

# Setting up a facility to ease commercial borrowing

*A DHI study on the non-banking financial institution has been submitted to RMA for approval*

**Rajesh Rai**

The private sector may soon have a better commercial borrowing option in the form of external funding, if what Druk Holding and Investments (DHI) is working to bring about comes through.

## NBFI

DHI is currently studying the possibility of establishing a non-banking financial institution (NBFI) in the country, which, if feasible, will expand borrowing options for both DHI companies and the private sector.

At the DHI annual press conference yesterday, its officials confirmed having completed a study on NBFI that was presented to the Royal Monetary Authority (RMA).

DHI's chief executive of-

ficer, Karma Yonten, said things were going on quite well, and that the monetary authority has responded positively.

"Once the authority puts in place the regulation, they'll consider it," he said.

NBFI will not take deposits from local customers. Instead, through this financial institution, Bhutanese banks will borrow from outside in order to lend out to private sector in the country, including the DHI-owned companies for commercial purposes.

"That money will be given out for larger projects," Karma Yonten said, making it clear the capital would essentially be lent out to the export-driven projects that will help earn Indian rupee. "We'll borrow in dollars and Indian rupee, so we need to return in the same form of currency."

NBFI is primarily to finance larger industries in the country.

In the past, people from the private sector had raised concerns that the trend of banks lending huge amounts to DHI projects would lead to crowding out of private sector borrowings. DHI had to borrow around Nu 2B from India and another Nu 2B from local financial institutions for Dungsam Cement project.

"Concerns from the private sector and the banks was that, if DHI took a huge amount of money from the banks, there wouldn't be any left for the private sector," Karma Yonten said.

About five to 10 years down the line, according to the DHI projection, many companies might need to borrow to finance some of their requirements. It was also found that,

through aggregation of all the loan requirement of DHI companies, the local financial institutions might not be able to finance some of the requirements.

These problems are expected to be solved with NBFI in place.

As the local banks limit borrowing capacity, the private sector will have the opportunity to borrow and capitalise on their emergency requirement.

Although the Financial Institutions Act allows the private sector to borrow from outside to a maximum USD 10M,

Karma Yonten said, in reality, it was difficult for the private sector to borrow.

"The banks can't provide guarantee to the private sector to borrow from outside," the DHI CEO said, explaining there were also a lot of restrictions.

"This's why we're thinking that creating an NBFI would help address the long-term requirement of both DHI-owned companies and the private sectors."

DHI has been studying NBFI possibilities for the last two years. It is currently waiting for approval by the RMA.



**Picture story:** Bhutan's ambassador to Sri Lanka, Pema Choden, presented credentials to the Sri Lankan president, Mahinda Rajapaksa, at the presidential secretariat in Colombo on July 1. During the courtesy call, establishment of air connectivity between the two countries were discussed to further promote interaction. Diplomatic relations between Bhutan and Sri Lanka began in 1987.



TOMORROW'S

**Good day**

- to perform daily rituals

**Bad day**

- to appoint to new post
- to start new business
- to marry
- to celebrate
- to roof house
- to venture on a long journey
- to sell land

A good day for rituals (*laza*) for those born in the dragon year.



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	Max	Min	
Thimphu	29	15	
Gasa	22	12	
Trongsa	23	15	
Bumthang	24	13	
Trashigang	31	16	
Sarpang	32	21	
Phuentsholing	33	23	

Source: Meteorology Division, DHMS, MOEA