

BRIEFING NOTE

Central Bank of Nepal issues Monetary Relief Measures for Businesses affected by the Gen-Z Movement

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This article explores the key monetary relief measures introduced by Nepal Rastra Bank (NRB) in October 2025 to support businesses affected by the *Gen-Z Movement*. Covering loan restructuring, interest rate reductions, loan-to-value ratio adjustments, and a payroll protection scheme, these measures aim to restore economic stability and protect employment.



On September 21, 2025, interim government has issued and approved the “*Economic Recovery and Business Rehabilitation Plan*” (the “**Recovery Plan**”). To access the brief of the Recovery Plan, please refer to the link: [I&P-Recovery Plan Insight](#).

On September 26, 2025, Nepal Rastra Bank (NRB), the Central Bank of Nepal, issued a circular (the “**Circular**”) which made certain changes to the **Unified Directive, 2081, issued to Class ‘A’, ‘B’, and ‘C’ licensed banks and financial institutions**. Please refer to the link to access the Circular (*Nepali language*): [\(NRB Monetary Relief\)](#) to give effect to the certain provisions of the Recovery Plan. The Circular was issued pursuant to Section 79(4) of the Nepal Rastra Bank Act, 2002 (2058).

The changes introduced by the Circular include the restructuring and rescheduling of loans, reduction in interest rates, and relaxation of the loan-to-value (LTV) ratio for vehicle loans. While the certain provisions of the Circular also deal with general relief measures applicable to businesses not directly affected by the Gen-Z Movement (the “**Movement**”), this note focuses solely on the monetary reliefs provided to the businesses impacted by the Movement.

A. Restructuring and Rescheduling of the Loans

For Directly Affected Businesses as Borrowers

NRB has allowed banks and financial institutions to offer loan rescheduling and restructuring facilities to businesses directly affected by the Movement. Previously, such facilities were provided only if the borrower’s repayment capacity had declined and certain conditions were met (for instance, if at least 25% of the interest due had already been recovered.) However, under this circular, affected businesses can now access rescheduling and restructuring relief even without fulfilling those prior conditions. This facility enables borrowers to defer instalment payments or revise loan terms based on mutual agreement with the lender.

The concerned banks or financial institutions will provide this facility upon the borrower’s request. In terms of timeline, process of rescheduling and restructuring must be completed by the end of Poush 2082 (January 14, 2026).

As per the existing norm, loans are categorized as performing loan (Pass and Watchlist loan) or non-performing loan (sub-standard, doubtful, and loss loans) based on how long the repayment is overdue. In this regard, the Circular further clarifies that any rescheduled

or restructured loan must be classified and provisioned under the same category it was in as of the end of Ashad 2082 (16 July, 2025). This means that non-performing loans cannot be reclassified as performing loans solely due to rescheduling or restructuring of such loan.

For Borrowers Linked to the Affected Business

In addition to the directly affected businesses, the Circular also provides for extension of the facility of loan rescheduling and restructuring to other borrowers who have forward¹ or backward² linkages with those affected businesses. Banks or financial institutions may reschedule and/or restructure the disbursed loans after verifying the impact of the Movement on such borrowers.

However, in this case, there is a condition that at least 5% of the interest payable by the borrower must have been paid prior to such restructure or rescheduling of loan. The timeline for completing the rescheduling or restructuring process, as well as the requirement to retain the same loan classification, remains the same as mentioned earlier.

B. Interest Rate

To support the restoration of businesses and industries affected by the Movement, the Circular includes provisions for interest rate relief, as outlined in the Recovery Plan. It states that banks or financial institutions can charge a maximum premium of only 0.5% above the base rate on loans specifically provided for the restoration of businesses. Previously, banks or financial institutions typically charged up to a 5% premium. This new limit will reduce the interest rate burden on such loans, offering essential financial relief to those impacted.

As per the Unified Directive, loans with a debt-to-equity ratio above 80:20 must be placed under the watch list. However, the Circular provides a one-year exemption for loans taken for business restoration, even if the ratio exceeds 80:20.

1 Forward linkage refers to connection with downstream industries. For example, if a steel mill supplies materials to a construction company, the construction company is considered to have a forward linkage to the affected business. The company need not be directly affected by the movement, but the impact through the linkage must be evident which will be verified by the bank.

2 Backward linkage refers to connection with supplier industries. For example, a steel mill relies on suppliers such as coal mining or metal ore mining industries. These supplier industries are considered to have a backward linkage to the directly affected business (i.e., the steel mill).

C. Loan to Value Ratio

NRB, through this Circular, has revised the Loan-to-Value (LTV) ratio for replacing business vehicles and transport equipment damaged due to the Movement. The banks or financial institutions can now provide up to 80% LTV for such replacements, increased from the previous limit of 60%. This enables affected businesses to finance 80% of the vehicle cost through bank loans. The measure is intended to reduce the financial burden on impacted businesses and support them in resuming operations by replacing essential vehicles.

The Recovery Plan specifies a **minimum Loan-to-Value (LTV) ratio of 80%**. However, the Circular states that the LTV ratio **may be maintained up to 80%**. These two provisions appear to be inconsistent. Setting a minimum LTV of 80%, as outlined in the Recovery Plan, is more appropriate, aligns better with the intended relief measures, and should be implemented accordingly.

D. Payroll Protection Scheme

NRB, through this Circular, has introduced a Payroll Protection Scheme to safeguard the continuity of employment in businesses affected by the Movement, in line with the Recovery Plan. As many of these businesses remain non-operational and face uncertainty about reopening, they are under pressure to lay off or retrench employees. The cost of paying compensation and salaries during this period is often unaffordable. As a relief to this, the Circular allows banks or financial institutions to provide loans at a concessional rate, with a maximum premium of only 0.5% above the base rate, significantly lower than the previous loan premiums of 5–6%. This measure is expected to ease the financial burden on businesses, enabling them to meet payroll obligations and retain their workforce.

Loans will be disbursed for up to one year or until the business reopens, whichever comes first. The loan must be repaid within this period. For the loan, the affected employers must submit application by the end of Poush 2082 (January 14, 2026).

A 2% interest subsidy for up to six months on these loans will be provided by the Government of Nepal through the National Reconstruction Fund. This means that, during the one-year loan repayment period, the government will cover 2% of the interest payable for up to six months.

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Contributors



Narayan Chaulagain

Managing Partner



Aayush Thapa

Associate

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