

Maha Prasad Adhikari: Empowering financial inclusion through financial innovation - Nepal's journey towards a more inclusive financial landscape

Special address by Mr Maha Prasad Adhikari, Governor of the Central Bank of Nepal (Nepal Rastra Bank), at a session on "Empowering financial inclusion through financial innovation - Nepal's journey towards a more inclusive financial landscape", at the FinTech Fest 2023, Mumbai, 7 September, 2023.

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Moderator of the Session Mr. Mohan Tanksale,

Distinguished Delegates,

Representatives from Various Fintec and Financial Institutions across the Globe,

Ladies and Gentlemen!

Good Morning and Namaste!

I feel greatly honored to be here with you today and be a part of this gathering with the theme of "Global Collaboration for a Responsible Financial Ecosystem". On this occasion, I would like to extend my sincere gratitude to the National Payments Corporation of India (NPCI), the Payments Council of India (PCI), and the FinTech Convergence Council (FCC) for giving me the opportunity to deliver the special address at this session on the topic "Empowering Financial Inclusion through Financial Innovation: Nepal's Journey towards a More Inclusive Financial Landscape".

At this moment, I would like to briefly share Nepal's financial inclusion and FinTech journey with you.

Financial inclusion has remained a top priority in Nepal and we are leveraging the innovations in the financial and payment industry to benefit from the innovation and development in these areas. The government of Nepal has recognized it as a key pillar for Nepal's economic growth which is reflected in the Digital Nepal Framework (2019). It has been also focused on the National Financial Inclusion Roadmap and the current Strategic Plans of Nepal Rastra Bank.

Nepal Rastra Bank has come forward with the necessary legal and regulatory foundation to promote financial inclusion through the use of FinTech. In this regard, we have licensed 10 Payment Service Operators and 27 Payment Service Providers. A retail payment switch has been established while the National Payment Switch and a domestic card scheme are underway. Other initiatives in this regard include the establishment of the National Payment Board, the issuance of Digital Lending Guidelines, and the integration of government revenue and payments in faster payment channels.

The Financial Inclusion and Consumer Protection Division has been set up to promote financial inclusion and financial literacy and also to address consumer complaints. In this line, a celebration of Digital Payments Promotion Year, provision for the banks to spend a certain portion of their CSR funds on financial literacy, awareness campaigns through social media, and collaboration with global networks such as the Alliance for Financial Inclusion (AFI), UNCDF and IFC have further helped in attaining our inclusion targets.

Besides that, the integration process of faster payment systems between Nepal and India has progressed a lot. We believe that it will serve as a milestone to facilitate the bilateral cross-border retail payments. I would like to express our sincere gratitude to the Government of Nepal, the Government of India, RBI, NPCI, and NCHL for taking this initiative forward.

All these initiatives have helped in attaining tangible results in our journey. According to a survey done by IFC in 2022, 90 % of Nepalese adults use formal financial services compared to 61 % in 2014. Penetration in terms of mobile banking, internet banking, and wallet users has also increased significantly. As of mid-July 2023, mobile banking penetration has increased to 73 percent while wallet penetration has increased to 64 percent. As a consequence, fast payment instruments like QR codes, e-wallets, and mobile banking have experienced rapid growth in the last two years. The average growth in the number of transactions through QR codes has increased by 286 percent followed by 59 percent for mobile banking and 30 percent for wallet transactions. These three channels occupy about 70 percent of the retail digital payment transactions in the country.

To further promote the use of FinTech, we are working on the introduction of Central Bank Digital Currency in a phased manner, the establishment of full-fledged Digital Banks and setting up a regulatory sandbox. In addition, introduction of centralized KYC integrated with the digital national ID and personalized credit score are also in our priority list to promote financial inclusion through FinTech innovations.

We have come a long way in this journey but need to do more in the future. One of the areas is to facilitate new infrastructures such as seed funding/ equity crowd-funding platforms and the use of new technologies such as blockchain, artificial intelligence /machine learning. At the same time, these areas of opportunities also lead to challenges such as protection of consumer data and privacy, management of operational risks and cyber resilience and narrowing the digital divide. In this regard, I believe that this gathering will strengthen our global collaboration to deal with these challenges and help in making our payment systems safe, secure and efficient.

I would like to stop here for now. If time permits, I will share some more insights later in this session.

Thank You!