

# Financial Access in Nepal

(Exploring the Feature of Deposit Accounts of A, B,  
C class BFIs)



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## Foreword

Financial access is a pre-conditional infrastructure for effective financial inclusion. Financial access allows individuals and businesses to save for future, obtain credit for expanding economic activities, make payments and insure against risks and uncertainties. Moreover, financial access promotes economic growth, reduces poverty level, and strengthens financial and macroeconomic stability.

Promoting financial inclusion is one of the major objectives of Nepal Rastra Bank (NRB). NRB has been taking various policy measures to broaden financial access. Promoting financial literacy, incentivizing opening of branch in rural areas, launching open bank account campaign, easing operation of branchless banking, increasing focus on modernization of payment system are some recent measures to expand financial inclusion. As a result, the number of deposit accounts has been expanding substantially. The population with at least one account is estimated to be 67.3 percent in mid-June 2020 in this report compared to the estimate of 60.9 percent in mid-July 2019.

This study has further helped identify the gap in financial access across geographical and demographic dimensions. The study has found that total number of accounts per 1000 adults in regulated BFIs is 1348.1 with high concentration in urban areas and among male population. The number of branches of BFIs per 100,000 populations is 18.98. Almost 33.6 percentage of account are dormant which indicates the fact that access does not guarantee usage. However, young generation's high attraction towards financial technology shows a promising future demand and potentiality to expand financial inclusion.

I would like to extend my sincere thanks to BFIs for providing such a large number of data with multiple fields without much delay. I would like to thank Director Mr. Madhav Dangal, Deputy Director Mr. Sushil Poudel and Assistant Directors Ms. Merina Shrestha and Mr. Prabhakar Jha for their untiring efforts in preparing this study report. I would like to acknowledge the contribution of Executive Director Dr. Gunakar Bhatta, former head of Economic Research Department, and former Director Mr. Dipak Raj Lamichhane for initiating this study. I would also like to thank Assistants Mr. Purna Prasad Bhandari, Mr. Man Singh Tamang and Mr. Rishi Ram Koirala for their valuable contribution in data compilation.

August, 2021

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## Executive Summary

Nepal Rastra Bank (NRB) has been taking various policy measures, ranging from incentive to few forced measures to broaden financial access. As a result, the number of branches of banks and financial institutions has been expanding substantially. The numbers of local level without branches of commercial banks have come down to 3. The total numbers of deposit accounts in BFIs are 36,366,041 and loan accounts are 1,682,845 as of mid-April 2021.

NRB has conducted this study to explore the features of deposit accounts in A, B and C class BFIs. The study is based on details of 32.1 million deposit accounts - 83.3 percent accounts maintained at 27 commercial banks, 14.7 percent at 23 development banks and 2.0 percent at 22 finance companies as of mid-June 2020. The population with at least one account is estimated to be 67.3 percent compared to the estimate of 60.9 percent in mid-July 2019. The branches per 100,000 populations are found 18.98. The density of BFIs branches in urban areas is high whereas in rural areas and mountain districts are low.

Total number of accounts per 1000 adults is 1348.1. The variations in accounts per 1000 population across provinces are high. Male population holds relatively higher number of accounts compared to female population. Women from rural municipality have the lowest number of accounts per 1000 population. Individual accounts constitute 93.48 percent of the total deposit accounts. Among nonfinancial corporations, small and other than small business enterprises have 848,000 accounts.

One third of the total deposit accounts are found to be dormant. The proportion of dormant account is higher for non-financial institution compared to individual accounts. Sudurpashchim province has relatively less dormant accounts compared to other provinces. Female accounts are less dormant compared to male accounts. Rural municipality has relatively low percentage of dormant account compared to other types of local levels. Saving accounts are the highest number of deposit accounts. High number of current and call deposit accounts are held by institutions than individuals.

The share of account holder using mobile banking, ATM and internet banking is 32.03 percent, 20.35 percent and 3.86 percent respectively. Mobile banking is used uniformly across all provinces. Metropolitan cities record the highest percentage of ATM and internet banking user. Male account holder's usage of fintech is higher compared to female account holders. The account holders of young age use ATM and mobile banking at a higher rate. Proportion of fintech users decreases with higher age.

## Acronyms

ATM	Automated Teller Machine
BFI	Bank and Financial Institutions
CBS	Central Bureau of Statistics
CSV	Comma-separated values
NGO	Non-Government Organization
NRB	Nepal Rastra Bank
RTGS	Real Time Gross Settlement
SIS	Supervisory Information System
SMS	Short Message Service

## Definition of Terms

**Adult:** Population of age 15+ years

**Dormant Account:** Saving account with no transaction in three years. Current and call accounts with no transactions in six months.

**Financial Inclusion:** Individuals and businesses having access to useful and affordable financial products and services

**Fintech:** Use of technology in financial and banking services

**Non-resident Individuals:** Foreign citizen of Nepali origin and/or Nepali citizen residing abroad (NRN Act 2064).

**Relational Database:** Collection of data with pre-defined relationships organized as a set of tables with columns and rows.

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## 1. Background

- 1.1 Financial access allows individuals and businesses to save for future, obtain credit for expanding economic activities, make payments and insure against risks. Financial exclusion hinders economic growth, broadens income inequality and increases poverty level in the economy. Financial concentrations in a relatively few individuals, firms or sectors have potential negative consequences for financial and macroeconomic stability. Banerjee & Newman (1993) show the marginal benefit of financial access exceeds marginal cost by a large number and therefore, increases overall welfare.
- 1.2 Global Findex data reports 69 percent population globally have access to banking services up from 62 percent in 2014 and 51 percent in 2011. Compared to 94 percent of adult population in high income countries have a bank account, only 63 percent have bank account in the developing world (Demirgüç-Kunt, Klapper, Singer, Ansar, & Hess, 2018).
- 1.3 FinScope Consumer Survey conducted in 2014 reported only 40 percent adults use regulated banking products/services in Nepal. It means only two fifth adults are banked in the country. The survey also reported that 61 percent adults are formally served and 57 percent use an informal mechanism to avail banking services. About 18 percent adults are financially excluded meaning that they neither use formal nor informal financial services (FinScope, 2014).
- 1.4 Nepal Rastra Bank (NRB) Act 2002 Section 4 (1) states financial inclusion as one of the major objectives of NRB. For expanding financial inclusion, NRB has been taking various policy measures, ranging from providing incentives to implementing a few forced measures and promoting financial literacy, as tools to broaden financial access. NRB has directed commercial banks to establish branches at all local levels which are not having any branches of commercial bank by providing incentive to maintain government account for two years.
- 1.5 As of mid-April 2021, total number of branches of regulated Banks and Financial Institutions (BFIs) comprising Commercial Banks, Development Banks and Finance Companies has reached 5,978. The total branches of microfinance have reached 4,568. The numbers of local level without branches of commercial banks have come down to 3. Total numbers of deposit accounts have reached 36,366,041 and loan accounts have reached 1,682,845 as of mid-April 2021.
- 1.6 NRB has conducted this study to further explore the status of financial access from regulated BFIs (A, B, C classes) based on the detail data of deposit accounts



as of mid-June 2020. At that time, the numbers of branches were 5,694; the numbers of deposit accounts were 31,885,779; the numbers of loan accounts were 1,525,435; the numbers of mobile banking customers were 10,670,072; the numbers of internet banking customers were 992,724 and the numbers of ATM card holders were 7,243,153. This study has explored the different features of deposit in more detail in addition to computing financial access through examining the 33 deposit accounts in detail.

## **2. Methodology**

- 2.1 Details of depositor's accounts at individual level as of mid-June 2020 have been collected from A, B, C class Bank and Financial institutions (BFIs). Data are received in comma-separated values (csv) format using NRB reporting portal. Each row of data includes 20 variables. The variables include unique identifiers (id, account number), text variables (name of depositor, father's name, grandfather's name, account holder's district, local level and ward number), categorical variables (type of account, type of depositor, institutional grouping), date variable (date of birth) and Boolean (true or false) variables (active status, ATM card user, internet banking user, mobile banking) from all banks and financial institutions except one problematic development bank.
- 2.1 Total of 32.1 million records including 26.7 million (83.3 percent) from A-class institutions, 4.7 million (14.7 percent) from B-class institutions and 0.66 million (2.0 percent) from C-class institutions of deposit accounts have been received in csv formats and processed using Stata 16.0. Branch code, id and account number are compulsory fields. Some fields in categorical variables and date of birth are partially missing. The underlying reasons for missing data are mostly for dormant accounts with incomplete Know Your Customer details. Each field in categorical variables is decoded to unique integer number. Boolean fields are coded as 0 for false and 1 for true. Leading and trailing spaces were trimmed and double spaces were replaced with single spaces in text variable. The cleaned data of all banks and financial institutions have been compiled into one single file and used for analysis.
- 2.2 The branch code of single compiled file is mapped to standardized branch detail. The branch code contains information on bank name, type, province, district, local level and ward level. Using relational database mapping, each depositor account is mapped to province number at the highest level and ward number of 753 local levels at the lowest level. However, the analysis of depositors is limited to local level unit.
- 2.3 Total projection for population of Nepal in 2020 is taken from the projection 2011 to 2031 published by Central Bureau of Statistics (CBS), Nepal. Medium variant projection of 29,996,478 total populations is chosen for the analysis in this study

report. Estimates at district level for 2021 are adjusted for growth rate and rescaled to total projection to equal to 2020 total projection. The estimate of population for Nawalparasi and Rukum are allocated to Nawalpur and Parasi, as well as Rukum East and Rukum West are distributed proportionately on the basis of 2011 local level population data. Estimate of rural to urban migration are based on the assumptions of old 58 municipalities, estimate of urban and rural populations are not usable for current numbers of local level estimate. Therefore, populations at local level are estimated by applying the proportion to total district population based on local level population in district in 2011.

- 2.4 A, B, C class BFIs have interoperability in technologies such as ATM, check clearing, internet banking services, RTGS and other payment services. However, interoperability among other financial institutions is lacking. For this reason, this study report is prepared with equal weights to accounts opened in any class of A, B, C institutions.
- 2.5 This study presents the status of financial access in Nepal across regional, demographic and technological dimension by using details of deposit accounts opened in A, B, C class financial institutions as of Mid-June 2020.

### **3. Limitations**

- 3.1 The joint accounts are reported for each member of joint account holders and hence inclusion of joint account for more than one time makes the total number of accounts higher than the total number of accounts reported in Monthly statistics published by Banks and Financial Institutions Regulation Department.
- 3.2 The details of district, local level and ward number of account holders have not been updated as per new federal structure and differ across institutions. Due to this limitation, the findings are based on the assumptions that the number of accounts opened in local level branches fairly reflects the status of access at local level. Urban and rural classification in this study may not reflect proper picture.

## 4. Access to Deposit Account and Its Various Features

### Population with at least one account

- 4.1 Of the total number of deposit accounts as of mid-June 2020, 29.93 million accounts belong to individual. The study applies the similar procedure adopted in earlier study by NRB (2020) to identify population with at least one account.
- 4.2 In the first step, individual record without complete records for three generation i.e. account holder name, father's name and grandfather's name have been dropped. Operational accounts have complete Know Your Customer Information including these three fields; therefore, dropping these records will not eliminate active accounts that are operational.
- 4.3 In the second step, records with the same account name, father's name and grand father's name have been collapsed as one unique record. The total number of accounts with unique three generations has been found to be 20.2 million.
- 4.4 Based on medium variant population projection of 30.0 million, population with at least one unique account is estimated to be 67.3 percentages in mid-June 2020<sup>1</sup>. Such an increment of access to bank account is due to bank account opening campaign, compulsory provision to have a bank account to receive social security allowance, expansion of branches of BFIs and expansion of stock market along with increasing participation of a large number of people, among others.

### Branches per 100,000 Population

- 4.5 Total number of branches of A, B, C class institutions has reached 5694, resulting in branches per 100,000 populations to be 18.98 (Table 1). Concentration of branches is higher in Bagmati and Gandaki Provinces compared to other provinces. Branches per 100,000 population is 9.73 in Province 2 which is the least compared to all other Provinces<sup>2</sup>.

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<sup>1</sup> Including deposit accounts of members in microfinance financial institutions and cooperatives will further increase the proportion of population having deposit account.

<sup>2</sup> However, the presence of Microfinance Financial Institutions is very high in this province, which implies increased financial access. As of mid-July 2020, there were 780 branches (20 percent of total branches) of MFIs operating in Province 2 which is the second highest after 913 branches in Lumbini Province (see Box 1), whereas only 14 percent of MFIs branches are in operation in Bagmati Province.

**Table 1: Branches, Population and Branches per 100,000 Populations by Province**

Province	Number of Branches*	Population**	Branches per 100,000 population
Province No 1	897	4,944,070	18.14
Province No 2	609	6,256,166	9.73
Bagmati Province	1906	6,437,788	29.61
Gandaki Province	762	2,519,139	30.25
Lumbini Province	959	5,098,262	18.81
Karnali Province	200	1,809,783	11.05
Sudur Pashchim Province	361	2,931,269	12.32
<b>National</b>	<b>5,694</b>	<b>29,996,478</b>	<b>18.98</b>

Source: \* BFIs' records, \*\* CBS

**Box 1. Province wise Distribution of Microfinance Institutions (as of mid-June 2020)**

Province	Number of Branches	Percentage of total
Province No 1	681	16.9
Province No 2	777	19.3
Bagmati Province	600	14.9
Gandaki Province	520	12.9
Lumbini Province	913	22.7
Karnali Province	186	4.6
Sudur Pashchim Province	345	8.6
<b>National</b>	<b>4,022</b>	<b>100.0</b>

Source: Banking and Financial Statistics, BFIRD, NRB, Mid-June 2020

4.6 The branches of BFIs are highly concentrated in metropolitan and sub-metropolitan compared to rural and urban municipalities (Table 2). The spatial map in appendix shows the concentration of branches in 753 local levels. The local bodies of Mountain districts have relatively lower number of branches compared to the districts of Hill and Terai region.

**Table 2: Branches, Population and Branches per 100,000 population by Local Level**

Local Level	Number of Branches*	Population**	Branches per 100,000 population
Rural Municipality	917	10,743,380	8.54
Urban Municipality	2,863	14,379,760	19.91
Sub Metropolitan City	535	1,859,971	28.76
Metropolitan City	1,379	3,013,368	45.76
<b>National</b>	<b>5,694</b>	<b>29,996,478</b>	<b>18.98</b>

Source: \* BFIs' records, \*\* CBS

### Distribution of Accounts by Institutional Sector

- 4.7 Total numbers of accounts are grouped into subsectors as per the classification of System of National Accounts. Account of individual, i.e. natural person, constitutes 93.48 percent of the total deposit accounts in the BFIs.
- 4.8 The total number of accounts of business organization including small and other than small business totals 848,464. The total number of business accounts is less than the total number of establishments 923,027 (CBS, 2018). The reason behind low number of business accounts may be either establishment does not have bank accounts or establishment operates banking transactions from individual account belonging to owner. Non-profit institutions such as community hospitals, schools, local NGOs, and communities' welfare groups hold 2.25 percentages of accounts. Non-residents hold 0.34 percent of accounts in BFIs (Table 3).

**Table 3: Number and Percentage of Accounts by Institutional Sector**

Institutional Sector	Number of Accounts	Percentage of Accounts
Government	19,007	0.06
BFIs Accounts	11,578	0.04
Other Financial Corporation	332,089	1.04
Public Non-financial corporation	30,762	0.10
Foreign Direct Investment Companies	241	0.00
Other nonfinancial corporation - small business	433,001	1.35
Other nonfinancial corporation - other than small business	415,463	1.30
Business Associations	13,206	0.04
Individual	29,928,436	93.48
Non-profit Institutions Serving Households	721,837	2.25
Non-resident individual and institutions	108,378	0.34
<b>Total</b>	<b>32,014,221</b>	<b>100.00</b>

Source: BFIs' records

## Accounts per 1000 population

- 4.9 Total number of accounts per 1000 population is 998. Male population holds higher number of accounts relative to female population. Bagmati and Gandaki Province have relatively large number of accounts per 1000 population compared to other provinces (Table 4). Karnali Province holds the lowest number of accounts per 1000 population. The gender bias in number of accounts exists in all provinces.
- 4.10 The number of accounts per 1000 population across different types of local level shows a higher variation than that observed in provinces (Table 5). Male population of metropolitan city has the highest number of accounts per person. Women from rural municipality have the lowest number of accounts per person. The spatial map in Appendix 2 shows the number of accounts per 1000 population across 753 local bodies.

**Table 4: Population, Accounts and Accounts per 1000 population by Province and Gender**

Province	Population	Number of Accounts	Accounts per 1000 population	Male	Number of Male Accounts	Accounts per 1000 population	Female	Number of Female Accounts	Accounts per 1000 population
Province No 1	4,944,070	3,988,676	807	2,341,431	2,505,373	1,070	2,603,042	1,460,139	561
Province No 2	6,256,166	3,321,458	531	3,149,425	2,248,244	714	3,106,754	1,061,346	342
Bagmati Province	6,437,788	11,602,861	1,802	3,229,718	7,610,146	2,356	3,207,379	3,910,469	1,219
Gandaki Province	2,519,139	3,640,460	1,445	1,143,050	2,054,631	1,797	1,376,428	1,560,214	1,134
Lumbini Province	5,098,262	4,714,187	925	2,405,285	2,925,137	1,216	2,692,905	1,750,359	650
Karnali Province	1,809,783	828,731	458	890,480	545,062	612	919,334	276,385	301
Sudurpashchim Province	2,931,269	1,832,063	625	1,387,879	1,222,809	881	1,543,370	591,454	383
<b>National</b>	<b>29,996,478</b>	<b>29,928,436</b>	<b>998</b>	<b>14,547,267</b>	<b>19,111,402</b>	<b>1,314</b>	<b>15,449,211</b>	<b>10,610,366</b>	<b>687</b>

Source: BFIs' records

**Table 5: Population, Accounts and Accounts per 1000 population by Local Level and Gender**

Local Level	Population	Number of Accounts	Account per 1000 population	Male	Number of Accounts	Accounts per 1000 population	Female	Number of Accounts	Accounts per 1000 population
Rural Municipality	10,743,380	2,695,732	251	5,134,460	1,550,210	302	5,609,476	1,126,987	201
Urban Municipality	14,379,760	13,710,399	953	6,929,667	8,768,485	1,265	7,449,583	4,858,511	652
Sub Metropolitan City	1,859,971	3,590,176	1,930	915,485	2,322,272	2,537	944,338	1,238,526	1,312
Metropolitan City	3,013,368	9,932,129	3,296	1,567,654	6,470,435	4,127	1,445,814	3,386,342	2,342
<b>National</b>	<b>29,996,478</b>	<b>29,928,436</b>	<b>998</b>	<b>14,547,267</b>	<b>19,111,402</b>	<b>1,314</b>	<b>15,449,211</b>	<b>10,610,366</b>	<b>687</b>

Source: BFIs' records

## Status of Accounts

- 4.11 About one-third (33.6 percent) of the total deposit accounts are found to be dormant account (Table 6). This implies the fact that financial access does not guarantee the usage of the account<sup>3</sup>. Female accounts are less dormant compared to male accounts. The proportion of dormant account is higher for non-financial corporation compared to individual accounts.

**Table 6: Account Status by Institutional Sector and Gender**

Account Status	Overall	Individual	Male	Female	Non-financial Institutional	Non-residents
Dormant	33.6	32.3	34.8	27.7	57.4	32.9
Active	66.4	67.7	65.2	72.3	42.6	67.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: BFIs' records

- 4.12 Province wise status of account shows that Sudurpashchim Province has relatively less dormant accounts compared to other provinces (Table 7).

**Table 7: Account Status by Province**

Province	Dormant	Active	Total
Province No 1	31.4	68.6	100.0
Province No 2	34.1	65.9	
Bagmati Province	36.6	63.4	
Gandaki Province	31.3	68.7	
Lumbini Province	30.7	69.3	
Karnali Province	34.3	65.7	
Sudurpashchim Province	29.8	70.2	
<b>National</b>	<b>33.6</b>	<b>66.4</b>	

Source: BFIs' records

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<sup>3</sup> There could be various reasons for being one-third deposit accounts dormant, for which a separate exploration is needed.



- 4.13 Rural municipality shows relatively low portion of dormant account compared to other types of local bodies (Table 8). Accounts opened in metropolitan cities are highly dormant compared to other local bodies.

**Table 8: Account Status by Local Level**

Local Level	Dormant	Active	Total
Rural Municipality	18.5	81.5	100.0
Urban Municipality	32.2	67.8	
Sub Metropolitan City	37.5	62.5	
Metropolitan City	38.3	61.7	
<b>National</b>	<b>33.6</b>	<b>66.4</b>	

Source: BFIs' records

### Type of Deposit Accounts

- 4.15 Saving accounts are the highest number of deposit accounts opened in the BFIs (Table 9). Institutional accounts are mostly current account followed by call deposits accounts.

**Table 9 : Account Types by Institutional Sector**

Deposit Account	Total Accounts	Individual Accounts	Other Accounts
Current deposits	10.1	5.7	71.8
Savings deposits	85.3	90.6	12.4
Fixed deposits	3.1	3.1	3.5
Margin deposits	0.3	0.1	3.1
Call deposits	0.8	0.2	8.6
Recurring deposit	0.2	0.2	0.1
Other interest-bearing deposit	0.2	0.2	0.4
Other non-interest-bearing deposit	0.0	0.0	0.0
<b>Overall</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: BFIs' records

## Age Profile of account holders

- 4.16 The age profile of account holder shows 96.15 percent of accounts are held by adults (Table 10). The medium variant 2020 projection of adult population is 68.97 percent. The account per 1000 adults is 1,486.

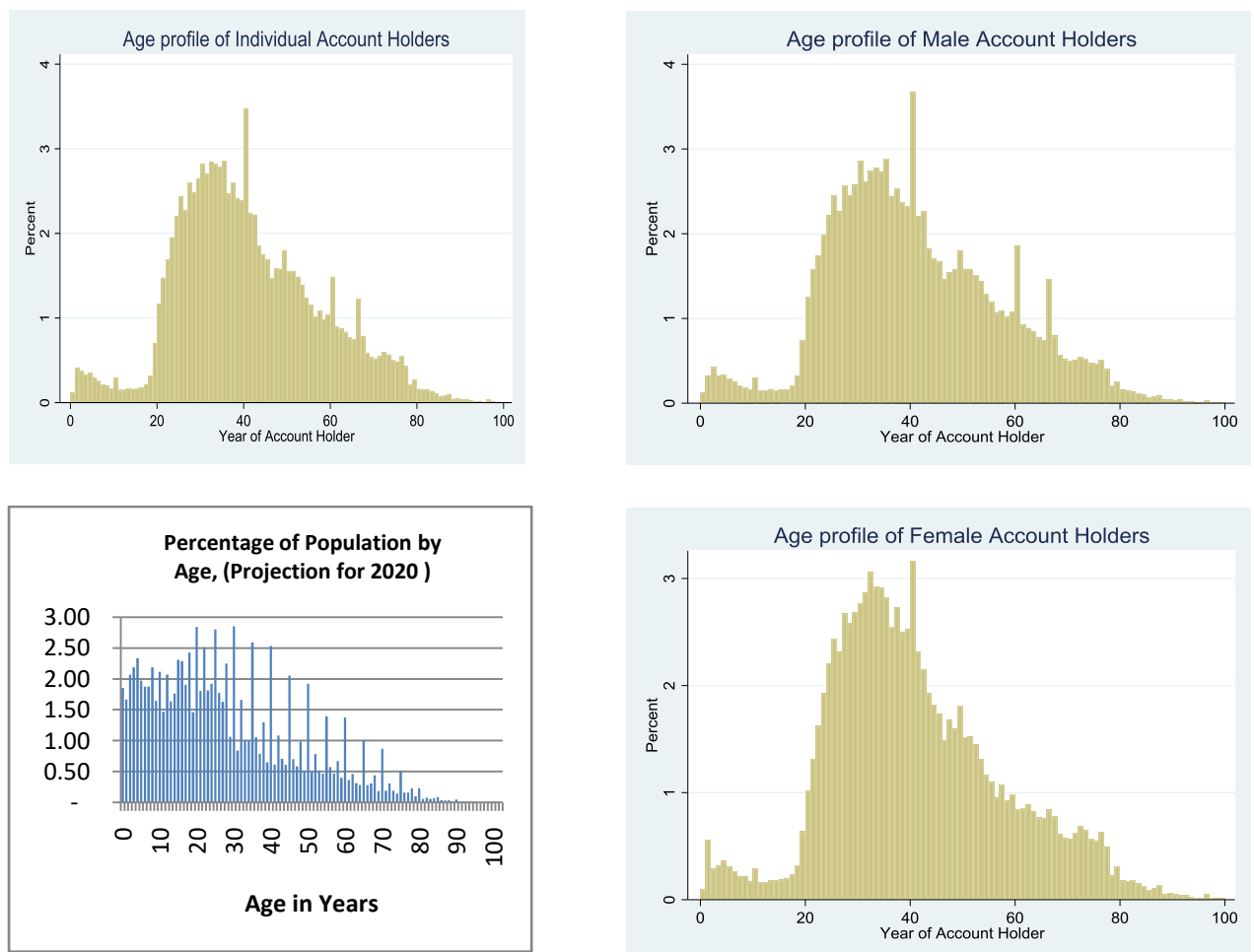
**Table 10: Percentage of Accounts by Age**

Age Group	% of Accounts	% of Population
Below 16	3.85	31.03
16 and Above	96.15	68.97

Source: BFIs' records

- 4.17 The Figure 1 shows the majority of account holders are between 20 and 40 years of age. The distribution of age profiles of account holders shows declining number of accounts by increasing age.

**Figure 1 : Account Holding by Age Groups**



Source: BFIs' records

## Technology Usage by Account Holder

- 4.18 ATM Card holder, internet banking usage and mobile banking usage are widely used measures of financial technology usage. Bagmati Province records the highest percentage of financial technology users (Table 11). Karnali Province and Sudurpashchim Province have a low number of ATM card and Internet Banking users. Mobile banking services are highly used financial technology service in all provinces. Relatively, a higher proportion of account holders are found to use mobile banking in Karnali and Sudurpashchim Province, which may be due to necessity because of lacking access to physical branches of BFIs.
- 4.19 Mobile Banking services range from simple SMS alert to smart mobile application that provide similar facility as Internet Banking services. The data of smart mobile banking user among mobile banking user were not in field and hence they are not calculated in this study report.

**Table 11 : Share of Technology User by Province**

Province	ATM User	Internet Banking User	Mobile Banking User
Province No 1	19.76	4.35	31.63
Province No 2	17.82	3.87	27.01
Bagmati Province	26.11	6.40	33.12
Gandaki Province	14.50	1.27	30.91
Lumbini Province	15.56	1.13	33.15
Karnali Province	16.11	0.52	34.52
Sudurpashchim Province	15.53	0.58	33.39
<b>Overall</b>	<b>20.35</b>	<b>3.86</b>	<b>32.03</b>

Source: BFIs' records

- 4.20 Financial technology usage among local bodies shows that rural municipalities have the lowest numbers compared to other local bodies. Metropolitan cities record the highest number of ATM and internet banking users (Table 12).

**Table 12 : Share of Technology user by Local Level**

Local Level	ATM User	Internet Banking User	Mobile Banking User
Rural Municipality	10.61	1.08	33.36
Urban Municipality	17.16	2.71	27.79
Sub Metropolitan City	20.71	3.24	32.69
Metropolitan City	27.28	6.48	31.73
<b>Overall</b>	<b>20.35</b>	<b>3.86</b>	<b>32.03</b>

Source: BFIs' records

- 4.21 Financial technology usage is higher in male account holders compared to female account holders (Table 13).

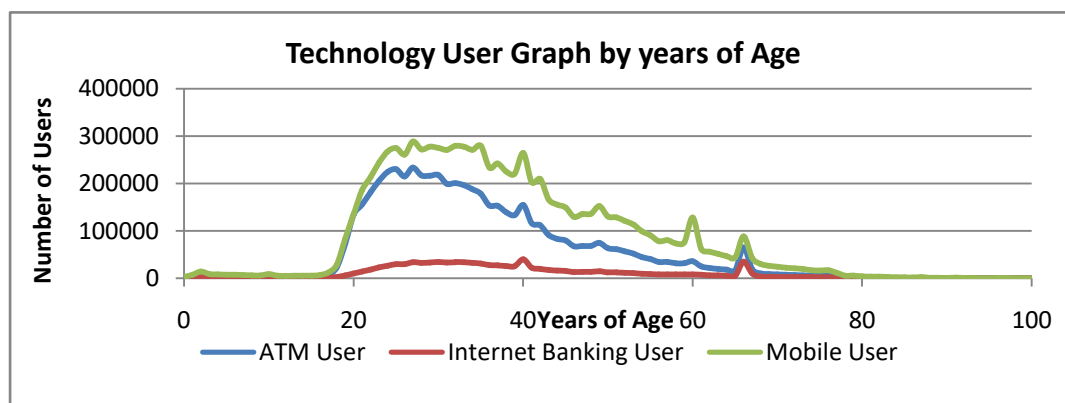
**Table 13 : Share of Technology User by Gender**

Gender	ATM User	Internet Banking User	Mobile Banking User
Male	22.47	4.38	33.50
Female	16.53	2.92	29.37
Overall	20.35	3.86	32.03

Source: BFIs' records

- 4.22 Financial technology users are more popular among middle age population compared to other age groups (Figure 2). Internet banking users are relatively lower than ATM card users and mobile banking users.

**Figure 2 : Technology user by years of Age**

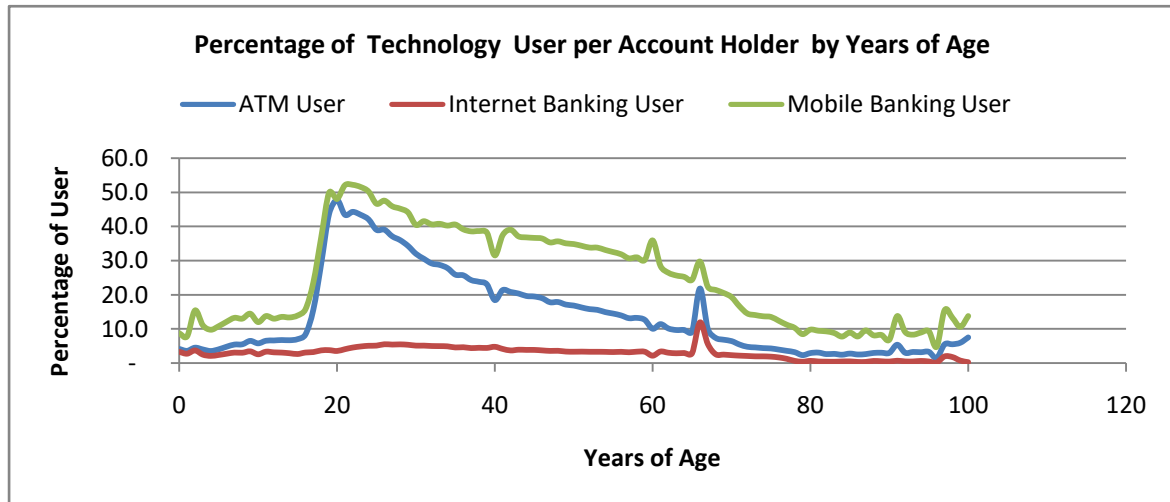


Source: BFIs' records

- 4.23 Percentages of internet banking users are similar in all age groups. Percentage of ATM and Mobile banking users are highest, 50% in account holders of 20 years of age (Figure 3). Percentage of ATM users and mobile banking users are declining with increasing age. Promising financial technology demand from

young age population should persuade BFIs to raise investment in financial technology to ensure meeting the requirement of increasing demand in coming days.

**Figure 3 : Percentage of Technology user by age of Account Holders**



Source: BFIs' records

## 5. Conclusions and Way Forward

- 5.1 It has been estimated that **67.3 percent** population have at least one bank account. The access to bank account has been increasing mainly due to government's policy of opening bank account campaign, requirement of deposit account at banks to receive social security allowance, expansion of branches of banks to local level and increasing participation of people in stock market through online purchase and trading mechanism which requires bank accounts.
- 5.2 Total number of accounts per 1000 population stands at 998. Total number of accounts per 1000 adult population stands at 1348.1. Natural person accounts for 93.48 percent of the total deposit accounts in the BFIs. Population per branch stands at 5,268 with the lowest 2,185 in metropolitan areas and the highest 11,716 in rural municipalities. Saving accounts are the highest number of deposit accounts opened in the BFIs. About one third accounts are dormant.
- 5.3 This study shows that the financial access has improved but financial access to female from rural areas are inadequate. Urban population has greater access to financial services than rural population. The gender bias exists in all provinces and local levels. Karnali, Province number 2 and Surdurpaschim provinces have low number of deposit accounts compared to other provinces. This implies that we need to focus on enhancing financial access in these provinces as well as for

female and rural areas. Increasing financial access to unbanked areas and segments requires both demand and supply side approaches.

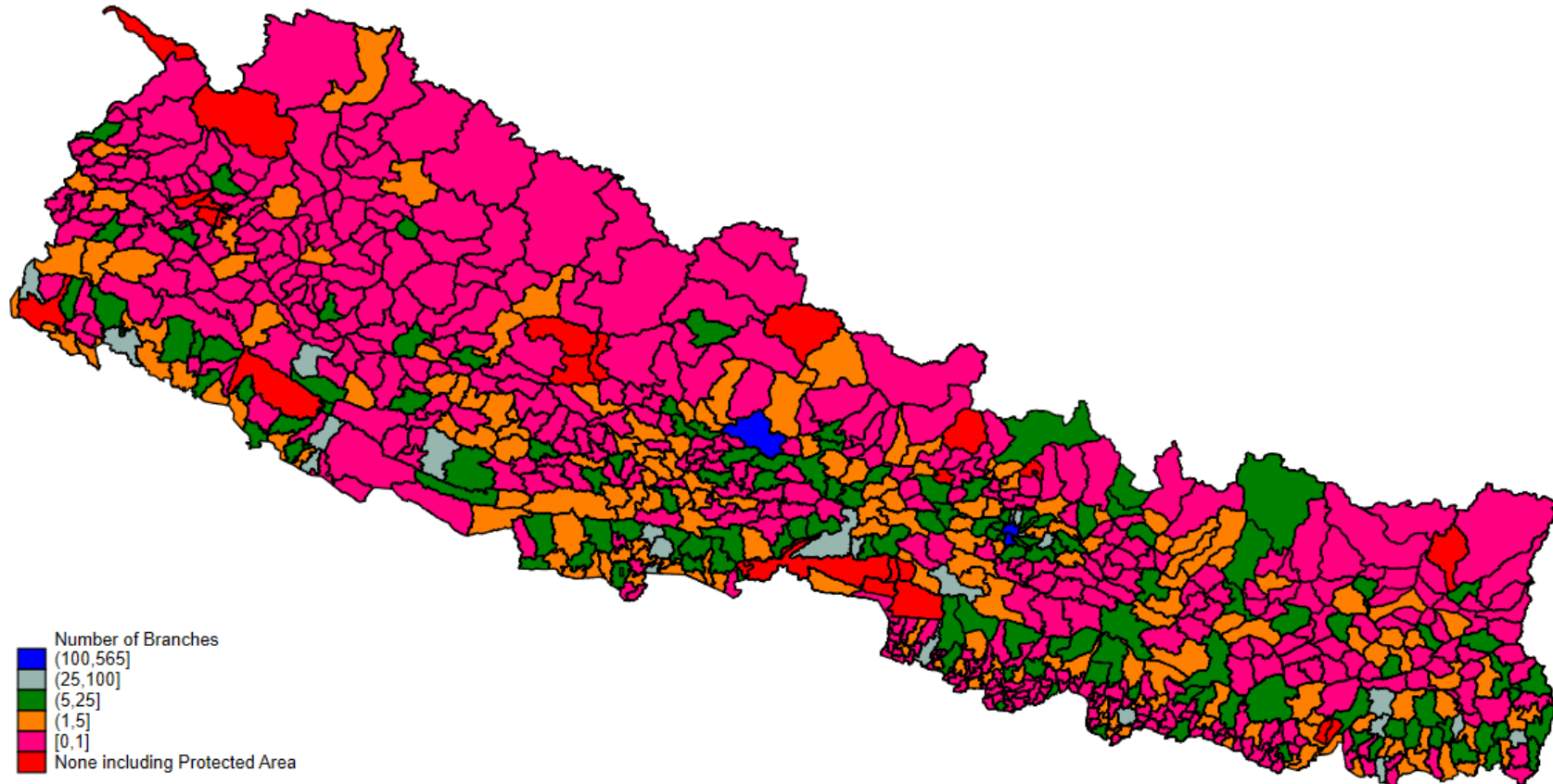
- 5.4 Percentage of ATM users, Internet banking users and mobile banking users are 20.35 percent, 3.86 percent and 32.03 percent respectively of total deposit accounts. Financial technology is more popular among young and middle age population compared to other age groups. Covid-19 pandemic has also proven the importance of digital payment system for business continuity. Investment on digital payments should continue given its popularity among young users and uncertainty related to the existence of Covid-19. Expansion of use of technology is also needed to enhance financial inclusion across the country with the effective implementation of digital financial literacy.

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## Appendix 1: Number of Branches in Local Level

### Number of Branches in Local Level





## Appendix 2: Accounts per 1000 Populaton by Local Level

### Accounts per 1000 Population by Local Level

