

INSURANCE LITERACY, FINANCIAL INCLUSION AND SOCIO-ECONOMIC SUSTAINABILITY AMONG SME'S

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CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled “**Insurance Literacy, Financial Inclusion and Socio-Economic Sustainability Among SME’S**”. The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor it has been proposed and presented as part of requirements for any other academic purposes.

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

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ABBREVIATIONS

CASC	:	Central Asia and the South Caucasus
FIN	:	Financial Inclusion
FY	:	Financial Year
IFC	:	International Finance Corporation
INL	:	Insurance Literacy
MSES	:	Micro and Small Enterprises
N	:	Number of Responses
OLA	:	Ordinary Least Square
RKM	:	Risk Knowledge Management
RTP	:	Risk Taking Propensity
S.D.	:	Standard Deviation
SES	:	Socio-Economic Sustainability
SME	:	Small and Medium Sized Enterprises
UNGP	:	United Nation Guiding Principles

ABSTRACT

In recent years, financial inclusion has emerged as a critical element for promoting economic growth and reducing poverty, particularly in emerging economies. However, disparities in access to financial services continue to hinder individuals from achieving financial stability. Therefore, the primary aims of this study is to examine the effect of insurance literacy, financial inclusion on socio-economic sustainability among SMEs in Nepal. The research design employed both descriptive and causal comparative approaches, focusing on respondents of SMEs in Nepal as the target population. A sample size of 385 was determined using the Cochran formula and convenience sampling. Quantitative data were collected through a structured questionnaire. A multivariate regression model was implemented to examine the impact of insurance literacy, risk-taking propensity, and risk knowledge management, on socio-economic sustainability. The findings revealed significant positive effect of insurance literacy, risk knowledge management, financial inclusion on socio-economic sustainability, indicating that improvements in these areas enhance economic stability for SMEs. In contrast, risk-taking propensity exhibited a weak and statistically insignificant effect on socio-economic sustainability. These results underscore the critical role of insurance literacy and financial inclusion as main determinants of socio-economic sustainability among SMEs in Nepal. This study has practical implications for policymakers and financial institutions, emphasizing the need for targeted educational programs to improve insurance literacy and enhance financial inclusion. By adopting effective risk management practices, SMEs can contribute to broader socio-economic stability and resilience.

Keywords: Financial Inclusion, Insurance Literacy, Socio-Economic Sustainability, SMEs, Risk Management

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Small and medium enterprises (SMEs) are globally recognized as engines of economic growth and development, driving job creation, enhancing living standards, fostering sustainable development, and playing a crucial role in poverty eradication (Garba et al., 2022). Despite their significant contributions, SMEs often face complex challenges in production, operations, management, and risk-based decision-making. These multifaceted risks can hinder their growth and stability, posing substantial obstacles to their ability to sustain and expand their businesses effectively. Addressing these challenges is essential to unlock the full potential of SMEs and ensure their continued positive impact on the economy and society (Garba et al., 2022).

Across the globe, there is an increased emphasis on financial inclusion (FI), especially in emerging economies, with the aim of enhancing economic growth and decreasing poverty. However, there are widespread disparities regarding access to financial services. Many researchers have highlighted how financial exclusion can hinder individuals from leading normal lives. According to Carbo, Gardener, and Molyneux (2007), financial access has a robust causal association with social exclusion, a viewpoint supported by Claessens (2006). Further, Basu and Srivastava (2005) found that 70% of rural marginal farmers lacked access to bank accounts and 87% lacked access to loans. This situation persists despite a consensus among researchers that financial inclusiveness is a fundamental pillar of sustainable growth. To tackle the disparity in the reach of financial services to weaker sections and unbanked areas, many countries are focusing on microfinance agencies.

The deficient infrastructure and poor economic conditions in developing economies often result in lower access to financial services for the rural poor. Bhanot et al. (2012) highlighted region-wise disparities and pointed to the low level of financial inclusions in India's northeast region, emphasizing the vital role that self-help groups (SHGs) and education could play in improving inclusion. Gwalani and Parkhi (2014) suggested that due to India's diversity and prevalent diversification, there is a need for a more innovative and developed model for growth. Sharma indicated that bank branch penetration, availability, and affordability of financial services are the main dimensions of financial inclusions. Liu and Walheer (2022) stressed the importance of catching-up effects for countries with lower

levels of FI and noted that while governments have improved the climate for FI in many countries, the progress has been relatively small. Therefore, more efforts are needed. Consequently, a sustainable development goal (SDG) has been introduced to achieve financial inclusiveness and sustainable growth in society.

Insurance inclusion has been underscored as a key driver of economic growth and development in both developed and developing economies (Bayar et al. 2021; Zulfiqar et al. 2020). As such, insurance serves as a vital risk management tool for societies by protecting lives and mitigating the untimely loss of income and property (Lin et al. 2019; Cheston et al. 2018). Cheston et al. (2018) describe insurance inclusion as the state of having access to and using appropriate and affordable insurance products for the unserved and underserved. Inclusive insurance aims to remove market barriers that prevent insurance institutions from reaching poor, unserved, and underserved segments of society (Lal 2019). According to Castellani and Viganò (2017), the inefficiency of financial markets in emerging economies deprives individuals living in rural settlements of the ability to mitigate risk. In this context, insurance enables individuals to access credit, ensures the safety of savings and money transfers, and protects middle- and low-income households from transactional financial losses (Dassanou and Sherchan 2018).

Despite significant progress towards improving insurance access globally, vast segments of the low-income population remain excluded from insurance in developing and emerging economies. It is estimated that 3.8 billion people living in low-income emerging markets are unserved and underserved in terms of insurance services (Cheston et al. 2018). Additionally, the Swiss Re Institute (2022) noted that emerging-market premiums accounted for only 19.2 percent of global premiums. Furthermore, 2022 estimates by the Microinsurance Network on the microinsurance market indicated that less than 20% (377 million people) of the entire population in these regions have access to microinsurance. This highlights the critical need for enhanced insurance literacy to bridge the gap and ensure broader access to insurance products, which can significantly contribute to economic stability and resilience among low-income populations.

Socio-economic stability is a fundamental aspect of sustainable development, contributing to a society's overall resilience and well-being. It encompasses the balanced growth of both the economic and social dimensions, ensuring that prosperity and welfare are widely shared and maintained over time. Stable socio-economic conditions foster an environment where businesses can thrive, employment opportunities are abundant, and social services are

accessible to all. This balance mitigates the risks of social unrest and economic downturns, as it creates a foundation for inclusive growth and equitable resource distribution (Garba et al., 2022). When economic stability is coupled with robust social policies, it can lead to improved living standards, enhanced social cohesion, and a more resilient economy capable of withstanding external shocks (Sharma & Jain, 2021).

In the context of SMEs, socio-economic stability is crucial for their growth and development. SMEs are often seen as engines of economic growth, job creation, and innovation, but their success largely depends on the stability of the socio-economic environment. Financial inclusion plays a pivotal role in this regard, as it provides SMEs with access to necessary financial services and products, enabling them to manage risks more effectively, invest in growth, and enhance their operational capabilities. However, financial inclusion alone is not sufficient (Garba et al., 2022). Comprehensive risk management knowledge and insurance literacy are essential to mitigate potential business risks and uncertainties. When SMEs are equipped with the tools and knowledge to handle financial risks, they are better positioned to contribute to economic stability and sustainability, thus supporting the broader goal of socio-economic development (Sharma & Jain, 2021).

In Nepal, as in many other developing nations, financial inclusion holds the potential to serve not only as a catalyst for the expansion of the financial sector but also as a powerful driver of inclusive economic growth (Pant, 2016). Despite decades of deliberate policy efforts aimed at enhancing financial inclusion and integrating previously marginalized populations into the formal financial system, significant segments of society still find themselves excluded from accessing essential financial services. This underscores the critical need for continued prioritization and innovative strategies to address the persistent gaps in financial inclusion (Pant, 2016). By recognizing financial inclusion as a fundamental component of broader development objectives, Nepal can unlock new pathways to prosperity, empower marginalized communities, and foster more equitable socio-economic development. Such a holistic approach not only benefits individuals and businesses by providing them with greater access to capital and financial resources but also strengthens the overall resilience and stability of the economy, paving the way for sustained and inclusive growth in the years to come (Pant, 2016).

In developing countries like Nepal, small and medium enterprises (SMEs) play a significant role in driving employment generation and economic development. Reports from the Asian

Development Bank (ADB) highlight that SMEs contribute substantially to employment and output in Asian countries. In Nepal specifically, the Federation of Small and Medium Enterprises (FSMEs) claims that SMEs contribute up to 83 percent to industrial development (Nepal Rastra Bank, 2022). However, despite their importance, SMEs in Nepal face significant challenges in accessing finance due to various policy and institutional constraints, geographical complexities, and economic development challenges. Addressing these challenges requires a nuanced understanding of the SME business environment, the design of appropriate loan products, efficient loan processing mechanisms, and policy and regulatory reforms tailored to diverse environmental contexts (Adhikari, 2022).

The Government of Nepal (GoN) has recognized the importance of improving access to finance for SMEs and has taken steps to address the issue. Efforts include increasing the number of commercial bank branches, promoting lending to deprived sectors, implementing priority sector lending schemes, and providing refinancing facilities. Despite these efforts and a rapid increase in bank branches over the years, SMEs still face difficulties in accessing finance, leading to a noticeable financing gap. The root causes of this access to finance challenge have not been adequately addressed by government policies, despite the Central Bank of Nepal's efforts to encourage lending to priority sectors. This article aims to identify and analyze the key constraints hindering SMEs' access to finance in Nepal, highlighting the need for comprehensive solutions to support this vital sector of the economy (Nepal Rastra Bank, 2022).

One of the most significant challenges faced by SMEs in Nepal is the lack of access to financial services, which inhibits their establishment and growth. Commercial banks often perceive SME lending as carrying a poor risk/return ratio due to challenges such as weak credit information and large information asymmetry, making underwriting complex (Nepal Rastra Bank, 2022). As a result, SMEs find themselves caught in a financing gap they are too small to attract the interest of commercial banks or investors yet too large to benefit from microfinance loan products (Adhikari, 2022). Overcoming these barriers requires innovative solutions and targeted support to bridge the financing gap and unlock the potential of SMEs to drive economic growth and development in Nepal.

This study focusses on analyzing relationship between insurance literacy, financial inclusion, socio-economic sustainability, risk management, and risk-taking propensity among SMEs. By examining these interrelated factors, the research aims to shed light on

how SMEs navigate the complex landscape of financial services, mitigate risks, and drive sustainable economic growth. Understanding SMEs' attitudes towards risk, coupled with their level of insurance literacy and access to financial services, provides valuable insights into fostering an environment conducive to SME development and resilience. Through a comprehensive analysis, this study seeks to identify key strategies and interventions to bolster the financial well-being and long-term viability of SMEs in today's dynamic business environment.

1.2 Problem Statement

There is a pressing need among SMEs for seamless financial arrangements to facilitate their business operations and expansions. Despite existing financing provisions, a significant majority of SME respondents, comprising 96%, expressed a willingness to seek funding even from informal lenders (Adhikari, 2022). This inclination stems from the imperative need to access additional capital for various purposes such as purchasing raw materials, managing inventory, acquiring equipment, and meeting other operational requirements. Furthermore, the research indicates that 82% of SMEs harbor aspirations for business expansion, underscoring the entrepreneurial drive and growth potential within this sector. However, a noteworthy finding is that 18% of SMEs did not express a desire for expansion, which could be attributed to various factors such as market saturation, risk aversion, or limited growth opportunities (Adhikari, 2022).

An overarching challenge highlighted in the study is the lack of sufficient capital among SMEs to fuel their expansion endeavors. A substantial proportion of respondents reported a deficit in their own capital reserves, particularly in rural areas compared to urban and semi-urban regions within the surveyed districts. This disparity underscores the pervasive financial constraints faced by SMEs, particularly those operating in rural locales where access to formal financial institutions may be limited (Adhikari, 2022). The reliance on informal sources of financing underscores the urgent need for tailored financial solutions and support mechanisms to address the financing gap and empower SMEs to realize their growth ambitions. Moreover, bridging the divide between urban and rural SMEs in terms of access to capital is imperative for fostering inclusive economic development and reducing disparities across regions. Thus, the study underscores the critical importance of targeted interventions aimed at enhancing financial inclusion, promoting entrepreneurship, and unlocking the full potential of SMEs as engines of economic growth and job creation.

The intertwined issues of insurance literacy, financial inclusion, and socio-economic sustainability among SMEs pose significant challenges that hinder their growth and development (Simkhada, 2013). One prominent challenge lies in the lack of awareness and understanding of insurance products and their benefits among SME owners and entrepreneurs. Many SMEs operate without adequate insurance coverage, leaving them vulnerable to various risks such as property damage, business interruption, or liability claims (Pant, 2016). This lack of insurance literacy exacerbates the financial vulnerability of SMEs, as they may not fully comprehend the potential impact of unforeseen events on their businesses.

Furthermore, limited access to formal financial services compounds the problem of financial inclusion for SMEs. Despite efforts by governments and financial institutions to expand access to credit and banking services, many SMEs still face barriers in accessing affordable financing (Adhikari, 2022). This is particularly pronounced in rural areas and among marginalized communities, where financial infrastructure is often lacking. Without access to formal financial services, SMEs may resort to informal sources of funding with higher interest rates and less favorable terms, further exacerbating their financial vulnerability.

Financial technology (fintech) is advancing rapidly, offering enhanced access to financial services and improved financial management for individuals and businesses. However, in developing countries, there exists a significant gap in financial literacy compared to developed nations (Morgan, 2021). This disparity results in a large portion of the population being unaware of the advantages of using financial services, hindering their ability to fully leverage fintech opportunities (Megawati, 2023). Without adequate financial literacy, individuals may struggle to understand how to utilize these technologies effectively, limiting their financial inclusion and potentially leading to missed opportunities for financial security and growth.

Addressing the issue of financial literacy is crucial for ensuring that the benefits of fintech are accessible to all segments of society. Higher levels of financial literacy are associated with increased demand for access to financial institutions, which in turn contributes to greater financial inclusion. However, introducing fintech without considering the population's level of financial literacy may lead to challenges. Without proper education on how to use these technologies, individuals may not be able to fully utilize the benefits they offer, limiting their ability to improve their financial well-being (Oke et al., 2023).

To maximize the impact of fintech on financial inclusion and security in developing countries, it is essential to integrate financial literacy initiatives into the introduction and implementation of these technologies (Morgan, 2021). By educating the population on how to effectively use fintech, policymakers and financial institutions can ensure that everyone has the knowledge and skills needed to access and benefit from these innovations. This approach can help bridge the financial literacy gap, empowering individuals and businesses to make informed financial decisions and improve their financial outcomes (Megawati, 2023).

Moreover, the socio-economic sustainability of SMEs is intricately linked to their ability to access insurance and financial services. SMEs play a crucial role in driving economic growth, creating jobs, and fostering innovation, particularly in emerging economies. However, without adequate insurance coverage and financial support, SMEs may struggle to weather economic downturns or recover from unforeseen disasters, leading to business closures and job losses (Simkhada, 2013). This not only undermines the resilience of individual SMEs but also has broader implications for the overall economic stability and development of communities.

Addressing these challenges requires a multi-faceted approach that encompasses efforts to improve insurance literacy, expand financial inclusion, and promote socio-economic sustainability among SMEs. This may involve implementing targeted financial education programs, enhancing access to affordable insurance products tailored to the needs of SMEs, and fostering partnerships between governments, financial institutions, and other stakeholders to support SME development (Simkhada, 2013). By addressing these issues holistically, policymakers and stakeholders can help unlock the full potential of SMEs as drivers of inclusive economic growth and sustainable development. The research questions of this study are as follows.

1. What is the status of insurance literacy, financial inclusion, and socio-economic sustainability among SMEs in Nepal?
2. Is there any relationship between insurance literacy, financial inclusion, and socio-economic sustainability among SMEs in Nepal?
3. What is the impact of insurance literacy, financial inclusion on socio-economic sustainability among SMEs in Nepal?

1.3 Objectives of the Study

The objective of this study are as follows.

1. To assess the status of insurance literacy, financial inclusion, and socio-economic sustainability among SMEs in Nepal.
2. To analyze the relationship between insurance literacy, financial inclusion, and socio-economic sustainability among SMEs in Nepal.
3. To evaluate the impact of insurance literacy, financial inclusion on socio-economic sustainability among SMEs in Nepal.

1.4 Rationale of the Study

This study encompasses several compelling reasons for various stakeholders to engage with the research. Understanding the dynamics of insurance literacy, financial inclusion, and socio-economic sustainability among SMEs can provide valuable insights for policymakers. By comprehending the challenges and opportunities faced by SMEs in these domains, governments can design and implement more effective policies and initiatives to support SME growth, job creation, and economic development.

For entrepreneurs, especially those operating within the SME sector, insights from this study can be invaluable. It can help them better understand the importance of insurance literacy and financial inclusion in managing risks, accessing financial resources, and fostering sustainable business practices. Armed with this knowledge, entrepreneurs can make informed decisions to enhance their business resilience and competitiveness.

SMEs themselves stand to benefit significantly from a deeper understanding of insurance literacy, financial inclusion, and socio-economic sustainability. This research can shed light on potential barriers they face in accessing insurance products, financial services, and markets, as well as strategies to overcome these obstacles. SMEs can use this information to improve their financial management practices, expand their access to capital, and contribute more effectively to local economies.

Researchers in the fields of economics, finance, entrepreneurship, and development studies have a vested interest in studying the intersection of insurance literacy, financial inclusion, and socio-economic sustainability among SMEs. This research can contribute to the academic literature by generating new knowledge, theories, and empirical evidence on

these topics. It can also inspire further research inquiries and interdisciplinary collaborations to explore related issues in greater depth.

Students pursuing studies in business, economics, finance, and related disciplines can benefit from engaging with this research. It offers an opportunity to deepen their understanding of real-world challenges faced by SMEs, the role of financial systems in fostering inclusive growth, and the implications of policy interventions on economic sustainability. Moreover, students can gain valuable research skills by critically analyzing data, synthesizing findings, and drawing meaningful conclusions from the study.

Academics involved in teaching, mentoring, and curriculum development can leverage this research to enrich their educational programs. Integrating findings from this study into classroom discussions, case studies, and research projects can enhance students' learning experiences and prepare them for careers in various sectors, including entrepreneurship, finance, policymaking, and development.

Ultimately, the broader society stands to benefit from a better understanding of insurance literacy, financial inclusion, and socio-economic sustainability among SMEs. Strengthening the SME sector can lead to job creation, poverty reduction, and more inclusive economic growth, thereby fostering greater prosperity and well-being for communities and nations as a whole.

1.5 Limitations of the Study

- The limitation of study are as follows.
- The study relied on primary data, which may be subject to respondent biases and inaccuracies.
- The sample size was limited, potentially affecting the generalizability of the findings to the broader population of SMEs.
- The focus was solely on SMEs, excluding other business sectors that might also be impacted by insurance literacy and financial inclusion.
- There was a constraint on the number of variables included in the study, potentially overlooking other influential factors.
- A convenience sampling method was used for data collection, which may limit the representativeness of the sample and introduce selection bias.

CHAPTER II

LITERATURE REVIEW

The literature review of this study encompasses a comprehensive examination of related concepts and terms such as insurance literacy, financial inclusion, and socio-economic sustainability. It delves into previous articles, journals, and theories, synthesizing findings from various research works. The review identifies significant research gaps, including contextual, temporal, variable, and methodological gaps, particularly noting the lack of studies on the intersection of insurance literacy, financial inclusion, and socio-economic sustainability among SMEs in Nepal. By addressing these gaps, this study aims to contribute valuable insights and advance the understanding of these critical areas.

2.1 Theoretical Review

2.1.1 SME Definition

Small and Medium Enterprises (SMEs) are autonomous entities that operate without subsidiary support and typically employ fewer than a specified number of workers. The precise employee count defining SMEs varies among nations, with the most common upper limit set at 250 respondents in the European Union. However, some countries establish this threshold at 200 respondents, while the United States employs a higher limit of 500 workers. Small firms are generally those with fewer than 50 respondents, while micro-enterprises typically have no more than ten, or sometimes five, workers. Additionally, financial criteria, such as annual turnover and balance-sheet valuation, are used to classify SMEs. For instance, in the European Union, SMEs must have an annual turnover of EUR 40 million or less and/or a balance-sheet valuation not exceeding EUR 27 million (National Action Plans on Business and Human Rights, n.d).

SMEs constitute the backbone of economies worldwide, playing a vital role in job creation and economic growth. Globally, they represent over 95% of firms and contribute to 60%-70% of total employment. In OECD economies, SMEs are significant drivers of job creation, particularly in the European Union, where they comprise approximately 99% of all businesses, generate around 85% of new jobs, and account for two-thirds of total private sector employment. Moreover, in the Global South, the development of SMEs is closely linked to overall employment growth. SMEs are recognized for their contributions to economic growth, innovation, job creation, and social integration, facilitated by their close relationships with respondents, local communities, and business partners. Additionally,

SMEs play crucial roles in global supply chains, serving as both buyers and suppliers (National Action Plans on Business and Human Rights, n.d).

The International Finance Corporation (IFC) estimates that globally there are approximately 9.34 million formal women-owned SMEs across over 140 assessed countries. However, despite their significant contributions, formal women-owned SMEs face a considerable credit gap, estimated at roughly \$2872 billion globally, constituting 30% of the total credit gap for SMEs across all regions. This highlights the importance of addressing barriers to financing for women-owned SMEs to unlock their full potential and foster inclusive economic growth (National Action Plans on Business and Human Rights, n.d).

SMEs, or Small and Medium-sized Enterprises, form a vital component of economies worldwide due to their significant contribution to employment and economic growth (Asokan, 2023). The precise definition of SMEs can vary from one country to another, but generally, they are characterized by having a limited number of respondents and a relatively low turnover. In many jurisdictions, SMEs are defined as businesses with fewer than 250 respondents and an annual turnover of less than €50 million. These criteria serve as a guideline to differentiate SMEs from larger corporations (Asokan, 2023).

Micro-enterprises represent the smallest category within the SME classification. They typically have fewer than 10 respondents and an annual turnover of less than €2 million. Micro-enterprises are often characterized by their small scale and niche market focus. They are frequently operated by a single individual or a small team, emphasizing agility and adaptability in response to market demands (Asokan, 2023).

Small enterprises are slightly larger than micro-enterprises, with a workforce ranging from 10 to 50 respondents and an annual turnover of less than €10 million. While still relatively small in size, small enterprises may have a more established presence in their respective industries compared to micro-enterprises (Asokan, 2023). They might serve a broader customer base and could have developed more sophisticated operational processes.

Further Asokan (2023) stated that medium-sized enterprises constitute the largest segment within the SME category. With a staff size ranging from 50 to 250 respondents and an annual turnover of less than €50 million, medium-sized enterprises exhibit greater complexity and organizational structure compared to their smaller counterparts. They may

operate across multiple locations or business units and have more extensive resources at their disposal to support growth and expansion initiatives.

SMEs possess both strengths and weaknesses that necessitate tailored policy responses. While advancements in technology and globalization empower smaller firms to innovate and address human rights issues, they also exacerbate traditional challenges such as limited financing, technological barriers, managerial constraints, low productivity, and regulatory burdens. The UN Guiding Principles on Business and Human Rights (UNGPs), particularly Guiding Principle 14, underscore that enterprises, regardless of size, bear the responsibility to respect human rights. However, the means through which SMEs fulfill this responsibility may vary based on factors like size, sector, and operational context (National Action Plans on Business and Human Rights, n.d). Although SMEs may have less capacity and more informal processes compared to larger corporations, severe human rights impacts necessitate corresponding measures, regardless of size.

Despite the UNGPs' recognition of SMEs' importance in the global economy, their role in reshaping business practices and human rights discourse has often been overlooked. Only recently has attention been directed towards supporting SMEs in enhancing working conditions and fostering mature labor relations. Initiatives such as providing inexpensive working capital for investments in working conditions and offering training on occupational health and safety standards are gaining traction (National Action Plans on Business and Human Rights, n.d). Moreover, as SMEs participate in global supply chains, they are compelled to integrate and comply with their business partners' Codes of Conducts, contributing to behavioral change and promoting responsible business practices.

Overall, while SMEs face unique challenges in meeting their human rights responsibilities, they also possess the potential to drive innovation and contribute positively to societal well-being. Recognizing the diverse needs of SMEs and providing targeted support can facilitate their transition towards more sustainable and ethical business practices.

2.1.2 Insurance Literacy

Insurance literacy, a fundamental aspect of financial literacy, plays a crucial role in promoting insurance inclusion, which is essential for economic growth and development in both developed and developing economies (Bayar et al., 2021; Zulfiqar et al., 2020). Serving as a risk management tool, insurance protects individuals' lives and mitigates the loss of income and property, thereby contributing to societal resilience (Lin et al., 2019;

Cheston et al., 2018). Defined as access to and the use of suitable and affordable insurance products for the unserved and underserved, insurance inclusion aims to remove market barriers hindering access to insurance among marginalized populations (Cheston et al., 2018; Lal, 2019). However, despite global efforts, substantial segments of low-income populations in developing countries still lack access to insurance services.

The concept of insurance literacy emerges as a critical factor influencing individuals' engagement with insurance products and services (Ozili, 2020). Financial literacy theories, including the one proposed by Ozili (2020), posit that enhancing individuals' financial literacy can foster financial inclusion, extending to insurance services (Khan et al., 2022). Financially literate individuals are better equipped to make informed decisions, including selecting suitable insurance options to manage risks effectively (Babych et al., 2018). Recognizing insurance as a component of the formal financial system, financial literacy empowers individuals to comprehend insurance products, such as policies and coverage, and make informed choices regarding insurance participation (Babych et al., 2018).

Moreover, financial literacy enhances individuals' awareness of available financial products and services, including insurance, thereby increasing their willingness to participate in the formal financial system (Babych et al., 2018). Through financial education and awareness initiatives, individuals become familiar with the benefits of insurance, such as protecting against financial losses and providing avenues for savings and investments (Ozili, 2018). Consequently, financial literacy promotes not only insurance inclusion but also broader financial inclusion goals by enabling individuals to access various financial services tailored to their needs (Atkinson & Messy, 2013).

Despite the recognized importance of financial literacy in promoting financial inclusion, particularly regarding insurance, there remains a gap in understanding insurance literacy specifically (Lin et al., 2019). While financial literacy theories have been extensively applied to banking services, the unique complexities of insurance products warrant a distinct focus on insurance literacy (Kiwauka & Sibindi, 2023). Thus, this study's novelty lies in exploring the predictive power of individual dimensions of insurance literacy, such as knowledge, skills, behavior, and attitude, in explaining insurance inclusion in Uganda (Lin et al., 2019).

In examining the significance of each dimension of insurance literacy, the study found that knowledge, skills, and attitude significantly and positively influence insurance inclusion

(Lin et al., 2019). These findings underscore the importance of comprehensive insurance education and awareness programs that not only impart knowledge but also equip individuals with the necessary skills and foster positive attitudes towards insurance (Kiwanuka & Sibindi, 2023). However, the study also revealed that behavior was not a significant predictor of insurance inclusion, indicating the need for further research to understand the behavioral aspects influencing insurance participation (Lin et al., 2019).

Insurance literacy is a critical determinant of insurance inclusion, with implications for economic resilience and development. By enhancing individuals' understanding of insurance products and fostering positive attitudes towards insurance, financial literacy initiatives can contribute significantly to expanding insurance coverage and promoting inclusive financial systems. However, further research and targeted interventions are needed to address behavioral barriers and comprehensively address the complexities of insurance literacy in achieving inclusive insurance participation (Kiwanuka & Sibindi, 2023).

2.1.3 Financial Inclusion

Financial inclusion has emerged as a critical concept in the discourse surrounding economic development, with its significance increasingly recognized by governments, policymakers, financial institutions, and researchers. As noted by Cabeza-García et al. (2019), approximately 70% of people worldwide have access to essential financial services such as savings accounts, current accounts, and debit cards. However, achieving comprehensive financial inclusion goes beyond mere access to banking services; it necessitates a deeper understanding and integration of financial literacy (Beck et al., 2005).

Financial literacy plays a pivotal role in ensuring that individuals can effectively utilize financial services and make informed decisions about their finances. Without adequate financial literacy, access to banking services alone may not lead to meaningful financial inclusion (Beck et al., 2005; Sethy, 2015). Institutions ranging from schools to governments and researchers have a vested interest in promoting financial literacy to bridge the gap between access to financial services and effective utilization of those services (Cabeza-García et al., 2019).

Furthermore, inclusive growth, a key objective for many economies, is intricately linked to inclusive finance and individual characteristics, particularly gender (Cabeza-García et al., 2019). Gender disparities in financial inclusion are prevalent globally, with women often

facing greater barriers to accessing formal financial services due to factors such as education and wage discrimination (Soumaré et al., 2016). However, studies suggest that when women have financial awareness, they play a significant role in contributing to family well-being and income, highlighting the importance of addressing gender-specific barriers to financial inclusion (Cabeza-García et al., 2019).

The theory of inclusive finance emphasizes the importance of encompassing risk transfers within the realm of financial inclusion (Honohan, 2005). This suggests that financial inclusion should not only focus on providing access to basic banking services but also extend to mechanisms for managing and mitigating financial risks. Such an approach is essential for safeguarding individuals and communities against unforeseen financial shocks, thereby promoting economic resilience and stability (Soumaré et al., 2016).

Measuring financial inclusion entails considering various parameters, including branch penetration, credit penetration, and deposit penetration (Beck et al., 2005). These metrics provide insights into the extent to which financial services are accessible and utilized by different segments of the population. Moreover, studies have examined the relationship between borrowing rates and financial inclusion, particularly in the context of peer-to-peer lending platforms (Beck et al., 2005).

Education emerges as a central component of financial inclusion efforts, as it equips individuals with the knowledge and skills necessary to access formal financial services effectively (Sethy, 2015). Lack of financial literacy often forces people to rely on informal financial services, which may not offer the same level of security and protection as formal banking institutions (Cabeza-García et al., 2019). Therefore, promoting financial education becomes imperative for fostering a financially inclusive society where all individuals have equal opportunities to participate in the formal financial system.

Collaboration among various stakeholders is essential for advancing financial inclusion agendas effectively (Honohan, 2005). Service providers, policymakers, public administrators, regulators, and other relevant actors must work together to address systemic barriers and create an enabling environment for financial inclusion initiatives to thrive. This collaborative approach ensures that diverse perspectives and expertise are leveraged to develop comprehensive strategies that cater to the needs of different populations.

Financial inclusion represents a fundamental aspect of promoting economic development and reducing poverty globally. While significant progress has been made in expanding

access to financial services, achieving comprehensive financial inclusion requires addressing underlying issues such as financial literacy, gender disparities, and risk management (Beck et al., 2005). By adopting a holistic approach that combines access to services with education and collaboration, societies can foster inclusive financial systems that empower individuals and promote sustainable growth for all.

2.1.4 Risk Knowledge Management

In a knowledge-based economy, firms' sustainable competitive advantage hinges on their adeptness in acquiring, transforming, reconfiguring, and leveraging both internal and external knowledge assets (Roxas & Chadee, 2016). This underscores the significance of effective risk knowledge management strategies, which are widely recognized to influence organizational success (Bratianu et al., 2020). However, small and medium-sized enterprises (SMEs) often lack formal mechanisms for cultivating, storing, or disseminating risk-related knowledge to sustain their performance in the long term. Unlike larger corporations, SMEs frequently rely on the knowledge and expertise of their respondents to cultivate competitive edges, prioritizing human capital over tangible and financial resources.

Organizations that boast substantial knowledge-based capital tend to reap robust returns on their investments (Hussein & Çağlar, 2019). It's an established notion that various forms of knowledge, including risk knowledge, serve as pivotal strategic resources, enabling companies to uphold a competitive edge over time. Effective management of risk knowledge, therefore, holds the potential to enhance a firm's value proposition by bolstering its capacity to navigate novel and unforeseen circumstances. As risk knowledge is cultivated and disseminated across the organizational landscape, it equips the company with the agility needed to respond adeptly to emerging challenges and opportunities (Gharakhani & Mousakhani, 2012).

Consequently, it is hypothesized that robust risk knowledge management practices can significantly contribute to enhancing organizational resilience, adaptability, and ultimately, long-term success. By fostering a culture of knowledge sharing and leveraging innovative approaches to risk identification, assessment, and mitigation, firms can position themselves strategically to thrive amidst evolving market dynamics and competitive pressures (Roxas & Chadee, 2016).

2.1.5 Risk Taking Propensity

Risk-taking propensity has long been intertwined with the essence of entrepreneurship, with scholars highlighting its central role in entrepreneurial endeavors (Antoncic et al., 2018). This intrinsic link is underscored in the very definition of entrepreneurship, which emphasizes entrepreneurs' willingness to engage in calculated risks as they pursue opportunities (Venkataraman, 2019). Despite this association, entrepreneurs often exhibit a reluctance to label their decisions as risky, revealing a nuanced perspective on risk perception in entrepreneurial contexts (Vollero, Siano, & Della Volpe, 2019).

Defined as an individual's inclination to embrace a certain level of risk within the realm of their business ventures, risk-taking propensity is characterized by a willingness to make bold decisions even in the absence of complete certainty and knowledge (Venkataraman, 2019). This propensity for risk-taking is inherent to entrepreneurial behavior, as entrepreneurs frequently navigate ambiguous and uncertain environments where traditional risk assessment frameworks may not apply.

Research exploring the relationship between risk-taking propensity and economic performance yields mixed findings. While some studies suggest a positive correlation between risk-taking propensity and overall economic performance, others present a more nuanced perspective (Lawal et al., 2018). These disparities in findings underscore the complexity of assessing the impact of risk-taking propensity on economic outcomes, as contextual factors and individual differences may influence the observed relationships.

In the entrepreneurial landscape, risk-taking propensity plays a multifaceted role, influencing not only individual decision-making but also firm-level performance. Entrepreneurial ventures often require leaders who are willing to take calculated risks, seizing opportunities that may entail inherent uncertainties. However, the extent to which risk-taking propensity translates into tangible outcomes for firms remains subject to debate and empirical scrutiny. Despite the inherent uncertainties associated with risk-taking, entrepreneurs with a higher propensity for risk may be more inclined to pursue innovative strategies, explore new markets, and challenge conventional norms, potentially driving firm growth and competitiveness. Yet, the outcomes of such endeavors may vary widely, with success or failure hinging on a multitude of factors beyond mere risk tolerance (Antoncic et al., 2018). Overall, risk-taking propensity stands as a fundamental aspect of entrepreneurship, shaping decision-making processes and influencing entrepreneurial

outcomes. While it remains a cornerstone of entrepreneurial behavior, its precise impact on economic sustainability and firm performance warrants further exploration and nuanced analysis (Lawal et al., 2018).

2.1.6 The SME Financial Inclusion Gap

The Middle East and Central Asia region plays a significant role in the global economy, with SMEs constituting a vital segment of its business landscape. These SMEs represent approximately 96 percent of all registered companies in the region and contribute to about half of the total labor force. However, despite their prevalence, a considerable proportion of SMEs in the region operate within the informal sector, limiting their access to formal financial services and inhibiting their growth potential (Blancher et al., 2019).

One of the most pressing challenges facing SMEs in the MENAP (Middle East, North Africa, Afghanistan, and Pakistan) and CCA (Caucasus and Central Asia) regions is the limited access to financing through the banking system. On average, SMEs receive only about 7 percent of total bank lending in these regions, with certain Gulf Cooperation Council countries experiencing even lower levels, as low as 2 percent. This stark disparity in access to credit poses a significant barrier to the growth and development of SMEs in the region (Blancher et al., 2019).

According to data from the World Bank Enterprise Survey, a substantial percentage of firms in the MENAP region, approximately 32 percent, cite access to credit as a major constraint. This percentage is higher than the world average of 26 percent, indicating a significant gap in financial inclusion for SMEs in the region. While the situation is relatively better in the CCA region, where only 18 percent of firms report access to credit as a major constraint, challenges persist in ensuring adequate access to financing for SMEs across both regions (Blancher et al., 2019).

To further analyze the state of financial inclusion for SMEs in the MENAP and CCA regions, a composite index was constructed, capturing both access to and usage of financial services. The results reveal that these regions lag behind other parts of the world in terms of financial inclusion for SMEs. While the CCA region performs slightly better than the MENAP region, both regions still trail behind Europe, Asia, and Latin America in terms of financial inclusion metrics (Blancher et al., 2019).

Moreover, the data indicates that access to financing in the Middle East and Central Asia remains low compared to countries at similar levels of economic development. Despite the

region's economic potential, SMEs continue to face significant challenges in accessing the necessary funding to support their growth and expansion initiatives (Blancher et al., 2019). Additionally, there has been a concerning trend of rising concentration of credit, with the share of SMEs in total lending decreasing both globally and in the Middle East and Central Asia region. These findings underscore the urgent need for policy interventions and initiatives aimed at improving financial inclusion and access to credit for SMEs in the region (Blancher et al., 2019).

2.1.7 Benefits from Increasing SME Financial Inclusion

Increasing financial inclusion among SMEs in the MENAP and CCA regions promises several notable benefits, ranging from economic growth to job creation and macroeconomic policy effectiveness. Firstly, closing the SME financial inclusion gap in these regions could potentially boost annual economic growth by up to 1 percent, as indicated by analyses based on macro-level data and growth accounting calculations. This increase in economic growth could translate into significant long-term cumulative growth benefits, estimated at around 5 percent in certain countries. Moreover, greater SME financial inclusion has the potential to create millions of jobs by 2025, with estimates suggesting a substantial increase in annual employment growth and labor productivity (Blancher et al., 2019). Following are the benefits of increasing SME's financial inclusion.

2.1.7.1 Economic Growth:

Closing the SME financial inclusion gap can catalyze economic growth by unlocking the potential of small and medium-sized enterprises (SMEs) to contribute more effectively to the economy. With improved access to formal financing, SMEs can invest in expanding their operations, purchasing new equipment, hiring additional respondents, and developing innovative products and services (Blancher et al., 2019). These investments stimulate economic activity, create multiplier effects across industries, and contribute to overall GDP growth.

Moreover, increased financial inclusion fosters entrepreneurship and innovation by providing aspiring entrepreneurs with the capital they need to start and grow their businesses (Blancher et al., 2019). This entrepreneurial dynamism injects vitality into the economy, spurring competition, driving productivity gains, and fostering technological advancements. By fueling economic growth, financial inclusion among SMEs helps

alleviate poverty, reduce income inequality, and promote shared prosperity, as more individuals and communities benefit from the expanding economic opportunities.

2.1.7.2 Job Creation

SMEs are engines of job creation, particularly in developing economies where they account for a significant share of total employment. By expanding access to formal financing, financial inclusion empowers SMEs to expand their operations, increase production capacity, and create new job opportunities for local communities (Blancher et al., 2019). The creation of new jobs not only reduces unemployment but also enhances social inclusion, empowers marginalized groups, and promotes gender equality by providing women and youth with greater opportunities for economic participation and advancement.

Additionally, financial inclusion can foster the growth of a vibrant entrepreneurial ecosystem, where startups and small businesses thrive, innovate, and contribute to economic resilience. By nurturing a supportive environment for SMEs, policymakers can unleash the job-creating potential of entrepreneurship and drive sustainable development (Blancher et al., 2019).

2.1.7.3 Macroeconomic Policy Effectiveness

Financial inclusion strengthens the effectiveness of fiscal policy by expanding the tax base, improving revenue collection, and enhancing public expenditure management. By formalizing economic transactions and increasing transparency, financial inclusion enables governments to mobilize resources more efficiently, fund public infrastructure projects, and deliver essential services to citizens (Blancher et al., 2019). Moreover, enhanced monetary policy transmission channels, facilitated by increased SME financial inclusion, enable central banks to better manage inflation, stabilize interest rates, and respond to economic shocks. By deepening the financial system and broadening access to credit, policymakers can strengthen the resilience of the economy and promote macroeconomic stability.

Furthermore, financial inclusion fosters financial resilience at the household level, reducing vulnerability to economic downturns and enhancing individuals' ability to cope with unexpected expenses, such as healthcare emergencies or natural disasters (Blancher et al., 2019). This, in turn, enhances overall economic resilience and reduces the likelihood of financial crises.

2.1.7.4 Financial Stability

While extending credit to SMEs can contribute to financial stability by diversifying banks' loan portfolios and supporting economic growth, it also entails risks, particularly if not accompanied by prudent risk management practices and effective regulatory oversight (Blancher et al., 2019). However, with appropriate risk management frameworks in place, financial inclusion can enhance financial stability by promoting responsible lending, improving credit quality assessment, and mitigating systemic risks associated with concentrated exposures.

Moreover, financial inclusion can facilitate greater participation in formal financial markets, reducing reliance on informal and unregulated financial channels that may pose systemic risks and undermine financial stability. By promoting transparency, accountability, and sound governance practices, financial inclusion fosters a more resilient and inclusive financial system that serves the needs of all stakeholders (Blancher et al., 2019).

In essence, advancing financial inclusion among SMEs not only drives economic growth and job creation but also strengthens the effectiveness of macroeconomic policies and enhances financial stability. By addressing barriers to access, promoting inclusive financial ecosystems, and fostering a supportive regulatory environment, policymakers can unlock the transformative potential of SMEs and unleash a new era of sustainable development and prosperity (Blancher et al., 2019).

2.2 Empirical Review

Mishra et al. (2024) conducted a comprehensive review to explore the various dimensions of financial inclusion and its socioeconomic impacts on sustainable development, along with outlining future research agendas. They initially identified 620 studies using databases like Scopus, focusing on keywords such as financial literacy, financial inclusion, and economic growth. After refining the selection to 325 relevant papers, primarily centered on India and emerging economies, they analyzed these papers in detail. The review emphasizes the crucial role of providing financial access to marginalized segments of society for sustainable socioeconomic development in developing economies. Efforts by governments to incorporate the financially disadvantaged into formal financial systems through campaigns and credit system reforms were highlighted. The study underscores the interconnectedness of socioeconomic programs, which contribute to the development of

individuals, families, and society as a whole. Overall, this systematic literature review offers valuable insights into the impact of financial inclusion and provides a roadmap for future research in this area, identifying key areas for further exploration and analysis.

Listyaningsih et al. (2024) conducted a study to explore the impact of financial literacy, financial inclusion, and financial statements on the performance and sustainability of Micro, Small, and Medium Enterprises (MSMEs), with business length as a moderating variable. Situated in Bandar Lampung, Indonesia, the study involved 100 MSME actors who completed a questionnaire, with data analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM). The findings revealed that financial literacy, financial inclusion, and financial statements positively influenced both the performance and sustainability of MSMEs. Additionally, MSME performance was found to positively impact sustainability. Notably, the length of business operations enhanced the correlation between these factors, indicating that business actors become increasingly aware of the significance of accounting processes as their businesses mature. Furthermore, longer business operation durations were associated with increased business development, suggesting that well-established businesses tend to grow more rapidly due to accumulated experience. These findings underscore the importance of financial literacy, inclusion, and proper financial reporting practices in enhancing MSME performance and sustainability, especially when considering the moderating influence of business length on these relationships.

Kurniasari (2023) conducted a study to investigate the influence of financial literacy, encompassing dimensions such as knowledge, skill, attitude, and behavior, on financial inclusion among SMEs in Indonesia, aiming to sustain their growth. With a quantitative research approach, the study distributed questionnaires to 150 SMEs in the culinary sector located in South Tangerang. Statistical analysis, particularly Structural Equation Method (SEM), was employed to analyze the collected data. The findings indicated a significant effect of all aspects of financial literacy on financial inclusion, with knowledge demonstrating the highest impact. The study underscored the importance of enhancing financial literacy among Indonesians to improve the country's financial inclusion index, in alignment with the UN Sustainable Development Goals (SDGs) aimed at poverty reduction. The research highlighted the challenges faced by SMEs in accessing formal financial institutions and emphasized the urgency of educating individuals and providing them with necessary information regarding financial products and services. This suggests

that fostering financial literacy is essential for promoting financial inclusion and ultimately sustaining the growth of SMEs in Indonesia.

Esowe (2023) conducted a study to examine the impact of financial inclusion on poverty alleviation among micro and small enterprises (MSEs) in Cameroon. With around 80% of the population engaged in the informal sector and approximately 98.5% of MSEs lacking access to regulated financial services, financial exclusion and poverty are prevalent issues. The study aimed to analyze how financial inclusion can address these challenges. Data were collected using a closed-ended structured questionnaire and analyzed through statistical inferences and modeling, employing multiple regressions with AMOS 24 software. The findings revealed that financial knowledge and financial well-being significantly and positively influenced poverty alleviation among MSE operators in Cameroon. The study emphasized the need for policymakers to implement financial literacy mechanisms and structures to help users understand and properly utilize existing financial instruments. These insights are crucial for developing strategies to enhance financial inclusion and reduce poverty among MSEs in Cameroon.

Kiwanuka and Sibindi (2023) investigated the impact of perceived value, insurance literacy, and perceived trust on insurance inclusion in Uganda. Employing a cross-sectional design, the study collected responses from 400 individuals voluntarily enrolled in an insurance program. Covariance-Based Structural Equation Modeling was utilized to test the study hypotheses. Results indicated that perceived value, insurance literacy, and perceived trust significantly and positively predicted insurance inclusion in Uganda. Notably, perceived trust emerged as a stronger predictor of insurance inclusion compared to perceived value and insurance literacy, explaining more variance in the outcome. Overall, the predictor variables accounted for 63.2% of the variance in insurance inclusion. This study contributes to the limited literature on insurance inclusion and underscores the importance of trust and value delivery by insurance providers in promoting insurance inclusion. Additionally, the study suggests policymakers include insurance literacy in national financial inclusion strategies to foster insurance inclusion. These findings provide valuable insights for both insurance providers and policymakers in Uganda to enhance insurance uptake and contribute to broader financial inclusion efforts.

Babajide et al. (2023) conducted a study to investigate the influence of financial literacy and financial capabilities on the sustainability of small businesses in Lagos and Ogun States, Nigeria. Employing a survey research design, data were collected from 300 small

business owners across the two states and analyzed using Structural Equation Modeling (SEM). The study revealed that environmental sustainability, financial sustainability, and social responsibility significantly determine the sustainability of small firms in Nigeria. Additionally, it was found that financial literacy and financial capabilities practices positively impact firm sustainability. However, the use of savings products was found to have a significant adverse effect on firms' sustainability. These findings underscore the importance of financial literacy knowledge and practices in small business operations for enhancing sustainability. The study recommends that small firms integrate sustainability models into their business operations and improve their financial knowledge to maintain sustainability. Furthermore, small business owners are advised to invest their savings in appropriate investment products that align with their risk tolerance levels. This study contributes valuable insights into the factors influencing the sustainability of small businesses, offering practical recommendations for enhancing their long-term viability in Nigeria's business landscape.

Panakaje et al. (2023) conducted a study aimed at examining the role of financial literacy in promoting financial inclusion and socio-economic empowerment in rural areas of Karnataka, India. The research collected 398 responses through a comprehensive questionnaire, achieving a response rate of 93%. Data analysis was conducted using SPSS 26 and SPSS AMOS 23 software, with Structural Equation Modeling (SEM) employed to evaluate the proposed conceptual model. Additionally, two-way ANOVA was utilized to analyze the demographic effect on the study components. The findings revealed that financial literacy directly influences financial inclusion in rural communities, and individuals who make effective financial decisions and demonstrate responsible financial behavior exhibit greater financial inclusion, contributing to socio-economic empowerment. The study underscores the importance of financial literacy in enhancing financial inclusion and socio-economic development in rural areas. Consequently, the authors suggest that the Indian government should allocate substantial resources to promote financial literacy, which can significantly expand financial inclusion. Additionally, measures should be taken to address gaps in digital financial transactions, such as online and mobile banking infrastructure, to further facilitate financial inclusion and foster socio-economic growth among rural populations.

Olaiya et al. (2023) contribute to the financial inclusion literature by examining the role of the insurance sector in Nigeria's economic growth. Addressing the challenge of achieving

desired levels of financial inclusion, the study focuses on the often-overlooked insurance industry. Through the ARDL estimation technique covering the period from 1981 to 2018, the study investigates the impact of financial inclusion on economic growth while considering the insurance sector's involvement. The empirical findings indicate a positive relationship between total insurance premium and non-life insurance premium with economic growth, whereas life insurance premium shows a negative correlation. Additionally, credit to the private sector significantly contributes to economic growth in Nigeria. These results underscore the importance of not only emphasizing bank financial institutions but also non-bank financial entities like insurance and pensions to achieve targeted financial inclusion levels in Nigeria. The study highlights the need for monetary authorities to broaden their focus to include various financial sectors beyond traditional banking institutions, recognizing the potential contributions of the insurance sector to fostering economic growth and enhancing financial inclusion.

Stephen and Raphael (2023) investigate the impact of financial inclusion on socio-economic transformation in Mbarali-Mbeya, Tanzania, focusing on participants in the rice farming supply chain. Employing a correlation research design and a multistage sampling technique, the study gathered data from 210 units of inquiry using questionnaires. Analyzing the data inferentially, the study utilized F-test, multiple regression, logit analysis, and multiple correlation. The findings reveal that the accessibility, adequacy, affordability, safety, and sustainability of financial services and products align with the model constructs. Moreover, factors such as financial institutions' management innovation, the presence of facilitating and innovative financial infrastructures, financial literacy, and formal operating mechanisms significantly contribute to financial inclusion. Additionally, surplus agricultural outputs, quality produce, increased sales revenue, per capita income, and access to quality social services emerge as positive and significant determinants of socio-economic transformation. The study emphasizes the importance of effectively including financial users to achieve sustained socio-economic transformation, highlighting the need for universal accessibility to adequate, affordable, and quality financial products. Furthermore, sustaining financial institutions' management innovation, financial infrastructures, financial literacy, and formalization of businesses is recommended to achieve financial inclusion necessary for sustaining socio-economic transformation.

Anakpo et al. (2023) conducted a study focusing on the policies, practices, and challenges of digital financial inclusion for sustainable development, particularly in developing

economies. With over 1.4 billion adults globally remaining unbanked and exacerbated by the COVID-19 pandemic, digital financial inclusion emerges as a crucial tool to address this socioeconomic disparity and drive economic progress. The study aimed to answer key research questions concerning the state of digital financial inclusion, existing policies and practices, and barriers to inclusion in developing economies. Findings revealed that approximately 44% of the adult population in developing countries lacks access to financial services, with only a few nations making substantial strides through measures such as mobile financial services and digitalization of public services. The study identified challenges and proposed innovative interventions for redress, emphasizing the importance of mobile money interoperability, human capital development, and enhanced connectivity. The paper offers detailed discussions on these findings, providing recommendations for policymakers and stakeholders to foster digital financial inclusion and sustainable development in developing economies.

Khan et al. (2022) conducted a comprehensive review, synthesis, and research agenda on the role of financial literacy in achieving financial inclusion. Drawing from a sample of 10,091 studies conducted over 45 years and involving over 850,000 individuals worldwide, the study employed mapping, scientometric, and content analysis techniques. The findings indicate a growing interest in the intersection of financial literacy and financial inclusion, with the majority of studies originating from developed countries, particularly the US. Finance and Economics emerged as dominant fields in the literature. The analysis also revealed a shift from non-functional measures to functional measures in evaluating financial literacy and inclusion. The study underscores the importance of understanding the nuanced relationship between financial literacy and financial inclusion, providing a conceptual framework for elucidating their multifaceted role. The research aims to guide policymakers, regulators, and academics in discerning the distinct contributions of financial literacy to financial inclusion and identifying potential areas for future research.

Addo et al. (2022) aimed to investigate the impact of financial literacy on risk propensity mediated by access to finance. Recognizing the importance of financial literacy in facilitating sound financial decision-making, particularly in SMEs in developing economies where business sustainability is a significant concern, the study sought to address the gap in understanding the relationship between financial literacy, risk propensity, and access to finance. The study utilized a purposive sampling technique and collected data from SMEs to analyze the impact of financial literacy on risk propensity,

mediated by access to finance. By employing statistical analysis techniques, the researchers examined how financial literacy influences SMEs' ability to understand various sources of finance and make informed financial decisions. The findings indicated that financial literacy plays a crucial role in enhancing SMEs' skills and knowledge, enabling them to analyze financial choices accurately and make appropriate decisions. Moreover, access to finance was found to mediate the relationship between financial literacy and risk propensity, highlighting the importance of financial resources in influencing risk-taking behavior among SMEs. This study contributes to the existing literature by providing insights into the mechanisms through which financial literacy influences risk propensity, ultimately contributing to a better understanding of factors affecting SMEs' financial decision-making processes.

Togun et al. (2022) investigated the interplay between financial inclusion, financial literacy, and SMEs' performance, with a focus on exploring the mediating role of financial literacy. Employing a targeted sampling technique, the researchers selected SMEs operating for at least five years and registered with SMEDAN, with 250 SME operators or managers chosen through simple random sampling. Structural equation modeling (SEM) was utilized for data analysis. The findings revealed a positive and significant association between financial inclusion and SME performance, indicating that greater financial inclusion contributes to enhanced SME performance. Additionally, the study identified a direct relationship between financial inclusion and financial literacy. Moreover, financial literacy was found to have a substantial positive impact on SME performance and partially mediated the relationship between financial inclusion and SME performance. As a recommendation, the study proposed collaboration between small business regulators and accounting professional organizations to conduct financial literacy workshops, seminars, and short courses for small business owners, aiming to improve their access to funding and ultimately enhance their performance.

Lontchi et al. (2022) investigated the mediating role of financial literacy and the moderating role of social capital in the relationship between financial inclusion and sustainable development in Cameroon. The study utilized a PLS-SEM model to analyze empirical data from 488 residents of the Douala and Buea municipalities, collected through a questionnaire survey. The findings indicated that financial inclusion was positively and significantly related to financial literacy and had a positive and significant impact on sustainable development. Financial literacy and social capital also positively and

significantly affected sustainable development. However, while financial literacy mediated the relationship between financial inclusion and sustainable development, social capital did not moderate this relationship. The mediation effect was found to be complementary, as both direct and indirect relationships were significant. These findings provide valuable insights for financial institutions and governments in developing countries, highlighting the importance of financial literacy in enhancing financial inclusion and promoting sustainable development. The study contributed to a better understanding of how financial inclusion can drive sustainable development, emphasizing the critical role of financial literacy.

Garba et al. (2022) conducted a study aiming to explore the relationship between insurance literacy, risk knowledge management, risk-taking propensity, financial inclusion, and economic sustainability among small and medium enterprises (SMEs) in Nigeria. Data was gathered from 370 SMEs registered with the Small and Medium-scale Enterprise Development Agency of Nigeria (SMEDAN) through self-administered questionnaires. Structural equation modeling (SEM) using AMOS 26.0 software was employed for data analysis, with multi-group analysis utilized to assess the moderating effect of financial inclusion. The study findings revealed significant relationships between insurance literacy, risk knowledge management, risk-taking propensity, and economic sustainability. Specifically, insurance literacy, risk knowledge management, and risk-taking propensity were found to positively influence economic sustainability. Moreover, the results indicated that financial inclusion moderated the relationship between insurance literacy, risk knowledge management, risk-taking propensity, and economic sustainability. The findings suggest the importance of enhancing insurance literacy and risk management practices among SMEs while emphasizing the role of financial inclusion in improving their economic sustainability.

Nguse et al. (2022) investigated the impact of government policies and regulations on women's economic empowerment through financial inclusion, focusing on small and medium-sized enterprises (SMEs) in Ethiopia. Utilizing an explanatory research design and a mixed research approach, the study collected primary data via questionnaires and secondary data from literature reviews, the internet, and journals. The research targeted registered women entrepreneurs in Addis Ababa, employing a judgment sampling technique to select 324 women-owned SMEs. Analysis was conducted using SMART-PLS version 3.3.5 to estimate both measurement and structural models. The findings revealed that government policies and regulations significantly and positively influenced women's

economic empowerment both directly and indirectly. Additionally, financial inclusion was found to have a direct and significant positive effect on women's economic empowerment, with a partial mediating role observed. The study highlighted several barriers to financial inclusion, such as collateral requirements, startup capital, illiteracy, high-interest rates, bureaucratic procedures, and lack of technical skills, which hinder women's economic empowerment in Ethiopia. This research contributes to contemporary empirical literature on women empowerment and financial inclusion, offering evidence for governments to develop economic policies that enhance financial inclusion.

Abdu (2021) investigated the risk perception of financial inclusion among Small and Medium-sized Enterprises (SMEs) in Nigeria. Utilizing data collected from 800 SMEs across six states in Nigeria, the study aimed to rank different risk perceptions associated with financial inclusion. Employing a randomly distributed questionnaire and employing the Chi-square test in SPSS for model robustness, the research evaluated the significance of various types of risk perceptions concerning SMEs' pursuit of financial inclusion, aligning with global objectives set for 2020. The findings revealed that financial risk perception ranked higher by 38%, underscoring its importance for SMEs seeking financial inclusion. Consequently, the study emphasizes the imperative for SMEs in Nigeria to prioritize and mitigate financial risks through diligent planning, loan limitation, and acquiring insurance coverage, among other measures, to enhance their prospects for financial inclusion.

Sajuyigbe et al. (2020) conducted a study aiming to investigate the influence of financial literacy and financial inclusion on the performance of small-scale businesses in Southwest Nigeria. Employing a descriptive survey research approach, the researchers selected 240 participants from various small-scale businesses across Southwest Nigeria using purposive sampling. Data was collected through closed-ended questionnaires, and analysis was conducted using simple percentage, mean, standard deviation, Pearson Product Moment Correlation (PPMC), and Ordinary Least Square (OLS) methods. The study revealed a positive and significant relationship between financial literacy and financial inclusion, indicating that both factors jointly and independently impact the performance of small businesses. However, the findings also highlighted a concerning lack of financial knowledge among business operators, particularly regarding aspects such as working capital management, accounting records system, and access to financial services like micro-financing and business bank loans. The implications underscored the need for initiatives to

promote financial literacy and inclusion among entrepreneurs, suggesting that collaborative efforts involving the Central Bank of Nigeria and other professional organizations could enhance access to finance for small businesses nationwide.

Amoah and Mungai (2020) investigated the impact of financial literacy training and microinsurance on the financial performance of SMEs in the Sekondi-Takoradi Metropolis, Ghana. The study aimed to determine the effects of financial literacy training and microinsurance on SME financial performance and to assess the moderating role of government regulations in this relationship. Grounded in the financial intermediation theory and Schumpeter's theory of innovation, the researchers employed an explanatory research design with a sample size of 260 SMEs. Data were gathered using structured questionnaires targeting SME owners and microfinance institutions, focusing on financial literacy training, microinsurance, financial performance, and government regulations. Analysis revealed that both financial literacy training and microinsurance positively and significantly influenced the financial performance of SMEs. Additionally, the study highlighted the moderating effect of government regulations on this relationship. Based on the findings, it was recommended that microfinance institutions offering financial literacy training and microinsurance should conduct surveys to understand the specific needs and challenges faced by SMEs in accessing microfinance services. These insights are essential for enhancing the financial performance and sustainability of SMEs in the region.

Zauro et al. (2020) explored the socio-economic justice and financial inclusion in Nigeria, drawing from Islamic principles and existing literature. Through a discussion based on secondary sources including the Qur'an, Hadiths, and previous empirical studies, the paper advocated for the utilization of these Islamic financial instruments to facilitate wealth redistribution and promote socio-economic justice among Muslims in Nigeria. The findings underscored the potential of fostering efficient and effective wealth distribution between individuals with varying financial capacities, aligning with the concept of vicegerency (khalifah) between mortal beings and Allah. The study concluded by emphasizing the importance of incorporating these instruments into financial practices within Muslim communities in Nigeria, particularly those affected by high rates of financial exclusion and poverty. By leveraging these instruments, the paper suggested that socio-economic justice and financial inclusion could be enhanced, drawing from historical precedents in the Muslim world. Overall, the research provides insights into leveraging Islamic financial principles to address socio-economic disparities and promote inclusive growth in Nigeria.

Haroun and Yusoff (2019) conducted a study aiming to explore the role of micro-takaful as a stimulus for financial inclusion, which in turn contributes to sustainable development. The research focused on Islamic microfinance establishments and the micro-takaful industry, which aim to alleviate poverty and empower low-income individuals by providing financial services and insurance to vulnerable and self-employed individuals. Through a conceptual analysis, the study elucidated the interconnectedness between financial inclusion, social inclusion, and sustainable development. The paper delineated the concepts of micro-insurance, micro-takaful, financial inclusion, and sustainable development in the context of poverty alleviation and economic empowerment. It also highlighted the differences between conventional micro-insurance and Islamic micro-takaful in terms of serving the poor and vulnerable populations. Furthermore, the study provided insights into the performance of micro-takaful in practice and identified challenges and concluding remarks. Overall, the research underscored the importance of micro-takaful in promoting financial inclusion, which, in turn, fosters sustainable development by enabling excluded communities to access financial services and insurance protection.

Bire et al. (2019) conducted a study to investigate the influence of financial literacy on financial inclusion, mediated by financial training, focusing on Micro, Small, and Medium Enterprises (MSMEs). The research, based in Kupang city, Indonesia, involved 54 respondents selected from 119 MSMEs. Path analysis technique was employed for data analysis using SPSS Version 20, revealing direct and significant impacts of financial literacy on financial inclusion. Financial literacy was found to contribute 32% to financial inclusion, while financial training mediated this relationship, with a contribution of 11%. The study highlighted the importance of increasing the frequency of financial training for MSMEs in Kupang city to enhance financial inclusion by improving their understanding of financial products. The findings underscored the necessity of such training initiatives to bolster financial literacy among MSME actors, ultimately fostering greater financial inclusion. However, the research focused solely on financial literacy, financial inclusion, and financial training, suggesting future studies explore additional aspects such as transparency, accountability, and the quality of financial statements to provide a more comprehensive understanding of financial dynamics within MSMEs.

Morgan et al. (2018) conducted a comprehensive overview of financial inclusion, regulation, financial literacy, and education in Central Asia and the South Caucasus (CASC) region. The study aimed to assess the factors influencing the accessibility of

financial services for low-income households and small and medium-sized enterprises (SMEs) in these economies. It also sought to identify policies that could enhance financial access while ensuring financial stability. The research design involved surveying the experiences of the CASC economies, analyzing the impact of various factors such as financial literacy, education programs, and regulatory frameworks on financial inclusion and development. The study highlighted that the progress of financial inclusion and development in the CASC economies has been relatively slower compared to other Asian economies, attributed in part to the disruptions following the dissolution of the Soviet Union in 1991. Through examining successful experiences and lessons learned in the region, the study aimed to provide insights that could be applied by other emerging economies. Overall, the research contributes to the understanding of the dynamics of financial inclusion and development in transitional economies and provides valuable policy recommendations for fostering inclusive growth and enhancing financial stability.

Noor (2017) conducted a study to identify the factors influencing financial inclusion among SMEs in Harare Metropolitan, Zimbabwe, given the country's challenges with unemployment and poverty. Despite SMEs contributing significantly to GDP, they only receive a small fraction of total loans, leading to high levels of financial exclusion. The study analyzed demand-side, supply-side, and infrastructural constraints hindering financial inclusion. Demand-side factors such as high transaction costs, financial illiteracy, and lack of confidence in the financial system were prevalent among SMEs. On the supply side, challenges included the lack of accessible branches, information asymmetry, and irrelevant financial products. The study utilized a sample comprising 10 financial institutions and 50 SMEs operating from 2010 to 2015, collecting primary data through semi-structured numerically coded questions. Descriptive statistical measures such as mean and standard deviation were employed for data analysis. Results indicated that all factors, demand-side, supply-side, and infrastructural, were significantly related to SME financial inclusion. The study highlighted key determinants negatively impacting financial inclusion, including SMEs' lack of confidence in the banking sector and prohibitive requirements such as high bank charges. Recommendations included the introduction of financial education and policies mandating financial institutions to offer relevant products and services to SMEs, aiming to alleviate poverty and foster economic development.

Table 1

Summary of Empirical Review

S. N.	Authors	Title	Research Objectives	Variables	Methodology	Findings	Research Gap
1	Mishra et al. (2024)	Financial Inclusion and Its Ripple Effects on Socio-Economic Development: A Comprehensive Review	To provide an overview of the different dimensions of financial inclusion, its socioeconomic impacts on society's sustainable development, and future research agendas.	Financial literacy, Financial inclusion, Financial capability, Women's empowerment, Fintech, Artificial intelligence, Financial accessibility, Sustainable development goals, Economic growth	Research Design - Literature review Population – 620 papers Sample Size – 325 papers Sampling Design – Purposive Judgmental Source of Data - Scopus and other databases Tools – mean, s.d Data Collection Procedure – published paper Model – Case study literature	Access to finance by untouched segments of society is essential for sustainable and socioeconomic development in developing economies.	Methodology Gap - Lack of primary data collection and analysis. The review primarily focuses on existing literature, limiting the scope of original insights
2	Listyani ngsih et al. (2024)	Financial Literacy, Financial Inclusion, and Financial Statements on MSMEs' Performance and Sustainability with Business Length as a Moderating Variable	To investigate the impact of financial literacy, financial inclusion, and financial statements on the performance and sustainability of MSMEs, moderated by the variable of business length.	Financial literacy, Financial inclusion, Financial statements, MSME performance, MSME sustainability, Business length	Research Design - Descriptive Population - MSME actors in Bandar Lampung, Indonesia Sample Size - 100 respondents Sampling Design – Random Source of Data – Primary Tools - PLS-SEM Data Collection Procedure - Questionnaire Model – Regression Analysis	Financial literacy, financial inclusion, and financial statements positively influence MSME performance and sustainability. MSME sustainability is also positively impacted by MSME performance.	Methodology Gap - Limited detail on the sampling design and data collection procedure. Lack of clarity on specific measures used for financial literacy, financial inclusion, and financial statements.

S. N.	Authors	Title	Research Objectives	Variables	Methodology	Findings	Research Gap
3	Kurniasari (2023)	The Effect of Financial Literacy on Financial Inclusion in Sustaining Indonesia SMEs Growth	To analyze the effect of financial literacy (knowledge, skill, attitude, and behavior) on financial inclusion and SMEs growth in Indonesia	Financial literacy (knowledge, skill, attitude, behavior), financial inclusion	Research Design - Quantitative research Population - SMEs in culinary businesses located in South Tangerang Sample Size - 150 SMEs Sampling Design – Purposive Source of Data – Primary Data Collection Procedure - Questionnaire distribution Model - Structural Equation Model (SEM)	All dimensions of financial literacy (knowledge, skill, attitude, behavior) had a significant effect on financial inclusion. Knowledge had the highest effect on financial inclusion.	Context Gap - Limited information on the specific context or region where the study was conducted. Variable Gap - Focus primarily on financial literacy and financial inclusion without considering other factors. Context Gap - Focused only on MSE operators in Cameroon. Sampling Gap - Details on the sample size and sampling design are not provided. Variable Gap - Concentrates on financial inclusion and poverty alleviation without exploring other potential factors.
4	Esowe (2023)	Financial Inclusion and its Impact on Poverty Alleviation amongst Micro and Small Enterprises in Cameroon	To analyze the extent to which financial inclusion can impact poverty alleviation among MSE operators in Cameroon	Financial inclusion, poverty alleviation, financial knowledge, financial wellbeing	Research Design - Exploratory research design Population - MSE operators in Cameroon Sample Size – 385 respondents Sampling Design – Random sampling Source of Data - Primary data (closed-ended structured questionnaire) Tools - AMOS 24 Data Collection Procedure - Questionnaire distribution Model - Multiple regression analysis using AMOS 24	Financial knowledge and financial wellbeing have a significant positive influence on poverty alleviation amongst MSE operators in Cameroon. Highlights the need for financial literacy mechanisms to better acquaint users with financial instruments and their proper usage.	Context Gap - Focused only on MSE operators in Cameroon. Sampling Gap - Details on the sample size and sampling design are not provided. Variable Gap - Concentrates on financial inclusion and poverty alleviation without exploring other potential factors.

S. N.	Authors	Title	Research Objectives	Variables	Methodology	Findings	Research Gap
5	Kiwanuka and Sibindi (2023)	Insurance Inclusion in Uganda: Impact of Perceived Value, Insurance Literacy and Perceived Trust	To examine the impact of perceived value, insurance literacy, and perceived trust on insurance inclusion in Uganda	Perceived value, insurance literacy, perceived trust, insurance inclusion	Research Design - Cross-sectional design Population - 400 individuals enrolled in an insurance program Sample Size - 400 Sampling Design - Voluntary enrollment Source of Data - Primary data Tools - Covariance-Based Structural Equation Modelling Data Collection Procedure - Questionnaire survey Model - Covariance-Based Structural Equation Modelling	Perceived value, insurance literacy, and perceived trust have a significant and positive prediction of insurance inclusion in Uganda. Perceived trust explained more of the variations in insurance inclusion than perceived value and insurance literacy. Predictor variables explained 63.2% of the variance in insurance inclusion.	Context Gap - Focused only on insurance inclusion in Uganda. Sampling Gap - Sample may not be representative of the entire population. Variable Gap - Limited to perceived value, insurance literacy, and perceived trust, without exploring other potential factors. Methodology Gap - Reliance on Covariance-Based Structural Equation Modelling Variable Gap - Limited to perceived value, insurance literacy, and perceived trust, without exploring other potential factors. Methodology Gap - Reliance on Covariance-Based Structural Equation Modelling
6	Babajide et al.(2023)	Financial literacy, financial capabilities, and sustainable business practice among small business owners in Nigeria	To investigate the influence of financial literacy and financial capabilities on small firms' sustainability in Lagos and Ogun States, Nigeria	Financial literacy, financial capabilities, firm sustainability, environmental sustainability, financial sustainability, social responsibility, savings product	Research Design - Survey research design Population - Small business owners in Lagos and Ogun States, Nigeria Sample Size - 300 small business owners Sampling Design - Convenience Source of Data - Primary Questionnaires Tools -	Financial literacy and financial capabilities positively impact firm sustainability; savings product has a negative effect	Limited to financial literacy, financial capabilities, and firm sustainability, without considering other potential factors. Methodology Gap - Limited details

S. N.	Authors	Title	Research Objectives	Variables	Methodology	Findings	Research Gap
7	Panakaje et al. (2023)	Socio-economic empowerment in rural India: Do financial inclusion and literacy matters?	To analyze the role of financial literacy in ensuring financial inclusion and enhancing socio-economic empowerment in rural areas of Karnataka, India	Financial literacy, financial inclusion, socio-economic empowerment	Structural Equation Modeling (SEM) Data Collection Procedure - Questionnaires Model - Structural Equation Modeling (SEM) Research Design – Analytical Population - Rural areas of Karnataka, India Sample Size - 398 respondents Sampling – Purposive Source of Data - Questionnaire Tools - SPSS 26, SPSS AMOS 23 Data Collection Procedure - Questionnaire Model - Structural Equation Modeling (SEM), Two-way ANOVA	Financial literacy directly influences financial inclusion and socio-economic empowerment in rural India	provided on the sampling design and data analysis techniques used. Methodology Gap - Lack of details on the specific components of the conceptual model evaluated using SEM and the demographic factors analyzed using Two-way ANOVA.
8	Olaiya et al. (2023)	Financial Inclusion and Economic Growth: The Role of Insurance Sector Development	To investigate the influence of financial inclusion on economic growth by considering the role of the insurance sector in Nigeria.	Financial Inclusion, Insurance Sector Development, Economic Growth	Research Design - Econometric analysis Population – insurance sectors Nigeria Sample Size – 37 years data Sampling Design – purposive insurance Source of Data – Secondary data Tools - ARDL estimation technique Data Collection Procedure – Published data Model - ARDL estimation technique	Total insurance premium and non-life insurance premium are positively related to economic growth, while life insurance premium is negatively related to economic growth in Nigeria. Credit to the private sector contributes positively significantly	Methodology Gap - The study uses secondary data and econometric analysis, limiting the scope of original insights. Future research could involve primary data collection and qualitative analysis to explore specific aspects of

S. N.	Authors	Title	Research Objectives	Variables	Methodology	Findings	Research Gap
9	Stephen and Raphael (2023)	Effects of Financial Inclusion on Socio-Economic Transformation: A Case of Mbarali-Mbeya, Tanzania	To analyze the effects of financial inclusion on socio-economic transformation in Mbarali-Mbeya, Tanzania.	Financial Inclusion, Socio-Economic Transformation	Research Design - Correlation research design Population - Participants in the supply chain system over rice farming in Mbarali-Mbeya, Tanzania Sample Size - 210 units Sampling Design - Multistage sampling technique Source of Data - Primary Data Collection Procedure - Questionnaires Tools - F-test, multiple regression, logit analysis, multiple correlation	to economic growth. Accessibility, adequacy, affordability, safety, and sustainability of financial services and products fit the model. Financial institutions' management innovation, presence of facilitating and innovative financial infrastructures, financial literacy, and formal operating mechanisms positively and significantly lead to financial inclusion.	the insurance sector Methodology Gap - The study does not provide details on specific constructs, measurement scales, or theoretical frameworks used in the analysis. Future research could benefit from a clearer description of the research model and variables
10	Anakpo et al. (2023)	The policies, practices, and challenges of digital financial inclusion for sustainable development: the case of the developing economy	To understand the existing policies, practices, and barriers to digital financial inclusion in developing economies and provide interventions for redress.	Digital financial inclusion, Access to financial services, Policies, Practices, Barriers, Innovative interventions	Research Design - Literature review Population - Developing economies Sample Size - Developing country Sampling Design - Purposive Source of Data - Secondary Tools - Case study Data Collection Procedure - Published data Model - Descriptive	About 44% of the adult population in developing countries does not have access to financial services. Some countries have made significant progress in digital financial inclusion through policies and practices.	Methodology Gap - Lack of primary data collection and analysis. The review primarily focuses on existing literature, limiting the scope of original insights.

S. N.	Authors	Title	Research Objectives	Variables	Methodology	Findings	Research Gap
11	Khan et al. (2022)	Role of financial literacy in achieving financial inclusion: A review, synthesis and research agenda	To conduct a mapping, scientometric, and content analysis of studies at the intersection of financial literacy and financial inclusion from a sample of 10,091 studies over the last 45 years, involving more than 850,000 individuals worldwide	Financial Literacy, Financial Inclusion	Research Design- Analytical research design Population – 850,000 Individual Sample Size- sample of 10,091 studies Sampling Design - Purposive Source of Data - secondary Tools- Mapping, content analysis Data Collection Procedure – Published prior period data Model- Mapping, scientometric, and content analysis	The number of studies increases; Finance and Economics dominate the literature; most studies come from developed countries, particularly the US; citations are skewed; studies are moving from non-functional measures to functional measures.	Methodological Gap - While the study provides valuable insights into the trends and patterns in the literature, it lacks details on specific research methodologies employed in the mapping, scientometric, and content analysis. Future research could benefit from a clearer description of the methodology to enhance transparency and replicability.

S. N.	Authors	Title	Research Objectives	Variables	Methodology	Findings	Research Gap
12	Addo et al. (2022)	The impact of financial literacy on risk propensity mediated by access to finance	To examine the impact of financial literacy on risk propensity mediated by access to finance	Financial literacy, risk propensity, access to finance	Research Design - Explanatory research design with mediation analysis Population – respondents of SME's Sample Size - 188 Sampling Design - Random Source of Data - Primary Tools - Structural Equation Modeling (SEM) Data Collection Procedure - Questionnaires were used for primary data collection Model - Mediation analysis using SEM	Financial literacy has a significant impact on risk propensity mediated by access to finance	Context Gap - The study primarily focuses on the impact of financial literacy on risk propensity mediated by access to finance, without considering other potential factors.
13	Togun et al. (2022)	Financial Inclusion and SMEs' Performance: Mediating Effect of Financial Literacy	To examine the mediating effect of financial literacy on the relationship between financial inclusion and SMEs' performance	Financial inclusion, financial literacy, working capital, online banking, SMEs	Research Design –Descriptive and Analytical Population - SMEs in operation for 5 years and duly registered with SMEDAN Sample Size - 250 SME operators or managers Sampling - Simple random Source of Data – Primary and Secondary Data Collection Procedure – Website and survey Model - Structural equation modeling (SEM)	Financial inclusion is positively and significantly associated with SME performance . Financial inclusion is directly related to financial literacy. Financial literacy has a large positive impact on the performance of SMEs. Financial literacy partially mediates financial inclusion.	Context Gap - Lack of information on the specific region or context where the study was conducted. Variable Gap - Limited consideration of other factors affecting SME performance.

S. N.	Authors	Title	Research Objectives	Variables	Methodology	Findings	Research Gap
14	Lontchi et al. (2022)	The Mediating Effect of Financial Literacy and the Moderating Role of Social Capital in the Relationship between Financial Inclusion and Sustainable Development in Cameroon	To examine the mediating effects of financial literacy and the moderating role of social capital on the relationship between financial inclusion and sustainable development in Cameroon	Financial inclusion, financial literacy, social capital, sustainable development	Research Design - Quantitative research Population - Residents of Douala and Buea municipalities in Cameroon Sample Size - 488 respondents Sampling Design –simple Random Source of Data – Primary Data Collection Procedure - Questionnaire distribution Model - PLS-SEM model	Financial inclusion is positively and significantly related to financial literacy and sustainable development. Financial literacy mediates, but social capital does not moderate the relationship between financial inclusion and sustainable development.	Context Gap - Limited to Douala and Buea municipalities in Cameroon. Variable Gap - Focuses on financial literacy and social capital without considering other potential mediators or moderators
15	Garba et al. (2022)	Insurance literacy, risk knowledge management, risk-taking propensity and economic sustainability among SMEs: The moderating effect of financial inclusion.	To examine the moderating effect of financial inclusion on the relationship between insurance literacy, risk knowledge management, risk-taking propensity, and economic sustainability of Nigerian SMEs.	Insurance literacy, risk knowledge management, risk-taking propensity, financial inclusion, economic sustainability	Research design: Analytical research design Population - Registered SMEs Sample Size - 370 SMEs Sampling Design – Purposive/Judgmental Source of Data – Primary Tools - Structural Equation Modelling (SEM) using AMOS 26.0 software Data Collection Procedure - questionnaires distributed Model - Structural Equation Modelling (SEM)	IL significantly affects ES. RKM positively related to ES. RTP significantly affects ES. Financial inclusion moderates the relationship between IL, RKM, RTP, and ES.	Context Gap- Focused only on Nigerian SMEs. Variable Gap- No consideration of other potential moderating factors. Methodology Gap- Sole reliance on SEM.

S. N.	Authors	Title	Research Objectives	Variables	Methodology	Findings	Research Gap
16	Nguse et al. (2022)	Enhancing Women Economic Empowerment through Financial Inclusion: Evidence from SMEs in Ethiopia	To examine the role of government policies and regulations on women's economic empowerment through financial inclusion in Ethiopia	Government policies, financial inclusion, women's economic empowerment	Research Design - Explanatory Population - All registered women entrepreneurs in Addis Ababa Sample Size - 324 women-owned SMEs Sampling - Judgmental Source of Data - Primary Data Collection Procedure - Questionnaire Model - Structural analysis using SMART-PLS	Government policies and regulations have a positive and significant effect on women's economic empowerment directly and indirectly.	Various research gap as context gap, time gap, methodology gap in context of Ethiopia
17	Abdu (2021)	Risk Perception of Finance Inclusion by Small and Medium Enterprises	To rank different risk perceptions on financial inclusion by Small and Medium-sized Enterprises (SMEs) within Nigeria	Risk Perception, financial Inclusion	Research Design Quantitative research design Population Small and Medium-sized Enterprises (SMEs) located in Adamawa, Bauchi, Borno, Gombe, Taraba, and Yobe States in Nigeria Sample Size- 800 SMEs Sampling Design -Random sampling technique Source of Data – Primary Tools- SPSS analysis Data Collection Procedure - Distribution of questionnaires Model-Chi-square test in SPSS for data analysis	Financial risk perception was ranked higher by 38%, emphasizing the importance of SMEs prioritizing and mitigating financial risk to achieve financial inclusion	The study lacks detailed information on the specific types of financial risks perceived by SMEs in Nigeria. Future research could explore the specific factors contributing to financial risk perception among SMEs to provide more nuanced insights for policy and practice.

S. N.	Authors	Title	Research Objectives	Variables	Methodology	Findings	Research Gap
18	Sajuyigbe et al. (2020)	Financial literacy and financial inclusion as tools to enhance small scale businesses' performance in Southwest, Nigeria	To examine the impact of financial literacy and financial inclusion on small businesses' overall performance with special reference to Southwest Nigeria	Financial literacy, financial inclusion, working capital, performance, small business	Research Design - Descriptive Population - Small scale businesses in Nigeria Sample Size - 240 small scale businesses Sampling Design - Purposive Source of Data - primary Tools - Simple percentage, mean, standard Collection Procedure - Questionnaire Model – Correlation and regression model	Financial literacy and financial inclusion jointly and independently affect small businesses' performance . Positive and significant relationship between financial literacy and financial inclusion.	Context Gap - Focused only on Southwest Nigeria. Variable Gap - Limited consideration of other factors affecting small businesses' performance.
19	Amoah and Mungai (2020)	Financial literacy training and micro insurance on the financial performance of SMEs in the Sekondi-Takoradi Metropolis, Ghana	To determine the effect of financial literacy training on the financial performance of SMEs and to establish the effect of microinsurance on the financial performance of SMEs.	Financial literacy training, microinsurance, financial performance, government regulations	Research Design - Explanatory research design Population - SMEs in Sekondi-Takoradi Metropolis, Ghana Sample Size - 260 SMEs Sampling Design - Not specified Source of Data - Primary data (structured questionnaire) Tools – Correlation and Regression Analysis Data Collection Procedure - Questionnaire distribution Model – Multivariate Regression Analysis	Both financial literacy training and micro-insurance had a positive and significant effect on the performance of SMEs. The study recommends microfinance institutions should survey the needs of SMEs and their specific challenges in accessing microfinance services.	Context Gap - Focused only on SMEs in the Sekondi-Takoradi Metropolis, Ghana. Sampling Gap - Details on the sampling design are not provided. Variable Gap - Concentrates on financial literacy training and micro-insurance without exploring other potential factors

S. N.	Authors	Title	Research Objectives	Variables	Methodology	Findings	Research Gap
20	Zauro et al. (2020)	Enhancing socio-economic justice and financial inclusion in Nigeria: The role of zakat, Sadaqah and Qardhul Hassan	To discuss the roles of Zakat, Sadaqah, and Qardhul Hassan in enhancing socio-economic justice and financial inclusion in Nigeria	Zakat, Sadaqah, Qardhul Hassan	Research Design - Literature review Population – All Muslims of Niegeria Sampling Design – Purposive Source of Data - Qur’an, Hadiths, existing literature Tools – Case Study Data Collection Procedure - Secondary sources Model – Literature review	Zakat, Sadaqah, and Qardhul Hassan are advocated as instruments for wealth redistribution and socio-economic justice in Nigeria	affecting SME performance. Methodology Gap - Lack of empirical evidence or quantitative analysis to support the discussion points. Limited details on the specific sources or literature reviewed. The study relies solely on secondary sources and does not involve primary data collection. Variable Gap - Limited to micro-takaful, financial inclusion, and sustainable development without considering other potential factors. Methodology Gap - Lack of details provided on the research design, population, and data
21	Haroun and Yusoff (2019)	Micro-Takaful as stimulus for financial inclusion: A key component towards sustainable development	To explore the role of micro-takaful in promoting financial inclusion and sustainable development	Micro-takaful, financial inclusion, sustainable development	Research Design – Literature review Population – Micro insurance employed individuals Sampling Design – Purposive Source of Data – Secondary Tools - Conceptual analysis Data Collection Procedure - Literature review Model - Conceptual framework	Micro-takaful plays a crucial role in promoting financial inclusion and sustainable development	affecting SME performance. Methodology Gap - Lack of empirical evidence or quantitative analysis to support the discussion points. Limited details on the specific sources or literature reviewed. The study relies solely on secondary sources and does not involve primary data collection. Variable Gap - Limited to micro-takaful, financial inclusion, and sustainable development without considering other potential factors. Methodology Gap - Lack of details provided on the research design, population, and data

S. N.	Authors	Title	Research Objectives	Variables	Methodology	Findings	Research Gap
22	Bire et al. (2019)	The effect of financial literacy towards financial inclusion through financial training	To describe the influence of financial literacy on financial inclusion mediated by financial training among Micro, Small, and Medium Enterprises (MSMEs) in Kupang city, Indonesia	Financial literacy, Financial inclusion, Financial training	Research Design - Descriptive Population - MSMEs in Kupang city, Indonesia Sample Size - 54 respondents Sampling Design – Purposive Source of Data – Primary Tools - SPSS Version 20 Data Collection Procedure - Path analysis Model – Regression Analysis	Financial literacy has a direct and significant impact on financial inclusion, mediated by financial training. Financial training mediates the relationship between financial literacy and financial inclusion.	collection methods. Methodology Gap - Limited detail on the sampling design and data collection procedure. Lack of clarity on the specific aspects of financial literacy, financial inclusion, and financial training measured. The study only examines a specific context (MSMEs in Kupang city).
23	Morgan et al. (2018)	Overview of financial inclusion, regulation, financial literacy, and education in Central Asia and South Caucasus (No. 878)	To survey the experiences of Central Asia and South Caucasus (CASC) economies, assess factors affecting financial access for low-income households	Financial inclusion, financial literacy, financial education programs, financial regulatory frameworks	Research Design – Descriptive and Analytical Population - (CASC) economies Sample Size – CAC SMES Sampling Design – Purposive Source of Data – Primary and Secondary Tools – Descriptive Collection Procedure – survey and published data Model – Description analysis	Financial inclusion and financial development in CASC economies have lagged behind due to disruptions following the breakup of the Soviet Union	Methodology Gap - Lack of details on the specific research methods employed, such as data collection techniques and analytical approach

S. N.	Authors	Title	Research Objectives	Variables	Methodology	Findings	Research Gap
24	Noor (2017)	Determining factors that influence financial inclusion among SMEs: the case of Harare Metropolitan.	To explore the factors that influence financial inclusion of SMEs in Zimbabwe, analysing demand-side, supply-side, and infrastructural constraints	Demand-side factors (high transaction costs, financial illiteracy, lack of confidence, low education levels), Supply-side and infrastructural factors (lack of accessible branches, information asymmetry, irrelevant products, high risk levels)	Research Design - Descriptive research design Population - Zimbabwean banking sector and SMEs in Harare Metropolitan Sample Size - 10 financial institutions and 50 SMEs Sampling Design – Purposive Source of Data - Primary data Tools - Descriptive statistical measures (mean, standard deviation) Data Collection Procedure - Questionnaire distribution Model – Correlation and Regression	All demand-side, supply-side, and infrastructural factors were significantly related to the financial inclusion of SMEs. Key determinants negatively impacting financial inclusion included lack of confidence in the banking sector, prohibitive requirements, high bank charges, low incomes, and absence of savings.	Context Gap - Focused only on SMEs in Harare Metropolitan, Zimbabwe. Sampling Gap - Details on the sampling design are not provided. Methodology Gap - Use of descriptive statistical measures only without exploring more complex analytical techniques.

2.3 Research Gap

Previous research has extensively explored various facets of financial literacy, financial inclusion, and socio-economic sustainability across different contexts. Notable studies include Mishra et al. (2024), who reviewed financial inclusion and its impacts on socio-economic development, and Listyaningsih et al. (2024), who examined financial literacy, financial inclusion, and financial statements on MSMEs' performance and sustainability. Other significant contributions include Kurniasari (2023), Esowe (2023), and Kiwanuka and Sibindi (2023), focusing on various dimensions of financial inclusion. Babajide et al. (2023) and Panakaje et al. (2023) have also investigated financial inclusion's role in economic empowerment. Despite these contributions, significant research gaps remain, particularly in the context, time, variables, and methodology employed.

Firstly, a notable context gap exists, as the interplay between insurance literacy, financial inclusion, and socio-economic sustainability among SMEs in Nepal has not been previously examined. While studies such as those by Olaiya et al. (2023) and Stephen and

Raphael (2023) have looked at similar issues in other regions, there is a lack of focus on Nepal. This geographical context is crucial as the socio-economic environment and the state of financial inclusion in Nepal present unique challenges and opportunities that differ significantly from other regions (Olaiya et al., 2023; Stephen & Raphael, 2023).

Secondly, there is a time gap in the existing literature, as many studies rely on data that may not reflect the most recent economic and financial trends. This study addresses this gap by using the latest data from 2024, providing an up-to-date perspective on the current state of financial inclusion and its impacts (Khan et al., 2022; Anakpo et al., 2023). Using recent data ensures that the findings are relevant and can inform current policy and practice more effectively.

Thirdly, a variable gap is evident in the existing research. Many studies have not simultaneously examined insurance literacy, financial inclusion, risk-taking propensity, and risk knowledge management as factors influencing socio-economic sustainability. Previous research, such as that by Addo et al. (2022) and Togun et al. (2022), has typically focused on one or two of these factors in isolation. By integrating these variables, this study provides a more comprehensive understanding of the factors that contribute to socio-economic sustainability among SMEs (Lontchi et al., 2022; Garba et al., 2022).

Fourthly, the methodology gap is addressed by employing both descriptive statistics and causal comparative research design. While prior studies often rely on either descriptive or inferential statistical methods, such as the use of path analysis by Bire et al. (2019) and structural equation modeling by Panakaje et al. (2023), this study combines these approaches to provide a robust analysis of the relationships between the variables (Abdu, 2021; Sajuyigbe et al., 2020). This mixed-method approach enhances the reliability and validity of the findings.

Overall, significant gaps in the context, time, variables, and methodology of previous research have been identified. This study aims to address these gaps by focusing on the unique context of Nepal, using the latest data from 2024, integrating a comprehensive set of variables, and employing a mixed-method research design. By doing so, this research contributes to a more nuanced understanding of the factors driving socio-economic sustainability among SMEs and provides valuable insights for policymakers and practitioners aiming to enhance financial inclusion and socio-economic development (Amoah & Mungai, 2020; Zauro et al., 2020; Haroun & Yusoff, 2019).

CHAPTER III

RESEARCH METHODOLOGY

This chapter presents the research methodology, encompassing the research design, population and sample, and sampling design. It describes the nature and sources of data, the instruments for data collection, methods of analysis, the research framework, and definitions of the variables.

3.1 Research Design

This study used both descriptive and causal comparative research designs. Descriptive statistics were used to assess the status of insurance literacy, financial inclusion, and socio-economic sustainability among SMEs in Nepal. Additionally, a causal comparative research design was utilized to evaluate the impact of insurance literacy and financial inclusion on the socio-economic sustainability of these SMEs.

3.2 Population and Sample, and Sampling Design

Since this study is focused on the sustainability of SMEs, the total population considered is the respondents working within these SMEs located at Madhyapur Thimi Municipality. Given that the population size is large and unknown, the Cochran formula was employed to calculate the sample size, resulting in a sample size of 385. For the ease of data collection, convenience sampling was utilized in selecting the sample size. This method allowed for the efficient gathering of relevant data from a manageable and representative subset of the larger population.

Given that the target population of this study is very large and unknown, Cochran (1963) developed an equation to yield a representative sample for proportions. Therefore, according to Cochran model the minimum required sample size is 385.

3.3 Nature and Sources of Data

This study is based on quantitative data collected from primary sources. A structured questionnaire survey method was employed to gather this first-hand data.

3.4 Data Collection Procedure

The data collection procedure for this study involved targeting respondents working within small and medium-sized enterprises (SMEs) located in Madhyapur Thimi Municipality, where I have lived for the past three years. Approximately 520 respondents were

approached, resulting in 385 completed responses through personal and professional relationship, yielding a response rate of approximately 73.96 percent. The respondents included individuals with various insurance policies: life insurance, non-life insurance, and those without any insurance policy. The data collection focused on five wards within the Bhaktapur area, ensuring a comprehensive representation of the insurance landscape among SMEs in the municipality.

Table 2
Sample of Study

Madhyapur Thimi Municipality	Approached	Responded	Response Rate
Ward No. 2	100	73	73.0
Ward No. 3	100	71	71.0
Ward No. 6	100	62	62.0
Ward No. 8	100	77	77.0
Ward No. 9	120	102	85.0

3.5 Instrument of Data Collection

The data collection for this study has utilized the structured questionnaire survey method. A structured questionnaire has been developed and distributed to selected respondents, and data has been collected accordingly. The questionnaire has been designed in two parts. In the first part, respondents have been asked to provide their demographic profile, including gender, age, educational qualification, and marital status. In the second part, six statements for each independent and dependent variable have been designed in a five-point Likert scale.

To measure the variables used in this study, six questionnaires has been adopted from various articles. Insurance literacy has been assessed using items from Weedige et al. (2019), while risk-taking propensity has been measured based on Rahman (2020). Risk knowledge management has been evaluated through the framework developed by Tajpour et al. (2022). Financial inclusion has been examined using the questionnaire from Nyasani (2011), and socio-economic sustainability has been assessed based on the work of Ranabhat (2020).

The questionnaire has been designed with input from previous research articles, journals, theses, and consultations with the supervisor. The five-point Likert scale ranges from "strongly disagree" to "strongly agree," with points scored as follows: strongly disagree (1), disagree (2), neutral (3), agree (4), and strongly agree (5). This structured approach has ensured that the data collected is both reliable and relevant to the research objectives.

Table 3
Instrument of Data Collection

Category	Source	Items
Demographic Profile	Garba et al. (2022)	4
Insurance Literacy	Weedige et al. (2019)	6
Risk Taking Propensity	Rahman (2020)	6
Risk Knowledge Management	Tajpour et al. (2022)	6
Financial Inclusion	Nyasani (2011)	6
Socio-Economic Sustainability	Ranabhat (2020)	6

3.6 Method of Analysis

After data collection, the data was entered into statistical software such as Microsoft Excel and SPSS for analysis. Various statistical tools were utilized to ensure the robustness of the data, including a reliability test to assess the consistency of the data, a normality test to check the distribution of the data, descriptive statistics to summarize and describe the main features of the dataset, and correlation analysis to explore the relationships between variables. Additionally, a multivariate regression model was employed to examine the impact of multiple independent variables on the dependent variable, providing comprehensive insights into the research questions. Following were the statistical tools used in this study.

3.6.1 Descriptive Statistics

In this study descriptive statistics has been used to assess the status of insurance literacy, financial inclusion, and socio-economic sustainability among SMEs in Nepal. By calculating the mean scores of responses, the mean provided a clear picture of the general level of these variables within the target sample. Standard deviation was employed to analyze the variability in respondents' perceptions regarding insurance literacy, financial inclusion, and socio-economic sustainability among SMEs in Nepal. This measure of dispersion indicated how much individual responses varied from the mean, giving insights into the consistency of perceptions among respondents.

3.6.2 Correlation Analysis

Correlation analysis was used to analyze the relationship between insurance literacy, financial inclusion, and socio-economic sustainability among SMEs in Nepal. By examining the strength and direction of the associations between these variables, the analysis helped identify whether increases or decreases in one variable corresponded to increases or decreases in another.

3.6.3 Regression Analysis

Regression analysis was used to evaluate the impact of insurance literacy and financial inclusion on socio-economic sustainability among SMEs in Nepal. This statistical method allowed for the assessment of how much variation in socio-economic sustainability could be explained by changes in insurance literacy and financial inclusion, providing a detailed understanding of the causal relationships among the variables.

$$Y_{SES} = \alpha + \beta_1 INL + \beta_2 RTP + \beta_3 RKM + \beta_4 FIN + E \dots \dots \dots \text{Eq. (i)}$$

SES = Socio-Economic Sustainability

INL = Insurance Literacy

RTP = Risk Taking Propensity

RKM = Risk Knowledge Management

FIN = Financial Inclusion

E = Error Term

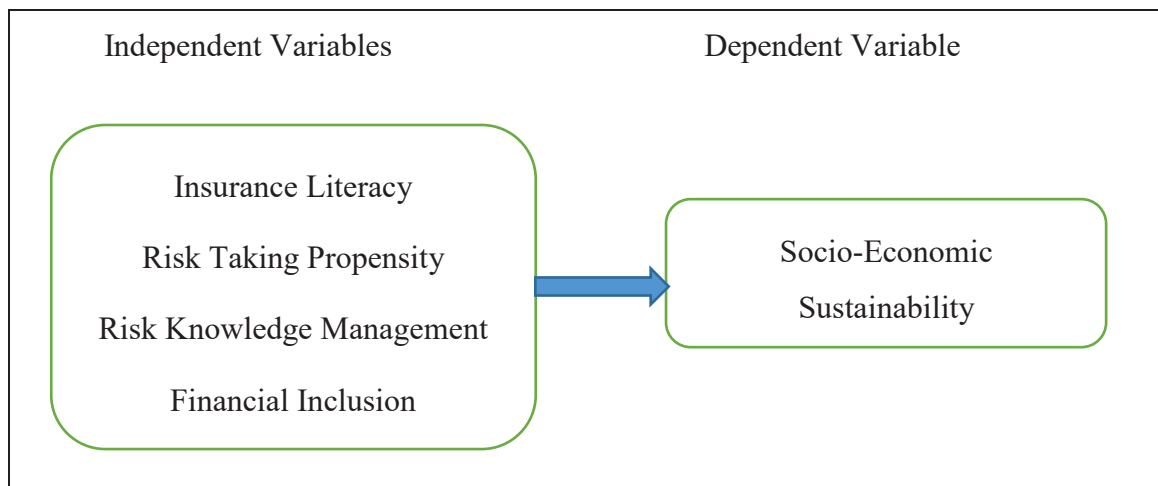
α = Intercept term

$\beta_1, \beta_2, \beta_3, \beta_4$ = Coefficients

3.7 Research Framework and Definition of Variables

3.7.1 Research Framework

This study has adopted the research framework from Garba et al. (2022), where Insurance Literacy, Risk Taking Propensity, and Risk Knowledge Management, Financial Inclusion have served as independent variables, and Socio-Economic Sustainability has been the dependent variable.



Source: Garba et al. (2022)

Figure 1. Research framework of this study

3.7.2 Operational Definition of Variables

Independent Variables

An independent variable is a factor that is manipulated or controlled in a study to observe its effect on the dependent variable (Listyaningsih et al., 2024). In this study, the independent variables used are insurance literacy, risk-taking propensity (RTP), and risk knowledge management (RKM).

Insurance Literacy

Insurance literacy refers to individuals' and organizations' knowledge and understanding of insurance policies, principles, and concepts. It involves being familiar with different types of insurance coverage, their benefits, limitations, and how they can be used to manage risks effectively. For individuals and businesses alike, insurance literacy is crucial for making informed decisions about purchasing appropriate insurance products that align with their needs and financial capabilities (Garba et al., 2022). It also encompasses understanding insurance terms, policy exclusions, deductibles, and how insurance claims processes work. This variable is supported by Listyaningsih et al. (2024), Esowe (2023), Kurniasari (2023), and Kiwanuka and Sibindi (2023).

Risk Taking Propensity

Risk taking propensity refers to an individual's or organization's inclination and willingness to engage in activities or decisions that involve uncertainty or potential loss in pursuit of desired outcomes (Garba et al., 2022). It reflects an entrepreneurial mindset characterized

by calculated assessment and management of risks, balancing potential rewards against potential losses. Understanding risk taking propensity involves evaluating factors such as risk tolerance, risk perception, and the ability to foresee and mitigate potential negative outcomes. In business contexts, risk taking propensity is essential for innovation, growth, and seizing opportunities in competitive markets. It involves strategic decision-making, where risks are evaluated, managed, and sometimes embraced to achieve long-term objectives and competitive advantage. This variable is supported by Babajide et al. (2023) and Olaiya et al. (2023).

Risk Knowledge Management

Risk knowledge management (RKM) refers to the systematic process of identifying, assessing, and managing risks within an organization (Lontchi et al., 2022). It involves collecting and analyzing data related to potential risks, sharing this information among stakeholders, and implementing strategies to mitigate or respond to those risks effectively. RKM aims to enhance decision-making, improve organizational resilience, and ensure that risks are managed proactively rather than reactively. By fostering a culture of risk awareness and integrating risk management practices into daily operations, organizations can better navigate uncertainties and achieve their objectives. This variable is supported by et al. (2022), and Addo et al. (2022)

Financial Inclusion

Financial inclusion refers to the accessibility and availability of financial services and products to all segments of society, especially those traditionally underserved or excluded from the formal financial system (Garba et al., 2022). It aims to provide individuals and communities with the tools and resources needed to participate in the economy, build assets, and improve their financial well-being. Financial inclusion encompasses access to banking services, credit, savings, insurance, and payment systems, tailored to meet the diverse needs of individuals and businesses. It plays a critical role in fostering economic growth, reducing poverty, and promoting social development by enabling individuals to save, invest, and protect themselves against financial shocks effectively. This variable is supported by Listyaningsih et al. (2024), Esowe (2023) Mishra et al. (2024).

Dependent Variable

Dependent variables are the outcomes or responses that researchers aim to explain or predict based on the influence of independent variables (Abdu, 2021). In this study, the

dependent variable is socio-economic sustainability, which refers to the ability of micro, small, and medium enterprises (MSMEs) to maintain and enhance their economic viability while contributing to social and environmental well-being.

Socio-Economic Sustainability

Socio-economic sustainability refers to the ability of individuals, communities, or organizations to maintain or enhance economic prosperity while addressing social and environmental considerations (Garba et al., 2022). It involves balancing economic growth with social equity and environmental stewardship to ensure long-term viability and well-being. Socio-economic sustainability encompasses factors such as economic development, job creation, income distribution, access to education and healthcare, community engagement, and environmental conservation (Garba et al., 2022). Achieving socio-economic sustainability requires integrating sustainable practices into economic activities, promoting inclusive growth, and fostering resilient communities that can thrive economically, socially, and environmentally over time. This variable is supported by Garba et al. (2022), Lontchi et al. (2022), Togun et al. (2022), and Addo et al. (2022).

CHAPTER IV

RESULTS AND DISCUSSION

This chapter presents the results and discussion of the study. Initially, the results are systematically presented and analyzed to provide a clear understanding of the findings. Following this, the discussion section compares and contrasts these results with the conclusions drawn from previous research, highlighting similarities, differences, and the implications of the findings in the context of existing literature.

4.1 Results

In this section, the results of the demographic profile, reliability test, descriptive statistics, correlation, and regression analysis are presented in tabular form and thoroughly analyzed. Each table provides a clear and concise representation of the data, facilitating a better understanding of the participants' characteristics and the relationships among the variables. The analysis highlights key findings, including the reliability of the measurement instruments and the statistical significance of the correlations and regression results.

4.1.1 Status of Purchase of Insurance Policy

This section outlines the current status of life insurance policies based on the responses provided by participants. The respondents were asked whether they purchase insurance or not.

Table 4
Purchase of Insurance Policy

Do you Purchase of Insurance Policy?	Frequency	Percentage
Yes	360	93.51
No	25	6.49

Source: Field Survey, 2024

Table 4 presents the purchase or non-purchase of insurance policies among respondents. A significant majority, 360 respondents (93.51%), reported having purchased an insurance policy, while a smaller group of 25 respondents (6.49%) indicated that they have not purchased one. This indicates a high level of engagement with life insurance products among the participants.

If the respondents purchase an insurance policy, the categories of insurance policies held by the insured are as follows.

Table 5
Category of Insurance Policy

Category	Frequency	Percentage
Life Insurance	236	65.56
Non-Life Insurance	124	34.44

Source: Field Survey, 2024

Table 5 illustrates the categories of insurance policies held by the 360 respondents who reported purchasing insurance. Among them, 236 individuals (65.56%) hold life insurance policies, while 124 respondents (34.44%) have non-life insurance policies. This data suggests a predominance of life insurance among the respondents, highlighting its significance in their insurance choices.

4.1.2 Demographic Profile of Respondents

In this section, the demographic profile of the respondents has been examined, focusing on key characteristics such as gender, marital status, age group, and academic qualifications. The analysis provides insights into the composition of the sample, revealing the diversity of respondents and their backgrounds.

Table 6
Demographic Profile of Respondents (N=385)

Variables		Frequency	Percent
Gender	Male	212	55.06
	Female	173	44.94
Marital Status	Single	188	48.83
	Married	197	51.17
Age Group	Below 30	154	40.00
	30 to 50	153	39.74
	50 and Above	78	20.26
Academic Qualifications	SLC	19	4.94
	10+2	38	9.87
	Bachelors	201	52.21
	Masters and above	127	32.99

Source: Field Survey, 2024

Table 6 presents the demographic profile of the respondents, highlighting various characteristics. Regarding gender, the majority of respondents are male, with a frequency of 212 (55.06%), while female respondents account for 173 (44.94%). In terms of marital status, 188 respondents (48.83%) are single, and 197 (51.17%) are married. The age

distribution shows that 154 respondents (40.00%) are below 30 years old, 153 respondents (39.74%) fall within the 30 to 50 age group, and 78 respondents (20.26%) are aged 50 and above. Lastly, concerning academic qualifications, 19 respondents (4.94%) have completed SLC, 38 respondents (9.87%) have finished 10+2, 201 respondents (52.21%) hold a Bachelor's degree, and 127 respondents (32.99%) have obtained a Master's degree or higher.

4.1.3 Reliability Test

In this study, the reliability of the data has been assessed through Cronbach's alpha. This test has been employed to evaluate the internal consistency of the data, confirming that the measurement instruments utilized yield reliable and stable results.

Table 7
Reliability Test

Code	Variables	Cronbach's Alpha	N of Items
INL	Insurance Literacy	0.870	6
RTP	Risk Taking Propensity	0.824	6
RKM	Risk Knowledge Management	0.859	6
FIN	Financial Inclusion	0.871	6
SES	Socio-Economic Sustainability	0.874	6
Overall		0.951	30

Source: Field Survey, 2024

Table 7 presents the results of the reliability test, showcasing the Cronbach's Alpha values for different variables. Each variable, including Insurance Literacy (0.870), Risk Taking Propensity (0.824), Risk Knowledge Management (0.859), Financial Inclusion (0.871), and Socio-Economic Sustainability (0.874), demonstrates Cronbach's Alpha values exceeding 0.7, indicating acceptable reliability. The overall Cronbach's Alpha of 0.951 for all items further reinforces the reliability of the data, confirming that the measurement instruments employed in this study are consistent and trustworthy.

4.1.4 Descriptive Statistics

In this study, descriptive statistics have been employed to evaluate the status of insurance literacy, financial inclusion, and socio-economic sustainability among SMEs in Nepal. This statistical approach has provided a comprehensive overview of the respondents' perceptions and experiences related to these variables, allowing for a clearer understanding of their

current situation. By analyzing measures such as means, frequencies, and percentages, the study has highlighted key trends and patterns that inform the broader research objectives.

Table 8

Summary of Descriptive Statistics

Code	Variables	Mean	S.D.
INL	Insurance Literacy	3.832	0.734
RTP	Risk Taking Propensity	3.908	0.545
RKM	Risk Knowledge Management	3.946	0.658
FIN	Financial Inclusion	3.876	0.702
SES	Socio-Economic Sustainability	3.952	0.655

Source: Field Survey, 2024

Table 8 presents the summary of descriptive statistics of employee perception towards insurance literacy, financial inclusion, and socio-economic sustainability among SMEs.

Insurance Literacy (INL) has a mean score of 3.832 with a standard deviation of 0.734, indicating a generally positive perception among respondents regarding their understanding of insurance concepts and practices. The relatively high mean suggests that respondents believe they possess a good level of insurance literacy, while the standard deviation indicates moderate variability in responses, reflecting diverse perspectives on this topic.

Risk Taking Propensity (RTP) has a mean score of 3.908 and a standard deviation of 0.545. This result implies that respondents exhibit a favorable attitude towards risk-taking in their financial decisions, suggesting confidence in their ability to engage in calculated risks. The lower standard deviation indicates a more uniform perception among respondents, highlighting a consensus on the importance of risk-taking in achieving financial goals.

Risk Knowledge Management (RKM) shows a mean score of 3.946 with a standard deviation of 0.658. This indicates that respondents generally perceive themselves as well-informed about managing risks effectively. The high mean score suggests a strong belief in the significance of risk knowledge management, while the standard deviation reflects some variability in how this knowledge is perceived among different individuals.

Financial Inclusion (FIN) has a mean score of 3.876 and a standard deviation of 0.702, demonstrating a positive perception of access to financial services and resources among respondents. The mean score indicates that respondents feel they have adequate opportunities for financial inclusion, while the standard deviation suggests some differences in individual experiences with financial services.

Socio-Economic Sustainability (SES) presents a mean score of 3.952 and a standard deviation of 0.655. This result indicates that respondents view socio-economic sustainability positively, believing that their financial practices contribute to broader economic stability and growth. The relatively high mean score reflects a strong consensus on the importance of sustainable practices, while the standard deviation suggests slight variations in opinions regarding the extent of their impact on socio-economic sustainability.

4.1.5 Correlation Analysis

In this section, correlation analysis has been used to analyze the relationship between insurance literacy, financial inclusion, and socio-economic sustainability among SMEs in Nepal. This analysis aims to determine the strength and direction of the associations between these variables, providing insights into how improvements in insurance literacy and financial inclusion may influence socio-economic sustainability.

Table 9

Correlation Matrix

Variables	INL	RTP	RKM	FIN	SES
Insurance Literacy	1				
Risk Taking Propensity	.604** 0.00	1			
Risk Knowledge Management	.581** 0.00	.681** 0.00	1		
Financial Inclusion	.576** 0.00	.677** 0.00	.805** 0.00	1	
Socio-Economic Sustainability	.603** 0.00	.544** 0.00	.652** 0.00	.642** 0.00	1

Source: Field Survey, 2024

Table 9 presents the correlation between the independent variables, insurance literacy (INL), risk taking propensity (RTP), risk knowledge management (RKM), financial inclusion (FIN), and the dependent variable, socio-economic sustainability (SES). The correlation analysis reveals that there is a significant positive relationship between insurance literacy and socio-economic sustainability, with a correlation coefficient of 0.603. This indicates a moderate to strong correlation, suggesting that as insurance literacy increases, socio-economic sustainability tends to improve. The significance value of 0 indicates that this relationship is statistically significant at the 5 percent level.

Additionally, the correlation between risk taking propensity and socio-economic sustainability shows a correlation coefficient of 0.544, reflecting a moderate positive relationship. This finding suggests that higher levels of risk taking propensity are associated with better socio-economic sustainability outcomes. The significance value of 0 indicates that this correlation is significant at the 5 percent level, supporting the importance of risk taking propensity in promoting socio-economic development.

The analysis also demonstrates a strong positive correlation between risk knowledge management and socio-economic sustainability, with a correlation coefficient of 0.652. This strong correlation implies that effective risk knowledge management practices significantly contribute to enhancing socio-economic sustainability. The significance value of 0 indicates that this relationship is statistically significant at the 5 percent level, underscoring the importance of risk knowledge management for socio-economic stability.

Lastly, financial inclusion shows a correlation coefficient of 0.642 with socio-economic sustainability, indicating a strong positive relationship. This suggests that greater financial inclusion is associated with improved socio-economic sustainability outcomes. The significance value of 0 confirms that this correlation is significant at the 5 percent level, emphasizing the critical role of financial inclusion in achieving socio-economic sustainability.

4.1.6 Regression Analysis

In this section, multivariate regression analysis has been used to analyze the impact of insurance literacy and financial inclusion on socio-economic sustainability among SMEs in Nepal. This analytical approach allows for the assessment of how variations in the independent variables, insurance literacy and financial inclusion, contribute to changes in the dependent variable, socio-economic sustainability. By evaluating these relationships, the study aims to provide evidence on the significance of enhancing insurance literacy and improving financial inclusion as strategies for fostering sustainable economic growth within the SME sector.

Table 10

Model Summary of Regression Model

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.721	0.520	0.515	0.45606

Source: Field Survey, 2024

Table 10 presents the model summary of the regression analysis, indicating a strong relationship between the independent variables (financial inclusion (FIN), insurance literacy (INL), risk taking propensity (RTP), and risk knowledge management (RKM)) and the dependent variable, socio-economic sustainability (SES). The coefficient of determination (R^2) is 0.520, suggesting that approximately 52% of the variance in socio-economic sustainability is explained by the predictors in the model. The adjusted R^2 value of 0.515 confirms the model's validity by accounting for the number of predictors used. Additionally, the standard error of the estimate is 0.45606, indicating the average distance between the observed values and the predicted values, thus providing insight into the model's predictive accuracy.

Table 11

ANOVA Table of Regression Model

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	85.727	4	21.432	103.042	0.00
	Residual	79.036	380	0.208		
	Total	164.763	384			

Source: Field Survey, 2024

Table 11 presents the ANOVA results for the regression model, indicating the overall significance of the predictors (financial inclusion (FIN), insurance literacy (INL), risk taking propensity (RTP), and risk knowledge management (RKM)) in explaining the variance in the dependent variable, socio-economic sustainability (SES). The significance value (Sig.) is reported as 0.00, which is less than the 0.05 threshold, confirming that the model is statistically significant and fit for analysis. This suggests that the independent variables collectively have a significant impact on socio-economic sustainability, validating the effectiveness of the regression model used in this study.

Table 12

Beta Coefficient of Regression Model

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	0.918	0.173		5.305	0.000		
Insurance Literacy	0.263	0.042	0.295	6.270	0.000	0.571	1.752
Risk Taking Propensity	0.018	0.064	0.015	0.277	0.782	0.443	2.255
Risk Knowledge Management	0.280	0.064	0.281	4.401	0.000	0.310	3.223
Financial Inclusion	0.220	0.059	0.236	3.724	0.000	0.315	3.179

Source: Field Survey, 2024

Table 12 presents the beta coefficients of the regression model, detailing the unstandardized coefficients, standardized coefficients, significance, and variance inflation factors (VIF) for each independent variable's impact on the dependent variable, socio-economic sustainability (SES).

For insurance literacy (INL), the unstandardized beta coefficient is 0.263, indicating that a one-unit increase in insurance literacy is associated with a 0.263 increase in socio-economic sustainability. The standardized beta coefficient is 0.295, showing a moderate positive effect relative to other variables. The significance value is 0, which is less than the 0.05 threshold, confirming that the impact of insurance literacy on socio-economic sustainability is statistically significant. The VIF value of 1.752 suggests no multicollinearity concerns, indicating that insurance literacy is a strong and independent predictor of socio-economic sustainability.

Regarding risk taking propensity (RTP), the unstandardized beta coefficient is 0.018, which implies that the effect of risk taking propensity on socio-economic sustainability is minimal, with only a slight increase in SES for each unit increase in RTP. The standardized beta coefficient is 0.015, indicating a weak effect compared to other variables. The significance value is 0.782, which is greater than the 0.05 level, indicating that risk taking propensity does not have a statistically significant impact on socio-economic sustainability.

The VIF of 2.255 suggests that there is no multicollinearity issue, but the variable may not be an important contributor to the model.

For risk knowledge management (RKM), the unstandardized beta coefficient is 0.280, suggesting that a one-unit increase in risk knowledge management is associated with a 0.280 increase in socio-economic sustainability. The standardized beta coefficient is 0.281, reflecting a significant positive relationship with SES. The significance value is 0, which is below the 0.05 threshold, confirming the strong and statistically significant impact of risk knowledge management on socio-economic sustainability. The VIF value of 3.223 indicates no multicollinearity concerns, reinforcing the relevance of risk knowledge management in predicting SES outcomes.

Finally, financial inclusion (FIN) has an unstandardized beta coefficient of 0.220, indicating that a one-unit increase in financial inclusion correlates with a 0.220 increase in socio-economic sustainability. The standardized beta coefficient of 0.236 signifies a meaningful positive effect in comparison to other independent variables. The significance value is 0, which is below the 0.05 threshold, confirming that financial inclusion significantly impacts socio-economic sustainability. The VIF of 3.179 suggests that multicollinearity is not an issue, thereby confirming that financial inclusion is a vital predictor of socio-economic sustainability in this study.

In conclusion, this study has explored the intricate relationships between insurance literacy, financial inclusion, risk taking propensity, and risk knowledge management as independent variables, and their collective impact on socio-economic sustainability among SMEs in Nepal. The findings have highlighted that insurance literacy, risk knowledge management, and financial inclusion significantly contribute to enhancing socio-economic sustainability, while risk taking propensity has shown a minimal and statistically insignificant effect. The regression analysis has indicated a robust model fit, confirming the relevance of the independent variables in predicting socio-economic sustainability. Overall, the research has underscored the importance of fostering insurance literacy and risk knowledge management, alongside promoting financial inclusion, to bolster the socio-economic resilience and sustainability of SMEs in Nepal.

4.2 Discussion

The first objective of this study is to assess the status of insurance literacy, financial inclusion, and socio-economic sustainability among SMEs in Nepal. The findings show

that respondents have a positive perception of their insurance literacy, indicating satisfactory levels within the workforce. They also exhibit confidence in their financial decision-making through a favorable attitude towards risk-taking and a strong belief in the importance of effective risk management. Additionally, respondents perceive adequate access to financial services, reflecting opportunities for financial inclusion. Listyaningsih et al. (2024) found that financial literacy and inclusion positively influence the performance and sustainability of MSMEs in Indonesia, aligning with the current study's emphasis on the significance of financial literacy. Similarly, Kurniasari (2023) highlighted the critical role of financial literacy in promoting financial inclusion among SMEs, reinforcing the findings of this study regarding positive perceptions of financial decision-making. Esome (2023) observed that financial knowledge significantly impacts poverty alleviation for micro and small enterprises in Cameroon, suggesting that improved financial literacy could enhance socio-economic outcomes, which resonates with the current study's results. In Uganda, Kiwanuka and Sibindi (2023) reported that insurance literacy positively predicted insurance inclusion, supporting the importance of insurance literacy found in this study. However, Garba et al. (2022) noted a more complex relationship between insurance literacy, risk-taking propensity, and economic sustainability, as they found risk-taking propensity to positively influence sustainability, contrasting with this study's finding of its weak effect on socio-economic sustainability.

The second objective of this study is to analyze the relationship between insurance literacy, financial inclusion, and socio-economic sustainability among SMEs in Nepal. The findings reveal a significant positive relationship between insurance literacy and socio-economic sustainability, indicating that enhanced understanding of insurance concepts improves economic practices. There is also a moderate positive correlation between risk-taking propensity and socio-economic sustainability, suggesting that individuals willing to take calculated risks contribute to better outcomes. Additionally, a strong positive relationship is found between risk knowledge management and socio-economic sustainability, emphasizing the importance of effective risk management. Financial inclusion also shows a strong positive correlation with socio-economic sustainability, highlighting that better access to financial services supports sustainable practices. Mishra et al. (2024) emphasize the significance of financial access in achieving sustainable socio-economic development, aligning with the current findings on financial inclusion. Similarly, Listyaningsih et al. (2024) highlight the positive influence of financial literacy on MSME sustainability, which

corresponds with the study's results on insurance literacy. Kurniasari (2023) stresses the importance of financial literacy for financial inclusion, supporting the findings of this study on the interconnectedness of these variables. Esowe (2023) identifies the positive effects of financial knowledge on poverty alleviation among MSE operators, echoing the current study's emphasis on the importance of risk knowledge management. Finally, Garba et al. (2022) explore the relationships between insurance literacy, financial inclusion, and economic sustainability, reinforcing the results of this study and demonstrating a consistent alignment with this study results.

The third objective of this study is to evaluate the impact of insurance literacy and financial inclusion on socio-economic sustainability among SMEs in Nepal. The findings reveal that insurance literacy has a strong positive and statistically significant impact on socio-economic sustainability, indicating that improved understanding of insurance enhances sustainable economic practices. Financial inclusion also shows a significant positive impact, suggesting that greater access to financial services contributes to economic stability for SMEs. In contrast, risk-taking propensity has a weak and statistically insignificant effect on socio-economic sustainability, indicating that it does not significantly contribute to sustainable practices in this context. Mishra et al. (2024) emphasize the importance of financial inclusion for sustainable development, particularly in marginalized communities, reinforcing the positive relationship between financial access and socio-economic sustainability. Similarly, Listyaningsih et al. (2024) highlight the positive effects of financial literacy and inclusion on MSME sustainability in Indonesia, aligning with the current study's emphasis on the importance of insurance literacy. Kurniasari (2023) also supports the notion that financial literacy enhances financial inclusion, suggesting a direct link to sustained growth among SMEs, consistent with the findings of this study. However, Esowe (2023) presents a contrasting view, noting that while financial inclusion impacts poverty alleviation among MSEs in Cameroon, the specifics of its relationship with socio-economic sustainability are less clear, indicating a potential divergence from the current findings. Furthermore, Kiwanuka and Sibindi (2023) find that perceived trust, rather than insurance literacy alone, plays a more significant role in promoting insurance inclusion in Uganda, suggesting varying dynamics in different contexts.

CHAPTER V

SUMMARY AND CONCLUSION

This chapter provides a comprehensive summary of the study, highlighting its key findings and contributions to the understanding of insurance literacy, financial inclusion, risk taking propensity, and risk knowledge management in relation to socio-economic sustainability among SMEs in Nepal. The conclusions drawn emphasize the significant roles of insurance literacy and financial inclusion in promoting socio-economic sustainability, while also recognizing the limited impact of risk taking propensity. Furthermore, the implications of this study suggest that enhancing insurance literacy and fostering financial inclusion can serve as vital strategies for supporting the growth and resilience of SMEs, ultimately contributing to the economic development of the region. This research offers valuable insights for policymakers, practitioners, and stakeholders seeking to implement effective interventions in the SME sector.

5.1 Summary

In recent years, there has been a growing focus on financial inclusion (FI) as a crucial element for enhancing economic growth and reducing poverty, particularly in emerging economies. Despite this emphasis, disparities in access to financial services remain prevalent, which can significantly hinder individuals from achieving financial stability. Research indicates a strong link between financial access and social inclusion, with many rural populations lacking essential banking services and loans. These barriers are often exacerbated by inadequate infrastructure and poor economic conditions in developing regions, necessitating innovative models to improve financial inclusion. As SMEs play a vital role in driving economic growth, understanding their level of insurance literacy and access to financial services has become essential. This study has aimed to assess the status of insurance literacy, financial inclusion, and socio-economic sustainability among SMEs in Nepal, analyze the relationships between these factors, and evaluate their impact on socio-economic sustainability.

The literature review of this study has been structured into three main sections: theoretical review, empirical review, and research gap. In the theoretical review, essential concepts such as the definition of SMEs, insurance literacy, financial inclusion, and risk-taking propensity have been examined, highlighting their significance in the context of SMEs. The empirical review has focused on various studies that have explored the relationship between

these concepts and their implications for socio-economic sustainability. Finally, the research gap has identified areas that require further exploration, underscoring the need for comprehensive analysis to enhance understanding of the interplay between insurance literacy, financial inclusion, and socio-economic outcomes among SMEs.

This study has employed both descriptive and causal comparative research designs to analyze the status of insurance literacy, financial inclusion, and socio-economic sustainability among SMEs in Nepal. The population has consisted of respondents working within these SMEs, and since the population size has been large and unknown, the Cochran formula has been utilized to calculate a sample size of 385 through convenience sampling, allowing for efficient data collection from a representative subset. The study has gathered quantitative data from primary sources using a structured questionnaire survey method, which has been developed in two parts: the first part has collected demographic information, while the second part has included six statements for each independent and dependent variable measured on a five-point Likert scale. To measure the key variables, the study has adopted questionnaires from various articles. This structured approach has ensured that the data collected is reliable, relevant, and aligned with the research objectives.

After data collection, the study has utilized statistical software, including Microsoft Excel and SPSS, for analysis. Various statistical tools have been employed to ensure data robustness, such as reliability tests to assess consistency, normality tests to check distribution, descriptive statistics to summarize the dataset, and correlation analysis to explore relationships between variables. A multivariate regression model has been used to examine the impact of multiple independent variables on the dependent variable, offering comprehensive insights into the research questions. The research framework included insurance literacy, risk-taking propensity, and risk knowledge management have served as independent variables, financial inclusion has acted as a moderating variable, and socio-economic sustainability has been identified as the dependent variable, providing a comprehensive understanding of the interplay between these factors and their collective impact on socio-economic stability.

Overall, the findings of this study have established that the independent variables, insurance literacy, risk-taking propensity, risk knowledge management, and financial inclusion, are significant determinants of socio-economic sustainability among SMEs in Nepal. Insurance literacy has emerged as a strong positive influence, suggesting that an improved understanding of insurance concepts directly contributes to more sustainable economic

practices. Additionally, financial inclusion has demonstrated a significant positive impact, indicating that increased access to financial services enhances the economic stability of SMEs. While risk-taking propensity shows a weak and statistically insignificant effect, the strong positive relationships identified between insurance literacy, risk knowledge management, and financial inclusion with socio-economic sustainability underscore their critical roles as main determinants. Therefore, fostering insurance literacy and promoting financial inclusion are essential strategies for enhancing the socio-economic sustainability of SMEs in Nepal, highlighting the importance of informed financial practices and risk management in driving economic growth and resilience.

Overall, this study has significant practical and theoretical implications, emphasizing the need for enhanced insurance literacy and improved financial inclusion among SMEs in Nepal. It recommends that policymakers and financial institutions develop targeted educational programs to promote insurance understanding and accessibility to financial services. Additionally, the study highlights the importance of effective risk knowledge management practices, encouraging SMEs to adopt comprehensive risk management strategies. By implementing these recommendations, stakeholders can foster economic growth and resilience within the SME sector, ultimately contributing to broader socio-economic stability.

5.2 Conclusion

The first objective of this study is to assess the status of insurance literacy, financial inclusion, and socio-economic sustainability among SMEs in Nepal. The findings indicate that respondents generally perceive their understanding of insurance concepts positively, suggesting satisfactory levels of insurance literacy within the workforce. Additionally, respondents exhibit a favorable attitude towards risk-taking, indicating confidence in their financial decision-making abilities. Their perceptions of risk knowledge management reflect a strong belief in the importance of effectively managing risks, contributing to a more informed approach to financial practices. Furthermore, respondents demonstrate a positive perception of access to financial services, signifying adequate opportunities for financial inclusion. Lastly, there is a strong consensus among respondents regarding the significance of sustainable practices for promoting broader economic stability and growth. Overall, the findings indicate that the status of insurance literacy, financial inclusion, and socio-economic sustainability among SMEs in Nepal is generally satisfactory, with some variations in individual perspectives.

The second objective of this study is to analyze the relationship between insurance literacy, financial inclusion, and socio-economic sustainability among SMEs in Nepal. The findings indicate a significant positive relationship between insurance literacy and socio-economic sustainability, suggesting that as respondents' understanding of insurance concepts increases, the sustainability of their economic practices also improves. Furthermore, there is a moderate positive correlation between risk-taking propensity and socio-economic sustainability, indicating that individuals who are more willing to take calculated risks tend to contribute to better sustainability outcomes. The analysis also reveals a strong positive relationship between risk knowledge management and socio-economic sustainability, highlighting that effective risk management practices are crucial for enhancing overall economic stability. Additionally, financial inclusion demonstrates a strong positive correlation with socio-economic sustainability, emphasizing that greater access to financial services significantly supports sustainable economic practices. Overall, the analysis confirms that all independent variables, insurance literacy, risk-taking propensity, risk knowledge management, and financial inclusion, are positively and significantly related to socio-economic sustainability, underscoring their importance in fostering economic growth and resilience among SMEs in Nepal.

The third objective of this study is to evaluate the impact of insurance literacy and financial inclusion on socio-economic sustainability among SMEs in Nepal. The findings indicate that insurance literacy has a strong positive and statistically significant impact on socio-economic sustainability, suggesting that as respondents' understanding of insurance improves, their economic practices become more sustainable. Similarly, financial inclusion demonstrates a significant positive impact on socio-economic sustainability, indicating that greater access to financial services leads to enhanced economic stability for SMEs. In contrast, risk-taking propensity shows a weak and statistically insignificant effect on socio-economic sustainability, implying that it does not play a crucial role in contributing to sustainable economic practices within this context.

5.3 Implications

This study contributes to the existing literature by providing insights into the interplay between insurance literacy, financial inclusion, risk-taking propensity, and risk knowledge management in relation to socio-economic sustainability among SMEs in Nepal. The findings reinforce the theoretical framework that highlights the importance of insurance literacy as a vital component for enhancing socio-economic practices, supporting theories

that emphasize the role of financial education in improving economic outcomes. Additionally, the significant positive relationships identified between financial inclusion, risk knowledge management, and socio-economic sustainability extend the understanding of how access to financial services and effective risk management strategies can lead to enhanced economic resilience. The study also challenges existing theories that downplay the role of risk-taking propensity, demonstrating that while it may not be a strong determinant of sustainability, it still plays a role in shaping financial decision-making among SMEs. By integrating these variables within the context of Nepalese SMEs, this research not only fills a gap in the literature but also lays the groundwork for future studies to explore these relationships further, considering the unique socio-economic and cultural factors influencing SME performance in developing countries. Ultimately, this study enhances theoretical frameworks by incorporating empirical evidence that underscores the necessity of a multidimensional approach to understanding socio-economic sustainability, providing a comprehensive perspective that can inform both academic research and practical applications.

The practical implications of this study are substantial, as they provide actionable insights for various stakeholders, including policymakers, financial institutions, and SME owners. The findings highlight the critical need for targeted educational initiatives aimed at improving insurance literacy among SME respondents, which can enhance their understanding of financial products and services. Policymakers should collaborate with educational institutions and industry experts to develop comprehensive training programs that equip SME respondents with the necessary skills to make informed financial decisions. Furthermore, the study emphasizes the importance of promoting financial inclusion, urging financial institutions to create accessible products and services tailored to the needs of SMEs. This includes simplifying application processes, reducing fees, and offering flexible payment options that accommodate the unique financial situations of small businesses. Additionally, the significant role of risk knowledge management indicates that SMEs should adopt structured risk management practices, enabling them to navigate uncertainties more effectively and make strategic decisions that bolster their economic stability. By implementing these practical recommendations, stakeholders can enhance the overall resilience and sustainability of SMEs in Nepal, ultimately contributing to broader economic growth and development.

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APPENDICES

Appendix I Questionnaire

Dear Sir/Mam,

I am Sandip Rai, currently pursuing my MBS at Shanker Dev Campus, T.U. I am conducting a study titled “Insurance Literacy, Financial Inclusion, and Socio-Economic Sustainability among SMEs”. I would greatly appreciate it if you could take a few minutes to respond to the questionnaire. Your participation in this survey is entirely voluntary. Your honest and thorough responses are highly valued to ensure the completeness of my research. Please rest assured that all your answers will be treated with confidentiality.

Thank you for your participation!

Sandip Rai

Shanker Dev Campus

Part I: Demographic Profile of Respondents:

Please put a tick mark (✓) in the box in an appropriate option for each of the following.

1 Gender

- Male
 Female

2 Marital Status

- Single
 Married

3 Age Group (in years)

- Below 30
 30 to 50
 50 and Above

4 Academic Qualifications.

- SLC
 10+2
 Bachelors

Masters and above

5. Do you Purchase Insurance Policy?

Yes

No

If Yes Life Insurance

Non-Life Insurance

Part II: Core Questions

Please only tick mark (✓) in each statement that you feel the statement is agree/disagree with your view

S.N	Insurance Literacy	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	The main purpose of insurance is to reduce the financial burden of risk faced by the consumer.	1	2	3	4	5
2	Insurance is the best risk management tool when the chance of loss is low and the loss severity is high.	1	2	3	4	5
3	Non-disclosure or misrepresentation of information relating to the subject matter insured may cause rejection of the insurance claim.	1	2	3	4	5
4	A larger deductible (policy excess) on an insurance policy is always a bad deal for the consumer because the insurer pays less of the consumer's losses.	1	2	3	4	5
5	Life insurance has more value for a couple with children than for a couple whose children are grown.	1	2	3	4	5
6	Purchasing an insurance policy directly without involvement of an agent or	1	2	3	4	5

	broker is always cheap and beneficial.					
S.N .	Risk Taking Propensity	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	Whenever I make a financial choice, I am curious about what would have happened if I had chosen differently.	1	2	3	4	5
2	Whenever I make any financial decision, I try to get information about how the other alternatives turned out.	1	2	3	4	5
3	If I make a choice and it turns out well, I still feel like something of a failure if I find out that another choice would have turned out better.	1	2	3	4	5
4	When I assess my financial performance due to my financial choice, I think about opportunities I have passed up.	1	2	3	4	5
5	I believe in luck for any financial return.	1	2	3	4	5
6	I often feel like it is my lucky day to make financial decisions.	1	2	3	4	5
S.N .	Risk Knowledge Management	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	Our SME has a comprehensive understanding of potential financial risks.	1	2	3	4	5
2	We regularly assess and update our knowledge on risk management practices.	1	2	3	4	5
3	Respondents are well-trained in identifying and mitigating financial risks.	1	2	3	4	5
4	Effective risk knowledge management contributes to the long-term sustainability of our SME.	1	2	3	4	5

5	We utilize external resources and experts to enhance our risk management knowledge.	1	2	3	4	5
6	Our SME integrates risk management knowledge into strategic decision-making processes.	1	2	3	4	5
S.N .	Financial Inclusion	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	I am able to access finances from my financial institution every time I require it.	1	2	3	4	5
2	Loan repayment period is flexible.	1	2	3	4	5
3	There is transparency in my financial institution when accessing funding.	1	2	3	4	5
4	It is easy to open a deposit account and save.	1	2	3	4	5
5	It is easy to get an insurance premium financing from a financial institution.	1	2	3	4	5
6	It is easy to get a short-term loan and long-term loan.	1	2	3	4	5
S.N .	Socio- Economic Sustainability	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	Reduced reliance on money lenders has positively impacted our SME's financial stability.	1	2	3	4	5
2	Our SME feels confident about having emergency funds for unexpected expenses.	1	2	3	4	5
3	Increased purchasing power has contributed to our SME's economic well-being.	1	2	3	4	5
4	The creation of new employment opportunities has enhanced our SME's financial situation.	1	2	3	4	5
5	Boosting productivity in the agriculture sector/business has	1	2	3	4	5

	improved our SME's income.					
6	Our SME has seen an increase in physical and modern assets, contributing to our economic stability.	1	2	3	4	5

Thank you for your participation

Appendix II
Frequency Table

		Gender			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	212	55.1	55.1	55.1
	Female	173	44.9	44.9	100.0
	Total	385	100.0	100.0	

		Marital Status			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Single	188	48.8	48.8	48.8
	Married	197	51.2	51.2	100.0
	Total	385	100.0	100.0	

		Age Group			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 30	154	40.0	40.0	40.0
	30 to 50	153	39.7	39.7	79.7
	50 and Above	78	20.3	20.3	100.0
	Total	385	100.0	100.0	

		Academic Qualifications			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SLC	19	4.9	4.9	4.9
	10+2	38	9.9	9.9	14.8
	Bachelors	201	52.2	52.2	67.0
	Masters and above	127	33.0	33.0	100.0
	Total	385	100.0	100.0	

Appendix III
Reliability Test

Reliability Statistics of Insurance Literacy

Cronbach's Alpha	N of Items
0.870	6

Reliability Statistics of Risk Taking Propensity

Cronbach's Alpha	N of Items
0.824	6

Reliability Statistics of Risk Knowledge Management

Cronbach's Alpha	N of Items
0.859	6

Reliability Statistics of Financial Inclusion

Cronbach's Alpha	N of Items
0.871	6

Reliability Statistics of Socio-Economic Sustainability

Cronbach's Alpha	N of Items
0.874	6

Overall Reliability Statistics

Cronbach's Alpha	N of Items
0.951	30

Appendix IV
Descriptive Statistics

	N	Mean	Std. Deviation
The main purpose of insurance is to reduce the financial burden of risk faced by the consumer.	385	3.7039	1.01582
Insurance is the best risk management tool when the chance of loss is low and the loss severity is high.	385	3.8000	0.92927
Non-disclosure or misrepresentation of information relating to the subject matter insured may cause rejection of the insurance claim.	385	3.8519	0.92781
A larger deductible (policy excess) on an insurance policy is always a bad deal for the consumer because the insurer pays less of the consumer's losses.	385	3.8961	0.94075
Life insurance has more value for a couple with children than for a couple whose children are grown.	385	3.8519	0.93619
Purchasing an insurance policy directly without involvement of an agent or broker is always cheap and beneficial.	385	3.8935	0.89941
Whenever I make a financial choice, I am curious about what would have happened if I had chosen differently.	385	3.8779	0.96456
Whenever I make any financial decision, I try to get information about how the other alternatives turned out.	385	3.9429	0.86111
If I make a choice and it turns out well, I still feel like something of a failure if I find out that another choice would have turned out better.	385	3.9013	1.00032
When I assess my financial performance due to my financial choice, I think about opportunities I have passed up.	385	4.0338	0.91935
I believe in luck for any financial return.	385	3.8234	0.95196
I often feel like it is my lucky day to make financial decisions.	385	3.8675	0.84200
Our SME has a comprehensive understanding of potential financial risks.	385	3.9429	0.85199
We regularly assess and update our knowledge on risk management practices.	385	4.0078	0.85235
Respondents are well-trained in identifying and mitigating financial risks.	385	3.9584	0.84369
Effective risk knowledge management contributes to the long-term sustainability of our SME.	385	3.9740	0.81927

We utilize external resources and experts to enhance our risk management knowledge.	385	3.9662	0.81420
Our SME integrates risk management knowledge into strategic decision-making processes.	385	3.8286	0.96378
I am able to access finances from my financial institution every time I require it.	385	3.8571	0.96169
Loan repayment period is flexible.	385	3.8857	0.86448
There is transparency in my financial institution when accessing funding.	385	3.8442	0.92513
It is easy to open a deposit account and save.	385	3.9532	0.85568
It is easy to get an insurance premium financing from a financial institution.	385	3.9481	0.82752
It is easy to get a short-term loan and long-term loan.	385	3.7662	0.95601
Reduced reliance on money lenders has positively impacted our SME's financial stability.	385	3.8104	0.88559
Our SME feels confident about having emergency funds for unexpected expenses.	385	4.0104	0.76709
Increased purchasing power has contributed to our SME's economic well-being.	385	3.9117	0.85543
The creation of new employment opportunities has enhanced our SME's financial situation.	385	3.9403	0.85942
Boosting productivity in the agriculture sector/business has improved our SME's income.	385	4.0052	0.81648
Our SME has seen an increase in physical and modern assets, contributing to our economic stability.	385	4.0338	0.83004
INL	385	3.8325	0.73390
RTP	385	3.9078	0.54520
RKM	385	3.9459	0.65779
FIN	385	3.8758	0.70199
SES	385	3.9519	0.65503
Valid N (listwise)	385		

Appendix V
Correlation Analysis

Correlations^b

		INL	RTP	RKM	FIN	SES
INL	Pearson Correlation	1	.604**	.581**	.576**	.603**
	Sig. (2-tailed)		0.000	0.000	0.000	0.000
RTP	Pearson Correlation	.604**	1	.681**	.677**	.544**
	Sig. (2-tailed)	0.000		0.000	0.000	0.000
RKM	Pearson Correlation	.581**	.681**	1	.805**	.652**
	Sig. (2-tailed)	0.000	0.000		0.000	0.000
FIN	Pearson Correlation	.576**	.677**	.805**	1	.642**
	Sig. (2-tailed)	0.000	0.000	0.000		0.000
SES	Pearson Correlation	.603**	.544**	.652**	.642**	1
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	

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

b. Listwise N=385

Appendix VI
Regression Analysis

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.721 ^a	0.520	0.515	0.45606

a. Predictors: (Constant), FIN, INL, RTP, RKM

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	85.727	4	21.432	103.042	.000 ^b
	Residual	79.036	380	0.208		
	Total	164.763	384			

a. Dependent Variable: SES

b. Predictors: (Constant), FIN, INL, RTP, RKM

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	0.918	0.173		5.305	0.000		
	INL	0.263	0.042	0.295	6.270	0.000	0.571	1.752
	RTP	0.018	0.064	0.015	0.277	0.782	0.443	2.255
	RKM	0.280	0.064	0.281	4.401	0.000	0.310	3.223
	FIN	0.220	0.059	0.236	3.724	0.000	0.315	3.179

a. Dependent Variable: SES

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INSURANCE LITERACY, FINANCIAL INCLUSION AND SOCIO- ECONOMIC SUSTAINABILITY AMONG SME'S A Dissertation submitted to the Office of the Dean, Faculty of Management in partial fulfillment of requirement for the Master's Degree By Sandip Rai Exam Symbol No.: 23983/20 Campus Roll No.: 3589/76 TU Registration No.: 7-2-0039-0911-2015 Shanker Dev Campus Kathmandu, Nepal August, 2024 ABSTRACT In recent years, financial inclusion has emerged as a critical element for promoting economic growth and reducing poverty, particularly in emerging economies. However, disparities in access to financial services continue to hinder individuals from achieving financial stability. Therefore, the primary aims of this study is to examine the effect of insurance literacy, financial inclusion on socio-economic sustainability among SMEs in Nepal. The research design employed both descriptive and causal comparative approaches, focusing on respondents of SMEs in Nepal as the target population. A sample size of 385 was determined using the Cochran formula and convenience sampling. Quantitative data were collected through a structured questionnaire. A multivariate regression model was implemented to examine the impact of insurance literacy, risk-taking propensity, and risk knowledge management, on socio-economic sustainability. The findings revealed significant positive effect of insurance literacy, risk knowledge management, financial inclusion on socio-economic sustainability, indicating that improvements in these areas enhance economic stability for SMEs. In contrast, risk-taking propensity exhibited a weak and statistically insignificant effect