



UNIVERSITY OF MINNESOTA CROOKSTON  
Driven to Discover<sup>SM</sup>

---

## **Emerging Financial Technology (Fintech) in Nepal**

Gurung, T., and Hossain, M. Math, Science, and Technology Department, University of Minnesota Crookston

The term fintech describes innovative startup companies operating in the financial sector that apply modern technology solutions in the financial services industry to offer digitally enhanced products and allow widespread access to financial products at a lower cost than traditional players (Statista, 2022). It is a growing industry. One of many good examples of fintech is Venmo. It is changing the way we pay, borrow, and exchange money. As we know, technology is growing and thriving more than ever, similarly in the financial industry as well. Global investment in the fintech sector has added up to nearly \$100 billion since 2010.

According to a 2010 study, SMEs (excluding microenterprises) give employment to a huge percentage of the population in Nepal. 83 percent of the industrial employment generation comes from SMEs only. BO2 aims to solve the problem of access to finance for a lot of SMEs. The important sectors in which BO2 wants to provide funding are renewable energy, health, agriculture, and information technology (Kong, 2017).

In Nepal, at present, there are 28 commercial banks, 67 development banks, 41 finance companies, and 42 microfinance development banks. There are a total of 4,274 branches of all these financial institutions. Many banks have come forward to offer technology-based services such as branchless banking, which fulfills people's payment and credit needs. These people do not have access to a formal financial system. More than 213,000 people are currently availing services through 812 branchless banking centers in Nepal. Financial inclusion is one of the biggest challenges in Nepal. Financial institutions' quick response to the latest technologies raises people's access to finance (Kong, 2017).

According to a recent report by NRB, the United Nations Capital Development Fund (UNCDF), and the United Nations Development Program, only 61 percent of adults have access to formal financial services in Nepal. Of these 61 percent, only seven percent use all four financial products. Savings, payment, credit, or insurance. Out of the remaining 39 percent population, 21 percent use informal channels, and 18 percent do not have any access to the financial system.

In the article, fintech has the potential to transform lives in Nepal and shows some of the great possibilities and opportunities that the use of fintech can create. As it has done in many parts of Sub-Saharan Africa, Fintech provides an opportunity to increase access to financial services in Nepal to those who live in areas where Banks cannot profitably operate brick-and-mortar businesses. If fintech were to increase access to financial services for all Nepalis, they would have a better chance to lift themselves out of poverty, investing in their children's education and saving for emergencies, to name a few examples. Fintech in Nepal is at a nascent stage and needs financial and regulatory support. Many Nepalis also prefer to use cash, especially in rural areas where illiteracy rates among some groups, such as adult women, remain high. In 2016, while most women and men-owned mobile phones in Nepal, less than 10 percent of those men and women used mobile phones for financial transactions. Banks have consistently found it hard to operate in rural areas because of the lack of proper infrastructure.