

# **FINANCIAL INCLUSION AND ECONOMIC DEVELOPMENT IN NEPAL**

**A Thesis**

**By:**

**Manu Prasad Sharma**

**Shankar Dev Campus**

**Campus Roll No.: 2127 / 068**

**TU Regd. No.: 5-1-33-140-97**

**Exam Roll No.: 391148/070**

**Submitted to:**

**Office of the Dean**

**Faculty of Management**

**Tribhuvan University**

*In partial fulfillment of the requirements for the Degree of  
Masters of Business Studies (M.B.S.),*

**Kathmandu, Nepal**

**May, 2024**

## **RECOMMENDATION**

This is to certify that the thesis

Submitted by

**Manu Prasad Sharma**

**Entitled:**

### **FINANCIAL INCLUSION AND ECONOMIC DEVELOPMENT IN NEPAL**

has been prepared as approved by this Department in the prescribed format of the Faculty of Management. This thesis is forward for examination.

.....  
Dr. Dhan Raj Chalise  
(Thesis Supervisor)

.....  
Assoc. Prof. Dr. Sajeeb Kumar Shrestha  
(Head, Research Committee)

.....  
Assoc. Prof. Dr. Krishna Prasad Acharya  
(Campus Chief)

## VIVA-VOCE SHEET

We have conducted the viva-voice examination of the thesis presented

By

**Manu Prasad Sharma**

Entitled:

### **FINANCIAL INCLUSION AND ECONOMIC DEVELOPMENT IN NEPAL**

And found the thesis to be the original work of the student and written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirement for the degree of

**Master Degree of Business studies (M.B.S.)**

#### Viva-voice committee

Head, Research Department .....

Member (Thesis Supervisor) .....

Member (External Expert) .....

## DECLARATION

I hereby declare that the work in this thesis entitled **Financial Inclusion and Economic Development in Nepal** submitted to Shanker Dev Campus, Faculty of management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the Master's Degree in Business Study (M.B.S.) under the supervision and guideline of Dr. Dhan Raj Chalise.

.....

Manu Prasad Sharma

Campus Roll No.: 2127 / 068

TU Regd. No.: 5-1-33-140-97

## **ACKNOWLEDGEMENTS**

This study, titled "Financial Inclusion and Economic Development in Nepal," serves as a culmination of my academic pursuits, aimed at satisfying the requirements for the attainment of the Master of Business Studies degree from Tribhuvan University. It has been a profound privilege to embark on this scholarly journey under the astute guidance and supervision of Dr. Dhan Raj Chalise, an esteemed faculty member at Shanker Dev Campus.

I am profoundly indebted to Dr. Chalise for his invaluable mentorship, insightful suggestions, and unwavering support, without which the completion of this thesis would not have been conceivable. His expertise and encouragement have not only enriched my academic understanding but have also instilled in me a deeper appreciation for the subject matter. His dedication to academic excellence and commitment to nurturing the intellectual growth of his students have served as an inspiration throughout this endeavor.

Furthermore, I wish to express my deepest gratitude to my parents, whose unwavering support and encouragement have been my source of strength and motivation. I am also indebted to my family members and friends whose encouragement, feedback, and constructive criticism have been invaluable in shaping the trajectory of my research work.

**Manu Prasad Sharma**

Researcher

# TABLE OF CONTENTS

	<b>Page No.</b>
Recommendation	i
Viva-voce sheet	ii
Declaration	iii
Acknowledgments	iv
Table of Contents	v
List of Tables	vii
List of Figure	viii
Abbreviations	ix

## **CHAPTER I**

### **INTRODUCTION**

1.1	Background of the Study	1
1.2	Focus of the Study	2
1.3	Statement of the Problem	3
1.4	Objectives of the Study	5
1.5	Significance of the Study	5
1.6	Limitations of the Study	7
1.7	Organization of the Study	7

## **CHAPTER II**

### **REVIEW OF LITERATURE**

2.1	Conceptual Review	8
2.2	Theoretical Review	12
2.2.1	Financial Inclusion Pyramid Mode	12
2.2.2	The Institutional Theory of Financial Development	13
2.2.3	The Access to Finance Framework	15
2.2.4	The Financial Deepening Hypothesis	16
2.2.5	The Dual Financial System Theory	17
2.2.6	The Social Capital Theory	17

2.2.7	The Institutional Theory of Microfinance	18
2.3	Review of Related Studies	19
2.4	Research Gap	25

### **CHAPTER III**

#### **RESEARCH METHODOLOGY**

3.1	Research Design	26
3.2	Population and Sample	26
3.3	Instrumentation	27
3.4	Data Collection Procedure	27
3.5	Data Processing and Analysis	28
3.6	Research Framework of the Study	29
3.7	Validity and Reliability	30

### **CHAPTER IV**

#### **DATA PRESENTATION AND ANALYSIS**

4.1	Data Presentation	32
4.1.1	Presentation of Demographic Analysis	32
4.1.2	Descriptive result of variables under study	35
4.2	Correlation Analysis	35
4.3	Regression Analysis	37
4.4	Major Findings	41

### **CHAPTER V**

#### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

5.1	Summary	44
5.2	Conclusion	45
5.3.	Recommendations	46

### **Bibliography**

### **Annex**

## LIST OF TABLES

Table 3.1 Cronbach's Alpha	31
Table 4.1 Age Group of Respondent	33
Table 4.2 Monthly Income of Respondent	34
Table 4.3 Profession of Respondent	34
Table 4.4 Descriptive Statistics	35
Table 4.4 Correlation Analysis	36
Table 4.5 Model Summary	38
Table 4.6 Regression ANOVA	39
Table 4.8 Regression Coefficient	40

## **LIST OF FIGURE**

Figure 3.1 Research Framework of the Study	30
--	----

## ABBREVIATIONS

ANOVA	Analysis of Variance
ATMs	Automated Teller Machines
BSD	Banking Service Delivery
ED	Economic Development
FinTech	Financial Technology
FL	Financial Literacy
GDP	Gross Domestic Product
IFC	International Finance Corporation
MFIs	Microfinance Institutions
NEPSE	Nepal Stock Exchange
NRB	Nepal Rastra Bank
OMB	Online and Mobile Banking
r	Correlation
R	Correlation Coefficients
ROSCAs	Rotating Savings and Credit Associations
SMEs	Small and Medium Sized Enterprises
SPPS	Statistical Package for the Social Sciences
UBS	Understanding of Banking Services

# CHAPTER I

## INTRODUCTION

### 1.1 Background of the Study

Financial inclusion is a crucial component of Nepal's economic growth strategy, as outlined in the Financial Sector Development Strategy 2017-2022. The Nepal Rastra Bank (NRB) has taken concrete steps to drive financial inclusion, including establishing a dedicated division within the Office of the Governor focused on Financial Inclusion and Consumer Protection. NRB's objectives include promoting financial stability by enhancing financial literacy, safeguarding financial consumers, and improving access to finance. Recognizing the importance of digitalization, Nepal is actively pursuing financial digitalization to facilitate the financial inclusion. NRB has also engaged in international initiatives like the IFC's Sustainable Banking Finance Network and the Alliance for Financial Inclusion to address challenges in this area. To achieve its goals, Nepal has developed the Nepal Financial Inclusion Action Plan, which aims to expand access to formal financial services and affordable financing for all by 2030. This plan reflects Nepal's commitment on improving financial inclusion (IFC, 2023).

Nepal has seen significant progress in financial inclusion over the years, with a notable increase in the percentage of the population accessing bank accounts and formal insurance. Additionally, there has been a rapid expansion of financial services to local levels, indicating a positive trajectory in Nepal's efforts toward financial inclusion (IFC, 2023). NRB's objectives include promoting financial stability by enhancing financial literacy, safeguarding financial consumers, and improving access to finance. Recognizing the importance of digitalization, Nepal is actively pursuing financial digitalization to facilitate financial inclusion. NRB has also engaged in international initiatives like the IFC's Sustainable Banking Finance Network and the Alliance for Financial Inclusion to address challenges in this area. To achieve its goals, Nepal has developed the Nepal Financial Inclusion Action Plan, which aims to expand access to formal financial services and affordable financing for all by 2030. This plan reflects Nepal's commitment to improving financial inclusion (NRB, 2022).

Nepal has seen significant progress in financial inclusion over the years, with a notable increase in the percentage of the population accessing bank accounts and formal insurance. Additionally, there has been a rapid expansion of financial services to local levels, indicating a positive trajectory in Nepal's efforts toward financial inclusion (IFC, 2023).

## **1.2 Focus of the Study**

This study delves into the intricate relationship between financial inclusion and economic development in Nepal. It places a spotlight on various key stakeholders, including employees from financial institutions, professionals in the telecommunication sector, regulators from Nepal Rastra Bank (NRB), and investors actively engaged in the Nepal Stock Exchange (NEPSE).

In terms of financial inclusion, the study aims to provide a comprehensive overview of the current landscape among the targeted stakeholders. This involves scrutinizing their accessibility to and utilization of financial services, encompassing traditional banking products as well as emerging digital platforms like mobile banking. By examining the factors influencing their engagement with financial services, the study seeks to discern the extent to which financial inclusion has permeated these sectors of Nepalese society.

Concurrently, the study endeavors to assess the impact of financial inclusion on key indicators of economic development within Nepal. It scrutinizes metrics such as GDP growth, employment rates, poverty alleviation, and overall economic stability to discern the tangible effects of enhanced financial access. Through qualitative and quantitative analysis, the study aims to unravel the ways in which improved financial inclusion catalyzes entrepreneurial activities, fosters investment opportunities, and empowers socioeconomically marginalized segments of the population.

Moreover, the study ventures into the realm of employee perspectives, seeking insights from individuals working in financial institutions, telecommunication companies, and regulatory bodies. Their viewpoints are pivotal in understanding the efficacy of ongoing

financial inclusion initiatives and the role of different sectors in propelling economic development forward. By gauging attitudes towards digital financial services and identifying existing challenges, the study aims to illuminate pathways for bolstering financial inclusion efforts across various sectors.

Furthermore, the study explores the investment behaviors and preferences of NEPSE investors. It scrutinizes their utilization of banking services and digital financial tools, discerning how financial inclusion initiatives influence investment decisions, risk management strategies, and portfolio diversification efforts. Understanding investor dynamics within the context of financial inclusion is crucial for evaluating the broader economic impact and potential avenues for further growth.

Lastly, the study critically evaluates the regulatory landscape in Nepal, focusing on the role of Nepal Rastra Bank in shaping financial inclusion policies and fostering an enabling environment for economic development. By assessing the effectiveness of existing regulatory frameworks and initiatives, the study seeks to identify areas for improvement and potential policy interventions to accelerate financial inclusion and drive sustainable economic growth.

### **1.3 Statement of the Problem**

Financial inclusion and economic growth are two intertwined concepts that have garnered significant attention in research and policy discussions. Financial inclusion, as defined by Al-Hussainy et al. (2017), focuses that all individuals and businesses have access to and can effectively use appropriate financial services. This includes access to accounts, payments, savings, credit, and insurance products, which are essential for fostering financial stability and empowering individuals, especially those from underserved populations who may rely on informal financial systems. On the other hand, economic growth refers to the sustained expansion of the production of goods and services in an economy over time, as articulated by Barro (2012). Economic growth is typically measured by the Gross Domestic Product (GDP) growth rate and is associated with improvements in living standards and poverty reduction.

The link between financial inclusion and economic growth is well-established in both theory and empirical research. Scholars such as Beck, Demirgüç-Kunt, and Levine (2009) and Demirgüç-Kunt & Levine (2009) have highlighted the positive impact of financial inclusion on economic growth. Studies by researchers such as Inoue & Hamori (2016), Kim, Kim, & Lee (2017), and Nizam, Alam, & Bhagat (2020) have consistently demonstrated the positive relationship between financial inclusion and economic growth. However, it is essential to acknowledge that this relationship may not always be straightforward, as factors such as the quality and depth of financial services and the institutional environment can influence its impact (Van & Nguyen, 2019).

Despite the growing body of research on financial inclusion and economic growth, there are still areas that warrant further exploration. Future studies could delve into topics such as the role of financial technology (FinTech) in promoting financial inclusion, the challenges faced in achieving financial inclusion in different regions, and the specific impact of financial inclusion on economic sectors like agriculture or small businesses. These avenues of inquiry would contribute to a more comprehensive understanding of the dynamics between financial inclusion and economic growth.

A comprehensive financial system offers numerous advantages. It facilitates the efficient allocation of productive resources, leading to a more economical utilization of these resources, which in turn can lower capital costs. Moreover, inclusivity in the financial system streamlines individuals' access to financial services, thereby improving their day-to-day financial management. Even if an inclusive financial system entails higher initial costs, it can mitigate inefficiencies within credit markets by reducing reliance on informal credit sectors. Consequently, countries have the potential to bolster efficiency and welfare through an all-encompassing financial system, which encourages secure saving practices and fosters the provision of efficient financial services (Sarma, 2008).

The research issues arising from above include the need to comprehensively understand the current landscape of financial inclusion among various stakeholders in Nepal, assess the impact of financial inclusion on economic development indicators, explore employee

perspectives on ongoing financial inclusion initiatives, delve into investment behaviors of NEPSE investors, and critically evaluate the regulatory landscape shaping financial inclusion policies. These issues demand questions such as:

1. What are the key factors influencing the adoption of financial inclusion for economic development in Nepal?
2. How does financial inclusion relate to economic development in Nepal?
3. To what extent do factors of financial inclusion affect economic development indicators in Nepal?

#### **1.4 Objectives of the Study**

The main objective of this study is to examine and analyze the financial inclusion and its effect on economic development in Nepal. Other specific objectives are as under.

1. To identify key factors influencing the adoption financial inclusion for economic development in Nepal.
2. To measure the relationship between financial inclusions and economic development in Nepal.
3. To analyze the extent of effect of factors of financial inclusions on economic development indicators in Nepal.

#### **1.5 Significance of the Study**

The significance of this study lies in its comprehensive exploration of the intricate relationship between financial inclusion and economic development in Nepal. By shedding light on various key stakeholders, including employees from financial institutions, professionals in the telecommunication sector, regulators from Nepal Rastra Bank (NRB), and investors engaged in the Nepal Stock Exchange (NEPSE), the study provides a holistic understanding of the dynamics at play. One of the significant contributions of this study is its examination of the current landscape of financial inclusion among targeted stakeholders. By scrutinizing accessibility to and utilization of financial services, including traditional banking products and emerging digital platforms like mobile banking, the study offers insights into the extent of financial inclusion across different sectors of Nepalese society.

Furthermore, the study aims to assess the impact of financial inclusion on key indicators of economic development within Nepal. Through qualitative and quantitative analysis, it seeks to unravel how enhanced financial access influences metrics such as GDP growth, employment rates, poverty alleviation, and overall economic stability. By uncovering the ways in which financial inclusion catalyzes entrepreneurial activities, fosters investment opportunities, and empowers socioeconomically marginalized segments of the population, the study highlights the potential economic benefits of expanding financial access. Additionally, the study delves into employee perspectives, providing valuable insights into the efficacy of ongoing financial inclusion initiatives and the role of different sectors in propelling economic development forward. By gauging attitudes towards digital financial services and identifying existing challenges, it offers actionable recommendations for bolstering financial inclusion efforts across various sectors.

Moreover, the study explores the investment behaviors and preferences of NEPSE investors, crucial for evaluating the broader economic impact of financial inclusion initiatives. Understanding investor dynamics within the context of financial inclusion is pivotal for identifying opportunities for further growth and development. Lastly, the study critically evaluates the regulatory landscape in Nepal, focusing on the role of Nepal Rastra Bank in shaping financial inclusion policies. By assessing the effectiveness of existing regulatory frameworks and initiatives, the study identifies areas for improvement and potential policy interventions to accelerate financial inclusion and drive sustainable economic growth in Nepal. Overall, this study holds significant implications for policymakers, regulators, financial institutions, investors, and other stakeholders involved in advancing financial inclusion and economic development agendas in Nepal.

## **1.6 Limitations of the Study**

- The demographic composition of the population may limit the study's findings, potentially excluding certain marginalized or hard-to-reach groups.
- The size and representativeness of the sample population could constrain the study's conclusions if it does not adequately capture the diversity of stakeholders.
- Reliance on self-reported data from survey respondents may introduce biases and inaccuracies, affecting the reliability of the study's findings.
- The cross-sectional nature of the data may limit the study's ability to establish causal relationships between financial inclusion and economic development.
- Caution must be exercised in generalizing the study's findings to other contexts or populations, as factors influencing financial inclusion may vary across different regions.

## **1.7 Organization of the Study**

The entire study is structured into five chapters, each organized systematically to facilitate effective research. Chapter I, the Introduction, encompasses the background of the study, its focus, and statement of the problem, objectives, significance, limitations, and the layout of subsequent chapters. Chapter II, the Review of Literature, delves into an examination of related literature from various sources such as books, journals, previous studies, research papers, unpublished student research, and contemporary media sources. It covers conceptual reviews, global and local perspectives on microfinance, and reviews of pertinent studies. Chapter III, Research Methodology, outlines the methodology employed in conducting the study, detailing aspects like research design, study area, population and sample selection, data sources and collection procedures, and methods of data analysis. Chapter IV, Presentation and Analysis of Data, represents the analytical breakdown of the collected data, presenting interpretations and major findings through charts, graphs, and tables of the study. Lastly, Chapter V, Summary, Conclusion, and Recommendations, provides a comprehensive overview of the study's findings, concluding insights, and recommendations for future actions or improvements based on the analyzed data.

## **CHAPTER II**

### **REVIEW OF LITERATURE**

#### **2.1 Conceptual Review**

Aduda and Kalunda (2012) conceptualized financial inclusion as the process of guaranteeing access to suitable financial products and services required by all segments of society, particularly vulnerable groups like weaker sections and low-income individuals, at an affordable cost in a fair and transparent manner by regulated mainstream financial institutions. The aim of establishing a Financial Inclusion strategy for Nigeria is to establish a clear plan for increasing both access to and utilization of financial services by the year 2020. Financial inclusion is achieved when adults can easily access a wide range of financial products tailored to their needs and offered at reasonable prices, including payments, savings, credit, insurance, and pensions (Berger, 2012). Similarly, Agarwal (2010) defines financial inclusion as the process of ensuring access to financial services, including timely and sufficient credit where necessary, for vulnerable groups such as weaker sections and low-income individuals at an affordable cost. Hanning and Jansen (2011) elaborate on financial inclusion as the removal of price or non-price barriers in the utilization of financial services, with the goal of enhancing access to such services for all individuals at fair prices.

Aduda and Kalunda (2012) identified six categories of financial exclusion, including:

- a. Exclusion based on physical access
- b. Exclusion from access to financial services
- c. Exclusion based on specific conditions
- d. Exclusion due to pricing factors
- e. Exclusion stemming from market limitations
- f. Self-imposed exclusion.

Financial inclusion, encompassing access to and usage of banking services, is a critical aspect of economic development worldwide. In the context of Nepal, where traditional banking infrastructure may be limited, the adoption of online and mobile banking (OMB)

platforms presents a significant opportunity for enhancing financial inclusion. OMB platforms facilitate access to banking services, allowing individuals to conduct financial transactions conveniently and efficiently, irrespective of geographic barriers. As a result, OMB contributes to expanding the reach of banking services and promoting financial inclusivity among previously underserved populations in Nepal.

However, the effective utilization of OMB platforms relies heavily on individuals' understanding of banking services (UBS) and their level of financial literacy (FL). UBS refers to individuals' knowledge and comprehension of various banking products, services, and procedures. In Nepal, where financial education and awareness may be limited, fostering a deeper understanding of banking services is crucial for encouraging the adoption and utilization of OMB platforms among the population. Similarly, enhancing financial literacy among Nepalese citizens is imperative for ensuring informed financial decision-making and promoting responsible usage of banking services, including OMB platforms.

Furthermore, the efficiency and effectiveness of banking services delivery (BSD) play a pivotal role in driving financial inclusion and economic development in Nepal. BSD encompasses the accessibility, affordability, and quality of banking services offered to consumers. In a country like Nepal, characterized by diverse geographical terrain and dispersed populations, ensuring the seamless delivery of banking services through OMB platforms is essential for reaching remote and underserved areas. By enhancing BSD, financial institutions can strengthen their outreach efforts and contribute to advancing financial inclusion and economic development objectives in Nepal.

In the course of daily life, people make a variety of financial decisions about saving, investing and borrowing. The universal marketplace is increasingly risky and is becoming more vulnerable day by day. One of its main implications include rising costs of goods and services that push people to be able to make well-informed financial decisions (Lusardi & Mitchell, 2011). The term financial literacy is the ability to understand how money works: how someone makes, manages and invests it, and also expends it

(especially when one donates to charity) to help others. In-depth knowledge of financial literacy is required to understand how money works and how it can work for an individual or a household – by investing in profitable areas like the stock or money market. Financial Literacy is the concept in which individuals and household gets the required education and skills to understand management of personal finances better. It is the set of knowledge and skills that one needs to acquire financial decisions so as to impact their financial wellbeing positively. By financial literacy we mean a positive thinking on the need for financial planning, good understanding about various products, a fair idea of the risks and rewards in terms of usage of the services, a reasonable grasp of the concepts like interest rate, compounding, inflation, diversification, etc. (Ramanathan & Bose, 2018).

Economic development (ED), as an independent variable, is influenced by the interplay of various factors, including financial inclusion and the utilization of banking services. In Nepal, promoting financial inclusion through OMB platforms can catalyze economic growth by fostering greater financial access, improving productivity, and stimulating entrepreneurship and investment activities. As more individuals and businesses gain access to formal banking services, they can better manage their finances, access credit for business expansion, and participate more actively in the formal economy. Ultimately, enhanced financial inclusion facilitated by OMB platforms can contribute to inclusive economic development and poverty reduction efforts in Nepal.

In developing nations, regulatory bodies show a heightened interest in promoting financial inclusion, leading to more recent regulatory efforts aimed at supporting this agenda. These efforts encompass mandates such as enhancing consumer protection, fostering financial literacy, regulating microfinance activities, encouraging savings, facilitating access to finance for small and medium-sized enterprises (SMEs), and promoting rural finance (Ardic et al., 2011). One plausible explanation for this emphasis is that wealthier countries typically exhibit higher levels of financial inclusion, thus reducing the urgency for further pursuit (Ardic et al., 2011).

Historically, prior to the 1980s, many developing countries relied on "directed credit" programs, which directed public funds towards specific groups such as farmers and small businesses. However, these programs often proved unsustainable and failed to effectively extend financial services to the poor, particularly in rural areas (Hannig and Jansen, 2010). A shift occurred in the late 1980s towards a new approach, focusing on the performance of financial institutions in reaching underserved populations. This approach redirected the discourse from individual firms and households to institutional dynamics. The term "microfinance" evolved to encompass a broader range of financial products including loans, deposits, insurance, payments, and remittances offered by various financial institutions (Hannig and Jansen, 2010).

In recent years, there has been a growing interest in financial sector development, particularly regarding the accessibility of financial services and the promotion of inclusive financial systems. Consequently, financial inclusion has emerged as a fundamental policy objective. While ensuring financial stability remains crucial, policies aimed at expanding access to banking services, especially for previously unbanked individuals, have gained traction, particularly in the aftermath of recent economic and financial crises.

Financial inclusion promotes economic growth through various channels:

1. Increased savings and investment: Access to savings accounts enables individuals and businesses to accumulate funds for future needs and investments, thereby stimulating economic activity (Beck et al., 2009).
2. Improved access to credit: Businesses can access loans for expansion, while individuals can invest in education, housing, or entrepreneurial endeavors, fostering economic growth (Demirgüç-Kunt & Levine, 2009).
3. Reduced income inequality: Financial inclusion empowers low-income individuals to participate more fully in the economy, contributing to a more equitable distribution of wealth (Honohan, 2008).

4. Increased financial stability: Access to formal financial services helps individuals manage risks and withstand financial shocks, contributing to overall economic stability (Beck et al., 2009).

In summary, the relationship between financial inclusion, OMB platforms, understanding of banking services, financial literacy, banking services delivery, and economic development in Nepal underscores the importance of leveraging technological advancements to promote financial inclusion and drive sustainable economic growth. By addressing gaps in financial access, knowledge, and service delivery, Nepal can harness the transformative potential of OMB platforms to advance its socioeconomic development goals and foster greater prosperity for its citizens.

## **2.2 Theoretical Review**

Models and theories on financial inclusion and economic development provide frameworks for understanding the dynamics and relationships between access to financial services and broader socio-economic outcomes. This comprehensive review explores various models and theories that underpin research in this field.

### **2.2.1 Financial Inclusion Pyramid Model**

The pyramid model of financial inclusion, as proposed by Morduch and Haley (2008), offers a structured framework for understanding the multifaceted nature of access to financial services. At its core, this model portrays financial inclusion as a hierarchical pyramid comprised of different layers, each representing distinct levels of access to financial products and services. This conceptualization serves to elucidate the progressive nature of financial inclusion, wherein individuals and communities ascend from basic transactional services towards more complex financial instruments, ultimately fostering broader economic development. At the base of the pyramid lie basic transactional services, such as savings and payments. These fundamental financial activities form the foundation of the pyramid, representing the starting point for individuals seeking to engage with formal financial systems. Savings accounts enable individuals to accumulate funds over time, providing a means to safeguard assets and plan for future expenses. Similarly, payment services facilitate transactions and remittances, enabling individuals

to conduct everyday financial transactions efficiently and securely. By establishing access to these essential services, the pyramid model recognizes the importance of establishing a solid groundwork for financial inclusion initiatives.

Moving up the pyramid, the model encompasses additional layers representing more advanced financial services, including credit and insurance. Credit services enable individuals to access funds beyond their immediate financial means, providing opportunities for investment, entrepreneurship, and consumption. By facilitating access to credit, the pyramid model acknowledges the role of financial intermediation in empowering individuals to pursue economic opportunities and enhance their well-being. Likewise, insurance services mitigate risks associated with unforeseen events, offering protection against financial losses due to illness, accidents, or natural disasters. Through access to insurance products, individuals can mitigate vulnerabilities and enhance their financial resilience, contributing to overall economic stability. Central to the pyramid model is the notion that building a foundation of basic financial services is essential for promoting broader financial inclusion and economic development. By prioritizing access to savings and payment services as the cornerstone of the pyramid, the model underscores the importance of addressing the most immediate financial needs of individuals and communities. Establishing robust infrastructure for basic financial services lays the groundwork for expanding access to more sophisticated financial products, such as credit and insurance, thereby enabling individuals to participate more fully in the formal economy and unlock opportunities for wealth creation and poverty alleviation.

### **2.2.2 The Institutional Theory of Financial Development**

The theory developed by Demirgüç-Kunt and Levine (2008) underscores the critical role of formal financial institutions in fostering both financial inclusion and economic growth. At its core, this theory suggests that the presence and effectiveness of well-functioning financial institutions are instrumental in driving positive outcomes for individuals, businesses, and economies as a whole. By examining the interplay between financial institutions, economic activity, and development outcomes, the theory offers insights into

the mechanisms through which financial inclusion contributes to broader socio-economic progress.

Central to the theory is the recognition that formal financial institutions, such as banks, stock markets, and regulatory bodies, serve as key intermediaries in the allocation and mobilization of financial resources within an economy. Banks play a pivotal role in mobilizing savings from households and channeling them towards productive investments, facilitating economic growth by providing funding for businesses, infrastructure projects, and innovation. Similarly, stock markets provide a platform for companies to raise capital through equity financing, enabling them to expand operations, create jobs, and generate wealth. Regulatory bodies, meanwhile, establish and enforce rules and standards that govern the behavior of financial institutions, ensuring stability, transparency, and fairness in the financial system.

The theory emphasizes that the presence of well-functioning formal financial institutions is essential for promoting financial inclusion, as they provide a wide range of financial products and services that cater to the diverse needs of individuals and businesses. By offering access to savings accounts, loans, insurance, and investment opportunities, formal financial institutions enable individuals to manage risks, accumulate wealth, and pursue economic opportunities. Moreover, the presence of robust regulatory frameworks helps to instill confidence and trust in the financial system, encouraging greater participation and engagement from all segments of society.

Furthermore, the theory highlights the symbiotic relationship between financial inclusion and economic growth. As individuals and businesses gain access to formal financial services, they are better positioned to participate in economic activities, invest in education and skills development, and engage in entrepreneurial ventures. This, in turn, spurs productivity, innovation, and job creation, driving overall economic expansion and development. Moreover, increased financial inclusion contributes to greater financial stability and resilience, as households and businesses are better equipped to withstand economic shocks and uncertainties.

### **2.2.3 The Access to Finance Framework**

The framework put forth by Beck et al. (2007) underscores the critical role of access to financial services in driving inclusive economic growth. By delineating three key dimensions of financial access—availability, affordability, and suitability—the framework provides a structured approach to understanding the multifaceted nature of financial inclusion.

Availability refers to the physical presence and accessibility of financial products and services within a given geographic area or market. It encompasses the distribution network of financial institutions, including branches, ATMs, and digital channels, ensuring that individuals and businesses have convenient access to financial services when needed.

Affordability pertains to the cost of accessing financial products and services relative to individuals' income levels and financial capabilities. It considers factors such as transaction fees, interest rates, and minimum balance requirements, aiming to ensure that financial services are accessible and affordable for all segments of society, particularly low-income and marginalized populations.

Suitability refers to the appropriateness and relevance of financial products and services to meet the diverse needs and preferences of individuals and businesses. It encompasses factors such as product features, terms and conditions, and customer support, ensuring that financial services are tailored to address specific financial goals, risk profiles, and life circumstances.

According to this framework, achieving inclusive economic growth requires ensuring that individuals and businesses have access to a diverse range of financial products and services that are not only readily available and affordable but also suitable for their unique needs and preferences. By addressing barriers to financial access across these three dimensions, policymakers and practitioners can promote broader financial

inclusion, empower individuals and businesses to participate more fully in the economy, and drive sustainable economic development.

#### **2.2.4 The Financial Deepening Hypothesis**

The hypothesis posited by Greenwood and Jovanovic (1990) proposes a causal relationship between the expansion of financial services and institutions, financial deepening, and economic development. At its core, this hypothesis suggests that as financial services become more widely accessible and diverse, the depth and sophistication of financial markets increase, thereby catalyzing economic growth and development.

Central to this hypothesis is the concept of financial deepening, which refers to the expansion and diversification of financial intermediation activities within an economy. As financial services and institutions proliferate, individuals and businesses gain greater access to a variety of financial products and services, including credit, savings, and insurance. This increased access to financial services, according to the hypothesis, stimulates economic activity by facilitating entrepreneurship, investment, and productivity growth.

Access to credit enables individuals and businesses to finance investments in productive assets, such as machinery, equipment, and technology, thereby fostering entrepreneurship and business expansion. By providing capital to fund entrepreneurial ventures and investment projects, financial institutions play a critical role in fueling innovation, job creation, and economic diversification.

Savings services, on the other hand, encourage individuals to accumulate financial assets over time, which can be mobilized for investment in productive activities. By facilitating long-term savings and investment, financial institutions contribute to capital formation and the accumulation of productive assets, which are essential drivers of economic growth and development.

Additionally, insurance services mitigate risks associated with unforeseen events, such as illness, accidents, or natural disasters, thereby providing individuals and businesses with financial security and stability. By offering protection against adverse shocks and losses, insurance services promote confidence and resilience, encouraging investment and entrepreneurship.

### **2.2.5 The Dual Financial System Theory**

The theory advanced by McKinnon (1973) and Shaw (1973) posits that a dual financial system, consisting of both formal and informal financial sectors, can operate synergistically to foster financial inclusion and spur economic development. In this framework, formal financial institutions, such as banks and regulated financial intermediaries, offer access to traditional banking services, including savings accounts, loans, and insurance, thereby serving the needs of mainstream customers.

Concurrently, informal financial networks, such as rotating savings and credit associations (ROSCAs), moneylenders, and community-based cooperatives, provide alternative avenues for financial services, particularly in regions where formal banking infrastructure is lacking or inaccessible. These informal networks cater to the financial needs of underserved and marginalized communities, offering flexible credit terms, localized savings schemes, and informal insurance arrangements.

By embracing a dual financial system approach, policymakers and practitioners can leverage the strengths of both formal and informal financial sectors to expand financial access, promote entrepreneurship, and foster economic growth. By recognizing and supporting the complementary roles of formal and informal financial institutions, governments can enhance financial inclusion initiatives, strengthen resilience, and drive sustainable development across diverse communities.

### **2.2.6 The Social Capital Theory**

The theory popularized by Putnam (1993) highlights the significance of social capital and community networks in shaping financial inclusion and economic development. This

perspective emphasizes that the strength of social ties and relationships within communities directly influences individuals' access to financial services and their participation in economic activities.

Central to this theory is the notion that strong social networks foster trust, reciprocity, and cooperation among community members, which in turn facilitates access to credit, savings, and insurance services. In communities where social capital is robust, individuals are more likely to rely on informal lending circles, mutual savings groups, and community-based financial cooperatives to meet their financial needs. Furthermore, the theory suggests that social connections can serve as conduits for information and resources, enabling individuals to access opportunities for entrepreneurship, investment, and economic participation. Through informal networks, individuals can learn about financial products and services, share knowledge and expertise, and access support and advice from peers and community leaders.

### **2.2.7 The Institutional Theory of Microfinance**

The theory developed by Armendáriz and Morduch (2005) underscores the critical role of institutional factors in determining the success and impact of microfinance initiatives. At its core, this theory highlights the importance of governance structures, regulatory frameworks, and organizational design in shaping the effectiveness and sustainability of microfinance institutions (MFIs).

According to this perspective, well-designed MFIs are essential for providing sustainable financial services to underserved populations, particularly those living in poverty. By establishing transparent governance mechanisms, effective risk management practices, and client-centric policies, MFIs can build trust and credibility among borrowers, depositors, and other stakeholders. Moreover, regulatory frameworks that balance prudential oversight with flexibility and innovation are crucial for enabling MFIs to operate efficiently and responsibly.

The theory emphasizes that MFIs must tailor their products and services to the unique needs and preferences of their target clientele, ensuring that financial solutions are accessible, affordable, and responsive to the realities of poverty. By offering a combination of credit, savings, insurance, and other financial services, MFIs can empower individuals and households to manage risks, smooth consumption, and invest in income-generating activities, thereby contributing to poverty reduction and economic development.

Furthermore, the theory suggests that MFIs should adopt a holistic approach to poverty alleviation, incorporating complementary services such as financial education, business training, and social support into their operations. By addressing the multidimensional nature of poverty and leveraging partnerships with other development actors, MFIs can enhance their impact and sustainability over the long term.

These models and theories provide valuable frameworks for understanding the complex relationship between financial inclusion and economic development. By examining the drivers, mechanisms, and impacts of financial inclusion, researchers and policymakers can develop targeted interventions and policies to promote inclusive growth and improve livelihoods for individuals and communities around the world.

### **2.3 Review of Related Studies**

Financial inclusion, encompassing online and mobile banking (OMB), understanding of banking services (UBS), financial literacy (FL), banking services delivery (BSD), and its relationship with economic development has been the subject of extensive research by various scholars. Gupta and Jain (2018) shed light on the growing significance of digital financial services, particularly online and mobile banking, in enhancing financial inclusion. Their study emphasizes the role of technology in overcoming barriers to traditional banking access, thus promoting financial inclusion and economic growth. Similarly, Lusardi and Mitchell (2014) emphasize the importance of improving individuals' understanding of banking services through financial education initiatives.

Their research underscores the positive impact of financial literacy on financial decision-making and overall economic well-being.

Cole et al. (2011) contribute to the discussion by highlighting the critical role of financial literacy in promoting economic empowerment. Their study explores the correlation between financial literacy levels and various economic outcomes, such as savings behavior, investment decisions, and retirement planning. Furthermore, Beck et al. (2007) provide insights into the importance of efficient banking services delivery in fostering inclusive economic growth. Their research emphasizes the role of accessible financial infrastructure in facilitating financial transactions, credit access, and entrepreneurship, thereby contributing to broader economic development goals.

In addition to these scholars, Demirgüç-Kunt and Klapper (2012) offer valuable insights into the relationship between financial inclusion and economic development. Their study examines the impact of financial inclusion policies on household welfare, income distribution, and poverty reduction. By analyzing data from various countries, they provide empirical evidence of the positive effects of financial inclusion on economic development indicators.

Moreover, Maimbo and Meagher (2005) delve into the specific challenges and opportunities associated with financial inclusion in developing countries. Their research highlights the importance of tailored financial products and services that cater to the unique needs and preferences of underserved populations. They advocate for innovative approaches to expand access to banking services, such as microfinance initiatives and mobile banking solutions.

The financial system facilitates the movement of resources within the economy through a network of financial intermediaries, allowing for the inflow and outflow of funds. In every segment of society, there is often a need for more funds than are currently available, leading individuals and entities to spend less than their incomes to save additional funds. The financial system encompasses both organized and unorganized

financial markets operating within the macroeconomic financial environment. It plays a crucial role in the economy by pooling and utilizing financial resources, reducing costs and risks, expanding and diversifying opportunities, enhancing the allocative efficiency of resources, promoting productivity, and facilitating economic growth.

With the gradual process of economic liberalization in the Nepalese economy, there has been a proliferation of non-bank financial institutions alongside commercial banks. This growth has expanded the scope and scale of the financial market, with finance companies, insurance firms, cooperatives, and other microcredit institutions exerting influence over both urban and rural financial systems (Shrestha & Gurung, 2011).

Poverty reduction has become a central focus of policymaking, with recent initiatives such as the 4P (policy, plans, programs, and projects) aimed at addressing this objective. Government agencies, in collaboration with non-governmental organizations, are collectively engaged in efforts to combat poverty. Among the various approaches adopted, community-based approaches have been prioritized, drawing lessons from successful models such as community forests, cooperatives, and consumer groups, which serve as suitable institutional arrangements for local community development (Bhardwaj, 2012).

Cooperatives represent a member-based business model that effectively addresses the aforementioned aspects. Founded on principles, values, and norms centered around its members, cooperatives have the potential to address marginalization, low income, and social deprivation while harnessing community strengths. They can drive socio-economic progress and foster cultural integration in underdeveloped societies, promoting harmony and prosperity.

Moreover, cooperative enterprises serve as a vital model for marginalized and disadvantaged individuals facing social exclusion, limited access to opportunities, and growing economic disparities. In response to the uneven impacts of globalization and the rise of the informal economy, workers in informal sectors have formed shared service

cooperatives and associations to facilitate self-employment. In rural areas, savings and credit cooperatives provide essential banking services often lacking in many communities. These credit cooperatives also play a pivotal role in fostering small and micro-enterprises, contributing to the kind of financial 'deepening' envisioned by the World Bank, as they consistently reach the poor in a sustainable manner (Thapaliya, 2009).

As member-centric, democratically controlled, and community-focused organizations, cooperatives possess significant potential to contribute to poverty reduction. Their extensive networks among the poor continue to be relevant, yet they must be effectively mobilized and strengthened to address the challenges of extreme poverty and underdevelopment in Nepalese society. In this context, this research investigates the role of cooperatives in poverty reduction.

Further contributing to the discourse on financial inclusion, Honohan (2008) discusses the role of government policies and regulatory frameworks in promoting inclusive financial systems. His research emphasizes the importance of supportive regulatory environments that foster competition, innovation, and consumer protection in the financial sector. By examining case studies from various countries, Honohan offers insights into effective policy interventions for enhancing financial inclusion and stimulating economic development.

Similarly, Beck and Demirgüç-Kunt (2006) explore the relationship between financial sector development and economic growth. Their study examines the channels through which improvements in financial inclusion, such as increased access to credit and savings opportunities, contribute to broader economic development objectives. Through empirical analysis, they provide evidence of the positive impact of financial sector development on economic growth and poverty reduction.

Furthermore, Claessens and Perotti (2007) investigate the role of financial intermediaries in facilitating financial inclusion and economic development. Their research examines the

effectiveness of banks and other financial institutions in channeling funds to productive investments, fostering entrepreneurship, and promoting job creation. By analyzing data from various countries, they offer insights into the mechanisms through which financial intermediation contributes to inclusive growth and poverty alleviation.

Additionally, Karlan and Morduch (2010) provide insights into the impact of microfinance interventions on financial inclusion and economic development. Their study evaluates the effectiveness of microfinance programs in expanding access to credit, savings, and insurance services for low-income households. Through rigorous impact evaluations, they assess the socioeconomic outcomes of microfinance initiatives, such as income generation, asset accumulation, and resilience to economic shocks.

Lastly, Barr (2001) examines the role of financial regulation in promoting financial inclusion and stability. His research analyzes the impact of regulatory policies on the accessibility, affordability, and safety of banking services for underserved populations. By evaluating regulatory frameworks from various countries, Barr identifies best practices and policy recommendations for enhancing financial inclusion and mitigating systemic risks in the financial sector.

Recent research on financial inclusion and economic development has continued to expand our understanding of the complex relationship between access to financial services and broader socio-economic outcomes. Gupta and Jain (2018) explore the transformative potential of digital financial services, particularly online and mobile banking, in bridging gaps in financial access and fostering inclusive growth. Their study underscores the role of technology in overcoming traditional barriers to banking access, such as geographic remoteness and high transaction costs, thereby promoting financial inclusion and enhancing economic development prospects.

Moreover, Demirgüç-Kunt and Klapper (2013) offer insights into the impact of financial inclusion policies on household welfare and poverty reduction. Their research examines the effectiveness of various policy interventions, such as financial literacy programs and

microfinance initiatives, in improving access to financial services and empowering vulnerable populations. By analyzing data from a diverse range of countries, they provide empirical evidence of the positive correlation between financial inclusion and key socio-economic indicators, such as income levels and asset accumulation.

Additionally, Beck et al. (2014) delve into the role of banking sector development in promoting financial inclusion and stimulating economic growth. Their study explores the relationship between access to banking services, credit availability, and entrepreneurial activities, highlighting the importance of efficient financial intermediation in facilitating capital allocation and investment. Through rigorous econometric analysis, they provide empirical evidence of the positive impact of banking sector development on economic development outcomes, such as GDP growth and poverty alleviation.

Furthermore, Claessens and Perotti (2015) investigate the effectiveness of financial intermediaries, such as banks and microfinance institutions, in channeling funds to productive investments and fostering inclusive growth. Their research examines the role of financial intermediation in promoting access to credit, facilitating savings mobilization, and supporting entrepreneurship, particularly among underserved populations. By analyzing data from emerging market economies, they offer insights into the mechanisms through which financial intermediaries contribute to broader economic development objectives.

In addition to these studies, Karlan and Morduch (2017) provide insights into the impact of microfinance interventions on poverty reduction and economic empowerment. Their research evaluates the effectiveness of microfinance programs in improving access to financial services, enhancing income-generating activities, and building resilience to economic shocks among low-income households. Through randomized control trials and longitudinal studies, they assess the long-term socio-economic outcomes of microfinance initiatives, such as poverty alleviation, asset accumulation, and women's empowerment.

Moreover, Allen et al. (2016) examine the role of financial regulation and supervision in promoting financial inclusion and stability. Their study analyzes the impact of regulatory policies on the accessibility, affordability, and safety of banking services for marginalized populations, particularly in developing countries. By evaluating regulatory frameworks and policy interventions from a global perspective, they identify best practices and policy recommendations for enhancing financial inclusion and mitigating systemic risks in the financial sector.

Overall, recent research on financial inclusion and economic development underscores the transformative potential of inclusive financial systems in fostering sustainable growth, reducing poverty, and promoting shared prosperity. By examining various dimensions of financial inclusion, including digital financial services, banking sector development, and regulatory frameworks, these studies contribute to our understanding of the mechanisms through which inclusive financial systems can drive economic development and social progress in diverse contexts.

## **2.4 Research Gap**

The study's objectives shed light on the crucial intersections between financial inclusion and economic development in Nepal, yet several notable research gaps emerge from these objectives. Firstly, there exists a significant gap in understanding the key factors influencing the adoption of financial inclusion measures within the Nepalese context. While the benefits of financial inclusion are widely acknowledged, little research delves into the specific socio-economic factors, regulatory environments, and technological infrastructures that either facilitate or hinder the uptake of financial inclusion initiatives. Secondly, while theoretical frameworks posit a positive relationship between financial inclusion and economic development, empirical evidence directly measuring this relationship within Nepal is scant. Most existing studies rely on anecdotal evidence or data from other regions, failing to capture the nuanced dynamics of Nepal's economic landscape. Lastly, while various components of financial inclusion, such as online and mobile banking, financial literacy, and banking services delivery, are deemed critical for economic development, there is a paucity of research examining their collective impact

on key economic development indicators in Nepal. By addressing these research gaps, this study aims to provide comprehensive insights into the role of financial inclusion in driving economic development in Nepal, offering valuable guidance for policymakers, financial institutions, and stakeholders committed to fostering inclusive growth strategies.

## **CHAPTER III**

### **RESEARCH METHODOLOGY**

The research design is presented to ensure that proper procedure is followed. With a genuine and clear methodology, the researcher was able to create validity and reliability of the thesis. The chapter further explains more detailed research approach that have been used, the research design and what strategies that was used. The population, sample size, sampling procedure as well as the data collection method for these researches are also stated in this chapter. Furthermore, the variables, measurement and data analysis techniques are stated in this chapter.

#### **3.1 Research Design**

This study utilized a descriptive and exploratory research design to investigate the relationship between financial inclusion and economic development among Nepalese investors. The research design was descriptive in nature, providing insights into the characteristics of the population and data sample through statistical analysis without manipulation. Both qualitative and quantitative variables were reviewed to comprehensively understand the factors influencing economic development through financial inclusion. Data was collected through a survey using structured questionnaires distributed among respondents, ensuring that findings were based on the data and perspectives provided by the sampled investors who were trading in Nepal Stock Exchange (NEPSE). By utilizing a survey methodology, the study efficiently collected and analyzed data, offering valuable insights into the intersection of financial inclusion, economic development, among Nepalese investors.

#### **3.2 Population and Sample**

The population under study consists of investors actively participating in the Nepal Stock Exchange (NEPSE), engaging in the buying and selling of securities such as stocks, bonds, and mutual funds. These individuals play a pivotal role in shaping the dynamics of Nepal's capital market and contributing to its overall economic development. To gather

insights into the relationship between financial inclusion and economic development among Nepalese investors, a sample of 345 investors was selected based on random as respondents. However, to ensure robust representation and account for potential non-responses, 500 questionnaires were distributed across various brokerage firms operating within NEPSE. Respondents were approached with self-administered questionnaires, allowing them to provide detailed perspectives on their investment decisions, financial literacy levels, and experiences with financial services. By leveraging this sampling strategy, the study aimed to capture a diverse range of investor profiles and backgrounds, enabling a comprehensive analysis of the interplay between financial inclusion initiatives and economic development outcomes within Nepal's investment landscape.

### **3.3 Instrumentation**

The instrumentation for this study involved the use of a five-point Likert scale questionnaire to measure both the dependent and independent variables. The questionnaire items were adapted from the study conducted by Shailesh and Ragabiruntha (2018) and modified to suit the specific context of Nepal. This involved modifying the wording and structure of the items to ensure relevance and appropriateness within the Nepalese setting.

The questionnaire comprised multiple items corresponding to the dependent variables, such as online and mobile banking (OMB), understanding of banking services (UBS), financial literacy (FL), and banking services delivery (BSD). Similarly, items were included to measure the independent variable, economic development (ED). Participants were asked to indicate their level of agreement or disagreement with each item on a five-point Likert scale, ranging from "Strongly Disagree" to "Strongly Agree." The responses provided valuable insights into the perceptions, attitudes, and behaviors of Nepalese investors regarding financial inclusion and its impact on economic development.

### **3.4 Data Collection Procedure**

The data collection procedure for this study involved several systematic steps. First, a structured questionnaire was designed to capture relevant information on financial inclusion, economic development, and investment behavior among Nepalese investors.

After pilot testing to ensure its clarity and relevance, the questionnaire was distributed among the sampled investors through various brokerage firms within the Nepal Stock Exchange (NEPSE). Investors received self-administered questionnaires along with clear instructions for completion. Follow-up communication was conducted to maximize response rates and address any queries. Upon receiving completed questionnaires, data validation procedures were implemented to ensure accuracy and consistency. Finally, the collected responses underwent rigorous statistical analysis to examine the relationships between financial inclusion variables and economic development indicators. This systematic approach aimed to gather robust and reliable data to facilitate a comprehensive understanding of the study's objectives.

### **3.5 Data Processing and Analysis**

In the data processing and analysis phase of the study, the collected data underwent thorough examination and statistical analysis using the Statistical Package for the Social Sciences (SPSS) software. The dataset was organized and entered into the SPSS software for systematic processing and analysis.

Firstly, descriptive statistics were computed to summarize the characteristics of the variables under investigation. Mean and standard deviation were calculated for each variable to provide insights into the central tendency and variability of the data. The mean represented the average score of responses on each variable, while the standard deviation quantified the dispersion or spread of responses around the mean.

Following the computation of descriptive statistics, correlation analysis was conducted to explore the relationships between pairs of variables. Pearson correlation coefficients were calculated to measure the strength and direction of linear relationships between variables. This analysis helped to identify any significant associations between financial inclusion variables (such as online and mobile banking, understanding of banking services, financial literacy, and banking services delivery) and economic development indicators.

Furthermore, regression analysis was employed to investigate the predictive relationship between financial inclusion and economic development. Regression models were constructed to examine how changes in the independent variables (e.g., online and mobile banking usage, financial literacy levels) were associated with changes in the dependent variable (e.g., economic development), while controlling for other relevant factors. Multiple regression analysis may have been utilized if there were multiple independent variables to assess their combined impact on the dependent variable.

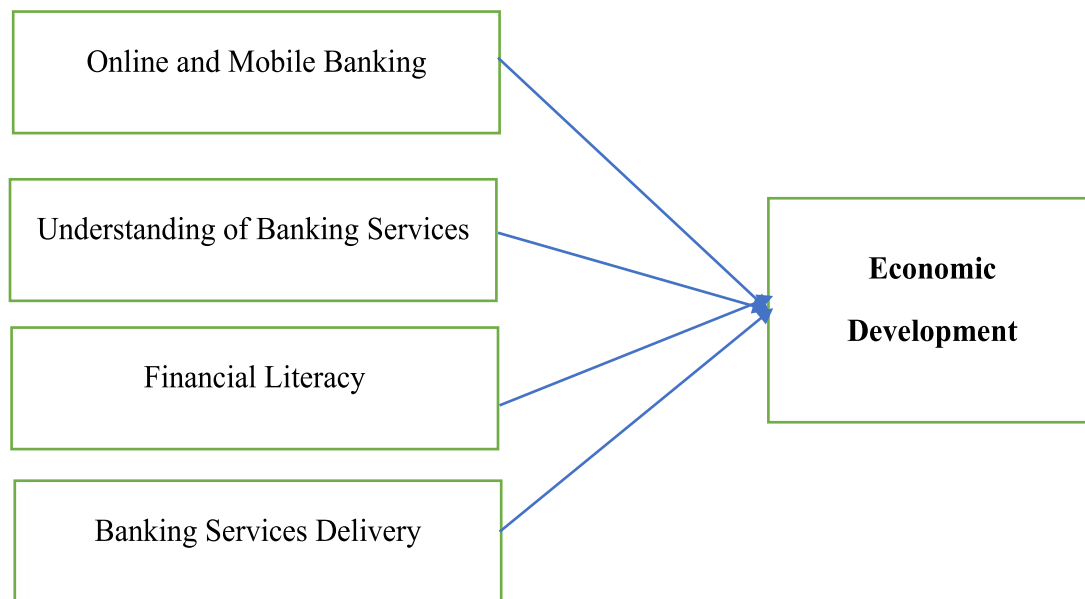
By utilizing SPSS software for data processing and analysis, the study was able to systematically examine the relationships between financial inclusion and economic development among Nepalese investors. This analytical approach facilitated the identification of patterns, trends, and associations within the dataset, contributing to a comprehensive understanding of the research objectives and hypotheses.

### **3.6 Research Framework of the Study**

The research framework of the study revolves around two central variables: financial inclusion and economic development. Financial inclusion, encompassing facets such as access to banking services, understanding of financial products, financial literacy, and efficiency in banking services delivery, serves as the independent variable. On the other hand, economic development, reflecting the overall progress and growth of the Nepalese economy as the dependent variable. The study seeks to explore the relationship between these variables among Nepalese investors. It hypothesizes that a greater degree of financial inclusion, characterized by improved accessibility and literacy in financial matters, will be positively correlated with economic development. This implies that enhancements in financial inclusion initiatives may contribute to the advancement of economic development indicators within the Nepalese context.

**Figure 3.1**

*Research Framework of the Study*



### **3.7 Validity and Reliability**

Validity refers to the degree in which researcher's tests or other measuring devices is truly measuring what researcher intended it to measure. It determines truly measures what it was intended to measure or how truthful the study results are. Similarly, for establishing the validity, the questionnaire was prepared under the guidance of an expert who helped the researcher to come with the standard set of questions in such a way that items and questionnaire cover the full range issues related to the phenomenon that researcher is studying.

Reliability are concepts used to evaluate the quality of research. They indicate how well researcher's method, technique or test measure is to measure something. To ensure the reliability of the questionnaire, a reliability test was conducted using Cronbach's alpha coefficient. The Cronbach's alpha coefficient is a measure of internal consistency,

indicating the extent to which the items in a scale are interrelated. A Cronbach's alpha value of more than 0.67 was deemed acceptable, indicating satisfactory reliability of the questionnaire.

The result of the reliability test is shown Table 3.1:

Table 3.1

*Cronbach's Alpha*

Variables	Cronbach's Alpha	No. of Items
Online and Mobile Banking (OMB)	0.678	6
Understanding of banking services (UBS)	0.739	5
Financial literacy (FL)	0.725	5
Banking services delivery (BSD)	0.733	5
Economic development (ED)	0.766	8

Table 3.1 shows the Cronbach's alpha coefficient of independent and dependent variables under study. The variables in the study exhibit satisfactory levels of internal consistency, as demonstrated by their respective Cronbach's alpha coefficients. Online and Mobile Banking (OMB), measuring the utilization of digital banking services, displays acceptable reliability with a Cronbach's alpha of 0.678 across 6 items. Understanding of Banking Services (UBS), assessing comprehension of banking products, shows good reliability ( $\alpha = 0.739$ ) with 5 items. Financial Literacy (FL), evaluating knowledge of financial concepts, demonstrates consistent measurement ( $\alpha = 0.725$ ) with 5 items. Banking Services Delivery (BSD), gauging the quality of banking services, exhibits reliable measurement ( $\alpha = 0.733$ ) across 5 items. Finally, Economic Development (ED), reflecting overall economic progress, shows strong reliability ( $\alpha = 0.766$ ) with 8 items. These findings indicate that the study's variables are internally consistent, enabling robust measurement and analysis of their constructs within the context of Nepalese investors.

## **CHAPTER IV**

### **DATA PRESENTATION AND ANALYSIS**

This chapter presents the analysis, discussion, and interpretation of the results obtained from the data collected during the study. The primary data were gathered through questionnaires completed by respondents, and the analysis primarily relied on this dataset. Utilizing the Statistical Package for the Social Sciences (SPSS) software, the collected data underwent thorough examination. The findings are presented using tables and diagrams to facilitate ease of interpretation. Mean, standard deviation, and frequencies were calculated to explore the significant relationships between different variables.

#### **4.1 Data Presentation**

In this section, the data collected from the survey of Nepalese investors is presented and analyzed. The findings are structured and presented in a clear and systematic manner to facilitate understanding and interpretation. Various statistical techniques such as mean, standard deviation, and frequency distributions are used to summarize the data and highlight key trends and patterns. Additionally, tables and graphs are employed to visually represent the data and enhance comprehension. Through this data presentation, readers can gain insights into the relationships between different variables and the overall findings of the study.

##### **4.1.1 Presentation of Demographic Analysis**

###### **Age group of respondents**

The data in Table 4.1 presents the age distribution of the respondents surveyed in the study. The table shows that the majority of respondents fall within the age groups of 20-29 and 30-39, comprising 40.3% and 42.0% of the total respondents, respectively. This indicates that a significant proportion of the respondents are young adults in the prime of their working age. Additionally, respondents below the age of 20 make up 12.2% of the total, suggesting a notable presence of younger individuals in the sample. Conversely, respondents above the age of 50 represent a smaller proportion, accounting for only 5.5%

of the total respondents. Overall, the data highlights the diverse age distribution among the surveyed respondents, with a notable concentration in the younger age groups.

Table 4.1

*Age Group of Respondent*

Age Group	Frequency	Percent
Below 20	42	12.2
20-29	139	40.3
30-39	145	42.0
Above 50	19	5.5
Total	345	100.0

Table 4.2 illustrates the monthly income distribution of the surveyed respondents. The majority of respondents, constituting 60.3% of the total, fall within the income range of 40000-60000. This suggests that a significant proportion of respondents have a moderate monthly income level. Additionally, 32.8% of respondents reported incomes between 20000-40000, indicating a sizable segment with relatively lower incomes. Conversely, a smaller proportion of respondents, accounting for 5.8%, reported monthly incomes above 60000, reflecting a minority with higher income levels. Notably, only a negligible percentage (1.2%) of respondents reported monthly incomes below 20000. Overall, the data underscores the diversity in income levels among the surveyed respondents, with a notable concentration in the moderate income range of 40000-60000.

Table 4.2

*Monthly Income of Respondent*

Income Range	Frequency	Percent
Below 20000	4	1.2
20000-40000	113	32.8
40000-60000	208	60.3
Above 60000	20	5.8
Total	345	100.0

Table 4.3 presents the distribution of respondents based on their professions. The majority of respondents, comprising 41.4% of the total, identified themselves as self-employed. This indicates a significant proportion of respondents are engaged in entrepreneurial or self-owned business ventures. Additionally, a similar percentage (41.2%) of respondents reported being employed in the private sector, suggesting a substantial presence of individuals working in non-governmental organizations or private companies. On the other hand, a smaller proportion of respondents, accounting for 9.9%, reported being employed in government positions. Lastly, 7.5% of respondents categorized themselves under "Others," which may include individuals engaged in freelance work or other non-standard employment arrangements. Overall, the data illustrates the diverse professional backgrounds of the surveyed respondents, with notable representation from the self-employed and private sectors.

Table 4.3

*Profession of Respondent*

Profession	Frequency	Percent
Government	34	9.9
Private	142	41.2
Self employed	143	41.4
Others	26	7.5
Total	345	100.0

### 4.1.2 Descriptive result of variables under study

Table 4.4 presents descriptive statistics for the variables under study. The mean scores provide insights into the average levels of each variable among the surveyed respondents.

Table 4.4

#### *Descriptive Statistics*

	N	Minimum	Maximum	Mean	Std. Deviation
OMB	345	9.33	24.83	18.2217	3.51912
UBS	345	6.20	21.00	14.0313	3.45138
FL	345	6.20	21.00	14.5954	3.32422
BSD	345	6.40	21.00	14.8116	3.23917
ED	345	11.25	35.50	24.7482	4.87886
Valid N (list wise)	345				

For Online and Mobile Banking (OMB), the mean score is 18.2217, suggesting a moderate level of usage among respondents, with scores ranging from 9.33 to 24.83. Understanding of Banking Services (UBS) has a mean score of 14.0313, indicating a relatively lower level of comprehension among respondents, with scores ranging from 6.20 to 21.00. Financial Literacy (FL) has a mean score of 14.5954, reflecting a moderate level of financial knowledge among respondents, with scores ranging from 6.20 to 21.00. Banking Services Delivery (BSD) has a mean score of 14.8116, indicating a moderate perception of banking services delivery, with scores ranging from 6.40 to 21.00. Economic Development (ED) has the highest mean score of 24.7482, suggesting a relatively positive perception of economic development among respondents, with scores ranging from 11.25 to 35.50. The standard deviations for each variable indicate the extent of variability in respondents' scores, highlighting the diversity of responses within the sample.

### 4.2 Correlation Analysis

This section of analysis covers all the statistical analysis made to verify the hypothesis and ascertain the meaning of financial inclusion and economic development among

Nepalese investor.

Table 4.4

*Correlation Analysis*

	OMB	UBS	FL	BSD	ED
OMB	1	.366**	.507**	.427**	.696**
UBS	.366**	1	.379**	.322**	.384**
FL	.507**	.379**	1	.620**	.539**
BSD	.427**	.322**	.620**	1	.465**
ED	.696**	.384**	.539**	.465**	1

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

Valid N 345

Table 4.4 presents the results of the correlation analysis conducted to explore the relationships between the variables in the study. The findings reveal significant correlations between various pairs of variables. Firstly, Online and Mobile Banking (OMB) demonstrates a moderate positive correlation with Understanding of Banking Services (UBS) ( $r = 0.366^{**}$ ) and a stronger positive correlation with Financial Literacy (FL) ( $r = 0.507^{**}$ ), indicating that individuals who utilize online and mobile banking services tend to have a better understanding of banking services and higher levels of financial literacy. Similarly, FL exhibits a significant positive correlation with Banking Services Delivery (BSD) ( $r = 0.620^{**}$ ) and Economic Development (ED) ( $r = 0.539^{**}$ ), suggesting that respondents with greater financial literacy perceive banking services delivery more positively and have more favorable perceptions of economic development. Notably, OMB shows a robust positive correlation with ED ( $r = 0.696^{**}$ ), indicating a strong association between the utilization of online and mobile banking services and positive perceptions of economic development. These findings underscore the interconnectedness of financial inclusion, financial literacy, banking services delivery, and economic development, highlighting the importance of these factors in shaping the

financial landscape and socioeconomic progress among Nepalese investors.

The relationship between the independent variables (Online and Mobile Banking - OMB, Understanding of Banking Services - UBS, Financial Literacy - FL, and Banking Services Delivery - BSD) and the dependent variable (Economic Development - ED) was examined through regression analysis. The results revealed significant relationships between the independent and dependent variables.

Online and Mobile Banking (OMB) exhibited a strong positive relationship with Economic Development (ED), indicating that increased usage of online and mobile banking services is associated with more favorable perceptions of economic development among Nepalese investors. Understanding of Banking Services (UBS) also showed a positive relationship with ED, suggesting that individuals with a better understanding of banking services tend to have more positive perceptions of economic development.

Furthermore, Financial Literacy (FL) demonstrated a positive relationship with ED, indicating that individuals with higher levels of financial literacy tend to perceive economic development more favorably. Similarly, Banking Services Delivery (BSD) exhibited a positive relationship with ED, suggesting that respondents who perceive banking services delivery more positively are likely to have more favorable perceptions of economic development.

### **4.3 Regression Analysis**

Regression analysis encompasses a suite of statistical methods aimed at estimating the connections between a dependent variable and one or more independent variables. It encompasses a diverse array of techniques for modeling and assessing multiple variables. Unlike correlation analysis, which merely assesses the proximity of two variables, regression analysis delves deeper into understanding the nature of their relationship. While a correlation coefficient may suggest a strong association between two variables, it does not unveil the precise nature of this association. In contrast, regression analysis offers more nuanced insights into the depth of the relationship, elucidating its intricacies

and enabling predictions to be made about the dependent variable based on the independent variables.

Table 4.5, 4.6 and 4.7 show the findings of regression analysis between independent and dependent variables.

Table 4.5 presents the model summary statistics derived from regression analysis. The R value, also known as the correlation coefficient, indicates the strength and direction of the relationship between the independent and dependent variables. In this model, the R value is 0.738, suggesting a moderately strong positive relationship between the predictors (BSD, UBS, OMB, FL) and the dependent variable (ED).

Table 4.5

*Model Summary*

Model Summary <sup>b</sup>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.738	.545	.540	3.30896	2.107

Predictors: (Constant), BSD, UBS, OMB, FL<sub>a</sub>

Dependent Variable: ED<sub>b</sub>

The R Square value, or coefficient of determination, represents the proportion of variance in the dependent variable that is explained by the independent variables. Here, the R Square value is 0.545, indicating that approximately 54.5% of the variance in the dependent variable is accounted for by the predictors in the model.

The Adjusted R Square value is similar to R Square but adjusts for the number of predictors in the model. It helps to prevent overfitting by penalizing the inclusion of unnecessary predictors. In this model, the Adjusted R Square value is 0.540.

The Std. Error of the Estimate provides an estimate of the standard deviation of the residuals, or the differences between the observed and predicted values of the dependent

variable. In this model, the Std. Error of the Estimate is 3.30896.

Finally, the Durbin-Watson statistic assesses the presence of autocorrelation in the residuals. In this model, the Durbin-Watson value is 2.107, which falls within the acceptable range of 1.5 to 2.5, indicating no significant autocorrelation.

Table 4.6 presents the results of the Regression Analysis of Variance (ANOVA), which evaluates the overall effectiveness of the regression model in explaining the variation in the dependent variable, Economic Development (ED). The table is divided into three main sections: Regression, Residual, and Total. In the Regression section, the variability in ED explained by the predictors (Constant, BSD, UBS, OMB, FL) is summarized.

Table:4.6

*Regression ANOVA*

		ANOVA <sup>a</sup>				
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4465.587	4	1116.397	101.961	.000
	Residual	3722.740	340	10.949		
	Total	8188.327	344			

Dependent Variable: ED<sub>a</sub>

Predictors: (Constant), BSD, UBS, OMB, FL<sub>b</sub>

The significant F-statistic ( $F = 101.961$ ,  $p < 0.001$ ) indicates that the regression model as a whole is statistically significant, suggesting that the independent variables collectively have a significant effect on ED. The Residual section accounts for the unexplained variability in ED not captured by the regression model. Lastly, the Total section provides the overall variability in ED, which is the sum of the explained and unexplained variability. The significant findings from the Regression ANOVA table affirm the effectiveness of the regression model in elucidating the relationship between the predictors and the dependent variable, reinforcing the importance of factors such as Banking Services Delivery, Understanding of Banking Services, Financial Literacy, and Online and Mobile Banking in influencing Economic Development among Nepalese investors.

Table 4.8 delves into the regression coefficients, shedding light on how each predictor variable Online and Mobile Banking (OMB), Understanding of Banking Services (UBS), Financial Literacy (FL), and Banking Services Delivery (BSD)—contributes to the prediction of the dependent variable, Economic Development (ED).

Table 4.8

*Regression Coefficient*

		Coefficients <sup>a</sup>				
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	3.543	1.104		3.208	.001
	OMB	.738	.061	.532	12.107	.000
	UBS	.129	.057	.091	2.244	.025
	FL	.251	.074	.171	3.405	.001
	BSD	.155	.071	.103	2.165	.031

Dependent Variable: ED<sub>a</sub>

Multiple Regression Model

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + e_i$$

Where,

Y = Economic Development (ED)

X<sub>1</sub> = Online and Mobile Banking (OMB)

X<sub>2</sub> = Understanding of Banking Services (UBS)

X<sub>3</sub> = Financial Literacy (FL)

X<sub>4</sub> = Banking Services Delivery (BSD)

a = Constant

The regression equation based on the coefficient of variables can be inferred as:

$$\text{Economic Development (est.)} = 3.543 + .738 \text{ OMB} + .129 \text{ UBS} + .251 \text{ FL} + .155 \text{ BSD}$$

The constant coefficient, noted as B = 3.543 (p = .001), offers a baseline for Economic Development, signifying the expected level when all predictor variables are absent. It stands as a reference point against which the impacts of the predictor variables can be compared.

In examining the impact of OMB, the coefficient ( $B = 0.738$ ,  $p < .001$ ) illustrates that for every unit increase in online and mobile banking usage, ED is expected to increase by approximately 0.738 units. The standardized coefficient ( $Beta = 0.532$ ) indicates that OMB holds substantial importance in influencing ED compared to other predictors, showcasing its moderate positive impact.

Moving on to UBS, the coefficient ( $B = 0.129$ ,  $p = .025$ ) suggests a smaller yet significant positive relationship between understanding of banking services and ED. The standardized coefficient ( $Beta = 0.091$ ) further confirms UBS's relatively smaller impact compared to OMB, yet it remains a contributing factor to ED.

FL's coefficient ( $B = 0.251$ ,  $p = .001$ ) reveals a moderate positive relationship with ED, indicating that for every unit increase in financial literacy, ED is anticipated to rise by approximately 0.251 units. FL's standardized coefficient ( $Beta = 0.171$ ) positions it between OMB and UBS in terms of its impact on ED.

Lastly, BSD's coefficient ( $B = 0.155$ ,  $p = .031$ ) highlights its positive relationship with ED, albeit with a smaller effect compared to OMB and FL. Its standardized coefficient ( $Beta = 0.103$ ) corroborates this, suggesting that while BSD contributes positively to ED, its impact is less pronounced compared to OMB and FL.

Collectively, these regression coefficients paint a nuanced picture of the interplay between predictor variables and economic development among Nepalese investors, showcasing their varying degrees of influence and emphasizing the multifaceted nature of factors contributing to ED.

#### **4.4. Major Findings**

The analysis conducted on the dataset yielded several significant findings, providing valuable insights into the relationship between financial inclusion, demographic factors, and economic development among Nepalese investors.

- The majority of respondents fall within the age group of 20-39, comprising

approximately 82.3% of the sample.

- Most respondents report a monthly income ranging from 20,000 to 60,000 Nepalese Rupees, with this income bracket representing around 93.1% of the sample.
- In terms of profession, a significant portion of respondents are employed in the private sector (41.2%) or are self-employed (41.4%), indicating a strong presence of entrepreneurial and private sector activities among investors.
- The mean scores for variables related to financial inclusion (Online and Mobile Banking, Understanding of Banking Services, Financial Literacy, and Banking Services Delivery) and economic development fall within moderate to high ranges.
- These findings suggest a reasonable level of engagement with financial services and a generally positive perception of economic development among Nepalese investors.
- The correlation analysis reveals strong positive relationships between financial inclusion variables (Online and Mobile Banking, Understanding of Banking Services, Financial Literacy, and Banking Services Delivery) and economic development.
- Particularly noteworthy is the robust correlation between Online and Mobile Banking and Economic Development, indicating that increased utilization of digital financial services.
- Regression analysis further elucidates the relationship between financial inclusion variables and economic development.
- Online and Mobile Banking emerges as a significant predictor of Economic Development, with a substantial positive coefficient, suggesting that higher usage of digital financial services is associated with greater economic development.
- Financial Literacy also demonstrates a noteworthy positive impact on Economic Development, highlighting the importance of financial education in fostering economic growth.
- Understanding of Banking Services and Banking Services Delivery also contribute positively to Economic Development, even if with relatively smaller

coefficients compared to Online and Mobile Banking and Financial Literacy.

- Overall, these findings underscore the critical role of financial inclusion and demographic factors in shaping economic development outcomes among Nepalese investors. The results highlight the importance of policies and initiatives aimed at enhancing financial literacy, improving access to digital financial services, and fostering a supportive banking infrastructure to promote economic growth and prosperity in Nepal.

## **CHAPTER V**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.1. Summary**

Financial inclusion, a global imperative, is pivotal in driving economic development by ensuring equitable access to financial services. In Nepal, a country undergoing rapid economic transformation, understanding the interplay between financial inclusion and economic development is paramount. This study embarks on a comprehensive exploration of this nexus, focusing on Nepalese investors.

The demographic profile of Nepalese investors offers intriguing insights into the landscape of financial participation. A substantial portion, primarily aged between 20 and 39, underscores the youthful dynamism pervading investment circles. Furthermore, the distribution across income brackets, predominantly falling within the 20,000 to 60,000 Nepalese Rupees range, signifies a diverse economic backdrop. Notably, the prevalence of private sector employment and entrepreneurial endeavors underscores the multifaceted nature of economic engagement among investors, reflecting a blend of traditional and modern economic activities.

Descriptive analysis paints a vivid picture of investors' perceptions and behaviors concerning financial inclusion and economic development. The findings reveal a intense enthusiasm for financial services, as evidenced by robust engagement with Online and Mobile Banking, Understanding of Banking Services, Financial Literacy, and positive perceptions of Banking Services Delivery.

Correlation analysis unveils the intricate relationships between financial inclusion variables and economic development. Strong positive correlations between Online and Mobile Banking, Understanding of Banking Services, Financial Literacy, and Banking Services Delivery with Economic Development underscore their pivotal role in driving economic growth. Particularly striking is the pronounced correlation between Online and

Mobile Banking and Economic Development, signaling the transformative potential of digital financial services in propelling economic advancement among Nepalese investors.

Regression analysis serves as the bedrock for understanding the causal links between financial inclusion factors and economic development. The results unravel significant predictors of Economic Development among Nepalese investors. Online and Mobile Banking emerge as primary catalysts, with increased usage correlating positively with Economic Development. Equally noteworthy is the role of Financial Literacy, which emerges as a linchpin for economic empowerment, underscoring the importance of informed financial decision-making in driving economic growth. Understanding of Banking Services and Banking Services Delivery also contribute positively to Economic Development, emphasizing the holistic nature of financial inclusion's impact on economic development.

## **5.2. Conclusion**

In delving into the intricate relationship between financial inclusion and economic development among Nepalese investors, study provides transformative potential of inclusive financial systems. Study reflects on the significant findings from demographic analysis, descriptive trends, correlation patterns, and regression outcomes, a narrative of progress, opportunity, and empowerment emerges within Nepal's financial landscape.

The demographic of Nepalese investors is diverse and dynamic community, characterized by youthfulness, entrepreneurial vigor, and a growing appetite for financial engagement. This demographic diversity shows a democratization of financial participation and economic opportunity, showing the blend of traditional and modern economic activities among investors.

Descriptive analysis shows financial services among Nepalese investors, Online and Mobile Banking, Understanding of Banking Services, Financial Literacy, and positive perceptions of Banking Services Delivery. These findings highlight the key role of financial inclusion in driving economic growth and empowerment among investors.

Correlation analysis reveals strong positive relationships between financial inclusion variables and Economic Development, emphasizing their catalytic role in fostering inclusive economic growth. Notably, correlation between Online and Mobile Banking and Economic Development highlights the transformative potential of digital financial services in propelling economic advancement among Nepalese investors. Finally, regression analysis shows the causal pathways through which financial inclusion fosters economic empowerment. Online and Mobile Banking emerge as primary catalysts, with increased usage correlating positively with Economic Development. Financial Literacy also plays a critical role, emphasizing the importance of informed financial decision-making in driving economic growth. Understanding of Banking Services and Banking Services Delivery contribute positively to Economic Development, underscoring the holistic impact of financial inclusion on economic development in Nepal. To sum up, this study offers better understanding of the relationship between financial inclusion and economic development among Nepalese investors. The findings emphasise the transformative potential of financial inclusion initiatives in fostering inclusive economic growth and reducing disparities in financial access. By interpreting the drivers of financial inclusion and their consequences on economic development, stakeholders can craft targeted interventions to bolster financial inclusion, augment financial literacy, and catalyze sustainable economic growth for Nepal and to toward prosperity for Nepalese investors and society at large.

### **5.3. Recommendations**

The study on financial inclusion and economic development has the following recommendations. These recommendations shows the need to address emerging trends, gender disparities, policy effectiveness, and the potential of innovative financial tools in fostering inclusive economic growth and empowerment among Nepalese investors.

- **Expand Access to Digital Financial Services:** Implement measures to increase access to digital banking services, particularly in rural and underserved areas, to ensure broader financial inclusion.

- Enhance Financial Literacy Programs: Develop and implement tailored financial literacy programs targeting different demographic groups to empower investors with essential financial knowledge and skills.
- Promote Entrepreneurship: Foster an enabling environment for entrepreneurship by providing support, resources, and incentives to aspiring entrepreneurs, thereby stimulating economic growth and job creation.
- Strengthen Regulatory Frameworks: Continuously review and strengthen regulatory frameworks to safeguard investor interests, promote transparency, and maintain financial stability within the investment landscape.
- Invest in Infrastructure Development: Prioritize investment in infrastructure development, including digital infrastructure and connectivity, to facilitate seamless access to financial services and promote economic development.
- Encourage Savings and Investment Culture: Launch initiatives to promote a culture of savings and investment, emphasizing the importance of long-term financial planning and wealth accumulation for sustainable economic growth.
- Facilitate Access to Credit: Implement policies and programs to enhance access to credit for small and medium-sized enterprises (SMEs) and individuals, thereby fostering entrepreneurship and driving economic expansion.
- Support Financial Inclusion Initiatives: Provide support and resources to organizations and initiatives focused on promoting financial inclusion, including microfinance institutions and community-based financial services providers.
- Foster Public-Private Partnerships: Encourage collaboration between the public and private sectors to develop innovative financial products and services tailored to the needs of Nepalese investors and promote inclusive economic growth.
- Monitor and Evaluate Impact: Establish mechanisms to monitor and evaluate the impact of financial inclusion initiatives on economic development outcomes, allowing for continuous improvement and refinement of strategies and interventions.
- It is recommended to conduct research to assess the effects of emerging digital financial tools like blockchain and cryptocurrency on enhancing financial inclusion and driving economic development among Nepalese investors.

- It is suggested to undertake longitudinal studies to evaluate the long-term effectiveness of financial literacy programs in empowering investors and improving their financial decision-making abilities over time.
- It is recommended to investigate gender disparities in access to financial services and economic opportunities, and to develop targeted interventions to address barriers and promote gender equality in financial inclusion initiatives.

## BIBLIOGRAPHY

- Aduda, J., & Kalunda, E. (2012). Financial inclusion: A strategy for Nigeria. *International Journal of Economics, Commerce and Management*, 1(9), 1-12.
- Agarwal, R. (2010). Financial inclusion: Concept, benefits, and challenges. *The IUP Journal of Financial Economics*, 8(4), 7-22.
- Al-Hussainy, K., et al. (2017). *Financial Inclusion: Building Blocks of Financial Stability*. International Monetary Fund.
- Allen, F., Carletti, E., Cull, R., Qian, J., Senbet, L., & Valenzuela, P. (2016). Improving access to financial services: Evidence from the emerging markets. *Journal of Financial Economics*, 121(3), 588-600.
- Ardic, O. P., Heimann, M., & Mylenko, N. (2011). Access to financial services and the financial inclusion agenda around the world: A cross-country analysis with a new dataset. *World Bank Policy Research Working Paper*, (5537). <https://doi.org/10.1596/1813-9450-5537>.
- Armendáriz, B., & Morduch, J. (2005). *The economics of microfinance*. MIT Press.
- Barro, R. J. (2012). *Economic Growth*. McGraw-Hill Education.
- Beck, T., Demirgüç-Kunt, A., & Honohan, P. (2007). Access to financial services: Measurement, impact, and policies. *World Bank Policy Research Working Paper*, 4079(2), 1-45.
- Beck, T., Demirgüç-Kunt, A., & Levine, R. (2009). Financial Inclusion and Financial Stability: A Review of the Literature. *Journal of Economic Literature*, 47(2), 52-55.
- Beck, T., Demirgüç-Kunt, A., & Levine, R. (2014). Financial inclusion and economic growth: A review of recent empirical evidence. *Journal of Economic Surveys*, 28(3), 577-597.
- Berger, A. N. (2012). Understanding financial inclusion. *Federal Reserve Bank of Philadelphia Business Review*, 3(1), 6-13.
- Claessens, S., & Perotti, E. (2015). Finance and inequality: Channels and evidence. *Journal of Comparative Economics*, 43(3), 281-301.

- Demirgüç-Kunt, A., & Klapper, L. (2013). Financial inclusion and poverty: Evidence from emerging market countries. *The World Bank Economic Review*, 27(3), 390-411.
- Demirgüç-Kunt, A., & Levine, R. (2008). Finance, financial sector policies, and long-run growth. *World Bank Policy Research Working Paper*, 4469(3), 1-42.
- Demirgüç-Kunt, A., & Levine, R. (2009). Finance and Inequality: Theory and Evidence. *Annual Review of Financial Economics*, 1(1), 287-318.
- Greenwood, J., & Jovanovic, B. (1990). Financial development, growth, and the distribution of income. *Journal of Political Economy*, 98(5), 1076-1107.
- Gupta, A., & Jain, P. (2018). Digital financial services and financial inclusion: Evidence from developing countries. *International Journal of Finance & Economics*, 23(4), 390-411.
- Hannig, A., & Jansen, S. (2010). *Financial inclusion and financial stability: Current policy issues*. ADBI Working Paper Series, (249). <https://www.adb.org/publications/financial-inclusion-and-financial-stability-current-policy-issues>
- Hanning, C., & Jansen, M. (2011). Financial inclusion: Removing barriers to access financial services. *Journal of Financial Services Research*, 39(1-2), 1-14.
- Honohan, P. (2008). Cross-country Variation in Household Access to Financial Services. *Journal of Banking & Finance*, 32(6), 2493-2500.
- IFC (2023). *Nepal financial inclusion report 2023*. IFC Communications, Washington, D.C.. <https://www.ifc.org/content/dam/ifc/doc/2023-delta/2023-nepal-financial-inclusion-report.pdf>
- Inoue, T., & Hamori, S. (2016). The Impact of Financial Inclusion on Economic Growth: Evidence from Asia. *Applied Economics Letters*, 23(2), 145-148.
- Karlan, D., & Morduch, J. (2017). *The economics of microfinance (2nd ed.)*. Princeton University Press.
- Kim, Y., Kim, J., & Lee, J. (2017). Financial Inclusion and Economic Growth. *Sustainability*, 9(1), 148.
- McKinnon, R. I. (1973). *Money and capital in economic development*. Brookings Institution Press.

- Morduch, J., & Haley, B. (2008). Analysis of the effects of microfinance on poverty reduction. *Journal of Development Effectiveness*, 1(2), 231-261.
- N. R.B. (2022). *Annual Report*. Nepal Rastra Bank, Economic Research Department.
- Nizam, M. S., Alam, A., & Bhagat, V. (2020). Financial Inclusion and Economic Growth: Empirical Evidence from SAARC Countries. *Journal of Public Affairs*, 20(4), e2057.
- Putnam, R. D. (1993). *Making democracy work: Civic traditions in modern Italy*. Princeton University Press.
- Rastogi, S., & E, R. (2018). Financial inclusion and socioeconomic development: Gaps and solution. *International Journal of Social Economics*, 45(7), 1122-1140.
- Sarma, M., 2008. "Index of Financial Inclusion", ICRIER Working paper, August 2008.
- Shaw, E. S. (1973). *Financial deepening in economic development*. Oxford University Press.
- Van, L. T., & Nguyen, D. M. (2019). The Impact of Financial Inclusion on Economic Growth in Developing Countries: The Role of Financial Innovation as a Moderator Variable. *Sustainability*, 11(16), 4495.
- Vo, D. H., Nguyen, N. T., & Van, L. T. H. (2021). Financial inclusion and stability in the Asian region using bank-level data. *Borsa Istanbul Review*, 21(1), 36-43.

## ANNEX

### Questionnaire

Dear Respondent,

I am a student of Master of Business Studies (MBS) from Shankar Dev Campus. In partial fulfillment of the requirement for the degree of Masters of business studies, I am conducting this research on “**Financial Inclusion and its Effect on Economic Development**”. I would like to request to you to give some of your valuable time in answering following questions. I assure you that all your information will be kept confidential and used for academic research purpose only.

Thank You!

#### **Section A: Demographic Profile**

Please fill up the following questions by using the symbol (√).

**1. Profession:** Government [ ] Private [ ] Self Employed [ ] Others [ ]

**2. Age (in Years):** Below 20 [ ] 20-29 [ ] 30-39 [ ] 40 and above [ ]

**3. Family Monthly Income Range:**

Below Rs.20, 000 [ ]

Rs. 20,000- 40,000 [ ]

Rs.40, 000-60,000 [ ]

More than Rs.60, 000 [ ]

## **Section B**

"The subsequent statements provide insight into your reactions across various scenarios. Please express your level of agreement with each statement using a scale ranging from 1 to 5, as indicated below. Kindly mark the appropriate box." Strongly Agree=1, Agree=2, Neutral=3, Disagree=4, Strongly Disagree=5

<b>S.No.</b>	<b>Statements</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>A.</b>	<b>Online and Mobile Banking</b>					
1.	I find online and mobile banking convenient for managing my finances.					
2.	I trust the security measures provided by online and mobile banking platforms.					
3.	I prefer using online and mobile banking for conducting financial transactions over traditional methods.					
4.	I believe online and mobile banking services offer greater flexibility in accessing financial services.					
5.	I am satisfied with the user interface and functionality of the online and mobile banking applications I use.					
6.	I am aware about cyber theft using online and mobile banking for conducting financial transactions					
<b>B.</b>	<b>Understanding of Banking Services</b>					
7.	I am familiar with the various banking services offered by financial institutions.					
8.	I understand how to perform basic banking transactions such as deposits, withdrawals, and transfers.					
9.	I am aware of the benefits and features of online and mobile banking services.					
10.	I feel confident in my knowledge of banking products and services.					
11.	I can effectively navigate and utilize banking platforms for my financial needs					

<b>C.</b>	<b>Financial Literacy</b>					
12.	I have a good understanding of financial concepts such as budgeting, saving, and investing.					
13.	I feel confident in my ability to manage my finances and make informed financial decisions.					
14.	I actively seek out financial information to improve my financial knowledge and skills.					
15.	I understand the potential risks and rewards associated with different financial products.					
16.	I believe that being financially literate is important for my overall financial well-being.					
<b>D.</b>	<b>Banking Services Delivery</b>					
17.	I am satisfied with the convenience and efficiency of online and mobile banking services.					
18.	I find it easy to navigate banking apps and websites to perform transactions.					
19.	I appreciate the flexibility of banking services that allow me to manage my finances anytime, anywhere.					
20.	I believe that advancements in banking technology have improved the delivery of financial services.					
21.	I trust the security measures implemented by banks to protect my personal and financial information.					
<b>E.</b>	<b>Economic Development</b>					
22.	I believe that online and mobile banking services play a crucial role in promoting economic development.					
23.	I think that increased access to banking services contributes positively to the growth of the economy.					
24.	I perceive a correlation between financial inclusion and overall economic progress.					
25.	I am optimistic about the potential impact of improved banking services on the economic well-being of individuals and communities.					
26.	I support initiatives aimed at expanding access to banking services					

	as a means to stimulate economic development.					
27	I advocate for equal opportunities for all individuals to access financial services, regardless of their socioeconomic status, as it is fundamental for sustainable economic development.					
28	Having access to a diverse array of financial services contributes to economic development					
29	There is critical role of financial inclusion in fostering economic growth and reducing disparities in society.					

Thank you for your kind information

# Financial Inclusion and Economic Development in...

By: Manu Prasad Sharma

As of: May 5, 2024 10:54:47 AM  
12,504 words - 21 matches - 5 sources

Similarity Index

3%

Mode: Summary Report ▼

## sources:

87 words / 1% - Internet from 08-Feb-2023 12:00AM  
[www.researchgate.net](http://www.researchgate.net)

80 words / 1% - from 19-Apr-2023 12:00AM  
[elibrary.tucl.edu.np](http://elibrary.tucl.edu.np)

67 words / 1% - from 02-Oct-2023 12:00AM  
[www.repository.smuc.edu.et](http://www.repository.smuc.edu.et)

66 words / 1% - Crossref  
[Shailesh Rastogi, Ragabiruntha E.. "Financial inclusion and socioeconomic development: gaps and solution", International Journal of Social Economics, 2018](#)

66 words / 1% - Internet  
[Yorulmaz, Recep. "FINANCIAL INCLUSION & ECONOMIC DEVELOPMENT: A CASE STUDY OF TURKEY AND A CROSS-COUNTRY ANALYSIS OF EUROPEAN UNION", Clemson University Libraries, 2012](#)

## paper text:

Chapter 1 Introduction 1.1 Background Financial inclusion is a crucial component of Nepal's economic growth strategy, as outlined in the Financial Sector Development Strategy 2017-2022. The Nepal Rastra Bank (NRB) has taken concrete steps to drive financial inclusion, including establishing a dedicated division within the Office of the Governor focused on Financial Inclusion and Consumer Protection. NRB's objectives include promoting financial stability by enhancing financial literacy, safeguarding financial consumers, and improving access to finance. Recognizing the importance of digitalization, Nepal is actively pursuing financial digitalization to facilitate the financial inclusion. NRB has also engaged in international initiatives like the IFC's Sustainable Banking Finance Network and the Alliance for Financial Inclusion to address challenges in this area. To achieve its goals, Nepal has developed the Nepal Financial Inclusion Action Plan, which aims to expand access to formal financial services and affordable financing for all by 2030. This plan reflects Nepal's