



Nepal

A Customer's Journey towards Using Financial Services in Nepal

2015

First steps to access financial services

By Robert Gerstein, Jaspreet Singh and Akhand Tiwari

Imagine a savings account that requires you to walk 20 kilometres to make your first transaction. Sound intriguing? Are you ready to sign up?

We didn't think so, and yet, for so many rural Nepalese, it is the reality of signing up for and using formal financial services.

With that in mind, meet Bimla: 'Bimla is 38 years old, and runs a small tea stall. She has three children—one son and two daughters. Bimla has a primary school education and is semi-literate. She is confident and speaks her mind and socialises with other women in the community. She follows the trends prevalent in the community. She likes to celebrate all the festivals and spends considerable money on them.'

The above is an excerpt from a persona map developed for existing and prospective women customers of agent banking services in Nepal. Here's more: Bimla and her husband are part of a village-level cooperative society, she has at least one loan from a microfinance institution and she is part of a joint liability group. Bimla puts savings in the cooperative society on a monthly basis and also discusses other social/financial matters with the group

members and the village leader. Bimla and her husband have a mobile phone. Neither Bimla nor her husband are very capable of reading or sending SMS in English or Nepalese but know how to use basic functions and, if properly guided, could use mobile-based services.

In Nepal, financial institutions are aiming to offer agent banking services using electronic means. Bimla's journey, as a potential customer of technology-enabled agent banking, can best be viewed by what drives her financial behaviours. How does she rationalize her decisions, does she feel emotionally connected to the decisions, how easy are the decisions for her and how easy is it for her to act on her decisions?



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Facts and figures

CHALLENGES ON THE CUSTOMER JOURNEY

Time to activate an account varies*



1 Hour (min)

15 Days (max)

*Depending upon how fast bank processes documents and activates the account



13%
AGENTS

Deny customer transactions



53%
AGENTS

Arrange cash during transactions, which increases transaction time

Time platform is unavailable due to technology malfunction varies from several minutes to three to four days



The Mobile Money for the Poor (MM4P) programme undertook a study of the customer journey, and found that accessing services through agent banking from financial institutions in Nepal is more challenging and full of headaches than through the main local competition—cooperatives or group banking.

There are key steps that Bimla and customers like her follow when accessing services available through formal or informal channels. These steps can elicit various triggers, which could either be positive or pose a headache for the customer, and are ultimately responsible for the customer's choice of channel. Bimla's major headaches when accessing formal financial services through agent banking are these:

- Lengthy sign-up process
- Lack of information about agents
- Lack of clarity on services available at agent point
- Large distance from her house to agent point, if the agent is located in a market and thus requires her to travel
- Transaction failures.

These issues result in negative word of mouth that further discourages Bimla.

The headaches are further amplified by the supply side when financial institutions put forward an unclear product proposition for the customer and design a lengthy onboarding process.

Supply-side issues also arise from inefficiencies related to the agent, due to lack of training, poor customer service skills, lack of focus or lack of liquidity to conduct transactions.

For agent banking services to pick up in Nepal, financial institutions need to work towards addressing the headaches that customers currently face when accessing the financial services.

Customers in Nepal are unfamiliar with the financial institutions and generally have low levels of knowledge of banking services. Additionally, dependence on and trust in cash is high. Further, due to unfamiliarity with agent banking channels, many potential customers fear these new technologies. Thus, customers' perceptions and attitudes have been a significant barrier to uptake of the services. For Bimla and her husband, technology-enabled agent banking is a new system or way of doing financial transactions. So, any hassles/bad experience will reduce their trust a level further.

If Bimla realizes that, in order to arrange for a financial institution's know-your-customer requirements, she might have to revisit the agent—investing the time and money in another eight kilometres of travel (four kilometres each way)—she might decide to not return. Suddenly, the village cooperative society and/or other village group may look more customer friendly, as they come right to Bimla's village (in some cases, even to her doorstep!). Further, if it takes a number of days before the account becomes active, Bimla and her husband might just lose the motivation to actually use the account.

Bimla will prefer to use local providers like cooperatives because they offer services that involve easier sign-up and transactions and are closer to home (maybe even door-to-door service), compared to existing agent banking services in offering. Furthermore, these local services are community driven, offering the customer a chance to start and/or build on social capital.

Bimla, as a customer, may know that saving is good for her future and be emotionally driven to want to save with a financial institution. However, if her agent uses a system that often goes offline and thus prevents Bimla from completing needed transactions, suddenly it becomes much easier for Bimla to **rationaly** think about using a competing service. To keep Bimla and customers like her on a journey towards—not away—from agent banking services, financial institutions in Nepal will do well to address customer pain points and to help and support them on their journey, and in so doing will create a winning business proposition.

Key stakeholders

Regulator



- Nepal Rastra Bank

Main banks

- Rastriya Banijya Bank Limited
- Nabil Bank Limited
- Nepal Investment Bank Limited
- Everest Bank Limited
- Himalayan Bank Limited



Mobile network operators



Market share



Digital financial service providers

- Laxmi Bank Limited
- MEGA Bank Nepal Limited
- Prabhu Money Transfer Limited
- Citizens Bank International Limited
- Siddhartha Bank Limited
- Global IME Bank Limited
- eSewa
- Everest Bank Limited



For more information, contact
UNCDF-MM4P Technical Advisor
François Coupienne at
francois.coupienne@uncdf.org.

These highlights are brought to you by MM4P, a UNCDF programme funded by

