



Nepal

Understanding the Hurdles to Scale Agent Banking in Nepal

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Facts and figures

Elements of change management to drive adoption and usage

By Jaspreet Singh

Customer perspective is an important factor often overlooked when formal financial institutions plan the delivery of financial services, especially through the agent banking channel. It is important to note that the customer we are talking about here is mainly meeting his/her financial service needs through semi-formal or informal channels. The products/services offered by these informal institutions have easy acceptance by the customer because of a clear value proposition, lack of a cumbersome process (e.g., sometimes with doorstep delivery) and the customer's familiarity with these institutional mechanisms through similar community mechanisms (e.g., cooperatives, *Dhukti*).

In an attempt to offer formal services through the use of the agent banking channel and technology, institutions in Nepal need to consider elements of change which, if not managed well, would pose potential risk for service and limit the success of the deployment. These elements usually pertain to processes, technology, marketing/communication and client retention. Some of these elements are more relevant during the initial stages of roll-out and others when the business matures.

These elements become a concern since institutions find it difficult to focus on and dedicate resources to strengthening processes, building proper systems for staff/agent recruitment and training, client awareness, etc. Management of digital financial services can be divided into two broad levels: the client level and the institution level.

Client-level interventions

These interventions are essentially focused on creating customer awareness and equipping customers with sufficient knowledge and skills to become proactive and capable of discerning possible fraud. Most service providers and intermediaries currently limit their activities to creating customer awareness around the use of the transaction device (be it a mobile or biometric authentication device). Rarely does a service provider make the effort to educate clients on the basic dos and don'ts of agent-based transactions, grievance redressal, frequently asked questions, troubleshooting, etc.

Unless clients are aware of the mechanisms and processes of account opening and transactions, the roles and responsibilities of different stakeholders, and the basics of the

27.8 million

Total population

34%

Financial inclusion rate

US\$694

GDP per capita

88%

Mobile phone penetration rate


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technology they use, it is impossible for them to identify the different ways in which they can be duped or money can be misappropriated.

A few challenges that can exist on the client side include the following:

- **Use of technology-enabled devices for financial transactions:** A dominant factor for clients is the security of their money. Clients find it difficult to interact with technology such as a mobile phone or POS device, and are often nervous that inadvertent pressing of keys on the device may cause loss of money. They are also apprehensive about the possibility of losing the mobile/SIM/debit card and fear that, if it falls into the hands of someone they don't know or trust, they will lose their money. This challenge requires better communication from the service provider, as it more concerns apprehension than anything else.
- **Privacy of account:** Customers dealing with agents who are from their community are often apprehensive to share details related to their savings, fearing the information will be shared with everyone. Their illiteracy levels in general, and numerical illiteracy in particular, further aggravate their fears.
- **Marketing of product and trust in product:** Institutions have little or no focus on creating customer awareness, especially through the use of collateral, during customer enrolment. The limited availability of information creates a further trust deficit with customers, leading to high dormancy or low uptake.

Institution-level interventions

These interventions can relate to systems, processes, technology and liquidity management, and include the following:

- **Processes:** Weak or non-standardised processes introduce and enhance possibilities for fraud. Fraud can be reduced by ensuring that there are adequate checks and balances within systems and structures.
- **Compliance monitoring:** Processes alone are, of course, not enough to reduce fraud. They will only be effective if they are properly monitored. Compliance monitoring takes the form of scheduled audits, independent and mystery shopping, third-party reviews, peer reviews, etc.

- **Training in the right manner:** It is often seen in deployments that the training focus is on equipping agents with technology-related understanding. Softer skills, such as techniques to motivate clients to save, are completely missed. Complete and comprehensive training at the start of any deployment, along with ongoing refresher training, plays a crucial role. The emphasis should be on 'promoting' the product, not 'pushing' it.
- **Equipping bank branches, agent points or super-agent points:** Channel points should be equipped with a promotion kit that includes the following:
 - A checklist of points to be communicated
 - Selected process maps (especially at bank branch or super-agent point)
 - A list of frequently asked questions
 - A book to record account openings and transactions
 - Sample documents

Institutions should also look at equipping channel points with a proper product operations manual, preferably in the local vernacular. This manual should provide a detailed explanation of processes and job descriptions of each staff person.

- **Documentation and monitoring:** If institutions do not put in place an adequate system to monitor account opening forms, they cannot track the movement/status of the forms, which carries the risk of forms being misplaced/delayed.
- **Gaps in communication (bottom up and top down):** Institutions generally fail to create a robust system for information dissemination, resulting in limited knowledge at the field level, which affects service quality, and/or gaps in reporting.

The above elements, if not understood and handled properly, could affect adoption and use of branchless banking and ultimately lead to failure and negative returns on investments. In contrast, by examining these elements, institutions can better assess the investment costs required (i.e., capital investment, infrastructure, platform development, human resources and capacity building) and respond to change.

Key stakeholders

Regulator



- Nepal Rastra Bank

Main banks

- Citizens Bank International
- Everest Bank
- Global IME Bank
- Himalayan Bank
- Nabil Bank
- Nepal Investment Bank
- Prabhu Bank
- Rastriya Banijya Bank
- Standard Chartered Bank



Mobile network operators



Market share



Digital financial service providers

- Citizens Bank International
- eSewa
- Everest Bank
- Global IME Bank
- MEGA Bank Nepal
- Mobile Khata (Laxmi Bank)
- Nepal Investment Bank
- Siddhartha Bank



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

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