

Partnership Snapshot: Prabhu Bank Ltd

Enhancing Overseas Nepalese (Migrants) and their Families' Access to Finance

Prabhu Bank Ltd., a leading 'A' class commercial bank, has an existing strong and diversified presence in Nepal, including in Province 2 and 5, with 186 branches in 57 districts through which it provides a variety of financial services to its 1.1 million plus satisfied customers. Province 2 is a priority area for the bank where it already has 18 branches, 13 ATMs, and 10 extension counters. Prabhu Bank's commitment to P2 has also been recognised by the local government as evident from the ongoing partnership with the P2 Government - 'Beti Bachau, Beti Padhau' (Save girls, Educate girls) Campaign - wherein each newborn girl child has been insured in addition to opening of a savings account with Prabhu Bank.

Prabhu Bank and UKaid Skills for Employment Programme (सीप), forged a partnership on September 2019. The key innovation in this partnership is to use a human-centered design process to design and introduce suite of financial products, including savings, insurance, and credit designed to address the needs of unbanked migrants and their families, and improve financial inclusion in targeted municipalities of Parsa, Bara, Rautahat, Sarlahi and Saptari districts of Province 2.

SKILLING TARGET: <i>Pilot Phase (till Feb 2021) – 900</i>	
Financial Product Name	Province 2 Targets
Returnee Migrant and Foreign Employment Loan	700
Ashirwad and Foreign Saving	5,500
Life Insurance	200
Digital Banking	3,000
<i>Scale-up Phase – 15,000</i>	

The access to loans and savings has been provided by the bank after the launch of its products on Jan 31, 2019. Till March 2020, more than 2,900 people have subscribed to the saving accounts. Similarly, since the launch, 4 people have received loan for migration. Special priority is given to disadvantaged groups (DAGs) and women in these access to finance schemes where 1,954 DAGs and 272 women have benefitted so far.

Summary of Activities

- Used a human-centric design process to design a range of financial products and services that has subsequently reached and met the needs of migrants and their families. For e.g. introduction of credit facilities, insurance and saving products, and financial literacy activities aimed at lowering the cost of migration but also enabling business start-ups for returnees and migrant families.
- Provided saving products for migrants which will enable savings habit among the migrants as well as decrease their cost of remittances.
- Allocated a dedicated team and network, including through Prabhu Bank's envisioned partnership with selected NGOs, and Migrant Resource Centres (MRCs), international partners and digital financial literacy partner, to adequately serve the banking requirements of migrants, their families, and returnees. Using the expanded team, network, and products/services, Prabhu Bank expects to reach and empower migrants, their families, and returnees with lowered cost, increased savings and investments, better budgeting of their expenses, and stronger resilience (should disaster strike).
- Leverage Prabhu Bank's international network with long-term partners at targeted corridors, to better integrate and market inward remittance from India and Gulf countries to Nepal. Prabhu Bank will utilize its extensive money transfer network in Nepal to disburse remittances at a lower fee.
- Created a digital financial literacy platform (app) for financial literacy which the beneficiaries can download on their smart phones. The app provides migration information, financial and financial management literacy to the beneficiaries.
- Leverage Rojgari Services online job platform to inform the target population about the services and products.

SUMMARY OF OTHER KEY PARTNERSHIP ELEMENTS

Key Achievements:

- Conducted need assessment survey for human centered product design.
- Launched the migrant loan product jointly with P2 Government and DFID on Jan 31, 2020.
- Added two branches in the target districts.
- Developed digital financial literacy mobile app- Sampatti, in collaboration with a consortium partner,
- Networking and Collaboration: Engagement with provincial and local Government, MRCs and SaMI project.

Key Innovations:

- Collateral free and low interest cost loan products.
- High interest-bearing savings products.
- Financial literacy through online platform- digital financial literacy mobile app Sampatti.

Sustainability and Scalability:

- Loan guarantee from UKaid सीप has covered the default risk on the loans which has emboldened the bank to enter into the market. If this is successful, the bank will pursue the products on its own.
- Bundled financial products will ensure that the customers are always within the ambit of the bank and have good relations thus reducing default risks on loan.
- Financial literacy campaigns will encourage more people to opt for formal financial institutions for their financing needs. This will increase the portfolio of the bank thus increasing its risk appetite.
- Continuous training of project team and bank staffs for increasing sensitivity on the need to improve the lives of the poor communities.

Inclusion and Safeguarding:

- Out of total 2,930 clients acquired for the 2 products (Migrant Loan and Savings), 1,954 are from DAGs and 124 are from relatively DAG communities.
- Already onboarded 272 women into the banking system through the various products.

Value for Money:

- *Economy:* Prabhu Bank is a public limited company and is strictly regulated by the Nepal Rastra Bank - NRB (Central Bank). Hence, all the procurement processes are transparent.
- *Efficiency:* Bank has a long industrial experience and is the second largest bank in terms of catering to the migrants and their households.
- *Effectiveness:* Bank has a pool of qualified personnel who are inducted after a rigorous testing process. Prabhu Bank has one of the largest branch networks in the country with 22 branches in Province 2. It also has a very good network with the Provincial and Local Governments and all the relevant stakeholders in the Province.
- *Equity:* 1,952 DAG and 272 women beneficiaries have access to finance.

Risk and Challenges:

- Demand for loans is on complete halt due to recent worldwide COVID-19 pandemic. Financial Literacy and outreach campaigns also cannot be carried out as planned.
- Activities of the bank is limited due to strong NRB regulations and lengthy approval processes.
- Number of women in migration is very low. Hence, targeting them for returnee loan might be difficult.
- Limited investment opportunities (optimism) in the current scenario.

Lessons Learnt:

Worked well

- Visiting local governments and NGOs effective to reach needy and DAGs.
- Need assessment study conducted that can be useful for future references while designing products for migrants and their family members.
- Digital financial literacy app has been effective in reaching the target communities.
- Financial products for migrants and their family members were launched; 2,930 migrants and their family members have acquired migrant loans and savings.

Did not work well

- COVID-19 Impact: Migration stopped due to the impact of COVID-19 pandemic
- Bank activities are limited due to the Government lockdown orders and fear of COVID-19 infections among clients
- Long approval processes from the concerned entities delayed the project activities.