

OFFERING DIGITAL CREDIT THROUGH MOBILE PHONES



Unlocking Public and Private Finance for the Poor



Prabhu Management is partnering with financial cooperatives to offer credit to rural populations via its PrabhuPay wallet.

According to the Nepal Rastra Bank's Financial Access Report for 2020, about 39.1 percent of the Nepalese population remains completely unbanked.¹ Even among those that are banked, financial outreach is rather limited particularly as it relates to credit. Only 4.8 percent of depositors were using credit from banks, creating a significant gap between deposit and credit accounts. This reflects that bank credit is still relatively out of reach for many.

One of the main reasons for borrowing in the rural areas in Nepal, where agriculture is the mainstay, is consumption smoothing. Households that farm and run small businesses often find themselves running short on health or education-related payments. Lack of access to MicroFinance Institutions (MFIs) and financial institutions causes reliance on moneylenders and friends and the upshot is high-cost borrowing. This then creates a situation of overindebtedness as families struggle to make ends meet and repay high-cost debt.

Prabhu Management, an agent network manager for PrabhuPay mobile wallet and Prabhu Money Transfer, rides its network of over 16,000 agents to deliver digital financial services through mobile wallets in the country. With support from the United Nations Capital Development Fund, Prabhu Management is partnering with financial cooperatives to offer credit to rural populations via its mobile wallet, Prabhu Pay.



FACTS AND FIGURES ²



66%
of Nepalese have borrowed money in the past year.



53%
borrowed from local moneylenders, family members or friends.



13%
borrowed from formal financial channels.



26% borrowed for health or medical purposes.
14% borrowed to start, operate or expand business
13% borrowed for education fees.

CHALLENGES TO SOLVE



1. NO ACCESS TO FORMAL CREDIT

According to a 2017 Global Findex Database by World Bank, 53 percent of the population residing in rural Nepal relies on high-interest bearing loans from moneylenders and peer groups.¹³ Often, these loans put an additional financial burden on the receivers rather than financially



2. LACK OF A FINANCIAL ECOSYSTEM

As per 2020 Financial Access Report, distribution of bank branches are mainly concentrated in urban and semi-urban areas. Out of 77 districts, only 26 districts have population per branch lower than the national average¹⁴. The high cost of operations is one main reasons why financial institutions have failed to find a foothold in rural areas of Nepal. Existing community-based organizations can expedite access to finance. There are more than 16,000 Prabhu remittance agents in rural Nepal. Together with institutions, this agent network can help create and implement innovative digital financial solutions for the rural population.

¹⁴ Nepal Rastra Bank, Status of Financial Access in Nepal, 2020.

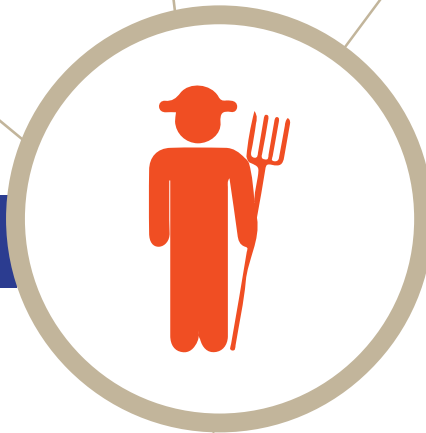
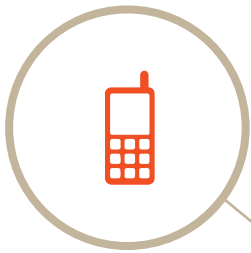
²³ World Bank, Global Findex Database, 2017. https://globalfindex.worldbank.org/sites/globalfindex/files/2018-04/2017%20Findex%20full%20report_0.pdf

**PRABHU
MANAGEMENT
+
FINANCE AND
COOPERATIVES**

**PRABHU PAY MOBILE
WALLET
&
DIGITAL LEDGER**

PROPOSED SOLUTION

**PRABHU DIGITAL
CREDIT MODEL**



**ACCESS TO
CREDIT
SERVICES
THROUGH
CREDIT
SCORING
ENGINE.**



**ACCESS TO
CO-CREATED
PRODUCTS
SUCH AS
INSURANCE BY
PRABHU
MANAGEMENT
AND
COOPERATIVES.**



**ACCESS TO
AGENT
POINTS FOR
CASH-OUT
AND
PRODUCT
AWARENESS.**

EXPECTED RESULTS

BY DECEMBER-2023



To acquire a total of **9,000 customers** in Nepal with 30% female customers.



To disburse **US\$540,000** through digital credit in four geographies in partnership with four financial cooperatives.



Prabhu Management's vision is to enhance access to finance through fintech for rural populations. One of the most common issues that low income people face is heavy reliance on high bearing informal credit service that further push them deeper in debt. We aim to cater to this segment and help people get out of poverty with effective and safe cash management practices. With UNCDF's technical assistance and grant support we are piloting a digital credit project in rural Nepal. The learnings from this project will help us develop more inclusive digital financial solutions that cater to this population.



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