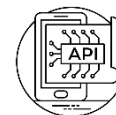# Partnership Snapshot: Laxmi Bank Limited

लक्ष्मी-सीप फण्ड

Laxmi Bank and UKaid Skills for Employment (सीप) Programme's partnership is poised to accelerate the country's shift towards digital finance and better harness the benefits of migration. Building its experience with financial innovations, the Bank is modifying and expanding technology-based financial products and forging collaborations with key institutions in the national and international migration system to directly and better reach and service target Nepalis. The Bank is drawing on its prior experience to re-engineer its value proposition: refining the use of block chain technology by integrating an Application Programming Interface (API) platform to make loan against remittance and other financial services more accessible and affordable; with increased focus on migrant households in Provinces 2 and Lumbini Province—targeting migrants working in, and traveling to, Dubai and Malaysia corridors.

KEY FACTS:

Duration: May 2021- April 2022
Geographic Coverage: Lumbini Province and Province 2

Expected Outcomes:
- 4,500 migrants, migrant households, and women serviced with enterprise start-up credit and pre-migration loans; 40% of this target group will be women and from disadvantaged communities.
- At least 5,000 from the target group will benefit from increased savings.
- Around 3,000 trained in vocational/business development skills part of enterprise loan outreach and disbursement process.
- An estimated 1,500 women receive credit support.

Despite progress made in recent years, access to information and formal finance is still limited among migrants and migrant households in the target areas. A recent study by Aria Solutions with women family members of overseas Nepalis working in UAE, Qatar, Saudi Arabia, Kuwait, and Malaysia shows 57 percent of migrants as having borrowed money from informal community money lenders—with interest rate in upwards of 24 percent, perpetuating the high cost of migration for Nepalis. By leveraging block chain technology, the Bank can facilitate increased uptake of more affordable and accessible loans, savings, and other financial product by migrant clients as well as their families back in Nepal—remotely in real-time.

Block chain technology makes it possible for migrant users to upload their encrypted vital information from their destination countries; this information can be easily accessed by those back home who are permitted access by the user. This technology process established makes it easier to validate authenticity of the documents received from the source. Further, with the use of API and Blockchain technology, the Bank can more easily expand its tech-tied service like credit against remittance in other geographies in Nepal as well as abroad. Until recently, absence of block chain technology, prohibited migrants' access to formal less-costly financial solutions due to their inability to provide key data from remote destinations.

In addition, through its micro finance partner Laxmi Laghubitta, the Bank is extending tailored financial credit and saving products—coupled with financial literacy and business development training to enhance skills—that are vital for successful enterprise start-up and management by returnee migrants and their households, especially targeting women-led enterprises in the agri-sector.

Recognised as one of the best-managed banks in Nepal with high standards of corporate governance and technology adoption, Laxmi Bank has worked together with international donors and multinational firms, to pioneer blended finance instruments, loan guarantee programmes, and fintech applications aimed at reaching underserved populations. With catalytic support from सीप, the Bank is positioned to:

1. Better and 24/7 documentation of migrants from their country of domicile to build bankability (via ability to meet the central Banks's requirements).
2. Promote use of a transparent mode of banking channel and improve financial literacy of target groups for better utilization of savings and remittances sent from abroad.
3. Enable productive utilization of remittances by making the credit access and disbursement process easier for migrant households through a range of new-age digital platforms; and through training-based micro-credits.
4. Lower the cost of migration through affordable pre-migration loans that give the target group increased access to credible skilling and certification-based recruitment services.
5. Increase savings and earnings of target groups through credit, savings, and insurance products.
6. Reduced cost of remittances and 24/7 access of remittance with the network arrangement (using wallet companies, remittance companies, remittance pay-outs).

Summary of Activities

1. **Upgrade and refine block chain/API-based payment system** to mitigate existing procedural bottlenecks and service a greater number of migrants and migrant households with process and products—i.e. credit linked to remittance—that are more user-friendly. Refined and expanded use of such technology simplifies the process for migrants via validation of income source with EKYC and video KYC and facilitates cloud-based real time remittances transfers.

2. **Optimize service reach and impact for the target group**. The Bank will explore disbursement of remittance through ATMs for ease of receipt by migrant families making the process much more reliable.
3. **Improve and integrate training offered in conjunction with enterprise start-up credit** for target groups through partner Laxmi Laghubitta microfinance institution. The Bank will bring experts to ensure market-relevant training curricula and build capability at the MFI. Training will include vocational/business development service as well as financial literacy for target groups.
4. **Leverage bank's extensive network with Money Transfer Operators (MTOs) and employers in destination countries** to better reach Nepali migrant workers. The bank will conduct product orientation to prospective customers/remitters, organise labour camps, and promote the campaigns among Nepali communities abroad, through on and off-line platforms.
5. **Improve and expand outreach to reach and service target groups** including through Laxmi Laghubitta. Activities will include face-to-face interactions, awareness campaigns, liaison with local government agencies, and mobilization of frontline workers and relationship managers. Outreach will be especially targeted to women to ensure adequate onboarding of women-led households.
6. **Special focus on inclusion. Offer loans/savings products that incentivize women** – via favourable interest rate for women, tailored outreach, customized training etc.—to access and avail entrepreneurship credit to create and catalyzed more women led enterprises.

Block Chain and the Process:

A blockchain is a digital record of transactions. The name comes from its structure, in which individual records, called blocks, are linked together in a single list, called a chain. Each transaction added to a blockchain is validated by multiple computers on the Internet. These systems, which are configured to monitor specific types of blockchain transactions, form a peer-to-peer network. They work together to ensure each transaction is valid before it is added to the blockchain. When a new block is added to a blockchain, it is linked to the previous block using a cryptographic hash generated from the contents of the previous block. This ensures the chain is never broken and that each block is permanently recorded. It is also intentionally difficult to alter past transactions in blockchain since all the subsequent blocks must be altered first. The use of block chain technology will allow the migrants in the destination countries to easily upload their encrypted vital information that can be accessed only by those who are allowed access by the user.

a. Remitters provide the documentation
b. Details provided by the remitter is added to the process by the Alfardan team

a. The remitter places a personal guaratee and commitment letter
b. The bank will collect one month's EMI as lien on the remitter's account in advance

The block is sent to every node in the network. **Nodes here: Laxmi Bank, Technology Partner, MTO**

a. Remitter EMI payments are automatically accounted for/collected for by the MTO on the bank's behalf

b. The accounting entry for the payment collected is registered in the Laxmi Bank node of the blockchain.

The documents required for the loan are generated automatically using MIFIX. Blockchain is only used over here to transfer documents

a. Nodes verfiy the information
b. Laxmi bank starts the formal review and lending decision making process

a. Payment entry sent to every node
b. Information cannot be deleted or changed

Beneficiary is contacted for further procedure/processes related to account opening/loan processing

Upon completion of the previous process, the internal loan is processed, and the loan is disbursed upon documentation completion