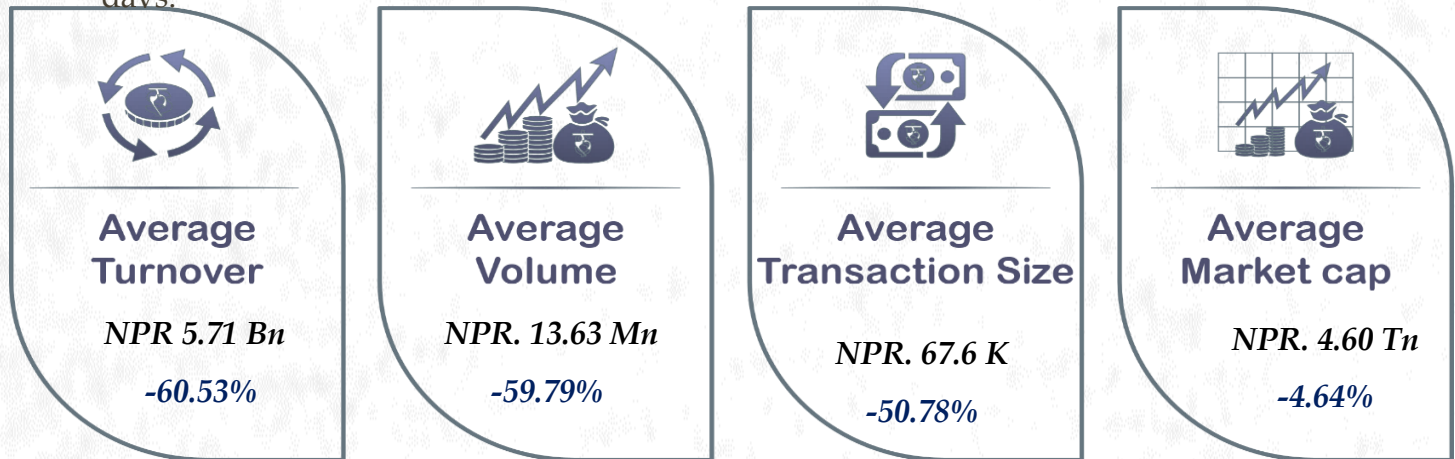


- NEPSE index declined by 116.11 points (-4.16%) to close at 2,672.25 from 2,788.36 at the previous month's end, with the index reaching a high of 2,824.85 and a low of 2,663.78 during the review month.
- Sensitive, Float, and Sensitive Float indices also decreased by 3.45%, 4.01%, and 3.22% respectively.
- By the month end, the turnover witnessed the decline of 29.88% and volume fell by 39.17%. The transactions decreased by 22.00% as compared to the previous month end.

Metrics	08.09.25	14.08.25	Monthly Change
NEPSE	2,672.25	2,788.36	-4.16%
Sensitive	462.29	478.82	-3.45%
Float	183.22	190.88	-4.01%
Sensitive Float	158.31	163.58	-3.22%
Turnover (Million)	5,233.77	7,464.18	-29.88%
Shares Volumes	11,714,543	19,258,445	-39.17%
Total Transactions	59,704	76,542	-22.00%
Total Scrips Traded	320	320	0.00%
Market Cap (Rs. Million)	4,467,297.18	4,656,273.52	-4.06%
Sensitive Mrkt. Cap (Rs. Mn)	2,069,676.24	2,141,764.26	-3.37%
Float Market Cap (Rs. Mn)	1,516,473.73	1,576,133.60	-3.79%
Sens. Float Mrkt. Cap (Rs.Mn)	833,283.34	858,820.07	-2.97%
Average Return	14.51%	15.45%	-0.94%
Std. Deviation	22.52%	22.62%	-0.10%
10 Day 10% VAR	-5.88%	-5.89%	0.01%
Market Cap / GDP Ratio	73.15%	76.25%	-3.09%

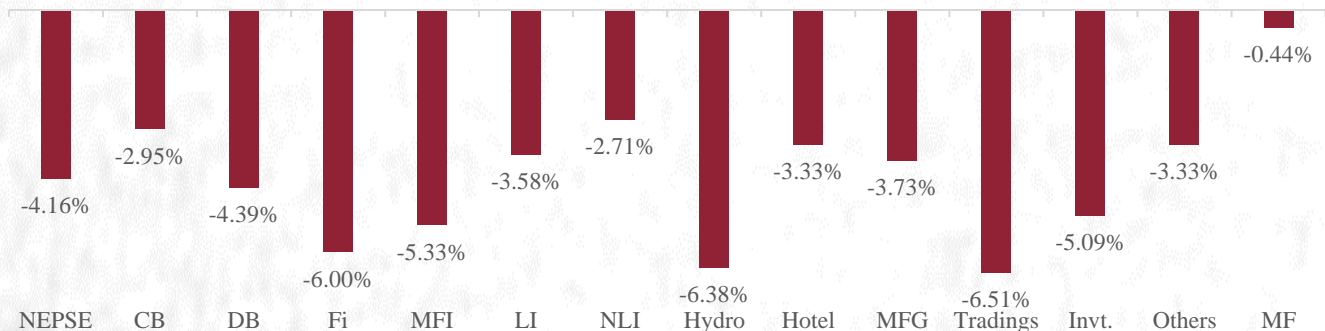
- Monthly average of these metrics computes to Rs. 5.71 bn (-60.53%), Rs. 13.63 million (-59.79%), and Rs. 67.62 thousand (-50.78%) respectively.
- Market cap decreased by 4.06% to Rs. 4.47 trillion, out of which approx. 46.33% are only Sensitive. The Sensitive market cap, covering A-class stocks, declined by 3.37%, the Sensitive Float market cap fell by 2.97%, and the Float market cap decreased by 3.79%.

- Average market return decreased to 14.51% from 15.45%, the standard deviation marginally declined to 22.52%, and the 10-day 10% Value at Risk (VaR) stood at -5.88%
- Market is under-valued as per Market Capitalization to GDP ratio (Buffett Indicator) which is 73.15%.
- In the review period, market traded for 17 days. Last month, number of trading days was 20 days.

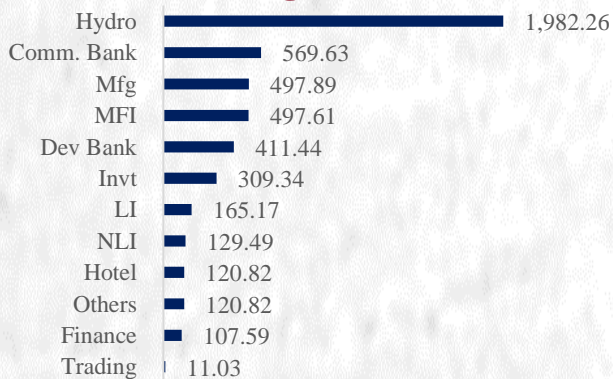


## SECTOR SCANNER

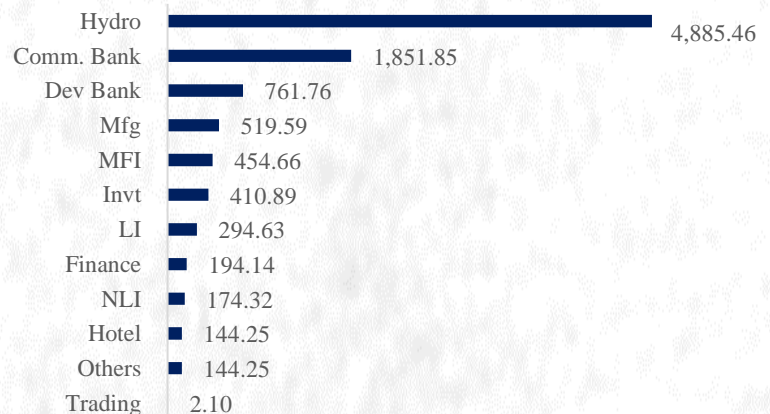
### Monthly Sectoral Performance



### Bhadra Avg. Turnover (Millions)

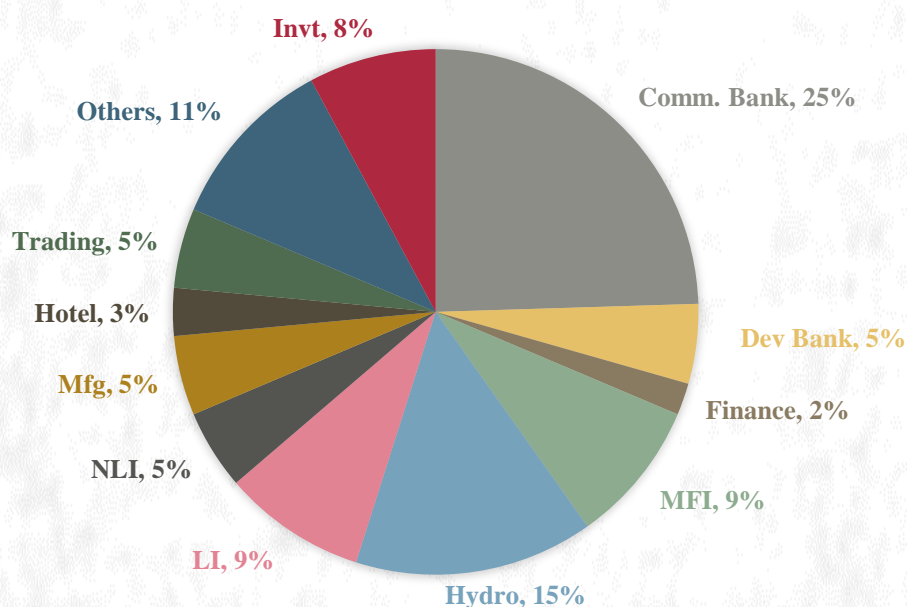


### Bhadra Avg. Volume ('000)



- All 13 sectors recorded negative growth during the month of Bhadra. The sharpest drop were observed by Tradings (6.51%), Hydropower(6.38%), Finance(-6.00%), Micro Finance ( 5.33%), Investment (5.09%) and others. Mutual Fund (0.44%) was the only sector that recorded fall of less than 1%.
- Hydropower sector dominated the market throughout the month, recording the highest average share of turnover value (35.52%) and transaction size (39.61%) across all trading days. In terms of turnover volume, Hydropower also led with an average of 46.63%. Commercial Bank and Microfinance sectors followed with notable average turnover value of 10.48% and 8.93%, and average transaction sizes of 14.50% and 7.83%, respectively.
- Pie- chart below shows the approximate market capitalization of 12 sectors as on last trading day of Bhadra i.e. Monday 23<sup>rd</sup> Bhadra, but excludes Promoter shares, Debentures, and Mutual Funds. BFI sector (A, B, C, D Class) covers approx. 39%, Commercial Bank alone 25%. Hydro and Others have 15% and 11% coverage respectively. Insurance sector occupy 14% (Life – 9% and Non-Life – 5%) while Investment sector covers 8%. Finance has the least capitalization, *amounting approx. Rs. 73.88 billion*.

### SECTORAL MARKET CAPITALIZATION

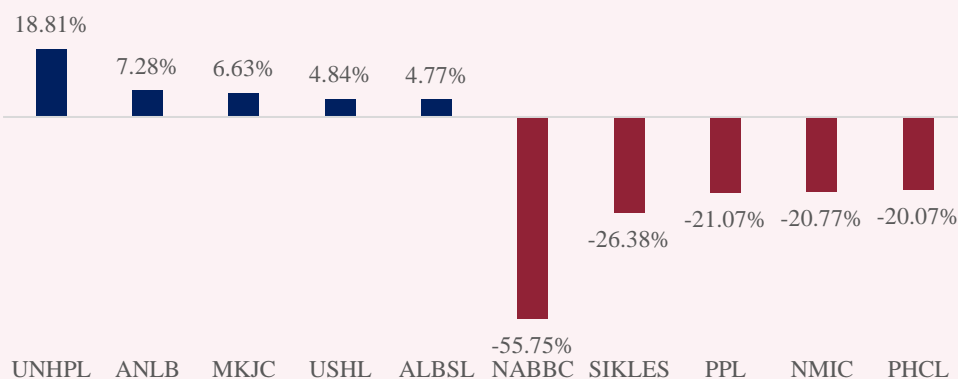


### Monthly Terminology: Pump and Dump

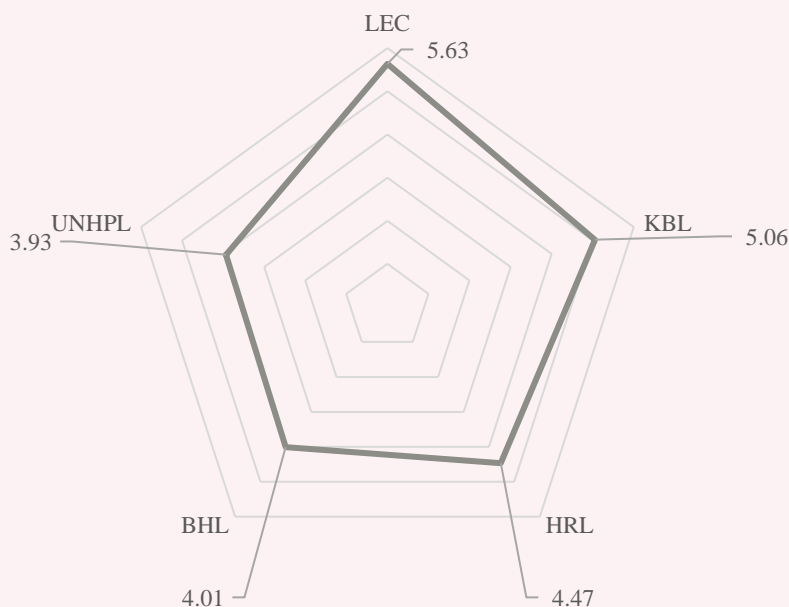
***Pump and Dump*** is a market manipulation strategy where the price of an asset, often a low-liquidity stock, is artificially inflated through exaggerated or misleading positive information. This "pump" draws in unsuspecting investors who buy expecting further gains. Once prices are elevated, the manipulators sell their holdings at a profit, causing the price to collapse or "dump." Retail investors who entered late are left with losses, making it a classic example of market exploitation.

# STOCK SCANNER

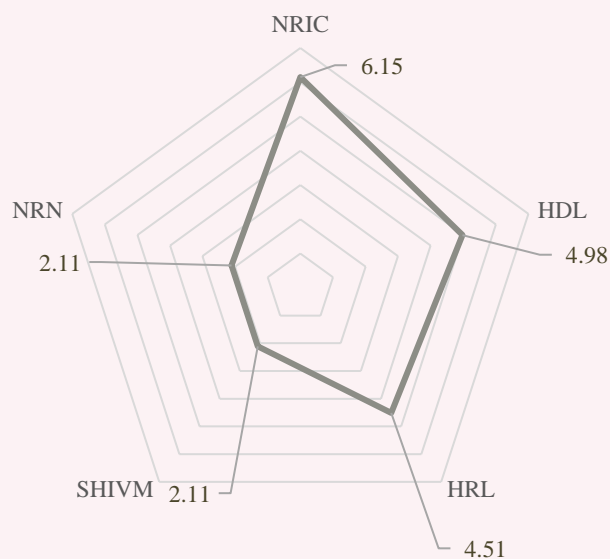
## Top 5 Gaining and Losing Stocks/Scripts



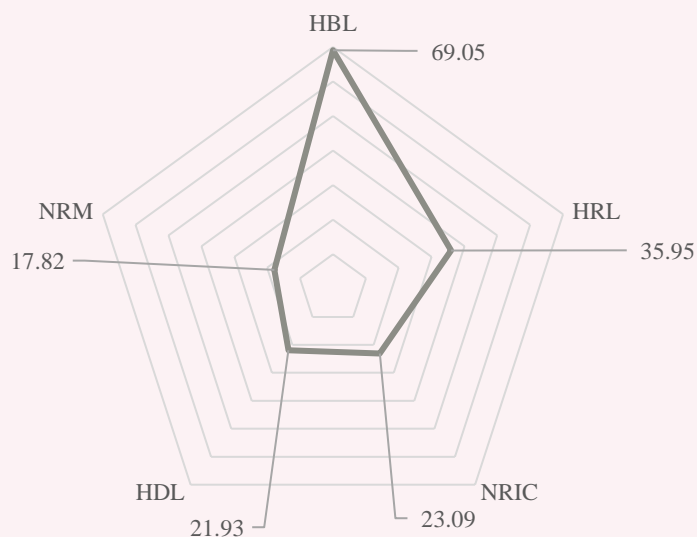
## Stocks with Highest Volume (Millions)



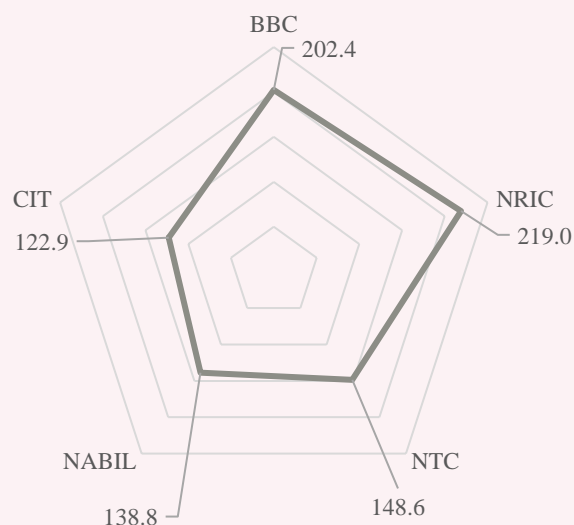
## Stocks with Highest Turnover (Billions)



## Stocks with Highest Transaction Size ('000)



## Stocks with Highest Market Cap. (Billions)



# TECHNICAL OUTLOOK...



## Technical Indicator (8<sup>th</sup> September)

## Value

RSI	32.46
MACD line	-28.22
Signal line	-18.92
Bollinger Upper Band	2822.47
Bollinger Middle Band	2757.58
Bollinger Lower Band	2692.70
ADX	14.14
Exp. Moving Avg. (9 Days)	2728.22
Exp. Moving Avg. (26 Days)	2766.72
Exp. Moving Avg. (50 Days)	2768.32
Exp. Moving Avg. (200 Days)	2676.10

## Technical Overview:

In the month of Bhadra, NEPSE showed weak momentum with bearish undertones as the RSI at 32.46 indicated oversold pressure and hinted at a possible reversal. The MACD stayed below the signal line, confirming short-term bearish momentum, while Bollinger Bands reflected prices leaning toward the lower band at 2692.70, suggesting downside pressure. With ADX at 14.13, the market reflected a very weak trend, pointing to consolidation. The 9-day EMA remained below the 26-day and 50-day EMAs, highlighting short-term weakness, though the 200-day EMA stood much lower, confirming that the long-term uptrend is still intact. Overall, NEPSE carried bearish pressure but also hinted at potential recovery.

## *Key Bulletins of the Month*

1. According to the FCGO, in the 1st month of FY 2082/83 the government collected Rs. 85.19 billion in revenue (5.56% of the annual target) and spent Rs. 46.30 billion (2.36% of the target).
2. NRB raised the silver import limit for gold and silver businesses from \$300,000 to \$500,000 per import, while keeping the \$100,000 exchange facility per import unchanged.
3. Over the past four years, the non-banking assets of BFIs surged from Rs. 7.69 billion in FY 2020/21 to Rs. 45.70 billion by mid-June 2025, representing an increase of nearly five times.
4. NRB has amended its CSR guidelines requiring BFIs to allocate at least 1% of their net profit strictly toward poverty alleviation and priority sectors such as housing, education, healthcare, women and child welfare, and basic infrastructure, while prohibiting use for branding or employee benefits.
5. Nepal Insurance Authority (NIA) has issued Unified Investment Guidelines 2082, raising insurers' investment limit in listed securities from 10% to 15%, allowing greater stock market exposure.
6. NRB has allowed microfinance institutions to distribute up to 25% dividend if they meet required capital adequacy and NPL ratios.
7. In the first month of fiscal year 2082/83 BS (2025-26), Nepal's government added over NPR 14 billion to its sovereign debt.
8. NRB has tightened rules to prevent banks from inflating unaudited profits by mandating stricter provisioning, transfer of capitalized interest and other items to regulatory reserves, restricting dividend payouts, and requiring NRB approval of audited financial statements before publication.
9. Nepal Insurance Authority's new Investment Directive 2025 removes the cap and instead mandates minimum investments in government bonds (35% for life and 30% for non-life insurers), while also raising limits on shares, finance company deposits, and investment company exposure to allow greater diversification and safer portfolio management.
10. Life insurers in Nepal increased their fixed deposits in BFIs by 13.84% from Rs 521.36 billion in FY 2080/81 to Rs 593.51 billion in FY 2081/82, with Nepal Life holding the largest share and nearly 90% of total deposits placed in commercial banks.
11. Nepal's insurance industry showed modest growth in the first month of FY 2025/26, with life insurance premiums up 6.01% and non-life business up 1.37%, signaling gradual recovery despite a continued decline in active policies.
12. NRB data shows electronic payment transactions in Nepal surged from Rs 34.42 trillion in FY 2020/21 to Rs 98.43 trillion in FY 2024/25.

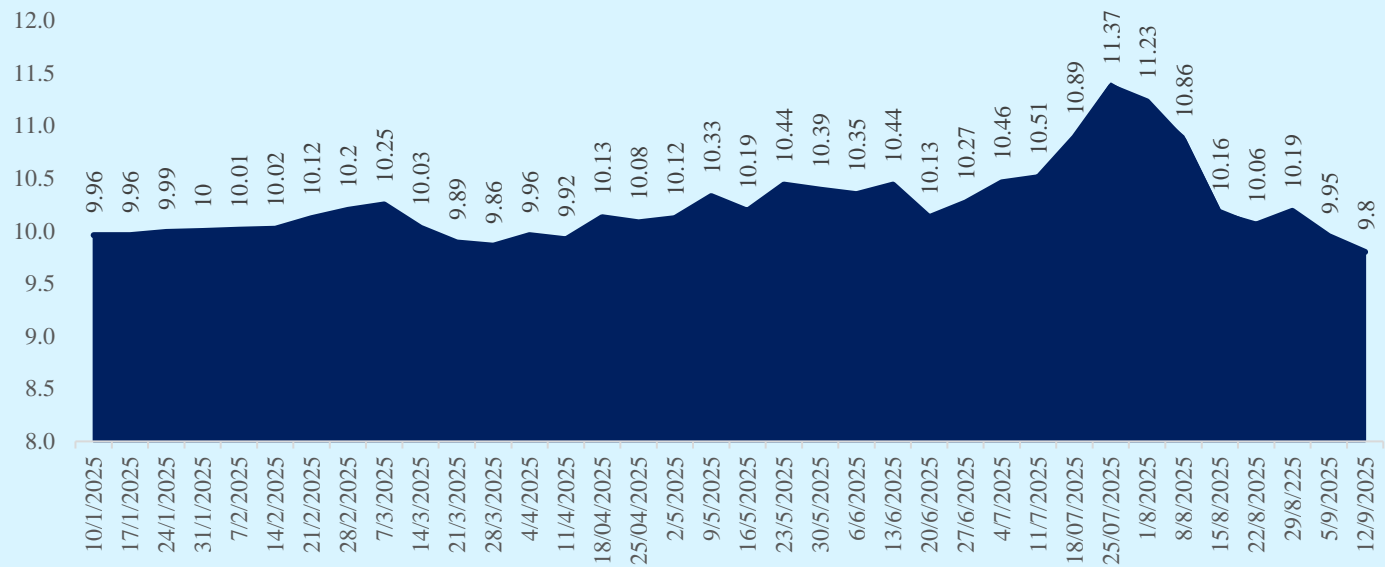
Dividend Announced for FY 2081/82 during Bhadra 2082/83				
Company	Ticker	FY	Bonus (%)	Cash (%)
1. Universal Power Company	UPCL	2081/82	9	0.4737
2. Kamana Sewa Bikas Bank Limited	KSBBL	2081/82	10	5.7895
3. Nepal Infrastructure Bank Limited	NIFRA	2081/82	0	6.3158
4. Everest Bank Limited	EBL	2081/82	6	14
5. Mid Solu Hydropower Limited	MSHL	2081/82	15	0.789

GARIMA SAMRIDDHI YOJANA

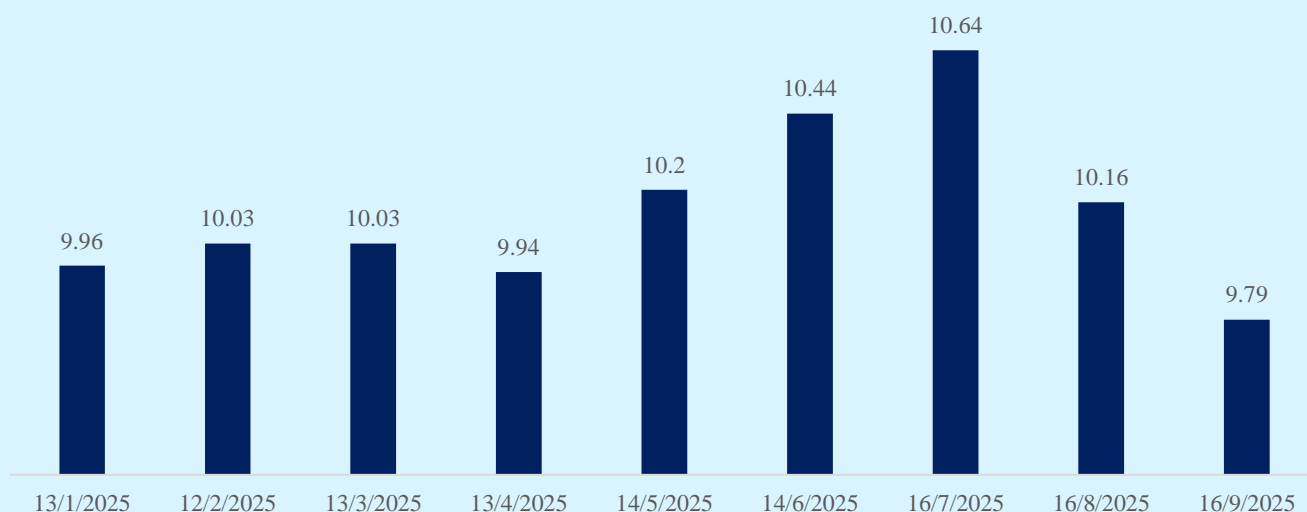
A Close Ended Mutual Fund Scheme

Fund Manager- Garima Capital Ltd.	NEPSE Ticker: GSY	LTP (08/09/2025): 9.10
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Weekly NAV



## Monthly NAV



### Important Disclaimer:

*This report has been prepared by the Research and Product Department of Garima Capital Limited after the study and analysis of publicly available data and information and does not use any inside information. The data and information studied are believed to be proper and reliable. However, we do not guarantee the correctness and completeness of the same, neither any independent verifications of the same are made by third parties.*

*The opinion and views expressed in this report are the consensus understanding and comprehension of the Department and the Company. However, such opinion, views, and information expressed in this report are subject to change based on change in market information and circumstances.*

*The sole purpose of this report is to provide analytical insight of the market performance and the state of affairs to whoever interested market participants along with our valued clients and customers.*

*This report should not be construed as investment advice or recommendation and ultimate investment decision stays on investors own wisdom. Garima Capital Ltd. including the Research and Product Team shall not be liable for any loss or damages that investors incur from investment actions based on this report.*

नेपाल फिनिक्स इन्टरनल प्राइवेट लिमिटेडको एपस कर्पोरेट वन लिमिटेडको एपस कर्पोरेट



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