

# **FINANCIAL INCLUSION POLICIES AND ITS IMPACT TO MARGINALIZED COMMUNITY**

A Dissertation submitted to the Office of the Dean, Faculty of Management in partial  
fulfillment of the of requirements for the Master's Degree

By

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## **CERTIFICATION OF AUTHORSHIP**

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled “**Financial Inclusion Policies and Its Impacts to Marginalized Community**”. The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor it has been proposed and presented as part of requirements for any other academic purposes.

The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declare that all information sources and literature used are cited in the reference section of the dissertation.

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## REPORT OF RESEARCH COMMITTEE

Ms. Aeman Ansari has defended research proposal entitled “**Financial Inclusion Policies and its Impacts to Marginalized Community**” successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestions and guidance of supervisor Asso. Prof. Rita Maskey and submit the thesis for evaluation and viva voce examination.

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## APPROVAL SHEET

We, the undersigned, have examined the dissertation entitled “**Financial Inclusion Policies and Its Impacts to Marginalized Community**” presented by Ms. Aeman Ansari for the degree of Master of Business Studies (MBS Semester) and conducted the Viva voce examination of the candidate. We hereby certify that the dissertation is worthy of acceptance.

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## ABBREVIATIONS

|         |   |   |
|---------|---|---|
| &       | : | And   |
| ANOVA   | : | Analysis of Variance                                      |
| APL     | : | Absolute Poverty Line                                     |
| ATM     | : | Automated Teller Machine                                  |
| CFA     | : | Confirmatory Factor Analysis                              |
| EFA     | : | Exploratory Factor Analysis                               |
| GDP     | : | Gross Domestic Product                                    |
| GMM     | : | Generalized Method of Moments                             |
| HDI     | : | Human Development Index                                   |
| IMF     | : | International Monetary Fund                               |
| KYC     | : | Know Your Customer  |
| LnAOD   | : | Natural logarithm of Amount of Deposit                    |
| LnAOLA  | : | Natural logarithm of Amount of Loans and Advances         |
| LnNOA   | : | Natural logarithm of Number of ATMs                       |
| LnNOB   | : | Natural logarithm of Number of Branches                   |
| LnNOBBC | : | Natural logarithm of Number of Branchless Banking Centers |
| LnNODH  | : | Natural logarithm of Number of Debit card Holders         |
| LnP     | : | Natural logarithm of Poverty level                        |
| NBL     | : | Nepal Bank Limited  |
| NGO     | : | Non-Governmental Organization                             |
| NRB     | : | Nepal Rastra Bank   |
| PCA     | : | Principal Component Analysis                              |
| PLS-SEM | : | Partial Least Square and Structural Equation Modelling    |
| SKBBL   | : | Sana Kisan Laghubitta Bittiya Sanstha Limited             |
| SMEs    | : | Small and Medium-sized Enterprises                        |
| UN      | : | United Nation   |

## ABSTRACT

The study titled "Financial Inclusion Policies and Its Impact to Marginalized Community" aims to examine the relationship between the financial inclusion policies and marginalized community and to analyze the impact of financial inclusion policies on marginalized policies. The marginalized communities are indicated by the poverty level in the study. Similarly, the financial inclusion policies of banking and financial institution are taken into consideration for conducting the study under dimensions like accessibility, penetration, availability and usage. The variables under accessibility dimension was number of branches, under penetration dimension was number of ATMs, under availability dimension was number of branches banking centers and under usage dimension was number of debit card holders, amount of deposit, and amount of loans and advances. The study has utilized descriptive and causal comparative research design along to find relationship between the variables. Secondary data were collected from various sources and were processed in a computer program named SPSS for analysis and evaluation. The findings of the study show that there is a negative significant relationship between number of branches under accessibility dimension, amount of deposit under usage dimension and poverty level indicating the marginalized community. Similarly, the financial inclusion policies like number of ATMs under penetration dimension, number of branchless banking centers under availability dimension, number of debit card holders, and amount of loans and advances under usage dimension have no significant impact on poverty level. Based on the finding, conclusion can be drawn that financial inclusion of marginalized people can done through policies like expansion of number of branches of financial institution and promotion of deposit facilities to provide opportunities to participate in financial system for generating income and reducing inequality. Therefore, such policies should be enhanced and promoted for financial inclusion of people.

**Keywords:** *Financial Inclusion Policies, branches, ATMs, Debit card holders, Branchless Banking centers, Deposit, Loans, Credit, Poverty, Marginalized Community*

## **CHAPTER – I**

### **INTRODUCTION**

#### **1.1 Background of the study**

Financial services simply can be said as the services which are provided by the various financial institutions. Such financial services have contributed in the development of people as it have helped many people to overcome poverty through investments in their education, health, businesses and other purposes. The management of financial emergencies and crisis can be very difficult to manage, however, availability of financial services in such situation have make it easier to handle such emergencies. Growing researchers have discovered that there could be many benefits in the context of development due to financial inclusion. Reliance on cash can be difficult to manage as well as can't be considered as a safe means of finance. To get rid of such difficulties, financial inclusion should be promoted as the financial inclusion can be defined as the inclusion in the formal financial system. For identification of opportunities and understanding of financial inclusion, measurement of it is necessary (Kunt-Demiruc et al., 2017).

Banking services are in the favor of doing good of the public which makes it very important to provide banking services as well as payment services to all the people living in a particular area without discriminating them. Delivering such banking services to the large section of underserved population at affordable price can said to be the financial inclusion. The main focus of the financial inclusion is to ensure at least a minimal service of saving accounts without any restraints. However, the effect of financial inclusion cannot be predicted to have same effect everywhere. Similarly, there is another term financial exclusion which refers to the people who not get chance to participate in financial system. There may be multiple levels of financial inclusion and exclusion and the results of it may vary according to its nature and to its level of denial of services (Leeladhar, 2006).

In the view of Ogbeide and Igbinigie (2019), financial inclusion is considered as one of the important factors in the emerging countries. Financial inclusion is not about providing financial services to rich people but also to poor or low-income people which can be

enabled through accessibility of financial services through more branches of financial institutions like banks and microfinance. It causes expansion in financial services and production availability and enlarged access can lead to increase of involvement of people in financial system. Financial inclusion are specially targeted for low-income individuals as they have millions of saving which is kept idle with them and serves no use. But, availability of financial services enables them to save such idle money outside their household which can put those idle funds to use.

Financial inclusion can be reflected from various dimensions such as financial penetration within the people, accessibility of the financial services and usage of such financial services by individuals or group for their business or works. Financial inclusion is assumed play a role in poverty reduction and economic development (Erlando et al., 2020).

Various models have shown that the financial inclusion results in economic development which helps in poverty alleviation. Key driver of development of economics and poverty reduction can be said to be financial inclusion. Increase in job creation, reducing vulnerability to shock and increased human capital investment can be the result of accessible financial services. The presence of financial services allows the people to exploit financial services for their benefits. However, absence of inclusive financial system will cause the people to depend only on their limited resources to fulfill their financial need as well as to achieve growth and development. Increasing number of financial services facilitates the financial inclusion which further leads to reduction in number of poverty (Gunarsih et al., 2018).

Financial system which is functioning well can play an important role in providing financing services like saving, borrowing, lending, payment and many more. A broader access to financial services can be said as inclusive financial system where there is no presence of price or non-price barriers and is most likely to benefit the poor or disadvantaged people. On the other hand, the absence of inclusive financial system can lead arising of various difficulties for such people as they will have to only rely on the limited available resources with them for the investment in basic consumption expenditures and investment in businesses. This state of financial system cultivates no

benefits rather it will lead to continued income inequality and economic growth in slower pace ((Kunt-Demiruc & Klapper, 2012).

Financial inclusion belongs to policies that are formulated to target the inclusion of all the population. The total population targeted by the financial inclusion not only includes the financially stable people but also includes the people who belong from poor households. Likewise, the economic growth is the reflection of financially stable people as well as of the people who belongs to poor households and other disadvantaged groups. Economic growth is the reflection of the overall population. Financial inclusion creates opportunities for the people especially for the poor people and the small scale businesses. Financial inclusion is also beneficial for collection and building of capital. It also contributes in the elimination of poverty and inequalities (Badu et al., 2018).

Financial system of Nepal was not always like it is now. Before the establishment of any banks or financial institutions, the monetary transaction were carried out by the private dealers and trading centers. In 1880 A.D., TejarathAdda was established. The function of the TejarathAdda was to provide credit facility to general public at concessional interest rate, but it didn't accept deposits. Non acceptance of deposit created difficulties in credit creation and it became impossible to fulfill the credit demands of public. After that, Nepal Bank Limited (NBL) was established in 1937 A.D., making it the first commercial bank of Nepal. The bank took over the functions and responsibilities of TejarathAdda, however, only some areas were provided with the financial services. Sadar Muluki Khana was established in 1945 A.D. as the local treasury of Nepal which was responsible for issuance of Nepalese currency.

The central bank of Nepal named Nepal Rastra Bank (NRB) was established only in 1956 which took over the functions of Sadar Muluki Khana. The head of NRB is known as the Governor. The modern banking of Nepal actually with the establishment of first commercial bank. After 1958, NRB became more active in the expansion of financial institutions in Nepal. Banking and Financial Institution Act 2063 enacted for regulation and operations of BFIs. Many other acts such as Anti-Money Laundering Act were introduced along with various policies like KYC policy, BASEL II, BASEL III etc for expansion of financial institutions, their services.

Therefore, this study aims to assess present trends and situation of the financial inclusion policies and to examine its impact on the marginalized community indicated by the poverty.

## **1.2 Problem statement**

Financial inclusion, in simple words can be defined as the availability of the financial services for the overall population in a particular area or country. However, the presence of the financial services solely does not guarantee the financial inclusion. There are various dimensions of financial inclusion policies such as accessibility, availability, penetration and usage. Such policies are aimed at providing and broadening the scope and area of banking and financial services to the people who are excluded from the financial system due to various reasons. The financial inclusion policies mostly target the underserved and marginalized communities. However, the extent to which these policies have effectively worked for the positive impact on the marginalized community still seems to be unclear and uncertain. The different policies may have different impact on the marginalized. It is very important for the financial institution to know the effective financial inclusion policies that would ensure maximum level of inclusion of the people in the financial system. There are various organizations in existence such as commercial banks, development banks, finance companies, microfinance, international organization along with the government and other regulatory bodies that have been working for the promotion of the financial inclusion for the marginalized groups which includes poor people with low income. But still the marginalized community continues to face challenges and barriers while accessing and utilizing the financial services. The continuity of exclusion of marginalized can lead to increased socio-economic differences which further may result into slow development. All over the world the emphasis for the financial inclusion is seen to be increasing. The reason behind increased emphasis on the financial inclusion is to promote economic growth and to reduce poverty. However, the effects and the practices can't be said to be same everywhere. There is presence of widespread differences all over the world in relation to access of financial services (Pandey et al., 2022).

Marginalized communities face multifaceted problems that create hindrance in their financial inclusion. Unavailability of financial or limited access to the services like ATMs, branches can restrict them from using the financial system. Similarly, other

challenges faced by the marginalized could be the challenges to safety, employment, education, health and social relation (Halder, 2023).

Despite significant progress in the field of financial inclusion, Nepal is still facing challenges in inclusion of marginalized and also still have limited banking infrastructure. Nepal is still on the path of development. The development of a country is determined by the development of overall population of the country including the marginalized. According to Ogbeide and Igbinigie (2019), marginalized people have saving within their households that may be left idle. The funds that are kept idle do not bring any benefit to the economy. Moreover, financial inclusion policies encourage marginalized people to participate in the financial system which enables them to save their savings outside their households into the financial institution. This results into capital formation and credit availability for investment in various sectors leading to economic development. All the financial inclusion policies may not have the same effect on the marginalized. So, the evaluation of different financial inclusion policies should be done in order to assess the effective policies that ensure maximum level of financial inclusion. This will provide a helping hand to the financial institutions and policy makers to understand the effects of the financial inclusion policies.

With regards to the previous studies, there are very few evidences which shows the impact of different financial inclusion policies separately on the marginalized. However, there are many previous studies conducted on the basis of one analysis model. It is from this context that the researcher here attempts to assess the impacts of various financial inclusion policies separately on the marginalized community.

In this backdrop, this study deals in the context of Nepal. Therefore, this study deals with the following issues:

- i. What is the present status of the financial inclusion policies and poverty in Nepal?
- ii. Is there any relationship exist between financial inclusion policies such as NOB, NOA, NODH, NOBBC, AOD and AOLA with level of poverty?
- iii. Do financial inclusion policies such as NOB, NOA, NODH, NOBBC, AOD and AOLA impact on level of poverty?

### 1.3 Objectives of the study

This study aims to study about the impacts of financial inclusion policies on the marginalized. Financial inclusion policies are the key source for inclusion of maximum people in the formal financial system. Moreover, financial inclusion can play a crucial role in uplifting the lives of the marginalized community. With this regard, the objectives of the study can be highlighted on the following topic:

- i. To assess the present status of financial inclusion policies and poverty in Nepal.
- ii. To examine the relationship between financial inclusion policies such as NOB, NOA, NODH, NOBBC, AOD and AOLA with level of poverty.
- iii. To analyze the impact of financial inclusion policies such as NOB, NOA, NODH, NOBBC, AOD and AOLA on level of poverty.

### 1.4 Hypotheses

This study estimate and test the following alternative hypothesis:

H<sub>1</sub>: There is significant relationship between number of branches and poverty.

H<sub>2</sub>: There is significant relationship between the number of ATMs and poverty.

H<sub>3</sub>: There is significant relationship between the number of debit card holders and poverty.

H<sub>4</sub>: There is significant relationship between the number of branchless banking centers and poverty.

H<sub>5</sub>: There is significant relationship between the amount of deposit and poverty.

H<sub>6</sub>: There is significant relationship between the amount of loan and advances and poverty.

### 1.5 Rationale of the study

The development of the country is not possible without the development of the poor and marginalized communities. The overall development of the country is determined by the development of overall population of a country. In relation to it, various organization and institutions including the government implements various financial inclusion policies for the inclusion of large population to enhance the inclusive growth in the country. However, the impact of the financial inclusion policies still is unclear. There are different types of financial inclusion policies in practice. However, the effect of all the policies can't be same. Some policies could be more affective in comparison to other policies.

Such policies should be identified and promoted in order to achieve maximum inclusion. In relation to it, the researcher here aims to evaluate the impact of different financial inclusion policies on the marginalized. The study offers statistical proof for the impact of financial inclusion on the poverty rate. Financial institutions may benefit with this study and may help for them in understanding the impacts of financial inclusion policies on poor. The study also could be useful to the policy makers of financial institutions to take decisions related to financial inclusion policies through the recommendation of the study. The study will also provide knowledge for the researchers and the students as it could assist with valuable support and could be used as a reference by the researchers who are willing to conduct research on the similar kind of topic.

### **1.6 Limitations of the study**

Like other researches, this study also has some limitations which can be highlighted as follows:

- i. There is no comparative study with any other area or country.
- ii. The study may not be applicable to other areas.
- iii. This study is based on secondary data hence, the validity of the findings will depend upon the reliability of data.
- iv. The study is fully based on the quantitative aspect.
- v. The study concerns only a period of ten year from the year ended 2014 to 2023 and conclusion is drawn only for the above mentioned period.
- vi. The analysis of this study is based on the results obtained from multiple regression models.

## **CHAPTER – II**

### **LITERATURE REVIEW**

This chapter is related with the review of previous and already existing research which is related to the chosen field. Previous researches play pivotal role in establishing the foundation for the present research, ensuring continuity and building upon prior knowledge. To accomplish this, a thorough examination of relevant journals and articles pertaining to the topic has been undertaken. The review is structured into conceptual review, theoretical review and empirical review thereby providing a systematic analysis of the existing literature.

#### **2.1 Conceptual review**

A conceptual review involves analysis of conceptual frameworks, theories, and perspectives related to a particular topic or research question aiming to provide a complete understanding of the theoretical foundation and key concepts relevant to the subject matter. The conceptual review for "Financial inclusion policies and its impact to marginalized community" includes the concept of financial inclusion policies along with some types of it and the concept of financial institutions and marginalized community.

#### **Meaning of financial inclusion policy**

Financial inclusion refers to the inclusion of different people from different place in the formal financial system. Financial inclusion also can be defined as the availability of financial service to the disadvantaged and low-income people at affordable price (Prabhakar et al., 2014). Financial inclusion, a policy recognized for its aim to encompass the entire population, is defined as ensuring universal access and utilization of affordable financial services such as savings, loans, investments, insurance, and pensions, irrespective of individuals' income levels (Badu et al., 2018).

Financial inclusion policies can be governmental or institutional. The main objective of the financial inclusion policies is to include the financial system for making financial services accessible to all. The prime objective of these policies is to promote economic empowerment, reduce vulnerabilities, and enhance the well-being of people through

inclusion in financial system. Financial institutions ensure to use various policies for inclusive financing. Some of the common financial inclusion policies are as follows:

- a. Accessibility:** Accessibility refers to the level at which something is easy to access or approachable under any condition. Making the financial services accessible to as many people as possible can be considered as one of the most used financial inclusion policy used by various financial institutions. The policy includes branchless banking, physical accessibility, geographic accessibility, digital accessibility etc.
- b. Penetration:** Penetration can be defined as depth at which the financial services have penetrated or entered the society. The entrance of financial services in vast area will cause higher penetration than that of the small area. The financial inclusion policies include the penetration of financial services in the society for maximizing the financial inclusion.
- c. Availability:** Availability is the degree to which financial services are available for the people. Easy availability of financial services encourages more people to use it whereas if there is non-availability of financial services then the interested people also may can't get chance to use the financial services.
- d. Usage:** If the use of financial service is done by people, the availability of it will be of no use. So, along with the availability, there should be use of financial services too. Financial institution implements various programs, plans for increasing the use of the financial services in order to increase the inclusion of large number of people in the financial system.

### **Financial institutions**

The financial services are the services which are discharged by the various financial institutions existing in the country. The major function of the financial institution is to provide financial services to the people in the country. Financial institutions can be depository or non-depository. The examples of depository financial institutions can be commercial banks, development banks, saving banks, credit unions and cooperative banks. Similarly, the non-depository financial institutions are the insurance companies, pension funds, hedge funds, finance companies venture capital funds, and mutual funds.

Despite the presence of many financial institutions, there are only some institutions who are actually involved in providing the financial services to the people living in the society.

In the context of Nepal, there are four types of financial institutions that are involved in providing the financial services. They are:

### **Commercial bank**

Commercial banks in Nepal are the 'A' class financial institutions also known as national level banks which are depository in nature and are also responsible to provide financial services to a large number of people in the country. There are 20 commercial banks as of April, 2024. The major function of the commercial bank is to accept deposits from the individual and institutions and also to provide loan to the individuals as well as the institutions. They also perform functions like agency functions, exchanging of securities, foreign exchange services, discounting bills of exchange along with various advisory services.

### **Development banks**

Development banks are considered as the 'B' class financial institutions in Nepal which are also depository in nature. However, there is slight difference the objectives and functions of commercial banks and development. They can be national or regional or within the territory of few districts. As of April, 2024 there are 17 development banks which are in operation. The function of it are same as commercial bank, however, they can accept deposit with or without interest but cannot issue a letter of credit.

### **Finance Company**

The financial institutions which fall under the 'C' class are the finance companies. Finance companies can be operating at national level or within the territory of some districts. There are altogether 17 finance companies operating in Nepal as of April, 2024. Finance companies can accept deposits with or without interest as well as provide loans, but they cannot accept the letter of credit or letter of guarantee.

### **Microfinance Company**

Microfinance companies are the companies that falls under the 'D' class of the financial institutions and are operated at national level, regional level or within the territory of certain districts only. There are altogether 55 microfinance companies in Nepal as of April, 2024. Among which 52 are retail and the remaining 3 are the wholesale microfinance companies. They collect deposits from their group members and also

provide group-based loans as well as other loans as per the directives of NRB. Unlike other financial institutions, it cannot perform foreign exchange services.

### **Marginalized community**

The term "marginalized" refers to groups of people or communities that face discrimination based on various factors such as gender, sexual orientation, income level, age, physical ability, and other intersecting identities. Marginalized communities are those communities which are excluded economically, socially, educationally and also from the cultural life. However, marginalized communities are not limited to only these criteria (Sevelius et al, 2020). Some common dimensions of marginalization are listed below:

- a. Economic marginalization:** This dimension signals to the individuals or the group of individuals who are excluded from economic opportunities, resources, and benefits. The economic marginalization can be detected through the factors like poverty, lack of access to employment, unequal wages, and limited access to financial services and capital.
- b. Social marginalization:** This dimension refers to the exclusion of the individuals or group of individuals who are excluded from social participation, networks, and institutions. Social marginalization can be caused due to the discrimination based on social factors. Such social factors can include gender, sexual orientation, income level, age, physical ability, and other intersecting identities.
- c. Political marginalization:** The political dimension includes the individuals or the group of individuals who are excluded from political participation, decision-making processes, and representation in governance structures. Barriers to voting, unequal access to political rights and freedoms, deprivation can be the causes for the political marginalization.
- d. Cultural marginalization:** The cultural marginalization refers to the value reduction or suppressing of cultural identities, languages, and traditions of certain individual or groups living within society. The cause of social marginalization can be dominant cultural norms and practices that harm the cultural heritage and

identities of minority groups, leading to cultural absorption, loss of cultural diversity, and cultural changes.

The study deals with the financial inclusion policies and not the social inclusion, political inclusion, and cultural inclusion. So, the economic dimension for economic marginalization is focused in the study and the parameter to measure the economic marginalization is poverty. Poverty is an important factor in marginalization, as it leads to limited access to education, healthcare, employment opportunities, basic services and financial services. Recognizing poverty as a form of marginalization is essential for understanding and addressing the complex factors that causes continued inequality and exclusion in society.

## **2.2 Theoretical review**

Theoretical review is the critical examination of the existing theories, concepts, frameworks, and models relevant to the topic. This involves analyzing and evaluating the theoretical underpinnings of field of study in order to understand its conceptual framework, historical development, and current state of knowledge. Theoretical reviews help in identifying gaps or inconsistencies in existing theories, and develop new conceptual frameworks and hypotheses. Theoretical reviews play a crucial role in advancing knowledge by providing a foundation for new research and theoretical development.

### **Theories of financial inclusion**

This section of the study includes the theories that are related to financial inclusion of people. Clear understanding and conclusion can be drawn of how financial inclusion can be expanded through different ways and behaviors. Some of the financial inclusion theories are as follows:

#### **Inclusive growth theory**

The benefits of the economic growth are shared by all individuals across the society, including marginalized and vulnerable groups. Financial inclusion is considered to be the key driver for the economic growth, as it provides marginalized individuals and communities with the means to participate more fully in the economy, access opportunities for income generation and asset accumulation, and reduce inequalities. Traditionally, the economic growth was solely measured by the aggregate GDP or GDP

per capita income. However, the inclusive growth theory considers the growth distribution across different income group for improvements in living standards, opportunities, and well-being for all members of society. Inclusive or economic growth is multidimensional as it requires complete and combined framework to connect all the factors (Cerra, 2024).

### **Institutional theory**

Institutional theorists focus on the role of formal and informal institutions in shaping financial systems and access to financial services. They examine how regulatory frameworks, legal systems, cultural norms, and social networks influence individuals' ability to access and use financial services. Institutional theory highlights the importance of institutional arrangements in promoting or hindering financial inclusion. The institutional theory provides tool for understanding of range of financial inclusion (Ozili, 2023).

### **Financial intermediation theory**

Financial intermediaries play very important role in discharging financial services to people of society. They act as a mediator between the savers and investors, which facilitates economic growth and development. For expanding the financial inclusion, financial intermediaries also should be able to reach a large number of populations, which will provide access of funding to more individuals and businesses.

### **The prospect theory**

The prospect theory (PT) reveals that the decisions of people are influenced due to utility theory. PT is particularly relevant to financial inclusion because it accounts for how people evaluate gains and losses relative to a reference point, exhibit loss aversion, show diminishing sensitivity to changes in wealth, and weight probabilities non-linearly. The financial products that is likely to generate potential gains rather than losses can enhance and motivate people to take part in financial system which enhances financial inclusion (Panchasara & Sharma, 2019).

### **Microfinance theory**

Microfinance programs are especially introduced for the lending facility to low-income households without any collateral. The provision of such small loans to poor households

and low-income people empowers individuals as it ensures their inclusion in financial system as well as stimulates economic activities. The programs launched by microfinance promises revolutionary approaches for poverty alleviation through financial inclusion (Morduch, 1999).

### **Social exclusion theory**

Economic restructuring in the previous times have caused to emerge new social problems in the society. The discrimination and lack of education on such issues is cause of barriers to financial access for discriminated people. Social exclusion theory focuses on the need for the policies to address such issues and to achieve financial inclusion for such people too (Silver, 1994).

### **2.3 Empirical review**

The review is further divided into three parts consisting of review of related international journals/articles, review of related national journals/articles and review of previous thesis.

#### **Review of related international journals and articles**

Saha and Qin (2023) examined the impacts of financial inclusion on the poverty level using causal comparative and exploratory research design. They used two different poverty levels for evaluating the financial inclusion impacts. The researcher has used secondary data. The study examined factors like extreme poverty and moderate poverty. Further it was revealed that extreme poverty in the developing countries has association with the financial inclusion in a negative significant way whereas there was no association in the high income countries. They also studied about conditional relationship between financial inclusion and gender inequality concluding that lower gender equality can be useful to improve the poverty condition with the help of financial inclusion.

Rani and Sundaram (2023) investigated the effect of monetary inclusion on the productivity of the women owned enterprises using the dimension for the variables like financial inclusion and social inclusion along with business performance of women owned businesses. The researcher have used survey approach for the collection of the primary data however, secondary data is also used. Using descriptive questionnaire design and multiple regression analysis the study concludes that the financial inclusion impacts the women owned business significantly and positively.

Pandey et al. (2022) examined the impacts of the financial inclusion on the sustainable growth by using the cross sectional design. The study has used partial least square structural equation modeling for investigation of possible impacts of determinants of financial literacy, financial initiatives and financial inclusion on the sustainable growth. The study uses financial literacy as the moderating variable between the financial inclusion and sustainable growth. Furthermore, the study concludes that the financial initiatives like the usage, digitalization positively impacts the sustainable development.

Elouaourti and Ezzahid (2022) conducted the study in order to measure the level of financial inclusion using the classical method. Secondary data was used for the study. Determinants of the degree of the financial inclusion in each area are identified by the research. They used the dimension like number of ATMs, bank branches; loans issued and deposit volume for measuring financial inclusion. The study shows that most regions have low level of financial inclusion and also no causal relationship is seen between the regional financial inclusion index and other variables. But HDI, size of populations etc. are the determinants of a regions financial inclusion level.

Cichiello et al. (2021) conducted study and determined the relationship between financial inclusion and development in the least developed countries in continents like Asia and Africa. The researchers here have used cross sectional units for the panel study along with the pooled panel regression model. Descriptive and causal comparative and exploratory research design has been used by the researchers here along with the secondary sources of data. Using the principal component analysis (PCA) they recommended that the GDP have a significant relationship with the financial inclusion index as well as the literacy rate also has a significant relationship with financial inclusion. The study recommends that the women are more likely to have experienced financial exclusion than that of men and gender is also an essential element in financial inclusion index.

Vo et al. (2021) examined the linkage between financial inclusion and financial market stability using the descriptive and exploratory research design. The variables like bank characteristics, macroeconomics indicated by GDP are used along with the four dimension for the financial index consisting of number of bank borrowers, credit cards, debit cards, and ATMs per 100,000 per adults. For the data analysis, secondary sources of data were used. For the data analysis, GMM model is used along with the use of

secondary data. The study reveals that higher the accessibility to banking facilities will result into higher financial inclusion which is again significantly and positively related to the banking sectors and has also lead to greater bank resilience.

Boitano and Abanto (2020) identified the main determinants of financial inclusion with the aim of analyzing financial inclusion policies challenges. The study is based on the panel data model and has also used the generalized method of moments (GMM). The research methodology for the study is causal comparative and exploratory. The researchers consider bank concentration as the main variable that affects financial inclusion policies. Although technology has positive effect on the inclusion, it is not efficiently utilized that have caused decline in inclusion. Non-availability of knowledge and awareness may be a reason behind its inefficient use of technology in the rural areas.

Ratnawati (2020) measured the financial inclusion by conducting a panel study of 10 selected developing countries with reference of data from 2009 to 2018. Data from published source was extracted which means secondary source of data was collected. The independent variable that is financial inclusion is measured by three dimensions consisting of bank assess denoted by number of branches, number of bank account for bank penetration, and use of banking service consisting of amount of loan and amount of deposit. Similarly, the dependent variable for the study was poverty indicated by ratio of poverty number below national poverty line, income inequality denoted by gini coefficient, financial stability measured by Z score and economic growth estimated by the GDP per capita growth. The study uses descriptive statistics analysis tool to the related results. The claims increase in financial institution can increase the economic. Further the study suggests that the increase in financial inclusion causes the poverty as well as the income inequality to decline. Financial inclusion also significantly influences the financial stability. The study can be useful for the government for the policy making to attain sustainable development with the financial inclusion.

Omar and Inaba (2020) investigated the essential factors which could possibly influence the level of the financial inclusion in the selected developing countries. The study used the descriptive and analytical research design for data presentation and analysis along with secondary data. The influencing factor for the level of financial inclusion were found to be per capita income, ratio of internet users, age dependency ratio, inflation and

income inequality with a significant relationship. They found that financial inclusion has negative significant relationship with poverty and income inequality in the developing countries. Adequate access to and usage of the financial services through formal sector by the marginalized communities of the total population causes the overall society's welfare to maximize.

Ouechtati (2020) examined the effects financial inclusion on the poverty as well as on income inequality using the sample of 53 countries with reference of 2004 to 2017 as the availability of data was limited to it. Furthermore, the researcher have used secondary source of data. Empirical panel study was conducted by the author using the generalized method of moments (GMM). Using the descriptive and causal comparative research design, the researcher here used variables like financial inclusion explained by the four dimensions such as number of ATMs and branches per 100,000 adults along with number of borrowers and depositors per 1,000 adults. The dependent variables like income inequality, poverty rate and economic growth were used. The study shows negative relationship between financial inclusion and poverty. The study recommends that the increase in access of financial services reduces the income inequality. Innovative financial tools should be encouraged in order to facilitate marginalized communities into integration.

Mhlanga et al. (2020) studied to determine the financial inclusion of smallholder farmers. They also investigated the impacts of poverty reduction due to the financial inclusion. The study based on descriptive and causal comparative analysis discovered strong impact of financial inclusion on the poverty reduction of the smallholder farmers. The variables like financial inclusion index were calculated and a poverty rate as above poverty line (APL) was used. Surveys and questionnaire were used for data collection. The study further suggests that financial education programs should be conducted for such farmers as it plays an important role in facilitating their participation or preventing of various financial services.

Bhatia and Singh (2019) investigated a number of dimensions related to the women empowerment which consisted of social, political and economic factor. To test these dimensions various schemes for financial inclusion were studied and taken into consideration like Pradhan matri jhan yojana (PMJDY), Pradhan matri jivan jyoti bima

yojana (PMJJBY), Pradhan matri suraksha bima yojana (PMSBY) and atal pension yojana (APY) in the context of women living in urban slums of the country. The researcher developed structured questionnaire for the study on women empowerment and financial inclusion using qualitative approach. The paper has used principal component analysis (PCA) for the reduction of dimensionality of the large data set. The researcher has concluded that a social, political and economic dimension of women empowerment was positively influenced by the financial inclusion scheme like PMJDY. Likewise, the inclusion schemes like PMSBY and PMJJBY have overall higher social, political, and economic dimensionality in the women empowerment. On the other hand APY has shown no significant impact on any of the three dimensions of women empowerment.

Chakraborty (2018) analyzed the extent of the financial inclusion of marginalized people and also have determined the factors behind existence of financial exclusion among marginalized population using descriptive and exploratory research design. The study reveals that majority of the marginalized population are suffering from financial exclusion resulting into economic discrimination. Such discrimination further leads to difference between income and development. However, for this issue the researcher has recommended the government as well as the NGOs and other international agencies to increase their support for the financial literacy of the marginalized population which could be effective to enhance their financial sustainability along with the comprehensive financial inclusion.

Hussaini and Chibuzo (2018) conducted research on the topic of "The effects of financial inclusion on poverty reduction: The moderating effects of microfinance". The study aimed to investigate impacts on poverty reduction due to the financial inclusion along with the investigation of moderating effects of the microfinance. The researcher used self-administered questionnaire for the data collection. Partial least square and structural equation modelling techniques were adopted for the study. Financial inclusion as dependent variable along with the independent variable as the poverty reduction was investigated with the moderating variable microfinance. The result of the study was concluded as the significant relationship between the variables that were studied where the moderating variable positively moderated the relationship between the other variables. The study recommends financial inclusion for the microfinance should be made stronger in the rural areas that will effectively aid in the poverty reduction.

Badu et al. (2018) investigated the impact of financial inclusion on specific macroeconomic determinants which used fixed effect panel regression estimator. Using the descriptive and causal comparative research design, the study was conducted to investigate the impacts on the poverty and income inequality. Unlike the other studies, these studies have not used the gini coefficient rather it has used palma ratio to estimate the income equality. For the data collection, secondary source was used. Furthermore, the paper claims that financial inclusion is inversely related with poverty as well as income inequality. The study suggests along with other factors, programs and policies for financial inclusion of marginalized should be promoted as it will enhance their inclusion in financial sector.

Table 1

*Summary of Empirical Review of Related International Journals and Articles*

| <b>Author(s)</b>       | <b>Objective</b>   | <b>Variables</b>  | <b>Methodology</b>   | <b>Findings</b>   |
|------------------------|--|---|--|---|
| Saha & Qin (2023)      | The study aims to examine the impact of financial inclusion on different levels of poverty.      | <b>Dependent:</b><br>Extreme poverty and Moderate poverty<br><b>Independent:</b><br>Financial inclusion index | Mean, Standard deviation, and generalized method of moments                      | Financial inclusion has no significant relationship with the extreme poverty in developing countries and not in high income country as there could not provide exact causal evidence. |
| Rani & Sundaram (2023) | To investigate the effects of monetary inclusion on the productivity of women owned Enterprises. | Financial inclusion, Social inclusion and Women owned business performance                                    | Multiple regression (Ordinary least square estimate) and Correlation coefficient | There is positive significant relationship between women owned enterprises and financial inclusion.   |

|                             |   |   |  |  |
|-----------------------------|---|---|--|--|
| Pandey et al. (2022)        | The objective of the study was examination and investigation of financial inclusiveness and its impact on sustainable growth. | <p><b>Dependent:</b><br/>Sustainable growth</p> <p><b>Independent:</b><br/>Financial inclusion index</p>  | Partial least squares and Structural equation modeling     | Impact of financial initiatives is seen to be positive on the sustainable growth.  |
| Elouaourti & Ezzahid (2022) | To measure financial inclusion and identify degree of financial inclusion.  | <p><b>Dependent:</b><br/>Financial inclusion index</p> <p><b>Independent:</b><br/>GDP, HDI, and Regions population</p>                                | Principal component analysis (PCA) and Panel data analysis | There is low level of financial inclusion with no causal relationship between regional inclusion index and other variables.                              |
| Cichiello et al. (2021)     | To determine and analyze the relationship between financial inclusion and development in least developed countries.           | <p><b>Dependent:</b><br/>Financial inclusion index</p> <p><b>Independent:</b><br/>GDP, RPG, Unemployment rate, Gini coefficient and Literacy rate</p> | Mean, Standard deviation, and Pooled regression            | GDP and literacy rate has significant relationship with FI, also the women are more likely to experience financial exclusion.                            |
| Vo et al. (2021)            | To examine the linkage between the financial inclusion and the financial market stability.                                    | Financial inclusion index, Bank characteristics, and Macroeconomics factor(GDP)   | Mean, Standard deviation, Skewness, Kurtosis, GMM, PCA     | Higher access to banking facilities causes higher financial inclusion and also has positive significant relationship with the banking sector resiliency. |

|                         |   |   |  |   |
|-------------------------|---|---|--|---|
| Boitano & Abanto (2020) | The aim of the study was to analyze the financial inclusion policies challenges.  | Banking concentration, Unsatisfied basic needs, Mobile broadband needs, literacy rate, Secondary education, Informal micro and small enterprises and Mobile banking application | Panel data model and GMM                                 | Bank concentration can be seen as the main affecting variable for the inclusion technology has positive effects on the inclusion but is diminishing due to inefficient utilization.                       |
| Ratnawati (2020)        | The study aims to measure the financial inclusion and assess its impacts on the used dependent variables.   | <b>Dependent:</b> Financial inclusion index<br><b>Independent:</b> Poverty, Income inequality, Financial inequality and Economic growth   | Mean, Standard deviation, Skewness, Kurtosis, and F-test | Financial inclusion has positive relationship with economic growth whereas negative relationship with variables like poverty and income inequality, also it significantly influences financial stability. |
| Omar & Inaba (2020)     | The purpose of the study is to investigate the factors which may influence level of financial inclusion along with impact on poverty and income inequality reduction. | <b>Dependent:</b> Poverty and Income equality<br><b>Independent:</b> Financial inclusion index  | Panel regression, fixed effect model and Hausman test    | Financial inclusion significantly reduces poverty and income inequality in developing country which indicates a negative relationship.  |

|                       |   |   |   |   |
|-----------------------|---|---|---|---|
| Ouechtati (2020)      | To examine effect on the poverty and income inequality due to financial inclusion.                      | <b>Dependent:</b> Income inequality, Poverty rate and Economic growth<br><b>Independent:</b> Financial inclusion dimensions | Mean, Median, Standard deviation, GMM and Hensen test                                     | Financial inclusion has negative relationship with poverty within the credit availability and deposit accounts at commercial bank.  |
| Mhlanga et al. (2020) | To determine impacts of financial inclusion of farmers on poverty reduction.                            | <b>Dependent:</b> Poverty (APL)<br><b>Independent:</b> Financial Inclusion Index  | Regression analysis and Correlation coefficient   | The discovered finding of the study indicates strong impact of financial inclusion on poverty reduction.  |
| Bhatia & Singh (2019) | To investigate the dimensions of women empowerment and dimensionality changes with financial inclusion. | Financial inclusion schemes   | Exploratory Factor Analysis (EFA), Confirmatory Factor Analysis (CFA), and One-way ANNOVA | The study suggests that financial inclusion schemes like PMJDY show positive impacts and influence on the three dimensions of the women empowerment but APY does not show any significant impact on it. |
| Chakraborty (2018)    | To analyze the extent of the financial inclusion of marginalized population.                            | <b>Dependent:</b> Total debt outstanding in cash due<br><b>Independent:</b> Financial inclusion                             | Mean, Standard deviation, Regression analysis, Percentage, and Chi-square test            | More support is required from various institutions like governments and NGOs for improve financial literacy of marginalized people to enhance the financial   |

|                          |   |  |   |   |
|--------------------------|---|--|---|---|
| Hussain & Chibuzo (2018) | To investigate the effect of financial inclusion on poverty reduction with moderating effect of microfinance. | <p><b>Dependent:</b> Financial inclusion</p> <p><b>Independent:</b> Poverty reduction</p> <p><b>Moderating:</b> Microfinance</p> | Partial Least Square and Structural Equation Modelling (PLS-SEM), Standard deviation, Cronbach's Alpha and T-test | inclusion. The variables under study were seen to have significant relation with each other and the moderating variable moderated the relationship of dependent and independent variable positively.                          |
| Badu et al. (2018)       | To investigate the impact of financial inclusion on specific macroeconomics determinants.                     | <p><b>Dependent:</b> Financial inclusion index</p> <p><b>Independent:</b> Poverty and Income inequality</p>                      | Fixed effect panel regression   | Inverse relation was discovered between the financial inclusion with the poverty and income inequality. The study recommended the programs and policies for financial inclusion of marginalized people should be implemented. |

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### Review of related national journals and articles

Shankar and Bhattacharya (2023) attempted to find the relationship micro-credit with poverty reduction and women empowerment. They also studied about the relationship between micro-saving with women empowerment and poverty reduction. For which researcher used both secondary and primary data. Furthermore, they investigated the relationship of loan size with the respective dependent variables using various inferential tools, descriptive tools and hypothesis testing. The study highlights that micro-credit empowers the women and reduces poverty. Similarly a positive significant link was found to exist between micro-saving, women empowerment and poverty reduction. Furthermore, the relationship of loan size with women empowerment and poverty was also concluded to be significant as greater amount of loan was able to empower women

and reduce poverty. The study recommends microfinance, government and other regulatory bodies should focus on enhancing these facilities for empowerment of women and reduction of poverty.

Dhungana et al. (2023) examined the alternative strategies for financial inclusion with reference to different microfinances. The research used exploratory research design for the study and found that private microfinances were more active in reaching out to the poor than other of microfinances. The data were collected with the help of structured questionnaire. The result reveals that the strategies are segmented into various segments targeting the specific income level, total consumption and number of children. With the economic and social perspective all the microfinances are engaged in empowering its clients. However, the strategies of private and government owned microfinance seems to be different. Private microfinances targeted the high income women and clients with less children whereas the government owned microfinances targeted the middle income women and clients with more children. The study also recommends policy implication like continuity of government to promote and support microfinance at different levels.

Gautam (2023) explored the evolution of microfinance and its contribution so far for the financial inclusion of nation's marginalized population in rural as well as urban areas. The study also has presented the case studies related to the impacts of the microfinance on poverty, women empowerment and financial inclusion in rural and urban areas. Primary as well as secondary data was used. The researcher has used comprehensive and interdisciplinary approach. The study highlights that microfinance plays an important role in providing financial services to the marginalized communities of the country. The researcher concludes that the microfinance can enhance the socio-economic development; however, there should be innovative solution for the challenges arising.

Dhungana et al. (2022) examined the impacts of microfinance services on the economic status of the microfinance clients. The clients of Sana Kisan Laghubitta Bittiya Sanstha Limited (SKBBL) were selected for the study. The paper has used both descriptive and inferential analysis for the data presentation. The conclusion of the study was that the microfinance services, in the form of micro-credit have played a significant role in financial inclusion of low income people. Availability of micro-credit have encouraged productive investment that facilitates economic transformation. Analysis of the data

revealed that the clients' earning, saving, spending, occupational status and asset accumulation are positively affected by microfinance services. The study also recommends to promote and expand of the services of the micro-credit for such low income people for creating micro-businesses and improving the livelihood of the clients using the services.

Dhungana (2022) assessed the determinants of financial inclusion and its status for the inclusive growth through an empirical study by taking sample of 76 literatures and reviewing it from secondary source of data. The researcher discovered that financial inclusion has continued to improve over the past time period. Financial inclusion has strong connection with the economic growth and the digital technology has become an important tool for effective financial inclusion. There are many determinants of the financial inclusion such as financial literacy, intervention strategies, technology and financial innovation. On the one hand, financial inclusion reduces poverty and income inequality. On the other hand, it presides to economic or inclusive growth. The studies recommend to utilization of financial innovation and technology for financial inclusion in the rural and underdeveloped areas.

Karki et al. (2021) conducted study in order to review the development of the microfinance in Nepal using the Grameen Bank as its sample. Furthermore, the study explored the effectiveness of microfinances on the financial inclusion through poverty alleviation in the rural area of Nepal. The study recommends the establishment of relevant necessities, programs and microfinance services to the policy makers for the socio economic development and transformation in rural areas. Using the secondary source of data, they discovered that microfinance can have great impact on the poverty alleviation. However, it can't be considered as the ultimate solution to poverty as there are many other factors that impacts poverty. Microfinances also helps in women empowerment. The researchers concluded that microfinance institutions can be stimulated by government as well as other financial institutions in order to facilitate the socio economic status of the marginalized communities in Nepal.

Bhandari and Subedi (2020) aimed to study the impacts of various microfinance services on the poverty alleviation. They also examined the difference on the perception of people on microfinance on the basis of various demographic factors. The study was conducted

with the help of structured questionnaire. The paper highlights difference on perception of microfinance among the people. The cause of difference in perception is indicated to be various demographic factors. The study also shows negative correlation between the microfinance services like micro credit and micro insurance and poverty alleviation whereas positive impact of services like micro saving and micro training on poverty alleviation.

Chapagain and Dhungana (2020) explored the impacts of microfinance programs on the living standard of people living in a particular area. The researchers divided the two groups, one group of people associated with microfinance and the other living in same area but not associated with the microfinance. The study was conducted based on primary data which included questionnaire, observation and focus group discussions. The study was focused towards the identification of effectiveness of microfinance intervention on living standards of people in the rural household revealing that it plays an important and efficient role on the living standards of such people. Likewise, microfinance was seen as assistance to employment opportunities. The paper discovered that the professional status had negative and insignificant relation with living standard but consumption expenditure had positive significant relationship. Similarly, the income level enhanced the living standard and capital expenditure also had positive impacts on living standard.

Paudel and Acharya (2020) investigated the relationship between financial development and economic growth in Nepal. Using empirical analysis, the study examined the impact of various financial indicators on the country's path of economic growth. Secondary data was used for analysis. Key aspects likely explored in the study include the depth, efficiency, and stability of Nepal's financial sector, as well as its role in mobilizing savings, allocating resources, and facilitating investment using the data from 1965 to 2018. By analyzing time-series data and employing econometric techniques, the paper aims to provide empirical evidence on the causal relationship between financial development and economic growth in the Nepalese context. The study highlights that the cause of sustainable economic growth is financial development. The findings of the study are expected to contribute valuable insights to policymakers, economists, and stakeholders interested in promoting financial sector reforms and sustainable economic development in Nepal.

Dhungana (2018) investigated the influence of micro-finance on business creation in Nepal. Through a case study approach, the researcher examined how micro-finance initiatives had contributed to the establishment and growth of businesses in the Nepalese context. The study likely explored various aspects such as access to credit, entrepreneurial skills development, and socio-economic factors affecting business creation. By analyzing empirical data and conducting interviews or surveys, the paper aimed to provide insights into the effectiveness of micro-finance interventions in fostering entrepreneurship and economic development in Nepal. The study recommends that the microfinance also should prioritize non-financial services like financial literacy with the help of government and non-government organizations to utilize the micro-credit.

Table 2

*Summary of Empirical Review of Related National Journals and Articles*

| <b>Author(s)</b>              | <b>Objective</b>  | <b>Variables</b>   | <b>Methodology</b>  | <b>Findings</b>   |
|-------------------------------|---|--|---|---|
| Shankar & Bhattacharya (2023) | To find relationship between microfinance services and women empowerment and poverty reduction. | <b>Dependent:</b><br>Women empowerment and Poverty reduction<br><b>Independent:</b><br>Micro-saving, Micro-credit, and Loan size                               | Mean, Standard deviation, Correlation coefficient, and Regression           | The paper highlights various factors that impact the women empowerment and poverty reduction. The study reveals that all the independent variables have relationship with the dependent variable. |
| Dhungana et al. (2023)        | To examine the alternative strategies of MFIs for financial inclusion in Nepal.                 | <b>Dependent:</b><br>Poverty, Income level, Consumption expenditure, Saving, Capital expenditure and Empowerment<br><b>Independent:</b><br>Financial inclusion | T-test, One-way ANOVA, Regression, and factor analysis, and Chi-square test | The result shows that the private MFIs were more efficient in reaching out the poor people and the MFIs take consideration of total consumption expenditure and not total income.                 |

|                        |   |   |                                  |   |
|------------------------|---|---|----------------------------------|---|
| Gautam (2023)          | The main objective of the study is to explore development of microfinance and its impact on the development of Nepal. | Microfinance, Poverty alleviation, Socio-economic status, and Sustainable organization  | Case study and Field observation | The study found that microfinance could improve the socio economic development and plays important role for financial services to the marginalized.   |
| Dhungana et al. (2022) | To examine the impacts of microfinance services on economic status of microfinance clients.                           | <b>Dependent:</b> Occupational status, Income level, Consumption expenditure, Capital expenditure, and Saving habits<br><b>Independent:</b> Micro-credit supply | Mean and T-test                  | The study reveals that the microfinance has greatly influenced the livelihood of sampled microfinance clients by increasing their household income, employment status, productive asset and economic empowerment.             |
| Dhungana (2022)        | The study aims to assess the determinants of the financial inclusion for the inclusive or economic growth.            | <b>Dependent:</b> Financial inclusion<br><b>Independent:</b> Economic growth, Income inequality   | Empirical analysis               | The study highlights the strong connection between the financial inclusion and economic growth and it can be expanded through the determinants like financial innovation, technology, literacy, strategies and interventions. |

|                                |   |  |  |  |
|--------------------------------|---|--|--|--|
| Karki et al.<br>(2021)         | To review the development of microfinance and explore its effectiveness on poverty alleviation in rural area. | Financial intervention, Poverty alleviation and Women empowerment  | Trend analysis and Empirical analysis  | The study discovered strong role of microfinance on poverty alleviation and women empowerment through nutrition, maternal health, child health and housing.  |
| Bhandari & Subedi<br>(2020)    | To investigate the impacts of microfinance services on poverty alleviation.                                   | <b>Dependent:</b> Poverty alleviation<br><b>Independent:</b> Micro-credit, Micro-saving, Micro-insurance, and Micro-training                                       | Mean, Standard deviation, One-Way ANOVA, Correlation and Regression analysis | There is difference in the perception of microfinance on the different groups of people. The study highlights negative correlation between the microfinance services like micro credit, micro insurance and poverty alleviation. |
| Chapagain & Dhungana<br>(2020) | To explore the impacts of microfinance programs and services on the living standards of microfinance clients. | <b>Dependent:</b> Living Standard parameters like monthly income, consumption<br><b>Independent:</b> Profession, Income level, Consumption, and Information access | Confirmatory factor analysis and Structural Equation Modelling               | Microfinance plays an important role in uplifting the living standard of people from poor and rural household.   |

|                         |   |   |  |  |
|-------------------------|---|---|--|--|
| Paudel & Acharya (2020) | To investigate the financial development and economic growth relationship.          | <p><b>Dependent:</b> Economic growth indicated by GDP per capita growth</p> <p><b>Independent:</b> Financial development indicators</p> | Correlation coefficient and T-test                   | The findings of the study concludes that financial development indicators like broad money, domestic credit to private and banking sector significantly contributes in economic growth and gross capital formation has greater impact but foreign direct investment has no impact. |
| Dhungana (2018)         | To examine the effects of microfinance on creation of business in context of Nepal. | <p><b>Dependent:</b> Micro-business and enterprise creation</p> <p><b>Independent:</b> Loan size and Income level</p>                   | Mean, Standard deviation, T-test and Chi-square test | The study discovered that intervention done by microfinance results in a positive impact on business creation for marginalized communities. This further leads to poverty reduction and economic empowerment.  |

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### Review of previous thesis

Giri (2023) conducted a study to examine the socio-economic status of the respondents as well as to study the impacts of microfinance on women's empowerment. The researcher has used descriptive and analytical research design. Structured questionnaires and field visits were used for data collection. The study highlights that the implemented microfinance programs of Nirdhan Utthan Laghubitta Bittiya Sanstha Limited have significant as well as positive impacts on various aspects related to the respondents. The

majority of the respondents are below the age of 40, indicating that the program primarily targets younger individuals, and it is inclusive, encompassing women from various castes and ethnic backgrounds. There is a positive trend with some respondents reporting that women are the head of the family. The average annual income of the respondents has increased notably after joining the microfinance program. Similarly, it has led to significant changes in the occupation of the respondents, with a decrease in agricultural activities and an increase in self-business and entrepreneurial ventures. There is also seen positive significance with employment opportunities, living standards, and poverty alleviation.

Pradhan (2023) explored the impact of financial inclusion project named UNNATI project for rural entrepreneurship development. The study also explored economic development of rural areas of Nepal due to the project. Furthermore, the study identified the employment generation aspect of rural entrepreneurship development. Primary data were collected through questionnaires as well as secondary data were also collected. The findings reveal that the 10 sampled industries have a total production capacity of 349,160 kilograms per year, producing orthodox tea for domestic and international markets. Employment opportunities have been generated, with 120 individuals employed, including 80 males and 40 females, indicating positive outcomes from the UNNATI program. Challenges related to legal procedures, financial constraints, socio-cultural factors, managerial issues, technological barriers, and infrastructure deficiencies were identified, suggesting areas for improvement in supporting rural entrepreneurship development.

Khan (2022) investigated the relationship of financial training, loan and saving services as well as other advisory services with financial performance of small and medium enterprises. The descriptive and analytical research design was used in the study. Primary data were collected for analysis through questionnaire. The study's results demonstrate a direct positive relationship between saving services, loan services, and financial training with the financial performance of SMEs, suggesting that small business owners can leverage microfinance services to improve SME performance. The implications of the study are significant for SMEs engaging with microfinance institutions, as it highlights the potential for these businesses to enhance their financial performance with microfinance support, thereby increasing entrepreneurship engagement and contributing

to national economic growth. The study serves as a valuable tool in dispelling doubts surrounding self-employment activities, promoting awareness of loan facilities, and fostering business improvement through microfinance assistance.

KC (2022) conducted the study with the aim of evaluating the role of microfinance in employment generation. The study also attempted to state the relation of microfinance and basic need. Impact and role of microfinance and on living standard and poverty reduction was also explored through the study. The study was mainly based on primary data, however, secondary data were also used. The data were collected through field survey including questionnaire, observation and focus group discussions. The study reveals that there is positive and significant relationship between poverty and basic need. Similar type of relation is seen between poverty and income. Likewise, the living standard and usage of microfinance is also positively and significantly related with poverty. The study suggests that enhanced accessibility to microfinance, women could experience improvements in economic and social empowerment, leading to positive changes in their living standards and financial well-being.

Rijal (2022) assessed the role of microfinance in the socio-economic upliftment of rural households, examining its impact on education, health status, consumption, access to assets, and income generation capacity. Descriptive research design along with the purposive sampling method was used for the study. The study concluded that there is positive contribution of microfinance to different aspects such as health, education, income level and consumption capacity. The study underscores the importance of government policies aimed at expanding microfinance services to rural areas for the overall development of the country.

Shakya (2022) investigated the influence of various factors within agent banking, including geographical coverage, security, liquidity, cost, and technology, on financial inclusion efforts. Through comprehensive analysis, it aims to detect how optimizing these aspects can enhance accessibility to financial services and promote greater financial inclusion. Using structured questionnaire, the researcher have collected primary data for the study. The study revealed that financial inclusion has significant and positive connection with geographical coverage, meaning that as geographical coverage increases, so does financial inclusion. However, the relationships between financial inclusion and

security, liquidity, cost, and technology are weak and statistically insignificant, suggesting that these factors may not have a significant impact on financial inclusion in this context.

Khatiwada (2022) examined the impact of microfinance membership on household income and economic welfare in Ilam Municipality, Nepal, focusing on the comparison between micro-credit members and non-members. Using questionnaire, primary data was collected. Data collected from 120 households, comprising 60 microfinance members and 60 non-members, revealed that while many characteristics were similar, significant differences existed in cash crop income, household income, and livestock income. Specifically, members experienced significantly higher cash crop, household, and livestock incomes, indicating that microfinance has effectively enabled female members to engage in market production, leading to economic empowerment and improved welfare for their households in Ilam Municipality.

Bhandari (2021) assessed the position of the microfinance services and also examined its impact on the living standard of people in the context of Bhirkot Municipality of Nepal. The study used structured questionnaire for the data collection. The study identified four key indicators of living standards and concludes that microfinance services have a significant positive impact on household income, education, health, and ownership of household assets. The study suggested that microfinance institutions should prioritize financial innovation and new product design to meet the needs of poor households and enhance their living standards. Additionally, the study recommended that the Nepal Rastriya Bank (NRB) formulate effective policies to maximize the contribution of the microfinance industry towards poverty alleviation efforts.

Budha (2018) examined the impact of a microfinance program on women's empowerment. Through a survey research design, the study assessed the socioeconomic situation of selected households, evaluated saving and credit statuses, and analyzed changing social and economic statuses of women. Utilizing purposive sampling, 86 respondents were selected from 185 women involved in microfinance programs. The findings revealed high satisfaction with microfinance interest rates and client services, with a majority engaged in various economic sectors, learning new skills, and saving money. Participation in the microfinance program led to increased involvement in

commercial farming and local businesses, resulting in improved income, food sufficiency, consumption, clothing, sheltering patterns, as well as enhanced educational, health, and political statuses within the community.

Giri (2018) conducted the study to analyze the impact of microfinance on its beneficiaries in the areas like education, health, sanitation, loan facility and income level. The study employed a descriptive research methodology and focused on the quantitative impact of microfinance programs on participating women in Rolpa District, utilizing primary data collected through questionnaire surveys from 120 respondents. The findings explain the importance of Women Savings and Credit Groups, the vulnerability context of the poor, livelihood asset accumulation, and the combination of livelihood activities for income maximization and vulnerability reduction. Despite being a dynamic tool for poverty reduction, microfinance faces constraints such as limited scale and dependency on donor subsidies, necessitating collaboration among formal credit institutions, extension services, local organizations, researchers, and policy interventions. The research also highlights the issue of limited knowledge among microfinance customers regarding policies and functions, along with discriminatory practices restricting male participation in microfinance programs.

Table 3

*Summary of Previous Thesis*

| <b>Author(s)</b> | <b>Objective</b>  | <b>Variables</b>  | <b>Methodology</b>                                     | <b>Findings</b>   |
|------------------|---|---|--|---|
| Giri (2023)      | To examine socio economic status and its impact of microfinance on women empowerment. | <b>Dependent:</b><br>Women empowerment indicators<br><b>Independent:</b><br>Microfinance services | Mean, Standard deviation, and Coefficient of variation | The study concluded that the implemented microfinance program have positive significant on income level, employment opportunities, poverty alleviation, living standard, saving pattern and entrepreneurship of poor women. |

|                   |  |  |   |  |
|-------------------|--|--|---|--|
| Pradhan<br>(2023) | The major objective of the study was to explore the impact of financial inclusion project named UNNATI project for rural entrepreneurship development.                                 | <p><b>Dependent:</b> Production capacity, Employment generation, and Rural entrepreneurial development</p> <p><b>Independent:</b> Program participation, financial constraints, socio-economic factors, Technological barriers and Infrastructure deficiencies</p> | Percentage and Trend graph                                | The major finding of the study shows the program has significantly contributed to rural entrepreneurship development by increasing production capacity, creating employment opportunities, and addressing various challenges faced by entrepreneurs. |
| Khan<br>(2022)    | The study investigated the relationship of financial training, loan and saving services as well as other advisory services with financial performance of small and medium enterprises. | <p><b>Dependent:</b> Financial performance of SME's</p> <p><b>Independent:</b> Microfinance services: Loan services, Saving services, Financial training and advisory services</p>   | Mean, variation, Non-parametric test and Reliability test | The findings of the study concluded positive relation between the dependent and independent variables.   |

|               |  |  |   |  |
|---------------|--|--|---|--|
| KC (2022)     | To explore relationship between microfinance and living standard and also to examine impact of microfinance on poverty reduction.        | <p><b>Dependent:</b> Poverty</p> <p><b>Independent:</b> Basic need, Living Standard, Income, Employment, Usage of microfinance and Purchase decision</p> | Mean, Standard deviation, Regression and Correlation analysis                   | The study shows that there is positive and significant relationship of poverty with income, basic need, living standard and usage of microfinance.   |
| Rijal (2022)  | To examine socio economic impact of microfinance in rural community and to analyze the economic empowerment.                             | <p><b>Dependent:</b> Economic activity, health, consumption and access to real asset</p> <p><b>Independent:</b> Microfinance services</p>                | Mean, Standard deviation, and Percentage  | The concluded that the microfinance services for the marginalized have positive impacts on the health, consumption, economic activities and real assets.   |
| Shakya (2022) | To access and analyze the effect of geographical coverage, security, liquidity cost and technology of agent bank on financial inclusion. | <p><b>Dependent:</b> Financial inclusion</p> <p><b>Independent:</b> Geographical coverage, Security, Liquidity, Cost and Technology</p>                  | Mean, Median, Standard deviation, Correlation analysis, and Regression analysis | The findings indicates that there strong significant relation of financial inclusion with geographical coverage and weak negative insignificant with security, liquidity and cost whereas weak positive insignificant with technology. |

|                     |  |  |  |  |
|---------------------|--|--|--|--|
| Khatiwada<br>(2022) | To analyze socioeconomic status of members and non-members of microfinance and to analyze its impact on member's income and welfare of households. | <p><b>Dependent:</b><br/>Women activeness small and medium scale business, Cash crop income, Livestock income and Household income</p> <p><b>Independent:</b><br/>Microfinance lending service</p> | Percentage, Graphs and T-test  | Microfinance lending services have increased women's involvement in small and medium-scale businesses, resulting in higher incomes from cash crops, livestock sales, and overall household income. |
| Bhandari<br>(2021)  | The main objective of the study was to assess the position of microfinance services and examine its impact on living standard of people.           | <p><b>Dependent:</b><br/>Household income, Education status, Health status and Household assets</p> <p><b>Independent:</b><br/>Credit, Saving, Insurance, and Advisory support</p>                 | Mean, Standard deviation, Percentage, Regression, and correlation analysis | The finding of the study indicates positive significant impact on household income, education, health, and ownership of household assets.  |

|              |   |  |                       |  |
|--------------|---|--|-----------------------|--|
| Budha (2018) | The main objective of the study was to analyze the impact of microfinance programs on women empowerment.            | <p><b>Dependent:</b> Income, Food sufficiency, Consumption, Clothing, Sheltering patterns, Educational, Health, and Political statuses</p> <p><b>Independent:</b> Microfinance program</p> | Tables and percentage | The study concluded that microfinance programs improved income, food sufficiency, consumption, clothing, sheltering patterns, educational, health, and political statuses.                   |
| Giri (2018)  | To analyze the impact of microfinance on education, health, sanitation facilities, loan facility, and income level. | <p><b>Dependent:</b> Microfinance program</p> <p><b>Independent:</b> Education, Health, Sanitation, Loan facility, Return on investment, Income level, and Investment in business</p>      | Percentage            | The conclusion drawn for the study was that most of the respondents experienced positive effects for education, health, sanitation, loan facility, income level, and investment in business. |

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## 2.4 Research gap

Research gap can be defined as the gap or difference between the current and previous studies. The study conducted covers a longer time period of ten year from 2013/14 to 2022/23 in comparison to previous studies. Many researches have been conducted by various researchers in previous times; however, the environment is changing rapidly in the present modern time. So, this study has been conducted to fill the gap of time and

examine the current effect of financial inclusion policies on marginalized community. Additionally, the researcher here has classified the independent variable into different financial inclusion policies. The researcher here has classified financial inclusion policies on the basis of accessibility, penetration, availability, and usage of financial services. The financial inclusion policies taken as independent variables are number of branches of financial institutions, number of ATMs, number of debit card holders, number of branchless banking centers, amount of deposit, and amount of loans and advances. Likewise, dependent variable is represented by the poverty level referring to community suffering from economic marginalization; however, the previous researchers have conducted the studies without the classification of financial inclusion policies using one analysis model and combined indexes. This study aims to fulfill the research gap. Hence, this study will add new dimension for the researchers willing to conduct research in similar type of area.

## **CHAPTER – III**

### **RESEARCH METHODOLOGY**

Research methodology is the third chapter of the study. The section of the study is where the blue print of the study could be found. The process of data collection, along with the nature and source of data collection is mentioned in this chapter. Research design of the study is also specified in the chapter. Similarly, the instruments of data collection also assembled in the chapter. This chapter consists of method of analysis used in the study as well as the research framework and also the definition of the variables. The aim of this chapter is to describe the research design, population and sample, nature, sources of data, instrument of data collection, methods of analysis, research framework and definition of variables. The research methodology is to be followed for the achievement of the objective of the study. For the preparation of the report, various published reports from various organizations like UN, IMFs and World Bank along with various NRB report related to financial statistics are sorted out. Further, various statistical tools are used for the examining and interpreting the results after collection and sorting of data. The methodology used for the research is presented in this chapter. The chapter consists of following topics:

#### **3.1 Research design**

The overall strategy and approach that is selected for the integration of the collected data for a thorough evaluation of the research problem is called the research design. After the specification of the research problem, the researchers have to formulate a plan and appropriate framework for the completion of research work. The main purpose of the study is to analyze the impact of various financial inclusion policies on the marginalized community, indicated by the poverty level. Thus, the study is descriptive as well as causal comparative where mostly quantitative research techniques are used. A descriptive research design is used to determine the characteristics and phenomenon of the financial inclusion policies. It has been used to provide a clear description of financial inclusion policies. On the other hand, causal-comparative research design has been used by the researcher to find relationships between the independent variables which are financial inclusion policies, and the dependent variable which is the poverty level. Hence, the study

has been designed to analyze the impact of financial inclusion policies on marginalized community.

### **3.2 Population and sample, and sampling design**

In a general sense, the population refers to the total number of people living in a particular area at a particular point in time. However, the population in the context of the study is not the demographic population but the population of the total observation of interest which could be any people, object, or event. The total number of people, objects, or events under observation within the area of interest is the population for the research. However, the sample does not refer to the same population. Sample is a certain portion of population exhibiting certain kinds of required characteristics. There are various methods and techniques for the sampling.

The main purpose of the study is to evaluate the impacts of financial inclusion policies on the marginalized community in Nepal. The population for the study is the banking and financial institutions that are working for the financial inclusion of people. According to the Banking and Financial Statistics published by NRB, there are a total of 110 banking and financial institutions which consists of 20 commercial banks, 17 development banks, 17 finance companies, 55 microfinances and 1 infrastructure development bank as of March 2024 which is the population for the study. However, the sample for the study is 109 banking and financial institutions which consist of 20 commercial banks, 17 development banks, 17 finance companies, and 55 microfinances. The data for the ten years from 2013/14 to 2022/23 has been extracted from the Bank Supervision Reports and Banking and Financial Statistics published by NRB for the purpose of study. As per the sampling technique, the researcher here has used the convenience sampling method for the selection of the sample under the non-probability sampling technique.

### **3.3 Nature and source of data, and the instrument of data collection**

Data are the values that can be measured in terms of quality or quantity. Data have been collected, sorted, polled and tabulated for the research purpose. The data taken into consideration for the study is totally based on secondary data. The data used for the study is secondary in nature. A detailed survey of available literature is done for the theoretical underpinning on the research. Similarly, the appropriate area for the data is located through available information on various published journals and reports. For the purpose of the study, the data for at least ten years have been tabulated.

Since, the marginalized community development and financial inclusion policies are vague topic to deal with, however, the study is focused on the poverty level of people living below \$ 1.90 a day at international prices which is defined by the World Bank in 2011 as marginalized community and the banking and financial institutions belonging to class 'A', class 'B', class 'C', and class 'D'. Whole data for the respective classes of financial institution have been considered as an aggregated form of Nepalese sector financial inclusion policies. Similarly, the poverty level is considered as the representation of marginalized community.

The study is fully based upon the secondary data. The related secondary data are collected from the publications of Nepal Rastra Bank (NRB) along with its website ([www.nrb.org.np](http://www.nrb.org.np)) which consists of Banking and Financial Statistics, Bank Supervision Reports, Banking and Financial Statistics, Main Economic Indicators, other related publications and the survey conducted for economic indicators of Nepal Government. Similarly, data were also collected from the source of publications and websites of World Bank, United Nations Development Programs which included Human Development Reports, Annual Human Development Index Reports and Global Multidimensional Poverty indexes.

### **3.4 Method of analysis**

After the collection of data, the collected data has to be analyzed. The data analysis is important for conducting the study as it helps the researcher to draw conclusion and summarize the findings. For this study also various methods for data analysis is adopted. The collected data are gathered and sorted out. The collected data are processed, tabulated and analyzed using various statistical tools in computer software SPSS. Tables are also used for the analysis, interpretation and conclusion of the result. The various tools used for the data analysis on the topic of "Financial inclusion policies and its impact to marginalized community" are below:

#### **Descriptive statistics**

Descriptive statistics is one of the many statistical tool widely used for data analysis. Descriptive statistics are widely used for collecting, organizing, summarizing and presenting data. The primary goal of descriptive analysis is to portray clear picture of main feature of data through description and summarization of data. Range, variation, standard deviation falls under measures of dispersion whereas mean, median, mode

comes under measure of central tendency. Descriptive statistics are useful for the researchers and analysts for understanding the patterns and main features of the variables through identification of trends and their comparisons. Descriptive statistics can be said to be the first step of the data analysis process as it is used beforehand for the brief explanation of variables prior to using more complex statistical analysis.

The researcher has used tools like measures of central tendency and measure of dispersion for data analysis. Mean standard deviation and variance is used for the data analysis purpose for the study. Mean represents the central tendency of the data which is used to summarize the data. Similarly, standard deviation is related to measure of dispersion which is used to measure the deviation between the individual points and mean. The formula used for the calculation of mean is given below:

$$\text{Mean } (\bar{X}) = \frac{\sum X}{N}$$

Where,

$\sum X$  = Sum of observation

$N$  = Number of observation

Similarly, the formula for the calculation of standard deviation is:

$$\text{Standard deviation (SD)} = \sqrt{\frac{\sum (X - \bar{X})^2}{N - 1}}$$

Where,

$X$  = Value of data

$\bar{X}$  = Mean of  $X$

$N$  = Number of observation

### **Correlation coefficient analysis**

Correlation coefficient is also used in this study for data analysis purpose. Correlation coefficient is a statistical tool widely used for examining existing of the relationship between the variables. Correlation coefficient is useful for understanding the nature and strength of the relationship between the variables. This tool is used to examine the degree to which one variable is correlated with another. The higher correlation coefficient depicts strong correlation between the variables whereas lower correlation coefficient explains weak correlation between the variables. The correlation coefficient is denoted by

r. The value of correlation between the variables is expected to be between -1 to +1. The correlation coefficient closer to +1 indicates strong positive correlation. However, the correlation coefficient closer to -1 indicates strong negative correlation. Zero value for correlation coefficient shows no relationship between the variables. The study has applied Karl Pearson's correlation coefficient for examining the relation of the dependent variable, poverty level with the independent variables, number of branches, number of ATMs, number of debit card holders, number of branchless banking centers, amount of deposit and amount of loans and advances. The researcher have used Karl Pearson's correlation by using SPSS Version 29 for determining if there is correlation between the financial inclusion policies and marginalized community indicated by poverty level.

### **Multiple regression analysis**

Another statistical tool used for data analysis in this study is multiple regression analysis. Multiple regression analysis also belongs from the statistical tool which is widely used by the researchers for data analysis. In the present context, we can see that regression is applicable for all those fields where there is involvement of two or more variables which have tendency to affect one another. Regression refers to the method which is used to measure the average relationship between two or more variables. The common use of regression is to know the nature of relationship and form between the two or more variables to further use it for the prediction of values of dependent variables for given value of independent variables. In simple words, regression analysis is a statistical tool which is used to examine the relationship between dependent variable and independent variable. Regression is used to examine the relationship among the dependent and independent variable. Regression analysis is a useful tool for understanding relationship and establishing relationship between the variables. The analysis is also useful for the prediction of the value of dependent variables with respect to independent variable. It is also useful in modeling relationship between the variables under study. Similarly, the analysis is also widely used for the hypothesis testing by examining the statistical significance of the coefficients. Here, the researcher have used multiple regression analysis for modeling the relationship between the variables, and for evaluate the impacts of independent variables on dependent variables along with hypothesis testing, for which the significance level is assumed to be 5 percentage. The related model specified for the study is presented below:

$$\text{LnP} = \alpha + \beta_1 \text{LnNOB} + \beta_2 \text{LnNOA} + \beta_3 \text{LnNODH} + \beta_4 \text{LnNOBBC} + \beta_5 \text{LnAOD} + \beta_6 \text{LnAOLA} + \text{eit}$$

Where,

$\alpha$  = Intercept / constant term

LnPL = Natural logarithm of poverty level

LnNOB = Natural logarithm of number of branches

LnNOA = Natural logarithm of number of ATMs

LnNODH = Natural logarithm of number of debit card holders

LnNOBBC = Natural logarithm of number of branchless banking centers

LnAOD = Natural logarithm of amount of deposit

LnAOLA = Natural logarithm of amount of loans and advances

eit = Residual error

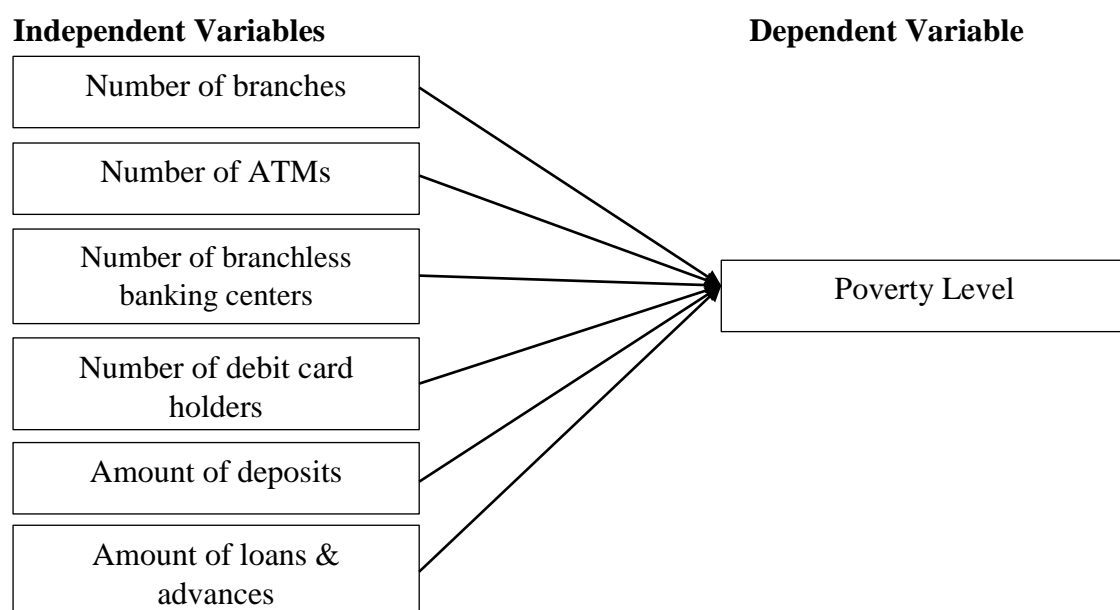
$\beta$  = Beta, the parameters of the model

### 3.5 Research framework and definition of variables

The research is aimed to examine the impacts of financial inclusion policies on the marginalized community. The independent variable for the study is financial inclusion policies such as NOB, NOA, NODH, NOBBC, AOD and AOLA whereas the dependent variables is its impact on marginalized community determined by poverty which indicates the poverty head count of the people living on less than \$ 1.90 a day at international prices which is defined by the World Bank in 2011.

Figure 1

#### Research Framework



(Source: Omar & Inaba, 2020; Ratnawati, 2020; Vo et al., 2021)

The dependent and independent variables used in the study are defined below:

### **Number of branches**

The financial institutions are classified into four groups in Nepal. These institutions operate at different levels, with some functioning on a national scale, others regionally, and some confined to specific districts or areas. To maximize financial inclusion, nearly all banking and financial institutions extend their reach by establishing branches across various locations. This strategy aims to bring a larger number of people into the formal financial system. Expanding the number of branches aligns with financial inclusion policies, particularly in terms of improving accessibility (Ratnawati, 2020).

### **Number of ATMs**

ATMs are also financial services provided by the banking financial institutions. The service ATMs are available for almost 24 hours. ATM service ensures that people can use financial services without human assistance in places where financial institutions are not available and penetrates the financial services in the society. The penetration level can be indicated by the number of branches (Vo et al., 2021).

### **Number of debit card users**

Debit cards and ATM cards are terms often used interchangeably, but there is a subtle difference between them. Debit cards are multifunctional cards that can be used not only as ATM cards for withdrawing cash but also for online payments and other transactions. Banking and financial institutions issue a variety of debit cards to individuals, who then become debit card users. The use of debit cards signifies the usage dimension of financial inclusion policies (Vo et al., 2021). Many financial institutions encourage these services to promote financial inclusion among the population.

### **Number of branchless banking centers**

There are various places in Nepal where there is still infrastructures to be development. Establishing a proper bank which is well equip can be difficult or even impossible sometimes. Such infrastructure problems cause obstacles in the financial inclusion of people living in those areas. To eradicate such obstacles, the banking and financial institutions have come up with the policy related to availability of financial institutions through the branchless banking centers in such places. The major purpose of establishing such centers is to provide financial services with the help of available technology.

Branchless banking centers are used to provide services like deposit, withdrawal, cash transfer, bill payment etc. Branchless banking centers reflect the availability dimension of financial inclusion (Omar & Inaba, 2020).

### **Amount of deposit**

Deposits refer to the money held by banking and financial institutions on behalf of the general public. Individuals deposit their excess funds in these institutions for security and potential investment. The money collected through deposits is then used by banking and financial institutions to create credit in the economy. Deposit services are the most common and basic financial service offered to promote financial inclusion. A large amount of deposits in financial institutions indicates high usage of available financial services. Therefore, the total amount of deposits is a key metric reflecting the usage dimension of financial inclusion (Ratnawati, 2020).

### **Amount of loans and advances**

Services like loans and overdrafts are common offerings from various financial institutions to the general public in Nepal. People obtain loans for multiple purposes, such as investments, business activities, and startups. The amount of loans taken indicates the usability of financial services. A high volume of loans and advances by the general public through financial institutions reflects extensive use of available financial services. Therefore, the total or aggregate amount of loans and advances is considered an important metric for studying the usage dimension of financial inclusion (Ratnawati, 2020).

### **Poverty level**

The study is concerned about the impacts of financial inclusion policies on the marginalized community. There can be many types of marginalization. However, the economic marginalization is considered for the purpose of the study. Poverty level is used to indicate the economic marginalization for the study. Poverty can be defined as the state of deprivation. Poverty itself can be of different types such as absolute poverty, multidimensional poverty, income poverty etc. However, multidimensional poverty is taken for the study purpose. People living below \$1.90 at international price in Nepal which was defined by World Bank in 2011 is taken as the dependent variable for the study.

## CHAPTER – IV

### RESULT AND DISCUSSION

The present study has aimed to examine and analyze the financial inclusion policies impact on marginalized communities. For the accomplishment of the objectives of the study, relevant and systematic data are collected; their analysis is done and further is presented in this chapter. This chapter is divided into two section named research and discussion.

#### 4.1 Results

This section includes the presentation of data along with the analysis of data. This chapter focuses on analysis of financial inclusion policies and its impacts on marginalized community indicated by poverty level and relationship between the financial inclusion policies and poverty levels. The results obtained through analysis are presented and interpreted in this section for drawing conclusions on impacts of financial inclusion policies on the marginalized community.

#### Descriptive analysis

The descriptive analysis is widely used for research papers for understanding the pattern and main features of the data collected for the related variables with the help of identification of trends and comparison. The descriptive analysis for the independent and dependent variables of the study for the past ten years from 2013/14 to 2022/23 is shown in table 4 as follows:

Table 4

#### *Descriptive Statistics of all Variables*

| Variables          | N  | Minimum | Maximum | Mean    | Std. Deviation | Variance |
|--------------------|----|---------|---------|---------|----------------|----------|
| LnNOB              | 10 | 8.15    | 9.36    | 8.8337  | 0.47666        | 0.227    |
| LnNOA              | 10 | 7.41    | 8.49    | 7.9711  | 0.42844        | 0.184    |
| LnNODH             | 10 | 15.23   | 16.32   | 15.6906 | 0.38254        | 0.146    |
| LnNOBBC            | 10 | 6.22    | 7.44    | 6.9885  | 0.46205        | 0.213    |
| LnAOD              | 10 | 21.12   | 22.51   | 21.8578 | 0.47686        | 0.227    |
| LnAOLA             | 10 | 20.87   | 22.39   | 21.7176 | 0.54282        | 0.295    |
| LnP                | 10 | 15.36   | 16.24   | 15.7535 | 0.35815        | 0.128    |
| Valid N (listwise) | 10 |         |         |         |                |          |

(Source: SPSS Version 29)

Table 4 shows us the descriptive statistics of all variables from the year 2013/14 to 2022/24. The mean of natural logarithm of poverty level is 15.36, and has a small standard deviation of 0.35815. This shows that there is not much poverty level gap as there no significant difference between the maximum and minimum. The lowest standard deviation and variance is shown by the LnP indicating lower data variation and suggesting that the population under study shares similar economic challenges. Similarly, the mean of Natural logarithm of number of branches, Natural logarithm of number of ATMs, Natural logarithm of number of debit cards holders, and Natural logarithm of number of branchless centers are 8.8337, 7.9711, 15.6906, and 6.9885 respectively indicating moderate level of access to these services. The standard deviation for them are 0.4767, 0.4286, 0.3825 and 0.4622 respectively indicating that there is not much variation in the data. The mean of Natural logarithm of amount of deposit is 21.8580, while the mean of Natural logarithm of amount of loans and advances is 21.7177. This indicates a balanced engagement with the formal banking sector, as the average deposit and loan amounts are close to each other. The standard deviation for LnAOD is 0.4768 and LnAOLA is 0.5428. This indicates that the data variation of LnAOLA is highest among the variables. Likewise, the lowest data variation can be seen of poverty level as its standard deviation is only 0.128.

### **Correlation analysis**

Correlation coefficient is one of the statistical tool used for analyzing the level to which one variable is related or correlated with the other variables. Correlation coefficient is useful for understanding the nature and strength of the relationship between the variables. The correlation coefficient that is negative represents negative correlation whereas the positive coefficient represents positive correlation between the variables. Similarly, the coefficient zero shows that there is no relationship among the variables. On the other hand, the coefficient close to negative one shows strong negative correlation and coefficient close to negative one shows the strong negative correlation between the variables. The researcher here have used the Karl Pearson's correlation coefficient to examine the relationship between various financial inclusion policies and poverty level. The correlation analysis was done to analyze the strength of association between the financial inclusion policies and poverty level. Table 5 is presented for showing correlation between the variables.

Table 5

*Karl Pearson's Correlation Analysis*

| Variables | LnNOB    | LnNOA    | LnNODH   | LnNOBBC | LnAOD    | LnAOLA   | LnP |
|-----------|----------|----------|----------|---------|----------|----------|-----|
| LnNOB     | 1        |          |          |         |          |          |     |
| LnNOA     | 0.995**  | 1        |          |         |          |          |     |
| LnNODH    | 0.943**  | 0.955**  | 1        |         |          |          |     |
| LnNOBBC   | 0.921**  | 0.893**  | 0.763*   | 1       |          |          |     |
| LnAOD     | 0.986**  | 0.985**  | 0.972**  | 0.886** | 1        |          |     |
| LnAOLA    | 0.988**  | 0.983**  | 0.963*   | 0.904** | 0.988**  | 1        |     |
| LnP       | -0.884** | -0.881** | -0.867** | -0.708* | -0.861** | -0.850** | 1   |

\*\* . Correlation is significant at the 0.01 level (2-tailed).

\* . Correlation is significant at the 0.005 level (2-tailed).

(Source: SPSS Version 29)

Table 5 has been presented for correlation analysis of all the variables. According to table 5, correlation coefficient between the natural logarithm of poverty level and number of branches is -0.884. Coefficient between natural logarithm of number of ATMs and LnP is -0.881. Similarly, the correlation between LnP and natural logarithm of number of debit card holder, natural logarithm of branchless banking centers, natural logarithm of deposit and natural logarithm of loans and advances are -0.867, -0.706, -0.861 and -0.850 respectively. The result indicates negative correlation between the variables. The coefficient for each variable is greater than 0.7 which also indicates the strong correlation between the variables. The negative coefficient for LnNOB, LnNOA, LnNODH, LnNOBBC, LnAOD and LnAOLA shows that these variables and LnP moves in opposite direction which increase in these variables causes decrease in LnP and vice versa. Based on the results of correlation in table 5, strong negative correlation is concluded between LnNOB, LnNOA, LnNODH, LnNOBBC, LnAOD, LnAOLA and LnP.

### Multiple regression analysis

Multiple regression analysis was adopted for the purpose of the study. For the study, the researcher has used multiple regression analysis to analyze the impacts of financial inclusion policies on marginalized community. The variables indicating the independent variables are number of branches, ATMs, debit card holders, branchless banking centers, amount of deposit, loans and advances. These variables are the indicators of the financial inclusion policies. Similarly the marginalized communities are indicated by the poverty

level which is considered as dependent variable for the purpose of study. The significance of the above mentioned independent variables is assessed with the help of model summary table, ANOVA, and coefficient table. Model summary table are used for simplifying the goodness of fit and for evaluation of significance. Likewise, ANOVA is used for estimating whether the compared variables are statistically significant or not. Similarly, the coefficient table is used for the estimation of significance of impacts of independent variables on dependent variables.

Table 6

*Model Summary*

| Model | R                  | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|--------------------|----------|-------------------|----------------------------|
| 1     | 0.978 <sup>a</sup> | 0.957    | 0.871             | 0.12867                    |

a. Predictors: (Constant), LnNOB, LnNOA, LnNODH, LnNOBBC, LnAOD, LnAOLA

b. Dependent: LnP

(Source: SPSS Version 29)

Table 6 is the model summary of the regression model. The model summary shows a strong correlation between the variables as the R is 0.978. The higher R represents the best fit of the model. Here, the value of R of 0.978 which is closer to 1 indicates best fit of the model. Likewise, the R Square is 0.957 and the adjusted R Square is 0.871. The adjusted R Square 0.871 implies that 87.1% of variation in natural logarithm of poverty is explained by natural logarithm of number of branches, natural logarithm of number of ATMs, natural logarithm of number of debit card holders, natural logarithm of number of branchless banking centers, natural logarithm of amount of deposit and natural logarithm of amount of loans and advance, it explains a lot of variability.

Table 7

*Analysis of Variance (ANOVA)*

|   | Model      | Sum of Squares | df | Mean Square | F      | Sig.               |
|---|------------|----------------|----|-------------|--------|--------------------|
| 1 | Regression | 1.105          | 6  | 0.184       | 11.122 | 0.037 <sup>b</sup> |
|   | Residual   | 0.050          | 3  | 0.017       |        |                    |
|   | Total      | 1.154          | 9  |             |        |                    |

a. Dependent: LnP

b. Predictors: (Constant), LnNOB, LnNOA, LnNODH, LnNOBBC, LnAOD, LnAOLA

(Source: SPSS Version 29)

Table 7 represents ANOVA test for the dependent variable and independent variables. In table 7, model is statistically significant as the F-value or F-statistics is 11.122 and the p value is 0.037 which is lower than the probability value or significance level 0.05. Table 7 also shows good fit of model indicated by p value which is less than 0.05. The independent variables are good predictors of dependent variable. The high F-statistics and low p value explains sufficient portion of variation in the poverty level. Hence, the model statistically as well as significantly predicts the dependent variable which is LnP

Table 8

*Multiple Regression Analysis for Dependent Variable Ln of Poverty level*

| Model      | Unstandardized |            | Standardized Coefficients |        |       |
|------------|----------------|------------|---------------------------|--------|-------|
|            | B              | Std. Error | Beta                      | t      | Sig.  |
| (Constant) | 21.632         | 8.724      |                           | 2.480  | 0.089 |
| LnNOB      | -5.348         | 1.672      | -7.118                    | -3.199 | 0.049 |
| LnNOA      | 3.256          | 1.654      | 3.895                     | 1.969  | 0.144 |
| LnNODH     | -0.694         | 1.659      | -0.741                    | -0.418 | 0.704 |
| LnNOBBC    | -1.086         | 0.937      | -1.401                    | -1.159 | 0.330 |
| LnAOD      | -2.972         | 2.380      | -3.957                    | -1.248 | 0.030 |
| LnAOLA     | 2.850          | 2.786      | 4.320                     | 1.023  | 0.382 |

a. Dependent Variable: LnP

(Source: SPSS Version 29)

Table 8 is presented to show the regression analysis result for the dependent variable indicated by Ln<sub>p</sub> and independent variables indicated by LnNOB, LnNOA, LnNODH, LnNOBBC, LnAOD, and LnAOLA of the financial institutions under the study over the study period. The beta coefficient for LnNOB, LnNOA, LnNODH, LnNOBBC, LnAOD and LnAOLA are -5.348, 3.256, -0.694, -1.086, -2.972 and 2.850 respectively. This shows a negative association between the independent variables and the dependent variable except LnNOA and LnAOLA. Furthermore, the p-value of the coefficient of LnNOB and LnAOD is 0.049 and 0.030 which is less than 5 percent level of significance, which indicates significance of coefficients. However, the p-values for coefficient of LnNOA, LnNODH, LnNOBBC and LnAOLA are not less than 5 percent and are not significant. Therefore, LnNOB and LnAOD have negative significant impact on Ln<sub>p</sub> but LnNOA, LnNODH, LnNOBBC and LnAOLA have no significant impact on Ln<sub>p</sub>.

Table 9

*Summary of Hypothesis*

| Hypothesis     | Statement   | Sig.  | Remark   |
|----------------|---|-------|----------|
| H <sub>1</sub> | There is significant relationship between number of branches and poverty.                   | 0.049 | Accepted |
| H <sub>2</sub> | There is significant relationship between number of ATMs and poverty.                       | 0.144 | Rejected |
| H <sub>3</sub> | There is significant relationship between number of debit card holders and poverty.         | 0.704 | Rejected |
| H <sub>4</sub> | There is significant relationship between number of branchless banking centers and poverty. | 0.330 | Rejected |
| H <sub>5</sub> | There is significant relationship between amount of deposit and poverty.                    | 0.030 | Accepted |
| H <sub>6</sub> | There is significant relationship between amount of loans and advances and poverty.         | 0.382 | Rejected |

(Source: SPSS Version 29)

## 4.2 Discussion

Financial inclusion is the inclusion of people in the formal financial system through the financial services. The study was conducted for analyzing the impacts of financial inclusion policies on the marginalized community. Moreover, the marginalized community is represented by the poverty level for the study. The financial services provided by financial institutions. As the result obtained from correlation, all the six independent variables have strong and negative correlation with dependent variable. The correlation coefficient for each financial inclusion policies is negative and closer to -1 which shows strong and negative correlation. Findings show that financial inclusion policies and poverty level move in opposite direction. When there is increase in the financial inclusion of people, the poverty level decrease that represents positive relationship between financial inclusion policies and marginalized communities. In addition, regression analysis was also conducted for the study where the coefficient were negative which refers to negative relation of financial inclusion policies with the poverty

level. This shows positive impact of financial inclusion policies on marginalized community. Likewise, the respective p-values for financial inclusion policies under accessibility dimension, number of branches and usage dimension, amount of deposit were lower than 0.05 which indicated negative significant impact of them on dependent variable. In contrary, the financial inclusion policies such as number of ATMs, number of debit card holders, number of branchless banking centers, and amount of loans and advances under penetration dimension, usage dimension, and availability dimension showed no significant impact on poverty level. This helps in drawing conclusion those financial inclusion policies under accessibility dimension, number of branches and usage dimension, amount of deposit helps in poverty reduction.

The result of this study is consistent with the study conducted by Bhandari and Subedi, (2020), who investigated the impacts of financial services provided by microfinance on the financial inclusion of people on poverty alleviation. Although, the study concluded a positive significant relationship between services of deposit with poverty alleviation, the relationship between the financial inclusion policies like facility of credit or loan was negatively associated with poverty alleviation. This indicates that an increase in credit or the availability of loans does not increase poverty alleviation and does not decrease poverty. Similarly, Saha and Qin, (2023) concluded that there is no significant relationship between the financial inclusion policies like the number of ATMs, the number of burrowers, and poverty. They conducted a study for the examination of financial inclusion policies on different levels of poverty such as extreme poverty and moderate poverty. There were variations in results. Thus, the study could not provide exact causal evidence for the effects of financial inclusion on poverty. Furthermore, the result is partially consistent with Ratnawati, (2020) as they concluded a negative and significant relationship between policies like number of branches and amount of deposit. But, they also concluded a significant impact of the amount of loans on poverty which contrasts with the findings of this study. In the same fashion, Hussain and Chibuzo also discovered similar results as they investigated the effects of financial inclusion on poverty reduction and found a significant relationship between the number of ATMs, number of branches, number of burrowers, and number of depositors which was partially consistent with the results discovered.

The results revealed by Omar and Inaba, (2020) were not consistent with the result here. The study was conducted to investigate and assess the impacts of financial inclusion on the poverty level and income inequality. They discovered that financial inclusion policy like number of burrowers and number of ATMs has significant impacts on poverty. Similarly, Ouechtati (2020) examined effects of financial inclusion dimensions on poverty and income inequality and revealed that financial inclusion through credit availability have significant impact on poverty. Furthermore, Mhlanga et al., (2020) also found the relation between loans and advances with poverty to be negative and significant. They studied and investigated about the effects of the financial inclusion on poverty as well as other factors too. Likewise, Badu et al., (2018) contrasts to the result as they investigated the impacts of financial inclusion on the specific macroeconomics determinants, where they found that there is significant impacts of number of branches on poverty. In the similar fashion, Shankar and Bhattacharya, (2023) also conducted research on the relationship of financial inclusion on women empowerment and poverty reduction which found that there is positive and significant impact of credit on poverty reduction that means credit or loan facility helps in poverty reduction.

## **CHAPTER – V**

### **SUMMARY AND CONCLUSION**

#### **5.1 Summary**

Nepal does not have a very long history of financial institutions as the first commercial bank of Nepal was established only in 1937 A.D. Despite being the first commercial bank, NBL was not the central bank of Nepal. Central bank of Nepal known as NRB was established in 1956 A.D. from where the formal financial system in Nepal started. After the establishment of NRB, expansion in the financial institution started to happen. Various acts were introduced and implemented by NRB for expansion of financial institutions and their financial services to people. As we know that financial institutions are the main source of financial services for financial inclusion.

Economic growth is shared by all the individuals of the society which also includes the marginalized and vulnerable groups. The financial inclusion of such marginalized and vulnerable group in financial system provides them with opportunities for participating in economy, income generation along with opportunities for reducing inequalities and marginalization.

The main objective of the study is to analyze the impacts of financial inclusion policies on poverty. The financial inclusion policies such as accessibility, penetration, availability and usage of financial services for financial inclusion were taken for study. Number of branches of BFIs, number of ATMs, number of debit card holders, number of branchless banking centers, amount of deposit and amount of loans and advances are included as independent variable for the study. This variable represents the combination of all accessibility, penetration, availability, and usage variables. Multidimensional poverty indicated by poverty level represents marginalized community and is also dependent variable for the study. To conduct this study, descriptive and causal comparative research design has been used to determine characteristics of variables as well as to analyze the impacts of independent variables on dependent variables. Among 110 banking and financial institution as of March 2024 in Nepal, 109 banking and financial institutions have been taken as sample for the study.

This study was fully based on the secondary data. Various published journals, articles and reports were reviewed for the theoretical underpinning on the research. Furthermore, reports published by NRB such as Bank Supervision Reports and Banking and Financial statistics have been used for extraction of data. Along with NRB reports, report published by World Bank and United Nations Development Programs also have been used for extracting data which includes Human Development Reports, Annual Human Development Index Reports and Global Multidimensional Poverty indexes. Statistical tools like descriptive analysis, Karl Pearson's Correlation coefficient as well as Multiple Regression analysis was used for the data analysis purpose. Under descriptive analysis, mean, standard deviation and variance were used.

The study concludes that there is inverse correlation between the financial inclusion policies of the accessibility, availability, penetration and usage dimension. There is negative and significant impact of number of branches under accessibility dimension and amount of deposit under usage dimension on poverty level. It indicates positive and significant impact of these two variables on marginalized community. However, the financial inclusion policies such as number of ATMs under penetration dimension, number of branchless banking centers under availability dimension, number of debit card holders and amount of loans and advances under usage dimension have no significant impact on marginalized community. This indicates that the financial inclusion policies for accessibility dimension and usage dimension plays a role in providing opportunities to the people who are suffering from marginalization.

## **5.2 Conclusion**

Financial inclusion of people has become must in the present context as inclusion in financial system creates various opportunities for the people from various group and class. Provider of financial services are the financial institutions that are been operated in the society. The inclusion of lower income people, poor people or people who are suffering from marginalization in economic dimensions is very important. The development of country is shared by both type of people who belongs from poor households or well off background. So, inclusion of all people of all classes is must to ensure the sound and equitable development in the country.

The study was conducted with the aim of examining the relationship between the financial inclusion policies and marginalized community along with impacts of financial inclusion policies on the marginalized community. For the purpose of study, secondary data was extracted from the related reports covering the period of 2013/14 to 2022/23. The analysis and evaluation of secondary data showed that some financial inclusion policies does have impacted marginalized community over some period in past. The coefficient of determination which is denoted by R square was higher than 50 percent which can be considered significantly high. Therefore, it concludes that explanatory variables were able to explain for the variation of the dependent variable.

According to the findings of study, the some financial inclusion policies do have certain impacts on marginalized communities. However, the levels of impact of different financial inclusion policies are different for the marginalized community. The financial inclusion policies are seen to be expanding over the past few years. Although the number of branches of development banks and finance companies are seen to be fluctuating, the aggregate number is increasing over the past years. Similarly, number of ATMs is also increasing over the years which indicate that banking and financial institution is expanding its operation. The number of debit card holders, amount of deposits and amount of loans and advances granted has also increased over the past years showing increment in the usage of the financial services by people. But, the number of branchless banking centers has fluctuated over past period which could not be quite effective for inclusion of people in financial system as there are still many areas in Nepal where branchless banking centers may be required for accessing financial services. As per the relationship between the financial inclusion policies and poverty level which is used to represent the marginalized community, the relationship is seen to be negative according to the finding. This concludes that when there is rise in the financial inclusion of people, they get various opportunities to generate income through investments in small businesses or utilize their saving for expansion of household expenses and many more other opportunities for reducing inequalities. This results into reduction of poverty level. However, based on the finding of the study, p-value less than 0.05 is shown for the variables named number of branches and amount of deposit which shows significant impact. On the other hand, the impact of number of ATMs, branchless banking centers, debit card user, amount of loans and deposit are not significant. According to the finding,

financial inclusion policies based on accessibility and usage dimension plays a role in reduction of poverty level by generating opportunities for the people. Therefore, there is positive and significant impact of financial inclusion policies such as number of branches under accessibility dimension and amount of deposit under usage dimension on marginalized community while the other financial inclusion policies have no significant impact on marginalized community. Hence, there should be promotion and expansion of financial inclusion of people in formal financial system through appropriate financial inclusion policies for utilizing the opportunities created by it.

### **5.3 Implications**

The result obtained from this study reveals that there is positive impact of financial inclusion policies such as number of branches under accessibility dimension and amount of deposit under usage dimension on the marginalized community, which implies that accessibility dimension and usage dimension should be enhanced as their impact is significant. The financial inclusion of people can be useful in reduction of poverty which is a positive aspect. The findings of this study were also supported by the some existing literature.

This study has great implications for the financial institutions as the study shows policies related to branches of financial institutions helps in financial inclusion as it contributes in poverty reduction. Similarly, usage of deposit service is an effective financial inclusion policy which increases usage dimension and decrease in poverty level. The target expansion of financial infrastructure should be expansion in branches and promotion of deposit. Expansion of branches will enhance accessibility of financial services which can facilitate economic activities along with income generation for marginalized community. Products and incentives should be developed which will encourage saving among the people. Effective policies for expansion in financial inclusion of people can be recognized. So, this study is possible means for the banking and financial institutions to analyze impacts of financial inclusion policies.

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## APPENDIX

### Appendix-I

(In million and thousand)

| Number of Branches | Number of ATMs | Number of Debit card Holder | Number of Branchless Banking Centers | Amount of Deposit | Amount of Loans and Advances | Poverty level |
|--------------------|----------------|-----------------------------|--------------------------------------|-------------------|------------------------------|---------------|
| 3456               | 1652           | 4.131242                    | 504                                  | 1,488,83.81       | 1,154,950.12                 | 11255         |
| 3838               | 1721           | 4.531787                    | 503                                  | 1,787,959.25      | 1,400,797.72                 | 7493          |
| 4274               | 1908           | 4.657125                    | 812                                  | 2,131,597.99      | 1,746,435.95                 | 10217         |
| 5068               | 2081           | 4.980958                    | 1008                                 | 2,419,151.09      | 2,083,420.64                 | 9961          |
| 6650               | 2791           | 5.544253                    | 1285                                 | 2,886,478.61      | 2,565,785.67                 | 9550          |
| 8686               | 3316           | 6.708521                    | 1530                                 | 3,440,034         | 3,145,612                    | 5008          |
| 9765               | 4106           | 7.329202                    | 1574                                 | 4,039,888         | 3,532,865                    | 5137          |
| 10683              | 4325           | 8.839855                    | 1706                                 | 4,870,491         | 4,536, 138                   | 5258          |
| 11528              | 4602           | 10.856357                   | 1548                                 | 5,318,198         | 5,158,736                    | 5047          |
| 11589              | 4855           | 12.245485                   | 1319                                 | 5,938,332         | 5,306,044                    | 4665          |

*[Source: Bank Supervision Reports, Banking and Financial Statistics of NRB (2013/14 to 2022/23) and Human Development Reports and Global Multidimensional Poverty indexes of UNDP (2014/15 to 2023/24)]*

## Appendix-II

(In million and thousand)

| Natural Logarithm of Number of Branches | Natural Logarithm of Number of ATMs | Natural Logarithm of Number of Debit card Holder | Natural Logarithm of Number of Branchless Banking Centers | Natural Logarithm of Amount of Deposit | Natural Logarithm of Amount of Loans and Advances | Natural Logarithm of Poverty level |
|---|-------------------------------------|--|---|--|---|------------------------------------|
| 8.148                                   | 7.410                               | 15.234   | 6.223   | 21.121                                 | 20.867  | 16.236                             |
| 8.253                                   | 7.451                               | 15.327   | 6.221   | 21.304                                 | 21.060  | 15.829                             |
| 8.360                                   | 7.554                               | 15.354   | 6.700   | 21.480                                 | 21.281  | 16.140                             |
| 8.531                                   | 7.641                               | 15.421   | 6.916   | 21.607                                 | 21.457  | 16.114                             |
| 8.802                                   | 7.934                               | 15.528   | 7.159   | 21.783                                 | 21.666  | 16.072                             |
| 9.069                                   | 8.107                               | 15.719   | 7.333   | 21.959                                 | 21.869  | 15.427                             |
| 9.187                                   | 8.320                               | 15.807   | 7.361   | 22.119                                 | 21.985  | 15.452                             |
| 9.276                                   | 8.372                               | 15.995   | 7.442   | 22.306                                 | 22.235  | 15.475                             |
| 9.353                                   | 8.434                               | 16.200   | 7.345   | 22.394                                 | 22.364  | 15.434                             |
| 9.358                                   | 8.488                               | 16.321   | 7.185   | 22.505                                 | 22.392  | 15.356                             |

(Source: Natural Logarithm Value of all variables calculated through MS excel 2007)

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ABSTRACT The study titled "Financial Inclusion Policies and Its Impact to Marginalized Community" aims to examine the relationship between the financial inclusion policies and marginalized community and to analyze the impact of financial inclusion policies on marginalized policies. The marginalized communities are indicated by the poverty level in the study. Similarly, the financial inclusion policies of banking and financial institution are taken into consideration for conducting the study under dimensions like accessibility, penetration, availability and usage. The variables under accessibility dimension was number of branches, under penetration dimension was number of ATMs, under availability dimension was number of branches banking centers and under usage dimension was number of debit card holders, amount of deposit, and amount of loans and advances. The study has utilized descriptive and causal comparative research design along to find relationship between the variables. Secondary data were collected from various sources and were processed in a computer program named SPSS for analysis and evaluation.

**The findings of the study** show **that there is a** negative **significant relationship between**

number of branches under accessibility dimension, amount of deposit under usage dimension and poverty level indicating the marginalized community. Similarly, the financial inclusion policies like number of ATMs under penetration dimension, number of branchless banking centers under availability dimension, number of debit card holders, and amount of loans and advances under usage dimension have no significant impact on poverty level. Based on the finding, conclusion can be drawn that financial inclusion of marginalized people can done through policies like expansion of number of branches of financial institution and promotion of deposit facilities to provide opportunities to participate in financial system for generating income and reducing inequality. Therefore, such policies should be enhanced and promoted for financial inclusion of people. Keywords: Financial Inclusion Policies, branches, ATMs, Debit card holders, Branchless Banking centers, Deposit, Loans, Credit, Poverty, Marginalized Community CHAPTER – I INTRODUCTION 1.1 Background of the study Financial services simply can be said as the services which are provided by the various financial institutions. Such financial services have contributed in the development of people as it have helped many people to overcome poverty through investments in their education, health, businesses and other purposes. The management of financial emergencies and crisis can be very difficult to manage, however, availability of financial services in such situation have make it easier to handle such emergencies. Growing researchers have discovered that there could be many benefits in the context of development due to financial inclusion. Reliance on cash can be difficult to manage as well as can't be considered as a safe means of finance. To get rid of such difficulties, financial inclusion should be promoted as the financial inclusion can be defined as the inclusion in the formal financial system. For identification of opportunities and understanding of financial inclusion, measurement of it is necessary (Kunt-Demiruc et al., 2017). Banking services are in the favor of doing good of the public which makes it very important to provide banking services as well as payment services to all the people living in a particular area without discriminating them. Delivering such