

# **DIGITAL PAYMENT TRANSACTIONS AND ADOPTION OF DIGITAL WALLETS IN NEPAL**



## **A Thesis**

**Submitted to the Central Department of Economics,  
Faculty of Humanities and Social Sciences,  
Tribhuvan University, Nepal,  
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for the Degree of  
MASTER OF ARTS  
in  
ECONOMICS**

**By**

**SHREESH POUDEL**

**Roll No: 01/2074**

**Regd. No. 6-3-28-4-2017**

**Central Department of Economics  
Kirtipur, Kathmandu, Nepal**

**December 2023**

## DECLARATION

I, Shreesh Poudel, declare that this thesis entitled DIGITAL PAYMENT TRANSACTIONS AND ADOPTION OF DIGITAL WALLETS IN NEPAL submitted to Central Department of Economics is my own original work unless otherwise indicated or acknowledge in the thesis. The thesis does not contain materials which has been accepted or submitted for any other degree at the University or other institution. All sources of information have been specifically acknowledged by reference to the author(s) or institution(s).

.....

Shreesh Poudel

Roll No: 01/2074

Regd No: 6-3-28-4-2017

Central Department of Economics

Kritipur, Kathmandu, Nepal



## **LETTER OF RECOMMENDATION**

This thesis entitled **DIGITAL PAYMENT TRANSACTIONS AND ADOPTION OF DIGITAL WALLETS IN NEPAL** has been prepared by **SHREESH POUDEL** under my guidance and supervision. I, hereby, recommend it in partial fulfilment of the requirements for the Degree of **MASTER OF ARTS in ECONOMICS** for final examination.

.....

Thesis Supervisor

Shiva Raj Adhikari, Phd

Professor

**Date:** Click or tap to enter a date.



## **APPROVAL SHEET**

We certify that this thesis entitled **DIGITAL PAYMENT TRANSACTIONS AND ADOPTION OF DIGITAL WALLETS IN NEPAL** submitted by **SHREESH POUDEL** to the Central Department of Economics, Faculty of Humanities and Social Sciences, Tribhuvan University, in partial fulfillment of the requirements for the Degree of **MASTER OF ARTS in ECONOMICS** has been found satisfactory in scope and quality. Therefore, we accept this thesis as a part of the said degree.

### **Thesis Committee**

.....  
Thesis supervisor  
Shiva Raj Adhikari, PhD  
Professor

.....  
External Examiner  
Arjun Baral

.....  
Head  
Central Department of Economics  
Shiva Raj Adhikari, PhD  
Professor

**Date:** Click or tap to enter a date.

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I take sole responsibility for any errors and discrepancies that might have occurred in this study.

December,2023

Shreesh Poudel

## ABSTRACT

Digital Economy Foundations identified by the World Bank start from connectivity and then payments. Nepal has made tremendous achievements in terms of connectivity, while there have been positive trends in digital payments, Cash is still the dominant method of doing transactions. The research explored the legal and regulatory environment governing payment systems in Nepal, focusing on the Nepal Rastra Bank's role and relevant laws. Using Nepal Rastra Bank's data, trends in monthly transactions across various digital payment instruments (mobile banking, digital wallets, cards) were examined, and identifying of the user base, average transaction size, and volume changes, was also done. Mobile banking emerged as the preferred option in 2022, while digital wallets exhibited smaller average transaction sizes compared to mobile banking and cards. Debit card usage for cash withdrawals paralleled general card usage. A survey of 380 respondents investigated factors influencing digital wallet adoption, applying Technology Acceptance Model. Based on the conceptual framework, perceived usefulness, ease of use, credibility, and convenience were hypothesized to explain adoption. 64.5% of respondents were male, indicating potential gender skews in digital wallet usage. All four hypothesized factors (perceived usefulness, ease of use, credibility, and convenience) showed positive correlations with digital wallet adoption, as expected. Median values for each factor (between 3 and 4) suggest agreement by most respondents that these factors play a role in adoption. Correlation and regression analyses confirmed the predicted influence of these factors on digital wallet adoption, with the final model explaining 77.4% of the data variance. This research sheds light on the growing adoption of digital payments in Nepal, highlighting the regulatory framework, user trends, and key factors influencing digital wallet adoption.

*Keywords:* digital payments, digital wallets. technology acceptance model

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## **ACRONYMS AND ABBREVIATIONS**

ADOP Adoption of Digital Wallets

ATM Automated Teller Machine

BFI Bank and Financial Institution

CBS Core Banking System

CONV Convenience

DFS Digital Financial Services

ECC Electronic Cheque Clearance

EFTPOS Electronic Fund Transfer Point of Sales

EUR Euros

FCY Foreign Currency

GBP Great Britain Pound

IPS Interbank Payment System

Ltd Limited

NCHL National Clearing House Limited

NEPS Nepal Electronic Payments System

NPR Nepalese Rupee

NPS National Payment Switch

NPSDS Nepal Payment System Development Strategy

NRB GL Nepal Rastra Bank General Ledger

NRB Nepal Rastra Bank

PCRED Perceived Credibility

PEOU Perceived Ease of Use

POS Point of Sales

PSO Payment Systems Operator

PSP Payment Service Provider

PU Perceived Usefulness

QR Quick Response

RPS Retail Payment Switch

RTGS Real Time Gross Settlement System

SCT Smart Choice Technology

SEM Structural Equation Model

TAM Technology Acceptance Model

USD United States Dollar