

## Fintech For Health: Case Study

### Analyzing e-Sewa's Journey Towards Rural Fintech Penetration

#### **The Problem**

Nepal is on its steady journey towards a nationwide digital transition. With much influence incoming from the global community, the demand for a digital and convenient way of life is increasing, and because in some ways it is a better option than existing ones in terms of finance, health, education, and other basic needs, its demand as a system of interest is transforming into an absolute necessity.

In terms of financial digitization, any commercially banked person has guaranteed access to their debit card. Compared to the rest of the digital services provided by the bank such as mobile applications, dollar cards, or even remittances, ATM cards have attracted much of the population as the best alternative to cash. Nepal does not have any social security system or code of identification for its citizens. Online payment through dollar cards has a maximum limit of \$500 per person per year. Since the economy is still cash-based, the transactions or a larger sum are untraceable and inconvenient for the general customer.

In the case of rural communities, they either have accounts in a “D” class bank, where transactions and record-keeping systems are purely manual and funds are generally of a very small amount. For a rural community member to have a proper commercial bank account, they would have to reach the nearest ATM to extract money from their account. The first problem with this is that the account holder needs to access their own bank’s ATM to extract money without paying any type of inter-bank fees. The second is that as much as ATMs are scattered everywhere in the city area, they are fewer in number in the rural parts of Nepal. Considering that in some areas the geographical landscape is still a basic issue to physically accessing any kind of service in Nepal, extracting a small amount of money would also require a lot of time and effort. As a result, the account holder's money may be safe and secure, but they are not able to extract it as per their need. The launch of the bank's mobile applications was expected to solve

this problem, but soon it became very obvious that lack of digital literacy was going to be a challenge while upgrading financial services.

## **The Solution**

The first mobile-based fintech application of Nepal, e-Sewa, was established a little over a decade before. A product of F1 Soft International Private Limited, e-Sewa's prime service is a digital wallet with an added service of an organized utility payment system, where a bank account holder (of a commercial bank) can transfer their bank funds to their ESewa account and make payments from thereon. Nepal Rastra Bank has provided a license to move on with its payment system as a Payment Service Provider and is officialized all over Nepal. Customers can use the application for various purposes, including electricity bill payments, drinking water bill payments, mobile top-up, TV payment, online ticketing, online shopping, movie tickets, and school fee. Also, dealers, specialist co-ops, and retail sources can quickly get installments for merchandise and enterprises in their e-Sewa wallet.

After its successful urban penetration, e-Sewa has been focusing on including rural and semi-urban populations, but the obvious obstacle to such a step is the lack of basic digital literacy among these communities. Cash IN is a service that allows you to receive the funds in your wallet from authorized eSewa Cash Points. Cash Points are the physical e-Sewa stations manned by e-Sewa agents and Cash IN operators who help their customers use the application and load funds. Any e-Sewa user can load up to Rs. 20,000 via Cash IN per month for free by simply handing over the transaction amount in cash to the Cash IN operator. The confirmation of the transaction is assured by an SMS or email notification.

Localized fund-load systems help the customer to learn the basics of one of the most important applications on their cell phone. Additionally, since utility payments can also be done by a tap on your smartphone, frequent utility payments allow users to perform digital transactions actively which prevents them from forgetting the basic steps to perform the digital transaction.

UKAID's recent financial empowerment project "Sakcham Access to Finance" successfully strengthened some Microfinance Institutions and digitally upgraded their service channels. Alongside, UKaid Sakcham Access to Finance program and eSewa Fonepay Pvt Ltd officially

announced their partnership to provide rural consumers with access to financial services through digital channels. The major objectives of this agreement included establishing at least 5,000 Cash Points which were to be designed and developed by e-Sewa in collaboration with Sakchyam Nepal, in priority districts. Since these cashpoints are run by agents residing in the same community, the attitude towards these services has been positive so far.

e-Sewa is additionally working with a number of microfinance, co-operatives, and similar entities to reach rural communities as to include communities that are recognized and included in the existing financial systems.

## **Challenges**

Along the way, e-Sewa also faced several obstacles over the years. Starting from digital literacy, to ensure that the users are well aware of their services, additionally, investments had to be brought in for services like cash points for the entire nation. These led to a lack of funds and its management several times. Ensuring cash points did not ensure an improvement in digital literacy right away. Some communities also lacked resources such as sufficient internet connectivity, smartphone, etc. The current success of e-Sewa is thus the result of several initiatives rolling in a trial-and-error phase over a decade.

## **Result**

As of March 2021, e-Sewa has reached a total of 40 districts, opened more than 460,000 bank accounts of which 111,474 were of women across 12 BFIs, opened more than 417,000 wallet accounts, acquired more than 56,000 QR merchants. As of August 2021, it has established around 10,000 cashpoints and hired around 1,20,000 local e-Sewa agents. e-Sewa thus aims for nationwide coverage as well as digitization in the future.