

**BRANCHLESS BANKING AND FINANCIAL INCLUSION OF  
COMMERCIAL BANKS IN NEPAL**

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

By

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## CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled “**BRANCHLESS BANKING AND FINANCIAL INCLUSION OF COMMERCIAL BANKS IN NEPAL**” 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 this dissertation.

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## REPORT OF RESEARCH COMMITTEE

Mr. Rabin Sharma has defended research proposal entitled “**Branchless Banking and Financial Inclusion of Commercial Banks in Nepal**” successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestion and guidelines of supervisor Dr. Pitri Raj Adhikari and submit the thesis for evaluation and viva-voce examination.

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## ABBREVIATIONS

AML	Anti-Money Laundering
ATM	Automated Teller Machine
BAFIA	Banks and Financial Institutions Act
BFI	Banking and Financial Institutions
BLB	Branchless banking
CFT	Counter Financing of Terrorism
DFS	Digital Financial Services
DOI	Diffusion of Innovation
DTH	Direct to Home
FINGOs	Financial Intermediary Non-Government Organizations
FSDS	Financial Sector Development Strategy
GDP	Gross Domestic Product
GPRS	General Packet Radio Service
ISP	Internet Service Provider
IVR	Interactive Voice Response
MFC	Master of Finance and Control
MFI	Micro Finance Institutions
MNO	Mobile Network Operators
MoF	Ministry of Finance
NCHL	Nepal Clearing House Limited
NGO	Non-Government Organizations
NRB	Nepal Rastra Bank
NTA	Nepal Telecommunications Authority
PIN	Personal Identification Number
POS	Point of Sale
PSP	Payment Service Provider
RegTech	Regulatory Technology
SMS	Short Message Service
SPSS	Statistical Package for Social Scientists
UNCDF	UN Capital Development Fund

## **ABSTRACT**

This study investigates the impact of branchless banking in the financial inclusion of commercial banks in Nepal. The purpose of this research is to evaluate the impact on financial inclusion via branchless banking in Nepal. For the obtainment of the goal appropriate framework have been created on the basis of previous research, literature review wherein territorial reach, assets safeguard, financial fluidity, expenditure and tech adaptation of branchless banking defines its success. The basic data used in this quantitative study was derived via survey in online format that used questionnaire and was distributed to branch of commercial banks present in the Bagmati province. These banks have used and operated branchless banking model through email. A total of 86 respondents were selected using the convenience non-probability sampling technique, of which 53 responses were obtained. Using a survey methodology and a quantitative approach, the researcher employed SPSS to do regression, correlation, and descriptive analysis. The data was gathered using Likert model-scoring questionnaires. Each of the variables territorial reach, assets safeguard, financial fluidity, expenditure and tech adaptation of branchless banking is an efficient variable according to the analysis's conclusion. The single factor that improves financial inclusion and has a noteworthy and favorable impact on it is geographical coverage. For the escalation of financial inclusion, branchless banking is a revolutionary concept. Additionally, financial education should be given to people by commercial banks, agents, and regulators in order to raise financial literacy, understand how agents operate, and guarantee money protection.

**Keywords:** Branchless Banking, Financial Inclusion, Territorial Reach and Commercial Bank.

# CHAPTER I

## INTRODUCTION

### 1.1 Background of the Study

Branchless banking is a type of banking service that may be used without visiting a physical bank location. Instead, it can be done by working with bank representatives and making use of information technology, including electronic money, online banking and mobile banking (Lestari, Zukhri & Saputra, 2023). Branchless banking, the use of several delivery methods such as mobile banking and branchless banking, is becoming increasingly popular among commercial banks in many developing countries. Globally financial services have evolved due to technological innovation and globalization (Ighoroje & Onojaife, 2022). The innovative idea of branchless banking will alter how people conduct themselves while transacting with banks (Arif & Cayhani, 2021). Branchless banking increases the use of banking services to even financially sidelined adult and is increasing popular phenomenon (Mahmood, 2016). It is a low-cost method of branching out through the use of authorized agents (Novatti, 2019). It is beneficial for the remote and marginalized people.

This concept aims to attract people who do not use traditional banking and lower delivery cost. Nowadays, cell phone and card switch are used for the operation of branchless banking (Pickens, Porteous & Rotman, 2009). In our country Nepal, services of branchless banking are generally provided to the general public of rural area. The unit of branchless banking is set up in shops like electronics shop, cyber café, mobile and mobile repairing shops and even in clothes shops too and likewise. Edojaimoni and Osuji (2022) noted banking model is a driving force that is changing the landscape of the banking environment fundamentally towards a more efficient industry. Financial coverage for the topologically remote people has been implemented by the branchless banking.

Financial Inclusion refers to a process that ensures the ease of access, availability and

usage of the formal financial system for all members of an economy (Pant, 2016). Financial inclusion indicates a situation where individuals have continuous and proximate access to the financial services. (Upadhayay, 2019). The capacity of a person, family or organization to access a wide range of formal financial services that are affordable, conveniently located, and responsibly provided is known as financial inclusion. Individuals who lack this capability are typically labeled as financially excluded (Mbugua & Afande, 2015). Without satisfactory financial inclusion in the country overall balanced economic development cannot be fairly expected. The money from the far away remote area couldn't be brought in the mainstream economy of country without the financial inclusion in the remote and rural area of the country thereby economic development in all arears of the nation.

For the gradual eradication of poverty and sustainable growth of economy financial inclusion plays a significant role. Financial inclusion is defined by the World Bank (2018) as ensuring that people and companies have access to suitable, reasonably priced financial goods and services that are delivered in an ethical and sustainable manner. Governments, international development organizations, academia, and the corporate sector have made financial inclusion a key priority and a crucial worldwide aim. Moreover, a carefully considered financial inclusion program can help the impoverished in rural areas start and grow enterprises (Pant, 2016). Financial inclusion helps individuals to save, which increases the country's capital formation and economy (Khanvilkar, 2015). It can also assists in great increment in GDP of nation.

In Nepal, following the April 2015 earthquake, the financial sector came to a standstill, affecting the standard and accessibility of financial services significantly. For this, the UK assistance Sakchyam Access to Finance Program collaborated with seven major class 'A' banks to create the 'Sakchyam Erathquake Response Program', which will deliver relief funds in accurate and clear way. The development of branchless banking services at the time was critical in ensuring speedy availability of financial services in rural places. The people in the remote area wouldn't find anymore as backward and unbanked via financial inclusion.

The banking sector are often located in metropolitan or semi-urban locations, where geographic access is straightforward. Many towns remain unbanked, making it

impossible to deliver key infrastructure amenities like as power, communications, and finance in these places. As a consequence, branchless banking has been promoted to address the payment needs of persons without access to financial services (Pant, 2016). Commercial banks of Nepal via branchless banking with the agents has highly assisted in the financial inclusion in remote and rural areas of Nepal.

Technical breakthroughs, new services and goods, and creative business models have expedited the evolution of our continent financial inclusion ecosystem. Financial inclusion is now a feasible option thanks to technological advancements and digital change. Technology is crucial to the development of financial inclusion. It is the most essential contributor assuring that individuals may access banking services anytime and anywhere they require (Fanta & Makina, 2019). The area without financial inclusion would be isolated and non-contributor to the economy of the nation as well as no any financial development in the people of backward area could be expected.

Currently, the contact amongst institutions and their consumers is evolving from operational to consumer-focused. Furthermore, financial services are now delivered through branchless means such as Automated Teller Machines (ATMs), online banking, and cellphone banking, as opposed to traditional branches. Customers and businesses expect their banking institutions to provide speedy and user-friendly solutions. As a result, institutions see advancements in technology for portability and client ease as critical to their success. Branchless banking has evolved as an useful contemporary strategy for improving banking services in poor nations (Sakchyam, n.d). Application of modern technology to carry the financial services technically and remotely is a trait used by the branchless banking. In branchless banking customers can receive the banking services without getting into the bank premises physically since various factors assists in provision of financial services (Subramanian, 2013)

Branchless banking is growing in popular in many marginalized countries because it is considered to improve the use of financial assistance among the economically disadvantaged. Basically, branchless banking the targets the audience of remote, marginalized and disadvantaged poor people of the remote part of the country for the raise of overall economy in the general by the help of which variety of financial services could be provided quickly, accurately and easily. Mahmood and Sarkar (2015) described

branchless banking as one of the instruments for bringing a larger number of financially sidelined people in to the regular financial system. BLB agents are hired in places where establishing a full-fledged bank branch is not available.

In our country Nepal, a wing of commercial bank has implemented the branchless banking services. The operator of branchless banking services is known as agent. The agent and bank enters into an agreement for the commencement and operation of branchless banking. How will the branchless banking will operate, where to operate, in which modality will be mentioned in the contract. Also, what will be list of services to be provided, the remuneration of agent, facility to the agent, tenure of agency etc will be mentioned in that agency contract. If the agent is found in misconduct, poor or negligent performance, fund embezzlement then the agency contact can come to end or renewal of agency will lapsed. A particular branch will act as a parent to the allocated BLB. All the requirement, requisition and support will be rendered by that particular branch to its designated BBL for day to day smooth operation.

Although only commercial banks in Nepal have operated branchless banking in Nepal, both commercial and development banks can operate BBL services (Khabar, 2017). A very easy and primate services is rendered by the branchless banking. Here instead of customer reaching to the bank doorstep, the bank will reach to the customer's doorstep instead (Subramanian, 2013). A smart machine would be provided to the agent by the assistance of which transactions would be carried on. The basic facilities would be customer's account opening, accepting deposits, paying withdrawals, other amenities like recharging cell phone, paying several bills etc. After the successful transactions two copies of receipt would be generated, one would be provided to the customer and another would act as bank's copy for the future evidence purpose.

A considerable amount of profit can be derived from the BLB for the commercial banks (Pant, 2016). BLB is targeted for the people of very poor and rural part of country. These deprived people even don't know the basis of financial literacy and knowledge. After the advent of BLB, these unbanked people can gain insights about basic banking knowledge and literacy. After which the chances of fraud and scam in these people would be substantially reduced. Soon after the basic banking people would be aware of digital banking and financial processes. The unsecured amount of money will then shift

gradually to banking channel and aids in economic growth and development.

Therefore, this study is concerned with financial inclusion via branchless banking in commercial banks in Nepal.

## **1.2 Problem Statement**

Branchless banking is highly accessible and cost savvy than the traditional bank and their branches as it penetrates to the poor and deprived for the saving, borrow and financial returns. The rural part of country where there is lack of network coverage, topological difficulty, infrastructural backwardness the branchless banking will act as an exact solution as it will be only solution for the unbanked people in backward region via agent and his small branchless banking unit (Lestari, Zukhri & Saputra, 2023). One of the objectives of branchless banking is to reduce the costs that the bank will incur (Arif & Cayhani, 2021). The existence of Branchless Banking agents close to the community has fulfilled the program objective, to make an easy way for society to do financial transactions without having to go to the bank office (Mangani, Heatubun & Tambunan, 2021). It is important to the general people since it boosts the security of their cash and is more beneficial than putting cash at house and in transportation. Easy access in digital tech, especially the internet, cell phones and biometric devices allows the rural people to take advantage of a banking services like online banking, mo-bank, digital credit (Haider, 2018).

Financial inclusion is a process that encourages ownership of bank accounts by each household and offers their participation in the banking system (Mangani, Heatubun & Tambunan, 2021). Financial inclusion is reducing the traditional to digital payment disparities. Customers are connected in increasing trends to send money to friends and family via digital mode with a cheap cost (Radcliffe & Voorhies, 2012). In contrast to past, the world is taken by the storm of digital payment and several digital platforms. The middle and lower income group are highly benefitted via digital banking channels as it more safe, convenient and time saving. The larger constituents in the branchless banking would be these middle and lower income group people (The Economist Corporate Network, 2016)

County has taken a giant leap in digital wallet and electronic banking services like mobile

top up facility, online payment of several bills of several units. The online digital banking can be done via website version or mobile version. One need desktop or laptop for website version (for internet banking) and cell phone for mobile version (for mobile banking performed via mobile apps). As only network is required for the performance of the transactions the general people of any geographical region can be served. Few research have been conducted in this field of study, concept is new as a result considerable time will be required for the ascertainment of effect of branchless banking on the financial inclusion.

Banking shouldn't be confined in the urban area within the periphery of well aware and educated people. The remaining huge landmass of country with people of low literacy or nil literacy need to be covered for the financial inclusion. For the purpose, branchless banking plays a major role. Quality of branchless banking plays a crucial role for the both financial literacy and financial inclusion. Several policy and implementation have been made from the concerned ministry and central bank for the rapid financial inclusion and witnessing some sign of improvement in the financial inclusion. For the process several branchless banking agents have been appointed by the several commercial banks of Nepal which are actively participating for the financial inclusion via branchless banking. If the quantity, quality and integrity of the Agents could be improved then the aim of financial inclusion can be greatly assisted. Other various mode of financial inclusion could be electronic banking for which adequate financial literacy is required along which operation knowledge of various electronics app and website which falls under the practical knowledge of digital financial assistance.

Several attempts have been made for the successful financial inclusion in all over the country. But due to various hindrances and obstacles contemplated financial inclusion is not being materialized. Among many, geographical difficulty is playing a crucial role with minimal infrastructure advancement. Also the ignorance and reluctance of people is another demerit where general people themselves are not self-motivated for the extensive financial inclusion via branchless banking. Competency of Agents and other related factor need to be considered for the wide spread financial inclusion which is one of the major constituent of Branchless Banking.

In this backdrop, research deals with below issues:

- i. Is branchless banking enhancing the position of financial inclusion in Nepal?
- ii. Whether branchless banking and financial inclusion are directly related?
- iii. What is the effect of territorial reach, assets safeguard, financial fluidity, expenditure and tech adaptation of agent on financial inclusion?

### **1.3 Objectives of the study**

The objectives of this research is to ascertain the effect of branchless banking in the financial inclusion in our country. The relevant objectives of this research are:

- i. To assess the position of financial inclusion in Nepal via branchless banking
- ii. To examine the direction of relationship between branchless banking and financial inclusion.
- iii. To evaluate the effect of territorial reach, assets safeguard, financial fluidity, expenditure and tech adaptation of branchless banking on financial inclusion.

### **1.4 Hypothesis**

Wainaina (2011) mentions, branchless banking supports the availability of various types of banking products in few regular scenario. Corresponding survey depicts that the branchless banking model has helped the customers to be economically sustainable. The researcher also claims that the one of the reason for low financial inclusion in rural areas is the need to drive a considerable distance in order to obtain financial services. Moreover, financial inclusion was described by Hariharian and Marktanner (2015) as having access to formal financial services including credit, saving accounts and insurance possibilities. According to their research, financial inclusion is essential to the economic growth and development of every nation, since it greatly boosts GDP, capital creation, intermediation and job opportunities. Barasa (2013) concluded that branchless banking has been significant in increasing the penetration of financial services in unbanked areas due to its wide geographical reach.

*H1: Territorial Reach of branchless banking enhances financial inclusion.*

The Difficult geographical topography decelerates the enthusiasm for smooth and even financial Inclusion. The customer located at remote hilly area are suspected with fewer financial inclusion with comparison to customers of remote plain and terai area as transportation and construction is relative more easy, feasible and budget friendly. According to Muasya and Kerongo (2015), lack of information and distance have prevented the rural population from using financial services. Territorial reach is defined by Afande and Mbugua (2015) as bank agent's ability to provide client with financial services locally. They contend that another key sign of financial inclusion is the expanded territorial reach of branchless banking. Cheston (2016) found, that Indian banks render location convenience that raises utilization and lowers the expenses of acquiring and overseeing new customers.

*H2: Assets Safeguard of branchless banking enhances financial inclusion.*

Day to day safeguard of cash and cash-valued products is a crucial issue in branchless banking, especially when dealing with cash. When BLB take substantial deposit late at nights, they either keep the money at their home or in tiny vault at their business. This strategy is supposed to include robbery and other threats. To fulfil safeguard objectives, bank may propose that BLB hire security personnel or pick robust BLB with huge vaults (Banerjee, Alam, Mehdee, Hossaina & Khan, 2017).

According to Subbarao (2009), payments can now be made quickly and easily via mobile and online transfers for a variety of purposes, including wages and salaries, pensions, social security transfers, subsidies, credit guarantee funds and other allowances. This reduces the risk of fraud, theft, leakage and above all the cost of providing financial products and services to both consumers and providers.

*H3: Financial fluidity of branchless banking enhances financial inclusion.*

Readily convertibles liquid cash and cash valued items are prima facie necessity of agents. The points of contact for clients transferring money into and out of the system are the agents. Cash in and cash out outlets are other terms used to describe agents. It is not uncommon for an agent to be unable to accommodate a customer who approaches them

wanting to withdraw a sizable amount of cash. One of the reasons for the slow than regular usage of these framework is that this directs to unhappiness (Central Bank of Brazil, 2007).

BLB won't provide greater services to customers unless they are regularly checked to ensure they are fluid, regularly branded and follow the existing business standards. Ndegwa (2017) found that the fluidity of branchless banking was statistically significant since BLB are placed in retail locations, providing financial fluidity a non-issue. The availability of fluidity boosts the client's trust in the model.

*H4: Expenditure of branchless banking enhances financial inclusion.*

Expenditure is a primary operating components in all financial activities, including corporate operations. According to a CGAP (2011) study, one of the biggest barriers to financial inclusion is expenditure: the financial institutions' out of pocket costs for maintaining low value accounts and extending physical infrastructure to remote rural areas, as well as the time and money spent by clients in these remote areas. Since numbers and volumes do not cover a branch's expenditures, targeting underprivileged consumers in provincial regions is typically too costly from a budgetary standpoint (Kitaka, 2001).

Clients benefit from lower transaction cost, expanded business hours and shorter wait times than in branches. Furthermore, consumers may access bank services through BLB at retail shops, making it a great platform for banking and retail transactions (Ignacio, 2009). Furthermore, branchless banking are more accessible to illiterates and poor, who may be intimidated by bank branches (Beck, Demirguc-Kunt & Levine, 2007)

*H5: Tech adaptation of branchless banking enhances financial inclusion.*

Today's era is the era of technology. All people are directly, indirectly dependent upon sophisticated technology which has now become our integral part. Currently, technology drives the entire branchless banking. The transactions, which can be completed through a POS system, a cell phone, or internet banking must be quickly reflected in the bank's CBS (Keeler, 2011). Through electronic transfer channels, recipients' accounts can receive direct payments from individuals, corporations, and government agencies without

going via a traditional bank (Subbarao, 2009)

Insufficient use of contemporary technology will lead to inferior service performance, According to Molla (2013), an agent's ease of banking is a determining factor in the success of branchless banking. According to Khalti (2018), new innovative tech adaptation is essential for reducing geographical barriers and promoting financial inclusion.

### **1.5 Rationale of the study**

The main motive of study is to find out the effect of branchless banking on financial inclusion of commercial bank in Nepal. The significance of branchless banking for accessibility and adaptation to formal financial services in distant locations is another topic of emphasis for this study. Future, researchers, academics and students who might want to work in the same or related sector might use this study as a reference. The purpose of this study is to provide information regarding the effects of branchless banking on reaching underserved social groups to the general public and all relevant parties, including agents, customers, banks and regulators. Given that branchless banking is still a relatively new idea in Nepal, this study will help to identify potential problems before, during and after implementation. This will help commercial banks make the most of this innovation by helping them create policies and processes to deal with such problems. Furthermore, this study will aid the government and other commercial banks by allowing them to better understand the accessibility and flexibility of financial services. This would assist to develop marketing tactics for improving or promoting greater financial inclusion. Furthermore, the study findings will add to the pool of knowledge as branchless banking is comparatively a new concept which is regularly evolving and the empirical literature is few. The research quest to fill a gap in the banking literature by adding actual data to the latest pool of information regarding branchless banking in Nepal.

## 1.6 Limitation of the study

The limitations of the study are as listed below:

- BLB agents located on remote geographical location to have direct physical access.
- Lack of knowledge and awareness about branchless banking obstructs communication among bank personnel.
- Research on branchless banking relies on accessible data from the BLB department, as there are few NRB-published articles, policies and recommendations.
- Since not all commercial bank in the nation offer branchless banking services, the data is insufficient to draw conclusions.
- The research is limited by a lack of relevant literature, notably from the Nepalese perspectives.
- Generalizations from the studied area may not always be applicable to Nepalese branchless banking practices.
- The model utilized is confined to regression. Simple statistical tools are used to reduce complexity.
- This research focused on branchless banking among other techniques of financial inclusion.

## **CHAPTER II**

### **LITERATURE REVIEW**

This chapter explores relevant literature and provide the theoretical foundation of the investigation. The theoretical literature portrays the growth of the Nepalese banking industry, including the concept of branchless banking and financial inclusion. This study is based on the notion that branchless banking improves financial inclusion. To achieve the study's aim the empirical literature on the independent and dependent variables is thoroughly reviewed, emphasizing results, conclusion and recommendations from prior research and studies on branchless banking and financial inclusion. This chapter finishes with the creation of a conceptual framework and talks on variables.

#### **2.1 Theoretical Review**

The idea of branchless banking is a relatively recent development, having originated in Brazil during the first ten years of the twenty-first century. As a result, hardly much research has been done in this area. Research in the domains of finance and accounting is not produced using the same theories as branchless banking research. Nonetheless, it is believed that commercial banks must have taken into account factors including starting from scratch to develop clientele, meeting client needs, cutting operational costs, and preserving a competitive edge over rivals while determining whether to implement the agency banking model. Therefore, agency theory, the diffusion of innovation theory and financial intermediation theory will be the main theories included in this research's theoretical review.

##### **2.1.1 Agency Theory**

Commercial banks have realized that it is not possible to provide financial services to rural areas through their traditional branches. As a result, they have entered into an agreement with retails outlets to act on behalf of the banks and provide basic banking services such as opening accounts, deposits and withdrawal. The arrangement between the banks and the local outlets is called as Agent-Principal relationship, where banks act as principal and the local outlets act as BLB (Munoru, 2016)

Since, agency theory has been the subject of extensive research since it was first introduced in 1976 by Jensen and Meckling, an agency relationship is defined in their research as an agreement between one or more persons (the principal) employing another person (the agent) to perform services on their behalf, and conferring some authority on the BLB. If the objective of both the BLB and principal is to raise profits, then the BLB may not act in the best interest of the principal. If proper incentives are provided to the BLB, then the principal may control distractions from his interest. The principal-agent relationship arises when bank assumes branchless banking model and use numerous BLB. Banks need to sufficiently reward the BLB via several commission schemes. By a good salary and commission more people will desire to enroll as bank's BLB agent.

An agency relationship defined by Nurcan (2005) as a situation in which at least one principal request the assistance of another person to perform an administrative task on the principal's behalf. The meeting assume that the relationship will result in an effective work division in the expectation of a net benefit. Nurcan's (2005) definition of an agency relationship applies to this research because it recognizes the role of BLB in raising financial inclusion. The principal's delegation of responsibility aids in the development of an efficient and productive economy. The principal-agent conundrum is discussed in the context of principal-agent relationship in business or economy activity because of the unaligned objectives of the principals and the agents (Eisenhardt, 1989). According to the theory, the interest of the principals may conflicts with those of the agents resulting in a conflict to be resolved. The owners are called principals and the mangers are called agents (Mulili & Wong, 2010)

Moral hazard and the adverse selection dilemma are two important challenges that occur when agent carry out tasks on behalf of their clients. When agency theory is used, principals may confront moral hazard due to disparities in interests and the expense of aligning manager's interest with their own (Waller, 2004). In this circumstances, the BLB may not provide their effort to the work allocated by the principal. For example, the BLB may become reckless by failing to examine the cash collected for deposits and therefore accepting counterfeit notes. As, a result, the majority of agent contracts aim to incentivize optimal behavior by holding agents liable for any damages incurred by their carelessness.

However, when agents receive a fixed commission, they could become disheartened. The financial institution needs to push the retailer to act in its best interests in order to reduce losses. In this case, the principal often pays fees that are prorated according to the quantity and value of deals the agents have completed. This will incentivize agents to work harder at their jobs in order to receive larger commissions.

Agency theory investigates and resolves issues between parent and their BLBs. Problem develop in businesses when BLBs refuse to assume accountability for their decisions till they own stock in the company (Wheelen & Hunger, 2002).

An information imbalance between the parent and their BLB gives rise to the adverse selection dilemma. Since the agent will be privy to more knowledge than the principle in this instance, the agent will decide not to disclose it to the principal. Rarely, the information supplied by the agent may lead the principal to make a bad choice.

### **2.1.2 Diffusion of Innovation (DOI)**

According to Rogers (2003), the DOI theory was put up to explain how an idea or product gains traction and diffuses or spreads throughout a certain society or social system. The DOI theory looks into the transmission of innovative ideas over generations. The DOI hypothesis states that inventions spread continually among individuals who have the same social views through a variety of routes (Echchab & Hassanuddeen, 2013). In order to identify the variables influencing the choice of new data innovation advancements, the dispersion of innovation theory investigates the pace, manner, and cause of new developments' dissemination (Monyoncho, 2015). The DOI theory seeks to clarify and provide examples of the processes by which innovations in digital financial services are embraced and put into practice.

According to Roger (2003), there are five main components that influence the adoption of innovations and each of these components is present in the five adopter to varied degrees:

- i. Relative advantage: The extent to which a novel idea, plan or outcome is thought to be better than the one for which it was designed.
- ii. Compatibility: The degree to which the change complies with the values, expectations and standards of the intended audience.

- iii. Complexity: How difficult is it to understand and/or use the innovation?
- iv. Trial: The capacity to try out a new idea before implementing it.
- v. Observability: The extent to which the change results in measurable effects.

Since branchless banking is regarded as an innovation in and of itself, Roger's diffusion of innovation theory is helpful in examining the effectiveness of branchless banking as a financial inclusion strategy. Furthermore, the DOI theory is a well-known methodology that has examined elements impacting a person's choice to embrace innovation or new technologies.

### **2.1.3 Financial Intermediation Theory**

The distribution channels are another idea taken from marketing theory and used in agency banking arrangements. A distribution channel is a way for a business to get its goods in front of customers. Offering clients financial services is possible through the agency banking concept. It serves as a delivery channel as a result. In order to help the financial institution overcome the difficulties of helping poor-income customers with minimal transaction value and quantity, branchless banking services are offered via an intermediary (the merchant) who performs tasks on their behalf (Bizah et. al, 2017).

The mechanism of bringing together high value persons and businesses with excess money seeking for investment and borrowers who seeking financing because they have a deficit is known as financial intermediation. It is essentially nonsensical for lenders and borrowers to meet in person because of knowledge asymmetry and high transaction costs. Therefore, as a crucial link between lenders and borrowers, financial intermediaries including banks, insurance companies, mutual funds, and pension funds are involved. Thus, the goal of branchless banking is to facilitate the connection between lenders and borrowers in order to achieve financial intermediation (Munoru, 2016).

According to Allen and Santomero (1996), in a perfect market, resources allocation is efficient and intermediaries have no part in enhancing welfare. However, due to information asymmetry and market imperfections, financial intermediation will always be necessary.

### **2.1.4 The Digital Financial Services (DFS) Ecosystem**

The Digital Financial Services ecosystem generally includes:

- i. Customers who use the services,
- ii. Provider of services who provide and support the infrastructure required to deliver services, and
- iii. Policymakers who enacts laws and regulations.

The initial regulators for DFS in Nepal are the Nepal Rastra Bank, Nepal Telecommunications Authority (NTA), Consumer Protection and Competition Protection and Market Protection Board (Wechsler, Gurung & Perlman, 2018).

#### **Central Bank of Nepal – Nepal Rastra Bank (NRB)**

Banks and other financial institutions, including licensed cooperatives, citizen investment trusts, insurance providers, employee provident funds and security markets are governed by the NRB. To provide the support to regulatory bodies, providers of infrastructure and banking services providers in creating data-driven programs and policies to set financial access to remote areas, Regulatory Technology (RegTech) has been launched to provide data and statistics on financial access and usage. A commitment to actively promote DFS and other electronic payment systems has also been made by the Nepalese government, especially in the wake of the 2015 earthquake (Perlman & Gurung, 2018a).

#### **Ministry of Finance (MoF)**

In order to improve financial inclusion by expanding access to financing, the MoF created the Financial Sector Development strategy (FSDS) 2015-2020. It encourages the creation of financial institutions in impoverished areas, increases the use of agent and mobile banking, and puts financial literacy and microcredit into practice (Pant, 2016).

#### **Nepal Telecommunications Authority (NTA)**

The nation's telecom regulating agency is NTA. It issues operator licenses, sets criteria for services and equipment, guarantees the caliber of services rendered, and settles conflicts between service providers and clients. Additionally, it advises the government on policy matters pertaining to telecommunications (NTA, 2021).

Regarding non-bank Payment Service Providers (PSPs), which are not Mobile Network Operators (MNOs) yet offer financial services via mobile networks, it has no jurisdiction. In order to link mobile phones and transactions to an individual's identity, cell phone handset registration using IMEI numbers became mandatory in April 2016. This may possibly complement the NRB's Counter Financing of Terrorism (CFT) and Anti-Money Laundering (AML) objectives (Perlman, 2018c).

### **Consumer Protection Council**

The Consumer Protection Act established the Consumer Protection Council to formulate policies and offer suggestions to the government for safeguarding and advancing the rights and interests of consumers. Customers must be informed about their rights, costs and the type and quantity of goods and services that are offered by the council. In addition, the council offers damages for probable harm and injury to customers (Ministry of Law & Justice, 2018).

### **Competition Promotion and Market Protection Board**

Healthy Market Competition is encouraged by the competition Promotion and Market Protection Board. It offers policy recommendations to the government and raises public understanding of the advantages of free and genuine competition for the economy (Government of Nepal, 2007).

## **2.2 Empirical Studies**

Lestari, Zuhri and Saputra (2023) analyzed the analysis of the financial results of traditional commercial banks before and after branchless banks were established, using metrics such as capital adequacy ratio (CAR), loan to deposit ratio (LDR), return on Assets (ROA) and operational costs and operating income (BOPO). Using a purposive sampling technique, a total of seven conventional commercial banks were included in the sample for this comparative study. The study's focus is on traditional commercial banks that did not adopt branchless banking for five years, from 2010 to 2014, and five years following the adoption of branchless banking (from 2015 to 2019). The Wilcoxon signed rank test and the paired sample t-test are the analysis methods employed. Based on the Paired Sample T-test on the ROA variable, the study's findings showed a 0.76 percent decline. There was a 4.3 percent increase in the BOPO variable and an 11.36 percent

increase in the CAR variable. Bank agents can help reach the unbanked population in society more effectively by facilitating the implementation of branchless banking. This is especially beneficial for residents of rural areas and islands where access to cars and internet networks is still limited.

Mohamed and Elgammal (2023) examined the impact of the extent of branchless banking adoption on the social and financial performance of an international sample of microfinance institutions (MFIs). It was found that increasing the number of branchless banking points of service in MFIs is associated with productivity enhancements and improved social outreach. Dynamic two-step system generalized method of moments (GMM) approach with robust standard errors as well as three-stage least squares (3SLS) methodology was used. It was found that the Branchless banking is associated with enhancements in financial performance when measured using efficiency and productivity.

Hossain, Al-Amin, and Toha (2021) used the purposive sampling approach and agency theory to examine the effects of commercial banks' branchless banking on financial inclusion. A quantitative analysis was carried out by the researcher on 19 commercial banks in Bangladesh that offer branchless banking services. The study discovered a strong and favorable correlation between financial inclusion and client use of branchless banking for account opening, deposits, credit, and inward remittance. The study comes to the conclusion that there is considerable positive correlation between branchless banking and financial inclusion.

Pervin and Sarker (2021) conducted a descriptive analysis of the development and vision of branchless banking in Bangladesh, based on a SWOT analysis. This analysis focused at operational aspects of branchless banking, the types of services offered by agents, the ability of agents to mobilize funds through various services, and the potential for the economy to benefit from branchless banking. According to the authors, banks must innovate to contribute to financial inclusion. They suggest that digital innovations, such as payments, and the digitization of alternative channels, such as branchless banking are likely to lead to increased efficiency in both physical and digital channels, thus increasing the reach and prevalence of banking.

For the determination of intensity of banks to accomplish financial inclusion through branchless banking as well as obstacles faced, Rahman (2019) carried out a study on the potential and problems of branchless banking on the financial inclusion in Bangladesh. In order to do this, quantitative research techniques with an emphasis on commercial banks offering branchless banking services were applied. Customers, bank staff, and agents were given a self-administered questionnaire to complete in order to gather data. A few other issues have included getting consumer trust, processing credit files quickly, and keeping the agent and branch's internal connection intact. The study's conclusions showed that financial inclusion was significantly and favorably correlated with the liquidity, geographic coverage, pricing, and security of branchless banking services. The research also validates that territorial reach by branchless banking is the great tool to raise financial inclusion.

Ozili (2018) mentions digital finance provided by financial technology providers has a positive effects on financial inclusion in both emerging and developed countries. Furthermore, the convenience of digital banking for those with limited and variable incomes is often more advantageous than the expense of traditional banking services from regulated banks. According to Lotto (2016), branchless banking has made financial services more convenient by reducing the distance customers need to travel to access a point of service, and the financial fluidity crisis is not a major concern as the BLS's operation are regularly monitored to prevent cash shortages and reduce safety risk from the origin bank. Furthermore, the research found that branchless banking has low cost compared to existing financial services. On the other hand, according to Micro Save (2014), cash and electronic cash demand is greater in morning and money financial fluidity is managed by contacting nearby circles to cover urgent cash needs. Moreover, the research revealed that there is a low level of BLB training and publicity as well as shortage of help when faced a technicality matter.

Haider (2018) examined the ways in which contemporary financial technology assist people's means of subsistence. For the unbanked, reach to digitized technology especially cellphones, internet and biometrics authorization allows them to make benefits of a wider range of banking services, such as digital credit, mobile banking, and online banking. Poor or destitute people in developing countries can use formal financial institutions to

save and lend money, benefit from capital gains, and manage their fulfillment through digitized banking services, which are simpler and less expensive than older financial services.

Ndegwa (2017) investigated the capacity of branchless banking as a financial inclusion strategy in Class 'A' banking by looking at how territorial reach and financial fluidity affect branchless banking for to assess the importance of branchless banking services in promoting financial inclusion in Kenya. In order to gather information out of 38 administration managers and supervisors of the commercial banks in Kiambu that had adopted the branchless banking phenomenon, the research used a cross-sectional survey methodology self-administered questionnaire. Descriptive statistics (frequency distribution and percentages) and inferential statistics (regression) were used to analyze the data. Territorial reach is high in significant advantage and, hence, the primary influencer of financial inclusion, with a 95% confidence level. The study suggested that the financial institutions need to attempt to render additional services through branchless banking for enhancement of financial inclusion, especially in remote areas.

According to Bizah et al. (2017), financial institutions employ branchless banking services to raise the nation's degree of financial inclusion, which means that branchless banking is a driver of financial inclusion in Zimbabwe. Additionally, the research sheds light on the benefits and drawbacks of the branchless banking paradigm. Branchless banking is a cost-effective and simple tool that can be used to promote financial inclusion in Zimbabwe.

Agufa (2016) investigated the impact of digitized finance on financial inclusion in Kenya's financial sector and found that, rather than promoting financial inclusion, financial institution use digitized banking services to lower operation costs related to commencing and running branches in order to increase their profit and banking performance. However, Munoru (2016) found a considerable positive correlation between branchless banking and financial inclusion.

Sakchyam's (n.d.) financial accessibility Nepal studied a short on the BLB project and discovered, in many cases, branchless banking sites are one and only establishments offering banking services because bank's branch in remote location are generally found

in city centers. So, in many regions of the nation, BLB stations in outlying local marketplaces are crucial in providing services to an underserved and unserved populace. In partnership with 14 commercial banks running BLB programs in Nepal, the study was completed. The survey includes both subjective (qualitative) and objective (quantitative) questions to obtain a broad overview of the banks' BLB activity. The study concludes that BLB points are a crucial element of bank branches that can support them in growing and sustaining themselves while also drawing attention to certain problems and difficulties. for instance:

- As BLB locations rely mostly on internet connectivity which is sometimes lacking in hilly and mountainous areas higher transaction failure rates translate into subpar services and decreased customer satisfaction.
- There are considerable security concerns because BLB points entail cash transactions. Cash theft or robbery is a possibility both at the BLB location and on the way to the closest branch.
- Due to the remote location of the BLB points, the BLB agents must travel to the closest branch to maintain and maintain sufficient liquidity to serve the local clients on a regular basis.

According to Afande and Mbugua (2015), the best indicator of financial inclusion is the geographic reach of branchless banking, and low liquidity did not prevent agents from operating because they were closely monitored and inspected to make sure that cash shortages were exceptional. Furthermore, there were very few security issues because agents had installed physical security measures like CCTV and metal grills. Additionally, Ndegwa (2017) discovered that branchless banking offers liquidity availability as well as geographic coverage, the latter of which is the primary benefit and the primary driver of financial inclusion. Branchless banking, an innovative notion in banking institution which improves clients' simple reach to financing and financial institutions' profitability, was studied in Bangladesh by Ferdous, Mosharrafa, and Farzana (2016). Such service commences an innovative notion in banking institution, from which it has a big effects in the nations' economies.

Lotto (2016) conducted research to investigate the factors that influence agents' ability to support financial inclusion in Tanzania. The data for this quantitative study were gathered

through interviews and the administration of questionnaires. This study was done among three Tanzanian banks since only bank agents who have been involved in branchless banking for a minimum of two years were taken into consideration. This study's findings suggest that branchless banking's broad territorial reach is a greater means of promoting financial inclusion because it reduces transport costs and other annoyances like standing in line at bank offices. In light of this, the agency banking model is effective in hastening financial inclusion.

As part of financial inclusion, Hedge and Kotian (2016) investigated branchless banking for the underprivileged. Primary data was gathered via a semi-structured questionnaire and distributed to 300 respondents in the districts of South Canara and Udupi. Secondary data was gathered via various books, journals, research papers, magazines and freely available internet. Descriptive statistics were used to assess the various data that was gathered. The results show that the standard of living, consumption, and savings have all improved, which has led to an increase in the use of financial commodities. Customers' lack of confidence and trust is another obstacle to the adoption of BLB alternatives, the survey claims. Nonetheless, the research indicates that BLB positively affects financial inclusion.

Achugamonu (2017) looked into branchless banking and financial inclusion in Nigeria. A multivariate regression methodology was employed to evaluate the data from 275 questionnaires that were distributed to bank employees, managers, agent bank owners, and authorities through the use of a random sample method. Additionally, a significant correlation between branchless banking services and financial inclusion was found using an ANOVA test to assess the model's significance. Additionally, there is a strong correlation between financial inclusion and the financial development activities of branchless banking. Moreover, the largest correlation between branchless banking's services and territorial reach and financial inclusion is observed.

To determine whether the banking services offered by BLB has an effect in financial inclusion in Kenya, Munoru (2016) investigated the relationship between branchless banking and financial inclusion in Kenya. To further understand the impact of branchless banking in financial inclusion on commercial banks, the researcher employed secondary data in a time series manner for variable analysis, making no modifications or interfering

with the data. A financial inclusion report was produced and thirteen class ‘A’ bank which have utilized the BLB services for a minimum of one to five years were assessed between 2010 and 2014. Branchless banking and financial inclusion are strongly positively correlated, according to the findings of inferential analysis, correlation, and regression analysis.

In order to comprehend the act that BLB plays in comprehensive raise in several countries also the potential applications of branchless banking to address financial access barriers in Bangladesh, Mahmood and Sarkar (2015) posted a paper having title ‘Comprehensive growth through BLB: a review of BLB and its effects’. After compiling information from secondary sources (a number of publications), the researcher discovered that branchless banking is a crucial tool for the inclusive growth of a nation.

In order to assess how branchless banking's territorial reach, assets safeguard, and financial fluidity availability have aided in the advancement of financial inclusion, Afande and Mbugua (2015) looked at the role that branchless banking services played in Nyeri Town, Kenya. Both descriptive and inferential statistics were used by the researcher to assess the data. The study's conclusions demonstrated a substantial and positive correlation between financial inclusions and the geographic coverage, security, liquidity and prices of branchless banking services. The study came to the conclusion that the best measure of financial inclusion is branchless banking's greater geographic reach. The report also recommended that, in order to enhance services and broaden geographic reach, agent outlets be expanded. Additionally, such outlets have to be carefully vetted and controlled in order to reduce security risks and liquidity constraints.

Table 1

*Review Table*

<b>Author(s)</b>	<b>Methodology</b>	<b>Name of Article</b>	<b>Objectives</b>	<b>Findings</b>
Lestari, Zukhri and Saputra (2023)	Descriptive comparative research method by analyzing the financial statements	Comparative evaluation of financial results in conventional of commercial	To measure the ratios of Return on Assets (ROA), Operational Costs and Operating	Implementation of Branchless Banking with bank agents is more suitable

	<p>conventional commercial banks. The type of data used is secondary data as seen from the bank's financial reports available on the bank's website in the 2010-2019 period. This study compares the financial performance of Conventional Commercial Banks 5 years before the implementation of Branchless Banking and 5 years after the implementation of Branchless Banking.</p>	<p>banks before and after branchless banking is implemented.</p>	<p>Income (BOPO), Loan to Deposit Ratio (LDR), and Capital Adequacy Ratio (CAR) in order to compare the financial performance of conventional commercial banks before and after the establishment of branchless banks.</p>	<p>for people who live in rural areas and islands where it is still difficult to access vehicles and internet networks that are not evenly distributed so it will be more suitable with the presence of bank agents during society to reach people who are still unbanked.</p>
<p>Mohamed and Elgammal (2023)</p>	<p>Dynamic two-step system generalized method of moments (GMM) approach with robust standard errors as well as three-stage least squares (3SLS) methodology was used</p>	<p>Does the degree of branchless banking adoption improve microfinance institutions' financial and social performance?</p>	<p>Analyze the effects of branchless banking adoption levels on the financial and social outcomes of a global sample of microfinance institutions (MFIs).</p>	<p>Branchless banking is associated with enhancements in financial performance when measured using efficiency and productivity.</p>

Hossain et al. (2021)	Secondary data collected from 19 commercial banks (2016- 2019) with at least 5 years of adoption of branchless banking in Bangladesh.	Are services provided by commercial agent banks valuable for financial inclusion?	To look into the effects on financial inclusion of commercial banks' branchless banking services.	There is no relationship between cash deposit, loan disbursement made by branchless banking and financial inclusion.
Rahman (2019)	Both quantitative and qualitative (mixed methods) approach. Descriptive analysis is used to find the level to which bank has been successful to find financial inclusion by BLB and its challenges.	Opportunities and difficulties for branchless banking in Bangladesh's financial inclusion.	The study's goals have been to assess how much financial inclusion and its associated issues have been aided by agency banking's service, liquidity, credit file processing, geographic coverage, security, and cost.	Liquidity, geographic coverage, costs, and security have a positive and significant impact on financial inclusion. The study found that expanding geographical coverage through BLB is the greater method to uplift financial inclusion.

Ndegwa (2017)	Cross sectional survey data collected through 38 administration managers and commercial bank which have adopted agency banking model. The data were analyzed through descriptive methods and regression.	An evaluation of agency banking's performance as a commercial banks' financial inclusion tactic.	This study examined the impact of geographical coverage and liquidity on agency banking as a financial inclusion approach in order to assess the role that these services play in fostering financial inclusion in Kenya.	Geographical coverage of agents influences financial inclusion and ensures sufficient liquidity among outlets. Costs of branchless banking, security concerns, geographical coverage and fluidity has massive impression in financial inclusion in commercial banks.
Achugaou (2017)	Primary data collected through 275 questionnaires and analyzed using multivariate regression, ANOVA test and reliability test.	The Nigerian experience with branchless banking and financial inclusion.	This study looked into how much bank agents have helped advance the Federal Government of Nigeria's objective for inclusive growth.	The study concludes that there is a significant relationship between branchless banking services and financial inclusion. Geographical coverage of

				branchless banking have the most significant relationship with financial inclusive growth.
Hedge and Kotian (2016)	Primary data and Secondary data. Data collected were analyzed through descriptivestatistics.	Branchless banking as part of financial inclusion for the poor.	To ascertain the driving and impeding forces behind the adoption of branchless banking in rural regions.	The study concluded that savings, consumption and standard of living has increased generating to grow the usage of banking products. This research vividly shows that BLB have affirmative impact on financial inclusion.
Munoru (2016)	Secondary data in a time series approach (2010-2014) Inferential, correlation and regression analysis were analyzed.	Impact of agency banking on Kenyan financial inclusion.	Examine and assess the impact on financial inclusion in Kenya of cash deposits, customer payments for retirement and social benefits,	From the findings, it is evident that branchless banking has a strong positive relationship with financial inclusion.

			bill payment, and banking agencies involved in agency banking activities.	
Agufa (2016)	Secondary data collected (2011-2015) from 12 commercial banks which were fully functioning and used. ANOVA, regression, and correlation for analysis.	The impact of digital finance on financial inclusion inside Kenya's banking sector.	To investigate how digital finance affects financial inclusion in Kenya's banking sector.	Negative correlation with financial inclusion. Insignificant negative relationship between branchless banking and financial inclusion. No worthy relation between banking service and financial inclusion.
Lotto (2016)	The study was descriptive in nature based on primary source collected through 150 administered questionnaires and interviews from 3 banks.	Tanzanian descriptive analytical evidence supporting the importance of agency banking in advancing	To evaluate the impact agency banking has on advancing financial inclusion in Tanzania.	This result resulted that branchless banking had reduced overcrowding in banking halls and appraised geographical coverage

			financial inclusion.			positively. As per the research, BLB's growing territorial reach is a greater catalyst of financial inclusion.
Afande and Mbugua (2015)	Both primary and secondary data were used and then analyzed using descriptive and inferential statistics.	Branchless banking services' contribution to Nyeri Town, Kenya's financial inclusion initiative.		To look into how Kenyan town of Nyeri is promoting financial inclusion through branchless banking services.		The findings of the study indicated that, geographical coverage, security, liquidity, and cost of BLB has an affirmative and great relation to financial inclusion.
Mahmood and Sarkar (2015)	The study used secondary data such as journals and case studies.	Branchless banking for inclusive growth: an analysis of the implications of branchless banking.		To evaluate how branchless banking contributes to inclusive growth in various nations.		The research concludes branchless banking as an important tool for a country's inclusive growth.

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Chiteli (2013) investigated the use of branchless banking by commercial banks in Kisumu City as a competitive tactic. The study revealed that the use of branchless banking by commercial banks carries concerns related to consumer protection, anti-money laundering, reputational risk, and legal risk. Conversely, the agents must contend with issues including credit risk, liquidity risk and operation risk. Study in BLB, a

revolution in Bangladesh's banking service industry, was conducted by Siddiquie (2014), who observed that an increasing number of people will use this service since the agents' services will make their daily lives more convenient.

According to Jayanty (2012), branchless banking has enabled commercial banks to access customers who are hesitant or unable to visit a branch directly, as well as low branch penetration areas. Branchless banking scenario that is utilized to render banking service without the need of branch, is where the idea for branchless banking originated as an expansion strategy (Ivatury & Pickens, 2006). Since branchless banking leverages widely used supply channels as retail venue, cell phone, internet and automated teller machine, the author claim that it is less expensive than traditional banking. The authors further demonstrate that branchless banking is lucrative for clients as it reduces transacting expense by brining services nearer to their houses and lowering the cost of commuting to bank branches. Furthermore, bank agents offer customers additional operational time as they extra hours than banks and so remove large waits.

Wainaina (2011) mentions vast distance between bank branches and remote dwellings are significant key reason for feeble and primitive financial inclusion in distant and remote areas. Customers may get it inconvenient to travel to a distant bank's branches just to perform banking transaction that can cost excess than the expense of transport. Due to these reasons branchless banking services is crucial.

According to Collins, Morduch, Rutherford and Ruthven (2010) branchless banking was used in Colombia to settle most formal government payments, loan repayments, and utility bill payments. The branchless banking paradigm should be introduced and put into practice gradually, according to the study. These results are comparable to those of Celina (2012), who conducted a trend analysis for Mexico, Brazil, Peru and Columbia.

### **2.3 Research Gap**

In an effort to reach out to the unbanked, banks have embraced the agency banking model, a relatively contemporary strategy, as part of their financial inclusion and growth initiatives. The study examined financial inclusion and evaluated the degree to which the agency banking model has been adapted. On the other hand, not much research have been performed to ascertain how the modality affects financial inclusion. Since the modality is

in its infancy, there hasn't been much research done in this area, and any potential impacts on financial performance won't be felt right away. The amount of knowledge regarding branchless banking and its effects on the financial inclusion in Nepal is expanded by this study.

## **CHAPTER III**

### **RESEARCH METHODOLOGY**

The methods and procedures employed in this research study are the main topic of this chapter. This chapter acts as a guide for gathering, measuring, and analyzing data. This section explains the population and sample, data collection techniques, analysis process, and research design.

#### **3.1 Research Design**

In order to communicate with participants and prevent misunderstandings, this study uses a clearly phrased structured questionnaire. It also employs a descriptive and casual comparative research design to describe the characteristics of the variables used in the study as well as to examine the relation and to analyze the effect between independent and dependent variables. This study uses primary data that was gathered from Bagmati Pradesh, Nepal, to conduct quantitative research. The goal of the study is to investigate how branchless banking affects financial inclusion in Nepal. To accomplish its goals, the study employed descriptive, correlation, regression, and other statistical approaches among other methods.

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

The BLB department, commercial bank headquarters, managers, and operations managers of commercial bank branches in Nepal that have effectively implemented branchless banking services are the study's target audiences. This is because these people are in charge of the bank's operations and are shrewd in all the various departments and activities the bank engages in, like branchless banking. In Nepal, 14 of the 20 commercial banks and their branches till Nov, 2023 are currently offering branchless banking services. Nevertheless, the study is restricted to head offices and their branches in the provinces of Bagmati that have embraced the branchless banking model. Nine head office banks out of 14 commercial banks are taken into consideration for the pilot project. In all, 86 branches from 9 commercial banks in Bagmati Pradesh, Nepal, successfully embraced and used the branches banking model. So the population size would be branchless

banking of fourteen commercial banks and sample size would be nine banks.

The samples have been determined using the convenience sampling method. Convenience sampling is the process of selecting participants primarily based on their availability, willingness, or practical ease of contact. Another term used for convenience sampling is availability or opportunity sampling. Convenience sampling techniques include asking friends and acquaintances, conducting surveys via social media and internet platforms, and surveying people in crowded places like malls and streets. Emails containing Google Forms are sent to 86 bank branches that actively offer branchless banking services. 53 responses are recorded out of 86 total. In light of the deadline and the accuracy of the information provided by the participants, the researcher evaluated 53 respondents' responses to wrap up the survey. Appendices 2 contain a list of Class 'A' banks and corresponding branches that provide branchless banking services in Bagmati Province/Pradesh, Nepal.

### **3.3 Data Collection Method**

Distribution and circulation of structured questionnaires to the branchless banking department, branch managers and operation managers of Nepalese class 'A' banks and their branches that have adopted the BLB model served as the primary source of data for this study. The questionnaire is chosen by the researcher because it collects responses in a systematic manner, which makes it more objective than other data collection methods. To cut down on the time needed to complete the answers, it only has closed-ended questions. When responding to a Likert questionnaire item, respondents indicate their degree of agreement with a statement using the most popular scale in survey research: the Likert scale.

### **3.4 Instrumentation**

A questionnaire that the researcher designed is used to collect data for this investigation. Based on the researcher's readings, prior research, and pertinent literature, a draft of the questionnaire is created. For the purpose of investigation of the impact on financial inclusion by branchless banking in Nepal, multiple-choice and Likert scale questions are incorporated into the instrument's preparation. Five-point Likert-type scales are employed by the researcher, with a score of 1 denoting strong disagreement and a score of 5,

representing "strongly agree." There are two sections to the research tool. The respondent's general information and the modification of the agency banking model are covered in the first section. The independent and dependent variables are further examined in the second section, which is further divided into two sections. The study's independent variable is branchless banking, which is based on its territorial reach, assets safeguard, financial fluidity, expenditure and tech adaptation. The variable that is dependent is financial inclusion. Following completion of the questionnaire, each item is examined independently, or in certain situations, the answers to individual items are added together to generate a score for a group of items. As a result, another name for Likert scales is summative scales.

### **3.5 Reliability Analysis of Data**

#### **Pilot Study**

The goal of the pilot test is to evaluate the model's consistency and accuracy as well as the scale measurement. The reliability of the instrument is assessed using the internal consistency of the Cronbach's alpha. The study's pilot survey is carried out in Kathmandu valley. This location is chosen because it houses the majority of commercial banks' headquarters and branches, which serve clients with both financial and non-financial services.

During the pilot program, nine BLB department head office interviews are conducted. Convenience played a role in the selection process, but in order to assess the consistency and accuracy of the questionnaire design, the commercial banks had to have implemented the agency banking model.

#### **Reliability**

The data's reliability is examined using the statistical program Statistical Package for Social Scientists (SPSS). The consistency and stability of respondents' responses in primary data have been used to gauge the study's reliability. Reliability coefficients are primarily used to indicate how repeatable a result is. An indicator of statistical reliability coefficient for internal consistency is Cronbach's alpha. Cronbach's alpha is not a statistical test; rather, it is a reliability or consistency coefficient.

When a research study uses a questionnaire with multiple Likert questions that form a scale, the most common way to measure internal consistency and reliability is to use Cronbach's alpha. This allows researchers to assess whether scale is reliable enough to produce accurate study findings.

Every respondent in this study provided a response on a Likert scale ranging from 1 to 5. Cronbach's alpha a coefficient between 0 and 1, with a value of 0.50 or less typically denoting poor internal consistency reliability and a value between 0.90 and 0.99 denoting outstanding internal reliability.

Table 2

*Reliability Analysis*

Variables	Cronbach's Alpha	No. of Statement	No. of selected of statements
T	0.771	3	2
A	0.601	4	4
F	0.712	6	6
E	0.598	3	3
T	0.699	3	3
FI	0.745	4	4
Total	0.7043	23	22

Cronbach's alpha value for the test of reliability comprising six variables is shown by above Table 2. Altogether there are total of twenty three statements from both dependent and explanatory variables and item total statistics revealed that excluding one statement will increase the alpha, denoting greater reliability of the questionnaire. So for the purpose, one statement have been excluded from the questionnaire used for the study.

Cronbach's alpha 0.7043 indicates that the data are reliable which is higher than 0.70 ( $0.7043 \geq 0.70$ ) as the benchmark of this test is 0.7 due to less than 10 items. So the questionnaire adopted in this study is reliable. Cronbach's Alpha values range from 0.90 for outstanding internal consistency, 0.80 for good, 0.70 for acceptable, 0.60 for questionable 0.50 for poor and less than 0.50 for unacceptable, according to George and Mallery (2003).

### **3.6 Methods of Analysis**

The impact of branchless banking on financial inclusion has been determined by gathering and analyzing primary data from multiple angles. SPSS was used to analyze the data. Utilizing Microsoft Excel and SPSS, a basic descriptive analysis is performed to assess the data collected for the study. Because it has all the features required for a research project and is the most appropriate, this program is selected.

Descriptive statistics, such as percentage, mean, and standard deviation, are computed using SPSS. With SPSS (V 22), the correlations and regressions of the variables are also examined. Google Forms is used to support data collection, and Excel 2019 is used to manage the data.

#### **Descriptive Tools**

To explain the variables, the study used a summary of descriptive statistics related to the sample's explanatory and dependent variables. The effect of branchless banking on financial inclusion in Nepal has been determined through the use of descriptive analytical tools such as mean, median, standard deviation, minimum and maximum values of various variables like territorial reach, assets safeguard, financial fluidity, expenditure, tech adaptation and financial inclusion.

#### **Correlation Analysis**

Correlation analysis has also been used in this study's causal-comparative research design. Correlation analysis has been used in this study to determine the strength and direction of the relationship between various combinations of explanatory and dependent variables. It displays the movements and relationships between two variables. The bivariate Pearson correlation coefficient has been used to explain the relationship. The value of the correlation coefficient falls between -1 and +1. Two variables are known to have a perfect negative correlation if their correlation coefficient is precisely -1 because their directions of movement are opposite. Conversely, the variables are said to be perfectly positively correlated if the correlation coefficient is +1.

## Regression Analysis

Regression analysis is a statistical tool which shows relationship between a response variable and one or more predictor variables. The main aim of this analysis is to find the relationship between a dependent variable and one or more independent variables. An estimated model of the relationship is postulated, and parameter values are deduced in order to create an estimated regression equation. To ascertain whether the model is significant, a number of tests are performed. Given the values of the independent variables, the estimated regression equation can be used to predict the value of dependent variable if the model fits the data significantly. To stimulate the connection between two variables, linear regression method is used. It is also used to know whether or not if there is a significant relationship between branchless banking and financial inclusion also to know the relative strength of various independent variables. Below is the algebraic formulation modeled by regression, where constant term coefficient and the error term is included, and is given by:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$$

Where, Y = Dependent Variable

$\beta_0$  = Constant

$X_1, X_2, X_3, X_4$  = Independent Variables

$\beta_1, \beta_2, \beta_3, \beta_4$  = Co-efficient

e = Residual error

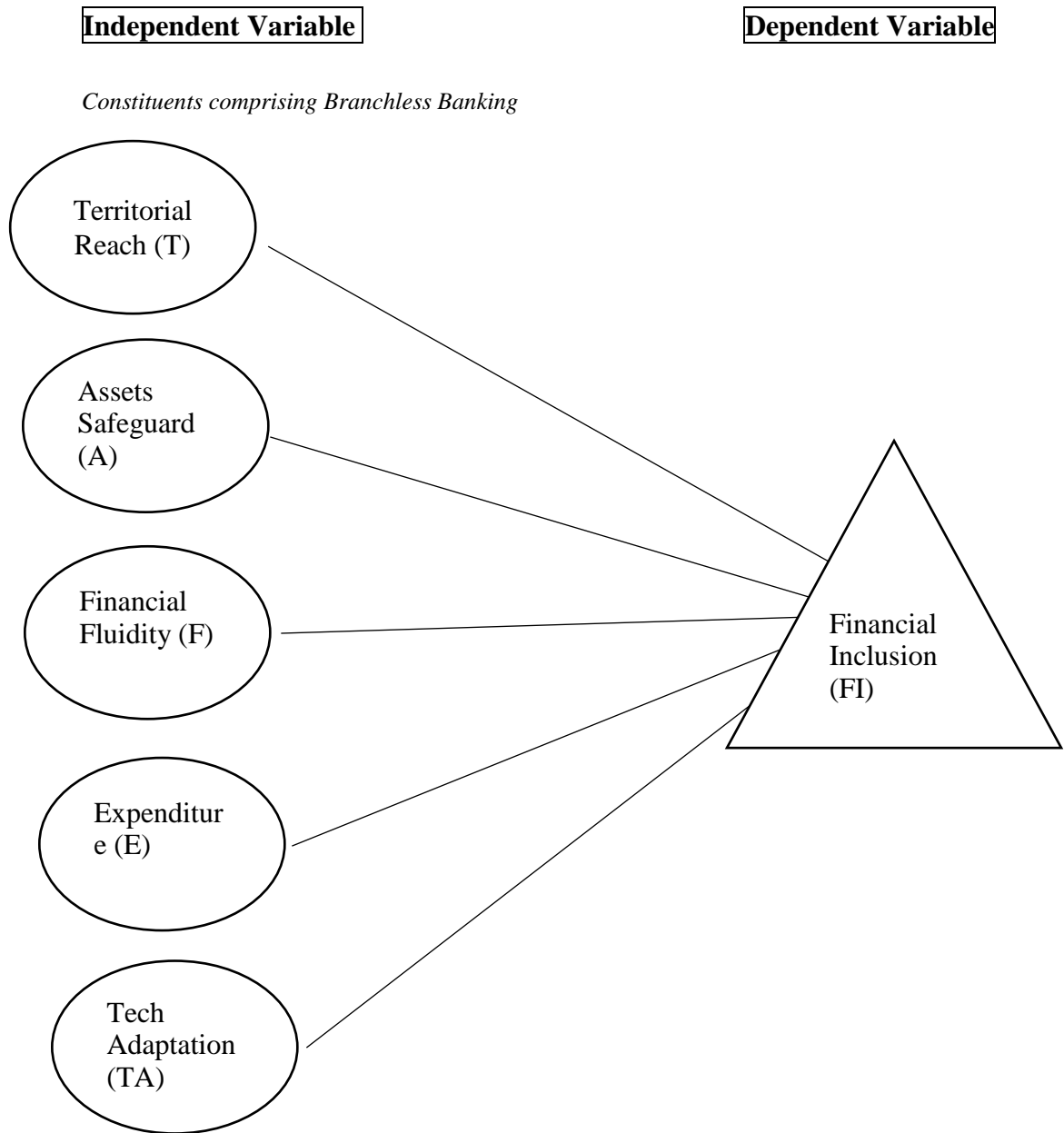
### 3.7 Theoretical Framework

The purpose of this article is to determine how branchless banking would improve financial inclusion in Nepal. Financial inclusion is the study's dependent variable, while branchless banking which is influenced by factors including territorial reach, assets safeguard, financial fluidity, expenditure and tech adaptation is the study's independent variable.

Below conceptual model is demonstrated through the reviewed literature.

Figure 1

Conceptual Framework



Source: Shakya, 2022

The relationship between branchless banking and financial inclusion, the primary goal of this study is depicted in Figure 1. The researcher's specific goal is to determine how

branchless banking's territorial reach, assets safeguard, financial fluidity, expenditure and tech adaptation affect financial inclusion.

### **3.8 Definition of Variables**

#### **Independent Variables**

The study's independent variables is branchless banking which is determined by the territorial reach, assets safeguard, financial fluidity, expenditure and tech adaptation of branchless banking.

##### **1. Territorial Reach**

Territorial Reach is the territory that the agents cover outside of traditional bank offices. It speaks to an agent's capacity to make financial services more accessible to clients. BLB points are generally introduced in regions where it is challenging to establish brick-and-mortar stores because of challenging geography or insufficient market ability to support the establishment of a branch completed in all respects. Due to the distinct geographic sector and shortage of banking services availability in rural communities, branchless banking has the potential to expand into numerous challenging and unexplored areas.

##### **2. Assets Safeguard**

It relates to the agent's capacity to maintain discretion and physical security in order to safeguard clients' readily available cash. Security is used by BLB points as a preventative step to ensure the security of both customers and agents. The safety, security, effectiveness, and operation of agents are regularly observed in order to prevent tampering and manipulation by agents and to secure the transaction medium.

##### **3. Financial Fluidity**

It refers to both convertibility and the availability of cash. The effectiveness of branchless banking depends on the management of liquidity. Consequently, it is imperative to take into account the needs for peak liquidity. Customers' faith may be damaged if BLB locations run out of both physical cash and electronic money, which could lead to service denial.

#### **4. Expenditure**

The cost of banking with BLB is the total cost of all fundamental financial goods and services, like establishing an account, making deposit, withdrawing money, sending money abroad, top-ups, checking balances, receiving statements, paying bills and paying utilities.

#### **5. Tech Adaptation**

It is described as the efficiency and usability of the technology that agents use to conduct transactions. Point of sale devices that are linked to the internet through General Packet Radio Service (GPRS) mechanism are typically used by the agents. Some processes also use Interactive Voice Response (IVR) and Short Message Service (SMS) in addition to Point of Sale (POS). It also illustrates the issues that arise when server outages or other technical difficulties prevent transactions from being completed on the technology platform.

#### **Dependent Variables**

The Group of Twenty (G20) the role that financial inclusion plays in the advancement of economies. Policies and programs promoting financial inclusion are drawing increasing attention as vital tools for combating poverty and advancing equitable development. The process of ensuring that everyone in an economy may easily access, use, and be part of the official financial system is known as financial inclusion. Financially included people and enterprises have access to pertinent, reasonably priced, ethically and sustainably provided financial products and services. Three criteria are used to quantify financial inclusion:

- (i) Financial Services accessibility
- (ii) Financial Services utilization
- (iii) The standard of the goods and services provided.

## **CHAPTER IV**

### **RESULTS AND DISCUSSION**

The presentation and analysis of primary data gathered by questionnaire surveys are the topics of this chapter. This chapter's objectives are to investigate and evaluate the impact of branchless banking on financial inclusion in Nepal and to provide an interpretation of the results. For the purposes of comprehension and analysis, the gathered data are now condensed and given in tabular form. The hypothesis tests that were constructed in the preceding chapter are also covered in this chapter. To reach a conclusion, every hypothesis is put to the test and investigated. The data are analyzed using statistical approaches such as regression analysis, inferential analysis, descriptive analysis, and structure of variables. The pertinent sections have provided a detailed discussion of the data analysis findings.

#### **4.1 Descriptive Analysis**

The study's independent variables include branchless banking, which is based on factors like territorial reach, assets safeguard, financial fluidity, expenditure and tech adaptation; the dependent variable is financial inclusion, which is based on factors like usage and access to financial services as well as the caliber of the products and services offered.

The essential qualities of the research data are described via descriptive analysis. They offer a concise synopsis of the various factors that were looked at in order to assess financial inclusion. The total number of respondents, the minimum and maximum values and the mean and standard deviation of the variables used in the study are all included in the descriptive analysis.

#### **Territorial Reach**

The territory that a branchless bank serves outside of traditional bank branches is referred to as coverage. It speaks to an agent's capacity to put financial services in the hands of clients. BLB points are typically found in places where it is challenging to establish brick and mortar stores because of challenging geography or low market ability to support the establishment of a fully functional physical branch. Given the distinctive geographic

diversity and the dearth of formal financial services available to rural communities, branchless banking may be able to expand into a number of challenging and unproven areas. The information in this part relates to the study's primary goal, which was to determine how much branchless banking's territorial reach affects financial inclusion.

The dimension of territorial reach of BLB is discussed under below sub section; a) Customers prefer BLB due to proximity than bank b) BLB has reduced footfall in the bank.

Table 3

*Descriptive analysis for the agreement or disagreement with respect to territorial reach*

<b>Particulars</b>	<b>N</b>	<b>Min</b>	<b>Max</b>	<b>Mean</b>	<b>Std. Deviation</b>
Customers prefer BLB due to proximity than bank	53	2	5	3.57	.971
BLB has reduced footfall in the bank	53	2	5	3.89	.610

Table 3 depicts the mean score of the respondent on each of the Likert Scale questions of the study. The mean scale for the question 'Customers prefer BLB due to proximity than bank' is 3.57, which that the majority of respondents concur that BLB provides only primitive financial products and services. Further, the participants also concur that BLB has curtailed the footfall in the banking institution, hence, clients prefers BLB as they feel vicinity to the BLB than that of banking institution.

This indicates that the majority of study participants concur that BLB have pushed financial services closer to clients and that BLB territorial reach affects financial inclusion even in the presence of basic financial products and services.

## Product and Services

Any branchless banking service's success is based on its products and services. Consumers are more likely to use products and services that meet their financial needs than those that are offered in the lack of better options.

Figure 2

### *Products and Services Offered*

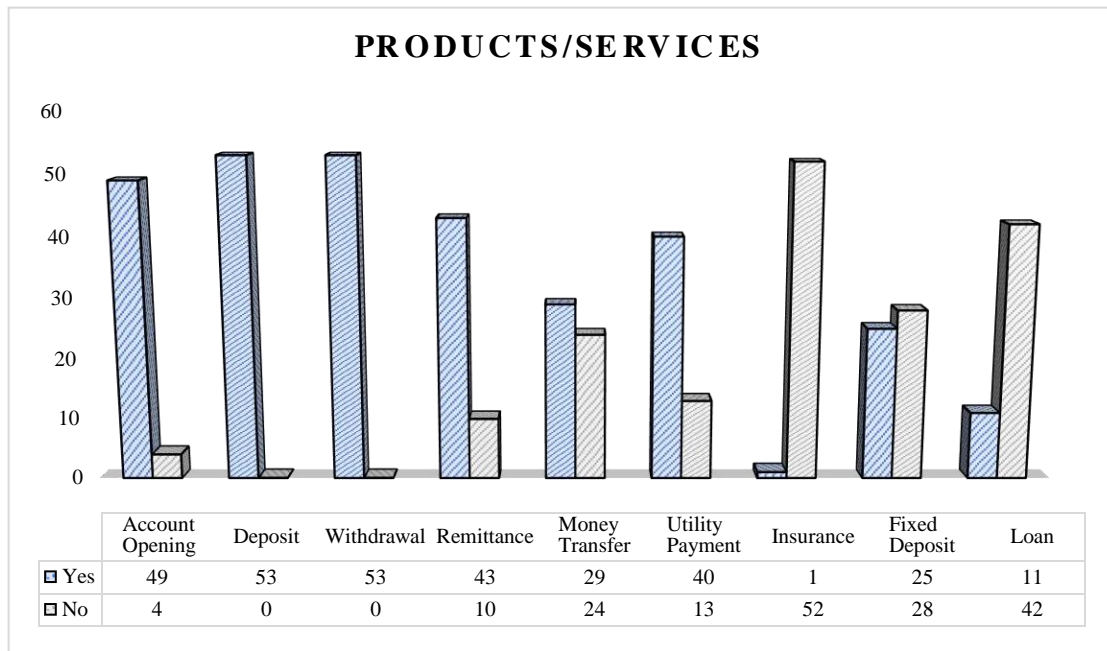


Figure 2 illustrates that the majority of service providers only provide primitive banking products and services by their BLB branches. Through their agent networks, the majority of providers currently provide services for opening accounts, cash deposits and withdrawals, remittances, and utility payments. Additionally, a few of the suppliers provide loan, insurance, fixed deposit, and money transfer services. Cash deposit and withdrawal are the most popular services and products among them, followed by account opening and remittance. Because of their small agent networks, insurance and loan services are not yet widely accessible.

## Assets Safeguard

It indicates to the agent's capacity to maintain discretion and physical security in order to safeguard clients' readily available cash. Security is used by BLB points as a preventative

measure to ensure the security of both customers and agents. The safety, security, effectiveness, and operation of agents are regularly observed in order to prevent tampering and manipulating by agents and to secure the transaction medium. The results of the study's second goal, which examined how branchless banking security affected financial inclusion, are presented in this section.

To validate, scope of assets safeguard is interpreted under these sub sections; a) customers omit to transact with BLB due to lack of safeguard and trust, b) operation of the BLB is monitored often to ensure the safeguard and safety of the customers, c) safety, security and efficiency of the devices used by the BLB is monitored often to prevent tampering and manipulating by the agent d) agents are provided frequent training to ensure that they comply with the security standards.

Table 4

*Descriptive analysis of the level of agreement or disagreement in regards to assets safeguard*

<b>Particulars</b>	<b>N</b>	<b>Min</b>	<b>Max</b>	<b>Mean</b>	<b>Std. Deviation</b>
Customers omit to transact with BLB due to lack of safeguard and trust	53	1	5	2.60	.968
Operation of the BLB is monitored often to ensure the safeguard and safety of the customers	53	3	5	4.32	.581
Safety, security and efficiency of the devices used by the BLB is monitored often to prevent tampering and manipulating by the agent	53	2	5	4.23	.800
Agents are provided frequent training to ensure that they comply with the security standards	53	2	5	4.38	.686

Table 4 represents the descriptive statistics of the study. The mean value for the question 'Agents are provided frequent training to ensure that they comply with the security standards' is 4.38, which denotes most of the participants firmly concur that BLB are

provided training to make sure that they abide with the security standards. They also firmly concur that the equipment's efficiency, safety, and security are all monitored, as well as the agents themselves, while the service is being provided. Furthermore, the statement that "the customers omit to transact with BLB due to lack of safeguard and trust" is not supported by the majority of respondents.

This indicates that the participants of the research generally concur with the fact that BLB are constantly regulated to make sure the security of both BLB and clients, as well as to safeguard the mode of transaction, safety, efficiency and operation of BLB. Further, the research depicts that a shortage of safety and trust is not to barrier to financial inclusion.

### **Financial Fluidity**

It indicates to both convertibility and the availability of cash. The effectiveness of branchless banking depends on the management of financial fluidity. Consequently, it is imperative to take into account the requirements for peak liquidity. Customers' confidence may be damaged if BLB locations run out of both physical cash and electronic money, which could lead to service denial. The results of the study's third objective, which examined the impact of liquidity on financial inclusion, are presented in this section.

Table 5 illustrates the mean score for each of the Likert scale question about financial fluidity and the level of agreement and disagreement. The mean scale for the question 'Branchless banking outlets have a daily limit of cash deposit and withdrawal' is 4.42, which denotes on average the participants highly concur that BLB have a daily limit of cash deposit and withdrawal. The average participants also concur that BLB are sufficiently watched over to manage sufficient fluidity and the fluidity effects client base. The average participants concur that the client downfall due to shortage of fluidity. Also, the average participants don't agree that the client avoid BLB due to persistent cash shortage that leads to dissatisfaction.

This suggests that the study's participants concur that BLB are observed to guarantee adequate financial fluidity and that clients do not steer clear of agents because they are always short on cash. However, service denial may result from a lack of both physical cash and electronic money.

Table 5

*Descriptive analysis of the level of agreement or disagreement in regards to Financial Fluidity*

<b>Particulars</b>	<b>N</b>	<b>Min</b>	<b>Max</b>	<b>Mean</b>	<b>Std. Deviation</b>
Branchless banking are monitored to ensure sufficient fluidity	53	2	4	3.68	.581
Branchless banking outlets have daily limit of cash deposit and withdrawal	53	2	5	4.42	.633
Lack of liquid cash at BLB leads to frustration	53	1	5	3.21	1.044
Lack of fluidity by BLB leads to loss of customers	53	1	5	3.36	1.058
Customers avoid BLB because of perennial cash shortage	53	1	5	2.81	1.194
Fluidity availability in BLB affect customer retention	53	1	5	3.58	.969

### **Expenditure**

The expense of basic banking products and services, including opening of account, accepting deposits, making withdrawals, remittances, top-ups, balance enquiries, statements, bills payment, and utility payment is referred to as the expenditure of banking with agents. The primary obstacles to financial inclusion are the expenses associated with managing low-value accounts, building out physical infrastructure to isolated rural areas, and the time and money it costs customers in remote locations to travel to bank branches. The results of the study's fourth objective, which examined how branchless banking expenditure affect financial inclusion, are presented in this section.

The dimension of expenditure is presented on the sub-sections a) customers find the expenditure of transacting with BLB to be low b) customers prefers BLB despite of expense c) operational expenditure of BLB effects the transaction cost of financial services.

Table 6

*Descriptive analysis of the level of agreement or disagreement in regards to expenditure*

<b>Particulars</b>	<b>N</b>	<b>Min</b>	<b>Max</b>	<b>Mean</b>	<b>Std. Deviation</b>
Customers find the expenditure of transacting with BLB to be low	53	1	5	3.40	1.062
Customers prefers BLB despite of expense	53	1	5	3.42	.865
Operational expenditure of BLB effects the transaction cost of financial services	53	1	5	3.15	.988

The table 6 reveals the mean rendered by the participants for every Likert scale questions about the expenditure of banking products and services and the level of agreement or disagreement. The mean scale for the question ‘customers find the expenditure of transacting with BLB to be low’ is 3.40 that shows in average the respondent concur that the expenditure of transacting with BLB is less than traveling to nearby regular bank branches. The average participants also concur that people like BLB despite of the expenditure of branchless banking. Similarly, one can also conclude the result that the operational expenditure of branchless banking effects the transaction expenditure of banking services and the clients choose BLB despite of expenditure.

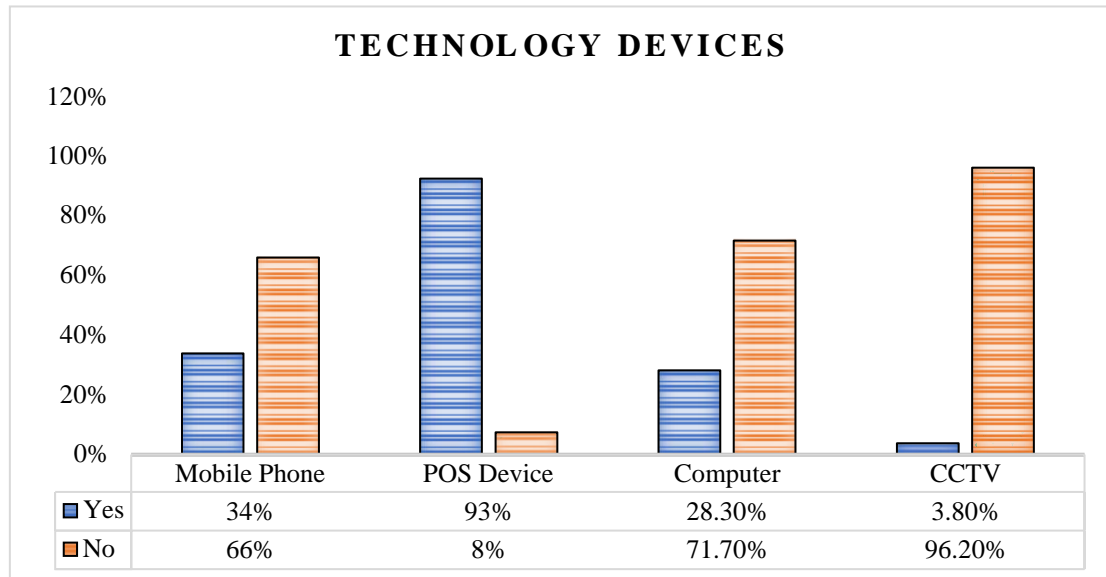
This suggests that the study’s participants concur that using BLB for banking offers advantages to clients, including lower transaction costs, extended business hours, and shorter wait times compared to branch locations.

### **Tech Adaptation**

It is described as the efficiency and usability of the technology that BLB use to conduct transactions. The agents usually utilize Point of Sale (POS) equipment which are joined to the internet through General Packet Radio Services (GPRS) connection. Few processes also utilize Interactive Voice Response (IVR) and Short Message Service (SMS) in addition to Point of Sale (POS). It also illustrates the issues that arise when server outages or other technical difficulties prevent transactions from being completed on the

technology platform. The results of the study's fifth objective, which examined how branchless banking technology affects financial inclusion, are presented in this section.

Figure 3  
*Technology Devices used in Agent Outlets*



The results shown in Figure 3 show that every agent outlet uses a point-of-sale (POS) system that consists of a card reader, fingerprint reader, and receipt printer. Additionally, though from smaller agent networks, computers and mobile phones are also utilized. Less agents have, nevertheless, added CCTV equipment to their offerings.

The table 7 shows the average score for the statement ‘technology malfunction and server down lead to frustration and loss of customer’ is 3.72, which denotes general participants concur that technology and server break down makes the customer frustrated and loss. Further, on average the participants firmly concur that the BLB user interface is accessible and simple and tech adaptation impacts financial inclusion.

This suggests that participants in the study concur that technological adaptation have increased accessibility to financial products and services while also making them user-friendly and straightforward. The three main pieces of equipment that BLB use to conduct business are a fingerprint reader, a smartphone, and a point-of-sale system.

Table 7

*Descriptive analysis of the level of agreement or disagreement regards to tech adaptation*

<b>Particulars</b>	<b>N</b>	<b>Min</b>	<b>Max</b>	<b>Mean</b>	<b>Std. Deviation</b>
Technology malfunction and server down leads to frustration and loss of customer	53	2	5	3.72	.841
BLB user interface are accessible and simple	53	3	5	4.25	.648
Tech adaptation of BLB influence financial inclusion	53	3	5	4.19	.681

### **Financial Inclusion**

The process of ensuring that everyone in an economy can easily access, use, and be part of the formal financial system is known as financial inclusion. Financially included people and businesses have access to pertinent, reasonably priced, ethically and sustainably provided financial products and services.

This segment shows findings associated to the relevant goals of the research to find the effects of branchless banking on financial inclusion in Nepal. The dimension of financial inclusion is checked as per a) the number of accounts opened has been increased in our bank through BLB b) the number of cash deposit and withdrawal has increased in our bank through BLB c) utility payments through mobile banking systems has increased d) remittance inflow and outflow by banking subsystems has raised.

Table 8 shows the mean score by the assistant and the officer of the banking institution and their branches on each of the Likert scale questions of the study. The mean scale for the question ‘the number of accounts opened has increased in our bank through BLB’ is 4.42, which reflects that on average the participants of the research firmly concur that the number of accounts opened has raised because of branchless banking. Also, one can also come to the conclusion that surge in the quantity of deposit and withdrawal of cash, utility payments and inward and outward flow of remittance amount is result of branchless banking.

Table 8

*Descriptive analysis of the level of agreement or disagreement with relation to financial inclusion*

<b>Particulars</b>	<b>N</b>	<b>Min</b>	<b>Max</b>	<b>Mean</b>	<b>Std. Deviation</b>
The number of accounts opened has increased in our bank through BLB	53	3	5	4.42	0.535
The number of cash deposit and withdrawal has increased in our bank through BLB	53	3	5	4.26	0.593
Utility payments through mobile banking systems has increased	53	2	5	3.98	0.604
Remittance inflow and outflow by banking subsystems has raised	53	2	5	3.83	0.826

This demonstrate that participates agree that they have simple access to formal financial services through branchless banking. Furthermore, the majority of participants believe that branchless banking has expanded the use of regular financial services, leading to greater financial inclusion.

#### **4.2 Measurement of Relationship among Variables**

Correlation analysis is primarily used to determine the magnitude and direction of the relationship between various combinations of explanatory and dependent variables. It displays the relationships between two variables and how they move. Bivariate Pearson correlation coefficient analysis has been used to explain the relationship. The greater the connection, which can be either positive or negative relying on how the variables are related, the higher the correlation coefficient.

Table 9 displays the dependent and independent variable correlation matrix, illuminating the relationship between the two sets of data. Furthermore, whether or not there is a firm association between the independent variables is indicated by the correlation between the independent and dependent variables. According to the correlation coefficient matrix

table, there is a moderately strong positive correlation between territorial reach and financial inclusion. At the one percent significance level, there is a statistically significant positive correlation ( $r = 0.362$ ) between financial inclusion and territorial reach. Assets safeguard, financial fluidity, and expenditure have a negligible and weak relationship with financial inclusion. Additionally, there is a weak but statistically significant correlation between tech adaptation and financial inclusion.

Table 9

*Bivariate Pearson Correlation Matrix*

	FI	T	A	F	E	TA
FI	1	.362**	-.040	-.214	-.052	.036
T		1	.161	.139	.119	.298*
A			1	.132	-.116	.117
F				1	.151	.609**
E					1	.192
TA						1

\*.Correlation is significant at the 0.05 level (2-tailed)

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

Territorial reach has a feeble, affirmative and non-significant connection with assets safeguard, financial fluidity and expenditure. Territorial reach and tech adaptation both are affirmatively related and coefficient of correlation is 0.298 that is statistically significant at a five percent level of significance. Similarly, assets safeguard has a feeble and affirmative non-significant relation with financial fluidity and tech adaptation. The coefficient of correlation between assets safeguard and expenditure has arrived at -.116 that would be feeble, negative and non-significant. The financial fluidity possess the feeble and affirmative non-significant relation with expenditure and contains the affirmative significant relation with tech adaptation at the one percent level of significance. Further, the expenditure possess the feeble and affirmative non-significant relation with tech adaptation.

### 4.3 Effect of Branchless banking in Financial Inclusion

The relationship between a response variable and one or more predictor variables is represented using regression. An estimated model of the relationship is postulated, and parameter values are deduced in order to create an estimated regression equation. To ascertain whether the model is significant, a number of tests are performed.

Table 10

#### *Model Summary*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.477 <sup>a</sup>	.228	.146	1.677

a. Predicators: (Constant) T, A, F, E, TA

b. Dependent variable: FI

The regression analysis model summary between branchless banking and financial inclusion is shown in Table 9. R is the coefficient of correlation between two variables. The regression model's R value is 0.447, meaning that the territorial reach, assets safeguard, financial fluidity, expenditure and tech adaptation of branchless banking services can account for 44.7% of the variation in financial inclusion.

Table 11

#### *Analysis of Variance (ANOVA)*

Model		Sum of Squares	Df	Mean Square	F	Sig.
	Regression	39.014	5	7.803	2.773	.028 <sup>b</sup>
1	Residual	132.232	47	2.813		
	Total	171.245	52			

a. Dependent Variable: FI

b. Predicators: (Constant) T, A, F, E, TA

The dependent's variable's coefficient of determination or R square is the amount that changes in the independent variables can explain about the dependent variable. The regression model's R-square is 0.228 meaning that it accounts for 22.8 percent of the variation in the dependent variable. The regression equation including five explanatory variables: territorial reach, assets safeguard, financial fluidity, expenditure and tech adaptation explains 22.8 percent of the variation in financial inclusion. This shows that the regression model used in the study is capable of forecasting financial inclusion.

The regression model's overall significance level is displayed in Table 10. It demonstrates how well the regression equation fits data. The regression model has overall significance, as demonstrated by the ANOVA test mentioned above. This indicates that the model is significant also the variables are great predictors of financial inclusion. The sig. (p-value) has arrived at 0.028 that would be less than 0.05. With an explained summation of square of 39.014 and a residual summation of square of 132.232, the total sum of square deviation of the observations is 171.245. In an ANOVA test, there are 52 degrees of freedom overall.

Table 12

*Regression Result of Financial Inclusion*

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	16.227	2.820		5.755	.000
T	.520	.182	.388	2.851	.006
A	-.098	.135	-.096	-.725	.472
F	-.175	.083	-.341	-2.104	.041
E	-.080	.119	-.089	-.671	.505
TA	.197	.206	-.162	.957	.344

- a. Dependent Variable: FI
- b. Predicators: (Constant): T, A, F, E, TA

The results of the regression analysis for financial inclusion are shown in Table 11, where the dependent variable was financial inclusion and the independent variables were territorial reach, assets safeguard, financial fluidity, expenditure and tech adaptation. Unstandardized beta values, which evaluate each variable's contribution to the dependent variable's prediction, are used in Table 11 to illustrate how each variable contributes to the explanation of financial inclusion.

Territorial reach has a positive beta coefficient of 0.520, indicating that increasing territorial reach by one unit raises financial inclusion by 0.520 unit. This relationship is statistically significant at a 1% level of significance ( $0.006 < 0.01$ ). Also, financial fluidity has a negative coefficient of 0.175, indicating that if financial fluidity increases by one unit, financial inclusion decreases by 0.175 unit. Although the opposite link is statistically significant at a 5% level of significance (i.e.  $0.041 < 0.05$ ), financial fluidity will not improve financial inclusion since the beta is negative. Furthermore, assets safeguard, expenditure and tech adaptation has a negligible association with financial inclusion.

Also the model demonstrates that a movement in one unit of territorial reach causes fifty two percent movement in financial inclusion, which is a significant indication of financial inclusion due to decreased travelling expenditure and various hassles such as time spent in long queues in the branches of bank.

Table 13

*Summary of Hypothesis Test Result*

<b>S.No.</b>	<b>Alternative Hypothesis</b>	<b>P-Value</b>	<b>Beta</b>	<b>Accept/ Reject</b>
H <sub>1</sub>	Territorial reach of branchless banking enhances financial inclusion	0.006 (P<0.01)	.520	Accept
H <sub>2</sub>	Assets safeguard of branchless banking enhances financial inclusion	0.472 (P > 0.05)	-.098	Reject
H <sub>3</sub>	Financial fluidity of branchless banking enhances financial inclusion	0.041 (P<0.05)	-.175	Reject
H <sub>4</sub>	Expenditure of branchless banking enhances financial inclusion	0.505 (P>0.05)	-.080	Reject
H <sub>5</sub>	Tech adaptation of branchless banking enhances financial inclusion	0.344 (P>0.05)	.197	Reject

**4.4 Findings of the Study**

The primary goal of this study was to investigate how branchless banking affects financial inclusion in Nepal. To achieve the goals of the study, the gathered data are examined and understood using straightforward methods such as tables and charts, all with the aid of SPSS. Consequently, the following are the study's main conclusions:

- Most banks and branches have provided branchless banking services for less than 5 years
- Large number of participants concur that territorial reach of branchless banking is an efficient variable in the research, as indicated by the mean value of their responses.
- The majority of the participants believe that BLB are routinely observed to protect both parties, but disagree that customer don't deal with BLB because they don't feel secure or trusted.
- Most participants believe that BLB are routinely scrutinized for financial fluidity but disagree that clients avoid BLB due to cash problem.

- The majority of participants agree that BLB have modest operational expenditure. Additionally, respondent favor BLB regardless of expenditure.
- The majority of participants agree that branchless banking tech adaptation improves financial inclusion.
- The average mean value of the variables' territorial reach, assets safeguard, financial fluidity, expenditure, tech adaptation and financial inclusion shows that each variable is useful for research.
- The variable's standard deviation shows that there is a lot of variation in the participant's level of agreement and disagreement.
- BLB only offers basic financial services such as account opening, deposits, withdrawals, remittances and utility payments.
- Limited BLB network make it difficult to provide complex products and services such as insurance and loans.
- Every BLB outlet has a point-of-sale (POS) machine, 34% of BLB use mobile phones, 28.10% use computers and just 3.80% have CCTV cameras installed.
- At a 1% level of significance, there is a favorable relationship between financial inclusion and territorial reach.
- Assets safeguard, financial fluidity and expenditure has a weak and negative insignificant relationship with financial inclusion.
- Tech adaptation has a weak and positive insignificant relationship with financial inclusion.
- Territorial reach has a weak, positive and insignificant relationship with assets safeguard, financial fluidity and expenditure.
- A positive correlation exist between territorial reach and tech adaptation reaching statistical significance at a 5% level.
- Financial fluidity has a medium and affirmative significant relationship with tech adaptation at a 1 percent level of significance.
- The regression model has an R-square of 0.228 indicating that it explains the dependent variable by 22.8%.
- The ANOVA result for the likelihood of the F-stat is 0.028, indicating a strongly fitted model in this instance where the five independent variables significantly characterize financial inclusion.

- At the five percent significance level, the BLB's territorial coverage has a positive and statistically significant beta value of 0.520.
- The territorial reach of branchless banking has resulted in a significant increase in financial inclusion.
- The agent's security has a negative, insignificant beta coefficient of -0.098, indicating that the security of branchless banking has not significantly changed financial inclusion.
- BLB's assets safeguard has a negative, insignificant beta coefficient of -0.098 indicating that the assets safeguard of branchless banking has not significantly changed financial inclusion.
- The liquidity possess a negative coefficient of 0.175, which indicates a statistically significant change in financial inclusion at the 5 percent significance level. This shift is attributed for the liquidity of branchless banking.
- Financial fluidity possess a negative coefficient of 0.175 that indicates a statistically significant change in financial inclusion at the 5 percent significance level. This shift is attributed to the financial fluidity of branchless banking.
- The expenditure coefficient of -0.080 indicates no substantial change in financial inclusion due to branchless banking expenditure.
- The tech adaptation's coefficient of 0.197 indicates a positive but insignificant relationship indicating that the introduction of branchless banking tech adaptation has not significantly changed financial inclusion.

#### **4.5 Discussion**

Examining how branchless banking affects financial inclusion in Nepal is the study's main goal. This study evaluates the effects of branchless banking technologies, liquidity, security concerns, coverage geographically, and financial service costs on financial inclusion. The effects of branchless banking on financial inclusion in Nepal were estimated using a regression model that examined the following factors: territorial reach, assets safeguard, financial fluidity, expenditure and tech adaptation.

According to the study, branchless banking's territorial reach significantly and favorably

affects financial inclusion; in other words, it expands financial inclusion. Regression analysis was used to calculate the result, and the study concludes that since territorial reach is the primary factor influencing financial inclusion, BLB should provide financial services closer to their clients in order to improve financial inclusion. The results are in line with the claims made by Lestari, Zukhri and Saputra (2023), Afande and Mbugua (2015), Lotto (2016), Ndegwa (2017) and Barasa (2013) that due to their wider territorial reach, branchless banking services have been crucial in the uptake of financial services in underbanked areas.

According to this study, clients do not avoid banking with agents due to concerns about security and trust because the agents' activities are frequently observed to guarantee their safety and security. According to the study, there is no discernible change in financial inclusion as a result of branchless banking security, and its security is statistically insignificant. The investigation also discovered that some of the BLB outlets lack security measures. The results are in line with the claims made by Rahman (2019) and Peake (2012) points out that since BLB are generally set up at retail establishment like medical shops, general stores, retail stores and petrol pumps, security concerns are negligible. Again, our results are in line with with Afande and Mbugua (2015) who came to the conclusion that since BLB had physical security measures like CCTV and metal grills, security concerns are minimal.

Financial inclusion is adversely but significantly impacted by the financial fluidity of branchless banking. According to this study, clients do not avoid BLB because they are always short on cash, and agents are watched over to guarantee adequate financial fluidity. Furthermore, the results indicated that the majority of respondents concur that BLB lack of fluidity results in service denials and, ultimately, clientele loss. It is typical for a BLB not to be able to accommodate a client's request for a large withdrawal when the customer approaches them with that desire. The results are in line with the claims made by Ndegwa (2017) points out that the lack of fluidity in branchless banking was not a problem because BLB were situated in well-established companies, meaning that BLB fluidity was statistically significant. The investigation also found that the parent bank closely monitors and regulates the BLB's operations to prevent cash shortages and lessen security risks.

Financial inclusion is negatively and negligibly impacted by the expense of branchless banking. This study demonstrates that clients favor BLB over prices. Customers do, however, benefit from lower transaction costs, longer business hours, and shorter lines than at branches. Branchless banking are more accessible to the poor and illiterate, who might be afraid of bank branches. The results are in line with the claims made by Lotto (2016) points out that branchless banking's broad territorial reach is the best way to advance financial inclusion because it reduces travel costs and other annoyances like standing in long line at bank branches. The results show that although branchless banking costs have a minimal effect on financial inclusion, they do contribute to the simplification of banking services by shortening the distance between clients and service locations.

Financial inclusion is positively, but not significantly, impacted by branchless banking technology. The study discovered that technology makes financial services and products more accessible and that it is straightforward to use. The results are in line with the claims made by Molla (2013) points out that agent's ease of banking i.e. technological advancement is a determining factor in the success of branchless banking. Similarly, Khalti (2018) also supports our results that the technology is essential for lowering barriers related to geography and increasing financial inclusion. Technology is the driving force behind branchless banking. According to the findings, branchless banking technology needs to be updated to newer models in order to provide services that will increase convenience and safety.

## CHAPTER V

### SUMMARY AND CONCLUSION

This chapter gives a summary and conclusion of the results and findings collected via analysis of data as well as the conclusion and implications that may be derived from the study. There are three segments to this chapter. The goal of the first section is to provide a summary, which entails comparing the study's findings and providing answers to the research questions in order to achieve the goal. Similar to the first segment, where the conclusion is derived from the data analysis resulted in the study, the third segment presents an implication of the study that could be helpful for upcoming research on branchless banking and financial inclusion in Nepal.

#### 5.1 Summary

The study examines the outcome of branchless banking on financial inclusion, where the territorial reach, assets safeguard, financial fluidity, expenditure and tech adaptation of branchless banking were opted as the independent variable and financial inclusion was opted as dependent variable. As our country is mainly a hilly and mountainous having difficult territorial coverage, some of the financial security issues, liquidity problem, cost of transactions and embracement issue of technological advancement this study is very much justified in the context of our country Nepal. Correlation, regression and descriptive statistics were used for the examination.

According to the study's findings, expanding the reach of branchless banking geographically is the only factor that improves financial inclusion because it brings services closer to people, saving them time that they might otherwise spend standing in line at banking halls. Similarly, since BLB are usually found in retail establishments like general shops, electronics services shop, petrol pumps etc. security concerns were also negligible. Nonetheless, the BLB ought to implement tangible security measures like CCTV and metal grills. However, the study comes to the conclusion that branchless banking assets safeguard does not improve financial inclusion.

The study also discovered that because the BLB were closely examined and watched over to ensure that cash shortages were rare, a lack of financial fluidity did not act as a barrier. In spite of this, the findings indicate that in order to preserve fluidity, branchless banking's fluidity should be boosted and overseen by the parent bank. However, the study comes to the conclusion that branchless banking's financial fluidity does not improve financial inclusion. Most of the respondents prefer BLB despite the expenditure and results also demonstrate that branchless banking is inexpensive. The study does find, however, that branchless banking fees do not improve financial inclusion.

The results also suggest that new technology for branchless banking should be updated to provide services that will increase convenience and safety. Nevertheless, this study comes to the conclusion that branchless banking tech adaptation does not improve financial inclusion.

Given the foregoing discussions, branchless banking presents an opportunity to improve financial inclusion in Nepal. As a first step toward improving unbanked people's ability to open accounts and fostering financial literacy by helping them understand and utilize financial services more effectively, more people will have access to financial services. But as Afande and Mbugua (2015) illustrate, the idea of branchless banking is becoming more and more popular globally, so banks should emphasize their risk management procedures to prevent signing agency contracts with bank agents whose qualifications are questionable. In order to make BLB liable in the event of fraud and misconduct the origin bank need to maintain the record of the appropriate identification of its BLB.

Within the context of financial inclusion, the branchless banking model has been characterized as a useful instrument for delivering basic banking services to the impoverished population. It is also an economical and efficient method that saves a great deal of money and time for banks as well as customers. Since the agents are the only people the bank can use to provide services to the rural community, their services are essential. Customer service must be positive and consistent for agents to deliver. In order to do this, BLB need continuous bank support for customer service, cash flow management and technological assistance for any tools or device that may be required.

## **5.2 Conclusion**

The study concludes that, in terms of financial inclusion, the branchless banking concept is successful. In our country Nepal, we can conclude that the branchless banking greatly assists in financial inclusion, which depends upon the five independent variables: territorial reach, assets safeguard, financial fluidity, expenditure and tech adaptation. Where the bank and their branches are not able to make the presence the branchless bank are highly assisting to provide the financial inclusion to the remotely located people. The level of financial inclusion will rise in tandem with the branchless banking model's continuous expansion. Therefore, in order to lessen the large disparity between the banked and the unbanked, branchless banking has the potential to promote financial inclusion and needs to be encouraged and supported by all the parties involved, including banking sectors, governmental bodies and licensing bodies.

The above mentioned five different variables which drive the branchless banking play the major role for financial inclusion. The qualitative and quantitative attributes of these variables need to be enhanced from time to time for the successful financial inclusion via branchless banking.

In nutshell, branchless banking services assist in the financial inclusion, financial transactions and financial literacy in the general population of any country which ultimately promote the economic development, growth and prosperity of the country as a whole.

## **5.3 Implications**

The study's findings might be a helpful resource for academics, policymakers, agent bankers, and commercial banks. Commercial banks could find the study's conclusions useful in raising branchless banking services by running a regular awareness campaign and drawing in new customers with TV, radio, and banner ads, among other media. Additionally, current clients can receive information about the features of branchless banking services, including the transaction process with BLB, the reasons behind keeping one's PIN secure, agent fees and commissions, and the advantages of the services, through posters in agent shops, advertisements, and text messages. To improve financial inclusion, more branchless banking locations should be opened in order to increase

territorial reach.

As the branchless banking model gains momentum, banks will need to exercise greater caution when selecting agents and make sure they maintain the standards necessary for providing goods and services. To guarantee that they adhere to their contract, minimal requirements, customer handling, and customer satisfaction, agents must undergo training and retraining. Establishing an annual award for the best customer service may serve as an additional incentive for agents and improve their morale. All branchless banking locations should prioritize security, and stringent protocols should be implemented when an agency contract ends to prevent agents from taking advantage of the circumstance and defrauding clients.

In addition, a strong, reliable system with few errors and a strong network connection should be employed. Furthermore, as time goes on, the branchless banking services ought to offer increasingly sophisticated goods and services, enabling the agent outlet to function as a comprehensive shop. However, to ascertain its possible impact, a suitable analysis ought to be carried out prior to the introduction of a good or service. To ensure that the agent is providing the service as expected, there should be a routine check-in with their outlet.

BLB are responsible for making sure that the client's personal data is secure and kept private. BLB should install security measures like CCTV and metal grills to reduce the possibility of theft-related losses. If necessary, they should also hire security agencies. In order to guarantee the float's availability for the purpose of providing financial services, agents must carefully manage their financial fluidity.

This study can be used by other researchers and academics to contribute to the body of knowledge already available on financial inclusion through branchless banking. For those with an interest in this or related subjects, the study's findings can serve as a basis for future research and a source of reference. For other academics or researchers who wish to delve deeper into the topic of branchless banking and its impact on financial inclusion, the study will offer background data.

While many studies have examined financial inclusion through branchless banking in other nations, there aren't many that focus on Nepal. As a result, this study sheds light on

branchless banking and how it affects financial inclusion in Nepal. Additionally, the study provides insightful advice to the researchers regarding the variables to be considered for the investigation, since certain variables may not have any bearing on the results. In order to gather more data regarding financial inclusion in Nepal, study offers assistive roles for upcoming studies which can be conducted by choosing additional class 'A' banks and their branches from different provinces.

Lastly, the majority of respondents to the current study are from the Kathmandu valley, and it is being conducted in the province of Bagmati. Future investigations are required to confirm and expand the current study to include more scenarios. The focus of the current study is on the branchless banking department of banks, branch managers and operations responsible for branches offering branchless banking services in the province of Bagmati. Thus, in order to obtain their perspectives, agents and their clients should be included in future research. Future research should also examine how principal-agent relationships affect financial inclusion. Furthermore, the issue of adverse selection and moral hazards could have a big effect on financial inclusion.

Future studies on financial inclusion should make use of more pertinent, consistent and balanced metrics, like main set of indicators that include usage of financial services, access to financial services, and the caliber of goods and services provided. Further research ought to be done on the level of service that agents provide to their clients and the security precautions that banks take to ensure the safety of both clients and agents.

Subsequent research endeavors to scrutinize the cost-benefit evaluation of executing branchless banking, as this will facilitate banking sectors in identifying cost-saving opportunities and optimizing the branchless banking procedure. The current study must be replicated and expanded to examine respondents in diverse regions and nations with diverse cultures.

The study urges that financial institution need to raise importance of branchless banking and provision of service at a cheap cost. This research indicates that policy frameworks for banks and governments should be developed to improve financial inclusion, as it fosters financial intermediation and economic expansion. The report suggests streamlining regulations to make it easier for more banks to accept branchless banking

services. To increase the dependability of branchless banking services, the report also recommends that all commercial banks implement better technology and security. Customers' trust in the BLB will grow as a result, increasing transaction volume and ultimately promoting greater financial inclusion.

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## APPENDICES 1

### QUESTIONNAIRE

#### BRANCHLESS BANKING AND FINANCIAL INCLUSION OF COMMERCIAL BANKS IN NEPAL

Dear Sir/Madam! I am Rabin Sharma, student of Master of Business Studies (MBS) at Shankar Dev Campus, Tribhuvan University. This study is being carried out as a graduate research project for me. The purpose of this survey is to ascertain how branchless banking affects financial inclusion in Nepal. As a result, the main target audience for this survey questionnaire is commercial banks and the branches that serve them by offering branchless banking services. The survey's results will only be utilized for scholarly purposes. The data collected for this study will be kept private. It will take about ten minutes to finish the research. I appreciate your cooperation and time.

#### 1. GENERAL INFORMATION

Name ..... Cell number .....

Bank's Name ..... Branch .....

How long has the branchless banking service been available at your bank branch? Put  in the relevant option.

Below 5 Years [27]    6 to 10 Years [15]    11 to 15 Years [11]    Above 16 Years [00]

#### 2. TERRITORIAL REACH

2.1 Give your opinion on the level of agreement or disagreement with the following statements. Put  in the relevant cage. (1 = Strongly Disagree; 2 = Disagree; 3 = Neutral; 4 = Agree; 5 = Strongly Agree)

Q. No	Statements	1	2	3	4	5
1	Customers prefer BLB due to proximity than bank	0	8	17	18	10
2	BLB has reduced footfall in the bank	0	2	7	39	5

2.2 Product and services offered by the agents? (You can choose more than one option)

Account opening [49]	Deposit [53]	Withdrawal [53]
Remittance [43]	Money Transfer [29]	Utility Payment [40]
Insurance [1]	Fixed Deposit [25]	Loan [11]

### 3. ASSETS SAFEGUARD

3.1 What kind of assets safeguard concern have you witnessed? Put  in the relevant cage.

(1 = Never; 2 = Rarely; 3 = Sometimes; 4 = Often; 5 = Always)

Q. No	Particulars	1	2	3	4	5
1	System failure	3	10	38	2	0
2	Poor network connection	0	13	23	17	0
3	Wrong identification by customers	23	18	10	2	0
4	Fake currencies	42	8	3	0	0

3.2 Give your opinion on the level of agreement or disagreement with the following statements. Put  in the relevant cage. (1 = Strongly Disagree; 2 = Disagree; 3 = Neutral; 4 = Agree; 5 = Strongly Agree)

Q. No	Statements	1	2	3	4	5
1	Customers omit to transact with BLB due to lack of safeguard and trust	6	20	17	9	1
2	Operation of the BLB is monitored often to ensure the safeguard and safety of the customers	0	0	3	30	20
3	Safety, security and efficiency of the devices used by the BLB is monitored often to prevent tampering and manipulating by the agent	0	2	6	23	22
4	Agents are provided frequent training to ensure that they comply with the security standards	0	1	3	24	25

### 4. FINANCIAL FLUIDITY

Give your opinion on the level of agreement or disagreement with the following statements. Put  in the relevant cage. (1 Strongly Disagree; 2 Disagree; 3 Neutral; 4 Agree; 5 Strongly Agree)

Q. No	Statements	1	2	3	4	5
1	Branchless banking are monitored to ensure sufficient fluidity	0	3	11	39	0
2	Branchless banking outlets have daily limit of cash deposit and withdrawal	0	1	1	26	25
3	Lack of liquid cash at BLB leads to frustration	2	10	24	9	8
4	Lack of fluidity by BLB leads to loss of customers	2	10	15	19	7
5	Customers avoid BLB because of perennial cash shortage	8	15	13	13	4
6	Fluidity availability in BLB affect customer retention	2	7	7	32	5

## 5. EXPENDITURE

Give your opinion on the level of agreement or disagreement with the following statements. Put  in the relevant cage. (1 Strongly Disagree; 2 Disagree; 3 Neutral; 4 Agree; 5 Strongly Agree)

Q. No	Statements	1	2	3	4	5
1	Customers find the expenditure of transacting with BLB to be low	3	9	10	26	5
2	Customers prefers BLB despite of expense	1	8	14	28	2
3	Operational expenditure of BLB effects the transaction cost of financial services	1	17	10	23	2

## 6. TECH ADAPTATION

6.1 Technology used for providing financial services? (You can choose more than one option)

Mobile phone [18]    POS device [49]    CCTV [2]    Computer/ Laptop [15]

6.2 Give your opinion on the level of agreement or disagreement with the following statements. Put  in the relevant cage. (1 Strongly Disagree; 2 Disagree; 3 Neutral; 4 Agree; 5 Strongly Agree)

Q. No	Statements	1	2	3	4	5
1	Technology malfunction and server down leads to frustration and loss of customer	0	6	10	30	7
2	BLB user interface are accessible and simple	0	0	6	28	19
3	Tech adaptation of BLB influence financial inclusion	0	0	8	27	18

## 7. FINANCIAL INCUSION

Give your opinion on the level of agreement or disagreement with the following statements. Put  in the relevant cage. (1 Strongly Disagree; 2 Disagree; 3 Neutral; 4 Agree; 5 Strongly Agree)

Q. No	Statements	1	2	3	4	5
1	The number of accounts opened has increased in our bank through BLB	0	0	1	29	23
2	The number of cash deposit and withdrawal has increased in our bank through BLB	0	0	4	31	18
3	Utility payments through mobile banking systems has increased	0	1	7	37	8
4	Remittance inflow and outflow by banking subsystems has raised	0	5	8	31	9

## APPENDICES 2

List of commercial banks and their branches providing branchless banking services in Bagmati Province, Nepal.

<b>S. No.</b>	<b>Name of Commercial Bank</b>	<b>Location of Branch</b>
1.	Citizens Bank	Bhaktapur
2.	Citizens Bank	Bhaisepati
3.	Citizens Bank	Banepa
4.	Citizens Bank	Charikot
5.	Citizens Bank	Kalanki
6.	Citizens Bank	Kupondole
7.	Citizens Bank	Kirtipur
8.	Citizens Bank	Nayabazar
9.	Citizens Bank	Samakhushi
10.	Citizens Bank	Tokha
11.	Everest Bank	Baneshwor
12.	Everest Bank	Battar
13.	Everest Bank	Bhaktapur
14.	Everest Bank	Chabahil
15.	Everest Bank	Dhading
16.	Everest Bank	Gongabu
17.	Everest Bank	Gwarko
18.	Everest Bank	Hakimchowk
19.	Everest Bank	Hetauda
20.	Everest Bank	Jorpati
21.	Everest Bank	Kirtipur
22.	Everest Bank	Lagankhel
23.	Everest Bank	Lazimpat
24.	Everest Bank	Newroad
25.	Everest Bank	Baireni
26.	Global IME Bank	Baireni
27.	Global IME Bank	Banepa
28.	Global IME Bank	Barhabise
29.	Global IME Bank	Bhakudobesi
30.	Global IME Bank	Chabahil
31.	Global IME Bank	Dhapasi
32.	Global IME Bank	Doramba
33.	Global IME Bank	Hetauda
34.	Global IME Bank	Kholesimal
35.	Global IME Bank	Manthali
36.	Global IME Bank	Narayanghar
37.	Global IME Bank	Suryabinayak
38.	Global IME Bank	Tandi

39.	Global IME Bank	Thankot
40.	Global IME Bank	Timpure
41.	Global IME Bank	Trishuli
42.	Kumari Bank	Bagmati
43.	Kumari Bank	Jalbire
44.	Kumari Bank	Kholesimal
45.	Kumari Bank	Melamchi
46.	Kumari Bank	Sanobharyang
47.	Kumari Bank	Siddhalek
48.	Kumari Bank	Tandi
49.	Laxmi Sunrise Bank	Battar
50.	Laxmi Sunrise Bank	Bhaisepati
51.	Laxmi Sunrise Bank	Bharatpur
52.	Laxmi Sunrise Bank	Gotikhel
53.	Laxmi Sunrise Bank	Manthali
54.	Laxmi Sunrise Bank	Pharping
55.	Laxmi Sunrise Bank	Priti Gaupalika
56.	Laxmi Sunrise Bank	Tandi Branch
57.	Machhapuchchhre Bank	Boudha
58.	Machhapuchchhre Bank	Chapagaun
59.	Machhapuchchhre Bank	Gajuri
60.	Machhapuchchhre Bank	Kalanki
61.	Machhapuchchhre Bank	Kalika
62.	Machhapuchchhre Bank	Kirtipur
63.	Machhapuchchhre Bank	Narayantar
64.	Machhapuchchhre Bank	Parsa
65.	Machhapuchchhre Bank	Pepsicola
66.	Machhapuchchhre Bank	Sanothimi
67.	Machhapuchchhre Bank	Tandi
68.	Machhapuchchhre Bank	Trishuli
69.	Nepal Investment Mega Bank	Banepa
70.	Nepal Investment Mega Bank	Dolakha
71.	Nepal Investment Mega Bank	Gongabu
72.	Nepal Investment Mega Bank	Hetauda
73.	Nepal Investment Mega Bank	Nuwakot
74.	Nepal Investment Mega Bank	Ramechhap
75.	Nepal Investment Mega Bank	Sindhuli
76.	Nepal Investment Mega Bank	Sindhupalchowk
77.	Nepal Investment Mega Bank	Tripureshor
78.	NIC Asia Bank	Kirtipur
79.	NIC Asia Bank	Tokha
80.	Siddhartha Bank	Banepa
81.	Siddhartha Bank	Charikot
82.	Siddhartha Bank	Golanjar
83.	Siddhartha Bank	Hetauda
84.	Siddhartha Bank	Kalanki
85.	Siddhartha Bank	Nepaltar
86.	Siddhartha Bank	Roshi



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**ABSTRACT** This study investigates the impact of branchless banking in the financial inclusion of commercial banks in Nepal. The purpose of this research is to evaluate the impact on financial inclusion via branchless banking in Nepal. For the obtainment of the goal appropriate framework have been created on the basis of previous research, literature review wherein territorial reach, assets safeguard, financial fluidity, expenditure and tech adaptation of branchless banking defines its success. The basic data used in this quantitative study was derived via survey in online format that used questionnaire and was distributed to branch of commercial banks present in the Bagmati province. These banks have used and operated branchless banking model through email. A total of 86 respondents were selected using the convenience non-probability sampling technique, of which 53 responses were obtained. Using a survey methodology and a quantitative approach, the researcher employed SPSS to do regression, correlation, and descriptive analysis. The data was gathered using Likert model-scoring questionnaires. Each of the variables territorial reach, assets safeguard, financial fluidity, expenditure and tech adaptation of branchless banking is an efficient variable according to the analysis's conclusion. The single factor that improves financial inclusion and has a noteworthy and favorable impact on it is geographical coverage. For the escalation of financial inclusion, branchless banking is a revolutionary concept. Additionally, financial education should be given to people by commercial banks, agents, and regulators in order to raise financial literacy, understand how agents operate, and guarantee money protection. Keywords: Branchless Banking, Financial Inclusion, Territorial Reach and Commercial Bank.

CHAPTER I INTRODUCTION 1.1 Background of the Study

**Branchless banking is a** type of **banking service that** may **be** used **without** visiting **a physical bank**

location. Instead, it can be done by working with bank representatives and making use of information technology, including electronic money, online banking and mobile banking (Lestari, Zuhri & Saputra, 2023). Branchless banking, the use of several delivery methods such as mobile banking and agent banking, is becoming increasingly popular among commercial banks in many developing countries. Globally financial services have evolved due to technological innovation and globalization (Ighoroje & Onojaife, 2022). The innovative idea of branchless banking will alter how people conduct themselves while transacting with banks (Arif & Cayhani, 2021). Branchless banking increases the use of banking services to even financially sidelined adult and is increasing popular phenomenon (Mahmood, 2016). It is a low-cost method of branching out through the use of authorized agents (Novatti, 2019). It is beneficial for the remote and marginalized people. This concept aims to attract people who do not use traditional banking and lower delivery cost. Nowadays, cell phone and card switch are used for the operation of branchless banking (Pickens, Porteous & Rotman, 2009). In our country Nepal, services of branchless banking are generally provided to the general public of rural area. The unit of branchless banking is set up in shops like electronics shop, cyber café, mobile and mobile repairing shops and even in clothes shops too and likewise. Edojaimoni and Osuji (2022) noted banking model is a driving force that is changing the landscape of the banking environment fundamentally towards a more efficient industry. Financial coverage for the topologically remote people