ROLE OF CO-OPERATIVES IN PROMOTING FINANCIAL INCLUSION

A Thesis

Submitted By:

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RECOMMENDATION

This is to certify that the Thesis

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

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DECLARATION

I hereby declare that the thesis **ROLE OF CO-OPERATIVES IN PROMOTING FINANCIAL INCLUSION** submitted to Shanker Dev Campus the Faculty of Management, Tribhuvan University is my original work done for the partial fulfillment of requirements for the Master of Business Studies (M.B.S.) under the supervision of Dr. Binita Manandhar of Shanker Dev Campus.

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Binda Paudel

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ABBREVIATIONS

AD	:	Anno Domini
ANOVA	:	Analysis of Variance
ATM	:	Automated Tailor Machine
BD	:	Balanced Development
BS	:	Bikram Sambat
e.g.	:	Example
F/Y	:	Fiscal Year
FSDS	:	Financial Sector Development Strategy
i.e.	:	That is
IE	:	Improvement in Education
IHT	:	Improvement in Health and Transport
IT	:	Information Technology
Ltd	:	Limited
PFI	:	Promoting Financial Inclusion
SD	:	Standard Deviation
TU	:	Tribhuvan University

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Financial inclusion has emerged as a critical aspect of economic development worldwide, aimed at ensuring that all individuals and businesses have access to affordable financial services and products. In Nepal, despite significant progress in recent years, financial exclusion remains a pressing issue, particularly in rural and remote areas. Cooperative banks, with their community-based approach and focus on serving the underbanked and marginalized populations, have the potential to play a crucial role in advancing financial inclusion efforts in the country.

Cooperative banks, unlike traditional commercial banks, are member-owned and operated financial institutions that prioritize serving the needs of their communities. In Nepal, cooperative banks have a strong presence, especially in rural areas where mainstream banks often find it unprofitable to operate. These banks typically offer a range of financial services tailored to the specific requirements of their members, including small farmers, artisans, women entrepreneurs, and micro-entrepreneurs. Nepal, a predominantly agrarian economy with a diverse demographic landscape, faces challenges related to access to formal financial services. A significant portion of the population, particularly in rural areas, still lacks access to basic banking services such as savings accounts, credit facilities, and insurance. This exclusion limits their ability to save, invest, and participate in economic activities, perpetuating cycles of poverty and economic inequality.

A growing understanding of financial inclusion's potentially transformative power to accelerate development gains is evident in the increased emphasis on it. Many nations have developed national financial inclusion master plans and strategies in the past few years, and efforts have also been made to regulate microfinance organizations in order to better safeguard the clients they serve (Rillo, 2014).

Financial inclusion, to put it simply, is a process that guarantees all participants in an economy have easy access to and utilization of the formal financial system. This is

seen by policymakers as a way to enhance people's quality of life, reduce poverty, and promote economic growth. A financial system that is inclusive has many benefits. It makes the distribution of productive resources more efficient, which may lower the cost of capital. Furthermore, having access to the right financial services can greatly enhance daily money management. An inclusive financial system can aid in slowing the expansion of unofficial lending sources, many of which are discovered to be exploitative. One of the main goals of financial inclusion, as stated in the Maya Declaration, is to help the impoverished and rural poor escape poverty by assisting them in creating better and more respectable lives.1 Well-thought-out financial inclusion initiatives can assist the impoverished in starting and expanding small businesses (McKinsey & Company, 2010).

The goal of financial inclusion is to help the world's impoverished, the great majority of whom are unable to access basic economic self-determination tools like credit, savings, insurance, payments, money transfers, and financial education. To put it another way, the goal of financial inclusion is to integrate the underprivileged group that currently operates in the unofficial, unreported, unregulated, and unmonitored financial system into the official, transparent, and safeguarded financial system (Thorat, 2006).

Nevertheless, Nepal, like many other developing nations, can leverage financial inclusion as a springboard for expanding the financial industry as well as an engine for inclusive economic growth. It is crucial to understand that the policy framework for the growth of the formal financial system has always placed a conscious emphasis on the necessity of financial inclusion and covering an increasing percentage of the population that the formal financial system excludes. It has now become apparent that despite decades of emphasis on this topic, a sizable portion of the populace is still not included in the financial system.

1.2 Statement of the Problem

Microfinance has achieved two major development goals in recent years: reaching a large number of the poor and achieving financial institution sustainability. It has also proven to be an effective and popular measure in the ongoing battle against poverty.

Studies examining the effects of microcredit initiatives have demonstrated that these initiatives have assisted borrowers in escaping poverty. This strategy has helped Nepal improve housing conditions, lower the child mortality rate, elevate the status of women, and improve nutrition (Simkhada et al., 2006). The government of Nepal has chosen microfinance as one of the main tactics and instruments for rescuing people from poverty in recognition of this reality.

Through commercial banks, the government has established priority sector lending programs that offer microfinance services to the underprivileged. Additionally, the government has established a supportive policy framework for the establishment of Microfinance Institutions (MFIs). As a result, over 26,000 cooperatives and 24 microfinance banks have been established, collectively offering financial services to approximately 1.5 million low-income individuals. In addition, self-help and informal groups offer some financial services. Nonetheless, less than 30% of rural residents have access to institutional credit. Due to the urban concentration of most commercial banks, rural residents in isolated places are forced to rely on either community-based cooperatives or unofficial financial sectors. Cooperatives are among the greatest and most suitable financial institutions to meet the non-financial as well as the financial needs of rural communities, according to experience (Banerjee & Francis, 2014).

The idea of inclusive growth has received increased policy attention in relation to the Nepalese economy in recent times. A robust and integrated financial system, increased financial literacy, and streamlined credit delivery methods are the primary forces behind this growth (Manju & Mohika, 2014). Cooperative banks have emerged as the most effective means of reaching the low-income and underprivileged segments of society who are not able to receive financial services at reasonable prices. This is an attempt to create a new delivery mechanism that meets the small but frequent needs of the weaker sections of society. The concepts of reciprocal aid, open membership, democratic governance, economic involvement, self-governance, and community-focused training inform the structure of cooperative banks. To fully utilize the enormous economic potential that the rural poor hold inside them, cooperation is absolutely necessary (Ramji, 2013).

The necessity of cooperative banks to facilitate this sector's integration into the mainstream economy has also been reaffirmed by experiences in developing countries (Mohan, 2006). Since their founding, cooperative banks have exhibited a remarkable rise in volume and complexity by providing institutional credit at a fair price, especially in rural areas. Nevertheless, many rural residents still only dream of being able to access financial services. According to macroeconomic data, financial systems that are well-developed and offer access to financial services, such as cooperative banks, can spur economic growth and socioeconomic empowerment (Sharma, 2010). The rural population, particularly the impoverished, underprivileged, low-skilled rural households and women, benefits from this access by being able to gain financial empowerment, social inclusion, and self-confidence (Divya, 2014).

Even though financial inclusion is becoming more and more important as a driver of economic growth and the reduction of poverty, Nepal still has difficulties guaranteeing that all sections of its population have access to financial services. As essential parts of the financial system, cooperative banks have the power to close this gap and encourage inclusive growth. Nevertheless, little is known about the particular function, efficacy, and difficulties cooperative banks encounter in promoting financial inclusion in Nepal's distinct socioeconomic setting. In order to close this gap, this study looks into the following major areas of concern:

i. What is the role of cooperatives in promoting financial inclusion in Rasuwa District?
ii. Is there any relationship between roles of cooperatives and promoting financial inclusion in Rasuwa District?
iii. What is the impact of roles of cooperatives on promoting financial inclusion in Rasuwa District?

1.3 Objectives of the Study

The major objectives of the study are to examine the role of cooperatives in promoting financial inclusion in Rasuwa District. The specific objectives of the study are listed below:

i. To assess the role of cooperatives in promoting financial inclusion in Rasuwa District.

ii. To examine the relationship between roles of cooperatives and promoting financial inclusion in Rasuwa District.
iii. To assess the impact of roles of cooperatives and promoting financial inclusion in Rasuwa District.

1.4 Significance of the study

Policymakers, financial regulators, cooperative bank managers, development professionals, and researchers in Nepal should all take great note of this study. The results of this study can help design and implement policies and interventions targeted at improving access to financial services for the unbanked and underbanked populations by shedding light on the role that cooperative banks play in financial inclusion. Additionally, it can add to the current conversation in Nepal about methods for reducing poverty and promoting inclusive economic development.

1.5 Limitations of the Study

The limitations of this study are listed below:

- The study based on only primary survey of 385 respondents.
- The study mainly focuses on role of cooperatives in promoting financial inclusion in Rasuwa District.
- The study is based on primary data collected from the questionnaire.

CHAPTER II

REVIEW OF LITERATURE

One of the most important aspects of study planning is the literature review. The conceptual framework and a review of pertinent literature pertaining to development banks' credit risk management have been the main topics of this chapter. It is based on research-related literature that is currently available. Reviewing relevant literature in this area is necessary for this purpose in order to help me understand other people's ideas and opinions. What has the other person done? and what have other people written?These and additional pertinent questions are examined, and they have all contributed significantly to the research effort. Every attempt has been made to gather information and knowledge from sources such as libraries, document collection centers, other information management bureaus, published and unpublished journals, and bank reports that are of interest.

A review of the literature is a way to gather data from various sources regarding the research topic that has been chosen. Reviewing the literature entails taking a stock of what is written about a particular topic of study. A literature review is an in-depth analysis of earlier publications on the general and particular subjects covered in the report. The literature review may also function as a reader's guide and bibliographic index. It also shows how the current study fits into the bigger picture. This chapter's goal is to provide fundamental knowledge on relevant topics about development banks and other well-known authors via a variety of books, journals, and research papers. This chapter reviews a number of independent studies, unpublished prior theses, articles, and journals. Examining each of these gives us context for the research project and instructions for handling the prospective issues below in order. The following topics are examined under this heading.

i. Theoretical review

ii Empirical Review

2.1 Theoretical Review

NRB, working with the Government of Nepal, introduced several policy models aimed at improving financial inclusion in the nation after realizing the significance of financial inclusion policy for the nation. These models included the Cooperative

Model, the Directed Lending Model, the Wholesale Micro Finance Model, the FINGOs Model, the Project-Based Micro Credit Model, and the Grameen Bank Model.

In reference to the Grameen Bank Model, which was created by Professor Muhammad Yunus in Bangladesh and is predicated on a mechanism of group solidarity in which savings and credit are connected. This model has been adopted by MFIs with NRB licenses to provide financial services to the underprivileged and impoverished, particularly in rural areas. At the middle of July 2016, there were 42 MFIs functioning in Nepal, with 1,378 branches and 1.90 million members overall.

With the creation of the Rural Self-Reliance Fund (RSRF) in 1991 and the joint initiative of the Government and NRB, the Wholesale Microfinance Model was introduced in Nepal. The goal of the RSRF was to provide credit to the rural poor for income-generating activities so they could raise their standard of living through NGOs. In addition to the Rural Microfinance Development Center, Small Farmer Development Bank Ltd., First Microfinance Development Bank, and RSDC Micro Finance Development Bank, these other wholesale lending institutions also manage funds from other BFIs (A, B, or C class) with regard to lending to the deprived sector or receive loans from other institutions before offering wholesale credit to MFIs and/or cooperatives for subsequent microcredit lending to individual clients.

Regarding the Directed Lending Model, the banks were instructed to lend five percent of their total deposits to small sectors, which led to the introduction of the priority sector lending model in the early 1970s. Renamed as the "Intensive Banking Program" in 1981, banks were required to lend a minimum of 12 percent of their outstanding credit to the service, cottage, and agricultural industries. In 2007, this program was phased out. Presently, commercial banks, development banks, and finance companies are required to lend at least 5.0 percent, 4.5 percent, and 4.0 percent of their outstanding loans to deprived sector, either directly or through any other MFIs. The NRB introduced the Deprived Sector Credit Program in 1991, under which the BFIs (A, B, and C class) were required to lend a specified portion of total outstanding loan to deprived sector.

Numerous foreign donor organizations have been offering financial and technical support under the Project-based Micro-credit Model to improve Nepal's rural

financing initiatives. These consist of USAID, CIDA, GIZ, DFID, UNCDF, IDA, ADB, UNDP, UNICEF, UNIFEM, EU, and IFAD. Several significant donor-funded initiatives that were previously implemented in Nepal and are now being phased out include the Third Livestock Development Project (TLDP), Micro Credit Project of Women (MCPW), and Production Credit for Rural Women (PCRW). There are several ongoing projects, including Making Access Possible (MAP), UNNATI Access to Finance Project (UNNATI-A2F), Mobile Money for the Poor (MM4P), and Raising Income of Small and Medium Farmers Project (RISMFP). Access to financing and the reduction of poverty in rural areas have been the main goals of these projects.

In relation to the FINGOs Model, while a large number of unregistered NGOs are involved in microfinance or social and community development initiatives, a small number of financial NGOs (FINGOs) have been granted permission by the central bank to carry out restricted banking operations. A wider framework was established for NGOs to operate as financial intermediaries with the passage of the Financial Intermediary Act of 1998. These 26 FINGOs support the mobilization of small savings and credit activities in rural areas. The NRB has given these FINGOs instructions on how to become MFIs.

32,663 cooperatives are in operation nationwide under the Cooperative Model. 13,460 of these are savings and credit cooperatives (SACCOs), 4,031 are multipurpose cooperatives, and the remaining cooperatives are focused on particular products or objectives. Fifteen of the total SACCOs have been granted permission by NRB to carry out restricted banking operations. Additionally, there is one cooperative bank that lends money to the other cooperatives on a wholesale basis.

In order to guarantee dependable and reasonably priced financial services to the underprivileged, the NRB also implemented a number of other policy measures, such as lenient licensing guidelines for MFIs, mandates that BFIs (A, B, and C Class) set aside a specific percentage of their credit for investments in the productive sector, a special refinance facility for cottage and small businesses, consumer protection guidelines, and guidelines regarding branchless banking and mobile banking services. The following section discusses specifics of a few recent policy initiatives aimed at improving financial inclusion.11 First, in areas with a low number of banking units, the NRB directly finances banks and other financial institutions. For each of the 14

remote district headquarters that are listed, BFIs (A class and national level B class) that open a branch will receive an interest-free loan of Rs. 5 million, or Rs. 10 million if the branch is established outside of the district headquarters. MFIs would receive an interest-free loan of Rs. 3 million if they opened a branch in any of the 22 designated remote districts with limited access to banking.

Two, the NRB included a special refinance facility at 1% interest in its Monetary Policy of 2015/16 to encourage BFIs (A, B, and C class) to lend money to small businesses and agriculture-based income-generating activities in areas of the nation that are impoverished.12, Three, the NRB would not require BFIs to obtain prior approval in order to open branches in certain regions of the nation.

Four, in accordance with the Monetary Policy of 2016–17, the NRB would take action to develop pertinent policies pertaining to financial access, among other things, while also taking into consideration the study report of e–mapping. Current licensing policy would apply to MFIs with head office and working area located in the districts with limited access to financial services, even though new license applications are delayed until such policies are developed.

Five, the NRB has directed the MFIs to create a distinct Client Protection Fund for the welfare of the borrowers and institutional development in order to safeguard consumers. As mandated by the directive, MFIs must contribute one percent of their net profits to the fund and an additional twenty-five percent of dividends, in the event that the dividend distribution surpasses twenty percent of their profit. This would be in effect starting in FY 2073–2074.

Similarly, in order to improve financial inclusion and access, the Nepalese government announced in its 2015–16 budget that every household should open a bank account. NRB will soon launch the "one account in one household" campaign in keeping with this.

Seven financial literacy initiatives are being carried out via print and video media. The National Financial Literacy Policy's final draft has been sent to the government for approval. The goal of the financial literacy campaign is to educate communities about the informal financial sector, which includes dhukuti and hundi, as well as banking and non-banking institutions. The goal of the policy is to increase and effectively use the remittance inflow through the banking industry. To put the policy

into practice, two different kinds of organizations have been suggested: a Financial Literacy Committee headed by the Deputy Governor of Nepal Rastra Bank, and a High Level National Financial Literacy Council led by the Finance Minister.

Lastly, the Government has received the draft of the NRB's Financial Sector Development Strategy (FSDS) 2015-2020, which highlights financial inclusion and access as a cornerstone of the banking system. Some strategies for expanding financial outreach are appropriately highlighted in the FSDS. Increasing the availability of BFI services in rural and remote areas is one of them. Other strategies include: b) creating appropriate policies for increasing financial inclusion and access; c) enhancing institutional arrangements for this purpose; d) strengthening the regulatory and supervisory framework for MFIs; e) raising public awareness through financial education; and f) advocating for consumer protection when using financial services and products. An Implementation Committee, to be chaired by the NRB Governor and comprised of the Finance Secretary, heads of other financial regulatory agencies, and others, has been proposed to carry out the FSDS.

2.1.1 Access to Finance Framework Theory

The Access to Finance Framework is a theoretical construct developed by the World Bank (2001) to understand and address the multifaceted challenges of financial exclusion. While the framework has been widely adopted and applied in the field of financial inclusion, it does not have a specific author or a single publication associated with it. Instead, the framework has evolved over time through various World Bank reports, policy papers, and research initiatives focused on expanding access to financial services for underserved populations.

The World Bank's interest in financial inclusion dates back to the late 20th century, with early efforts focused on microfinance and small enterprise finance. Over time, the institution recognized the broader implications of financial exclusion for poverty reduction, economic development, and social inclusion, leading to the development of the Access to Finance Framework as a comprehensive analytical tool.

The framework outlines the following key components:

Supply-side Factors: These factors include the availability, affordability, and appropriateness of financial products and services offered by formal financial

institutions. Supply-side constraints may include limited branch networks, high transaction costs, stringent eligibility criteria, and inadequate financial infrastructure.

Demand-side Factors: Demand-side factors refer to the characteristics, preferences, and constraints of individuals and households that influence their utilization of financial services. These factors may include income levels, education, literacy, cultural norms, attitudes towards risk, and perceptions of trust and credibility.

Enabling Environment: The framework emphasizes the importance of an enabling environment, including regulatory frameworks, legal systems, infrastructure, technology, and financial literacy initiatives, in facilitating financial inclusion. An enabling environment should promote competition, consumer protection, innovation, and transparency in financial markets while addressing barriers to entry and ensuring financial stability.

Interactions and Outcomes: The Access to Finance Framework recognizes that financial inclusion outcomes are contingent upon the interaction of supply-side and demand-side factors within specific socio-economic contexts. These outcomes may include increased access to savings, credit, insurance, and payment services, as well as improvements in financial literacy, resilience to shocks, and socio-economic well-being.

While the Access to Finance Framework does not have a specific publication or author associated with it, it has been widely disseminated through World Bank reports, policy documents, and research publications, contributing to a deeper understanding of the drivers and implications of financial inclusion worldwide. Researchers, policymakers, and practitioners continue to utilize and refine this framework to design and implement effective strategies for promoting inclusive financial systems and reducing poverty and inequality.

2.1.2 Institutional theory

The development of institutional theory can be traced back to the works of several scholars across different disciplines. However, one of the seminal contributions to institutional theory in the context of organizations is the work of sociologists such as Max Weber, John W. Meyer, and Richard Scott. Max Weber's ideas on bureaucracy and organizational rationalization laid the groundwork for understanding the role of formal institutions in shaping organizational structures and behavior. John W. Meyer

and Richard Scott further developed institutional theory in their influential book "Institutional Environments and Organizations: Structural Complexity and Individualism" published in 1983. This work emphasized the importance of institutional environments in shaping organizational practices and norms.

Institutional theory is a theoretical perspective that examines the influence of formal and informal institutions on shaping the structure, behavior, and outcomes of organizations and social systems. While institutional theory has been applied across various disciplines, including sociology, economics, political science, and management, it has particular relevance in understanding the dynamics of financial systems and financial inclusion initiatives.

Key Concepts:

Institutions: Institutions are the rules, norms, values, and practices that guide behavior and interaction within social systems. They can be formal, such as laws, regulations, and organizational policies, or informal, such as cultural norms, traditions, and social conventions. Institutions provide stability, predictability, and legitimacy to social systems by shaping the behaviors and expectations of individuals and organizations.

Institutional Environments: Institutional environments refer to the broader socio-cultural, political, and economic contexts in which organizations operate. These environments comprise a complex network of formal and informal institutions that influence organizational behavior and outcomes. Institutional environments vary across different societies and can have a significant impact on organizational strategies, structures, and performance.

Institutional Isomorphism: Institutional isomorphism refers to the process by which organizations adopt similar structures, practices, and behaviors in response to institutional pressures. There are three main forms of institutional isomorphism: coercive isomorphism, mimetic isomorphism, and normative isomorphism. Coercive isomorphism occurs when organizations conform to external mandates and regulations imposed by powerful institutions or stakeholders. Mimetic isomorphism occurs when organizations imitate the structures and practices of successful peers or models in the industry. Normative isomorphism occurs when organizations internalize and legitimize prevailing norms and values in their institutional environments.

Institutional Change: Institutional theory also examines processes of institutional change, including the emergence, diffusion, and transformation of institutions over time. Institutional change can be driven by exogenous shocks, such as technological innovations, regulatory reforms, or socio-political movements, as well as endogenous factors, such as organizational learning, adaptation, and entrepreneurship. Understanding the dynamics of institutional change is essential for analyzing the evolution of financial systems and the effectiveness of financial inclusion interventions.

Applications to Financial Inclusion: In the context of financial inclusion, institutional theory provides valuable insights into the role of formal and informal institutions in shaping access to financial services and outcomes for underserved populations. Key applications of institutional theory to financial inclusion include:

Regulatory Frameworks: Examining the impact of regulatory institutions and policies on the structure and functioning of financial systems, including their implications for financial inclusion objectives.

Organizational Practices: Analyzing how financial institutions, such as banks, microfinance institutions, and cooperatives, respond to institutional pressures and adopt inclusive practices to reach underserved markets and customers.

Social Networks and Trust: Exploring the role of informal institutions, such as social networks, community-based organizations, and traditional savings and credit mechanisms, in facilitating or impeding access to finance, particularly in marginalized communities.

Innovation and Entrepreneurship: Investigating how institutional environments influence innovation, entrepreneurship, and the diffusion of financial technologies (fintech) aimed at expanding access to financial services and improving the efficiency of financial systems.

Overall, institutional theory offers a comprehensive framework for understanding the institutional dynamics that shape financial inclusion efforts and outcomes, informing policy design, organizational strategies, and research agendas in the field of inclusive finance.

2.1.3 Credit Risk Management

Social Capital Theory has roots in the works of various scholars across disciplines, including sociology, economics, and political science. However, one of the key proponents of Social Capital Theory is Robert D. Putnam, whose influential book "Bowling Alone: The Collapse and Revival of American Community" published in 2000, brought widespread attention to the concept. Putnam's work examined the decline of social capital in American society, as evidenced by diminishing levels of civic engagement, social trust, and community participation. Social Capital Theory is a sociological concept that emphasizes the importance of social relationships, networks, and norms in facilitating cooperation, trust, and reciprocity within communities. It posits that social connections and networks, characterized by mutual support, shared values, and norms of trustworthiness, can generate social capital, which in turn enhances individual and collective well-being, facilitates resource mobilization, and promotes socio-economic development.

Key Concepts:

Social Networks: Social Capital Theory emphasizes the role of social networks as channels for the exchange of information, resources, and support among individuals and groups. These networks can take various forms, including family ties, friendships, community associations, religious organizations, and professional affiliations. Strong social networks facilitate the flow of social capital by connecting individuals to diverse sources of knowledge, assistance, and opportunities.

Trust and Reciprocity: Trust is a central component of social capital, enabling individuals to rely on others' honesty, integrity, and goodwill in social interactions. Reciprocity refers to the norm of mutual exchange and cooperation, where individuals reciprocate acts of kindness, assistance, or support received from others. Trust and reciprocity foster social cohesion, solidarity, and collective action within communities, leading to positive outcomes such as cooperation, collaboration, and problem-solving.

Norms and Values: Social Capital Theory highlights the role of shared norms, values, and cultural practices in shaping social relationships and behaviors. These norms may include notions of fairness, trustworthiness, honesty, and solidarity, which guide individuals' conduct and interactions within social networks. Shared values contribute

to the formation of social identities, group cohesion, and collective efficacy, reinforcing social capital accumulation.

Bonding and Bridging Social Capital: Social Capital Theory distinguishes between bonding social capital, which refers to strong ties and relationships within homogeneous groups or communities, and bridging social capital, which involves weaker ties and connections across diverse social groups or networks. Bonding social capital fosters a sense of belonging, identity, and solidarity within close-knit communities, while bridging social capital facilitates access to external resources, information, and opportunities beyond one's immediate social circle.

Applications to Financial Inclusion: In the context of financial inclusion, Social Capital Theory offers insights into the role of social relationships and networks in overcoming barriers to access financial services and promoting economic empowerment among marginalized populations. Key applications of Social Capital Theory to financial inclusion include:

Informal Financial Networks: Examining the role of informal savings and credit groups, rotating savings and credit associations (ROSCAs), and community-based microfinance initiatives in leveraging social capital to provide financial services to underserved populations, particularly in rural and informal urban settings.

Trust-Based Lending: Investigating how social trust and reciprocity influence informal lending practices, such as peer-to-peer lending, where individuals borrow and lend money within their social networks based on mutual trust and reputation, bypassing traditional financial intermediaries.

Community-Based Financial Education: Exploring the effectiveness of community-based financial literacy programs and peer-to-peer learning initiatives in building financial capability and resilience among disadvantaged groups, leveraging existing social networks and trusted community leaders as facilitators.

Social Networks and Access to Formal Finance: Analyzing how social networks and social ties can serve as channels for information dissemination, referrals, and peer influence, promoting awareness of formal financial services, reducing informational barriers, and increasing uptake among marginalized populations.

Overall, Social Capital Theory provides a valuable framework for understanding the social dimensions of financial inclusion, highlighting the importance of fostering

social connections, trust, and cooperation to empower individuals and communities to access and utilize financial services effectively. By leveraging social capital, policymakers, practitioners, and researchers can design more contextually relevant and sustainable interventions to promote inclusive finance and socio-economic development.

2.2 Empirical Review

Elouaourti and Ezzahid (2024) carried out research on the function of cooperative banks and financial inclusion. Analyzing the cooperative bank's function in the new banking strategy of financial inclusion was the aim of this study. The data analysis for the study included multiple exploratory factor analysis, confirmatory factor analysis, analysis of variance, t-test, and structural equation modeling in addition to descriptive statistics, mean, standard deviation, and Pearson correlation coefficient. According to the report, inclusive growth is a major component of inclusive development, and co-ops play a significant role in financial inclusion in India. Financial inclusion is therefore a strategy tailored to inclusive growth. The study came to the conclusion that co-ops play a key role in financial inclusion, which is a strategy for inclusive growth.

A research on financial inclusion in India through cooperative banks was carried out by Dinda (2023). Examining how cooperative banks might support financial inclusion in India was the study's main goal. The data was analyzed for the study using multiple regression, Pearson correlation, mean, standard deviation, and descriptive statistics. The study's conclusions outlined the regulatory environment for cooperative banks and listed the several steps the government has made to bolster its support of financial inclusion. The study came to the conclusion that cooperative banks must embrace digital solutions and technology in order to increase their efficiency and reach. In 2023, Paudel carried out research on the relationship between financial risk and governance in Nepalese cooperative groups. Investigating the connections between credit default risk, leverage risk, liquidity risk, and investment risk and how these relate to Nepalese cooperative societies' governance structures was the aim of the study. For data analysis, the study employed multiple Analysis of Variance, t-test, correlation analysis, mean, standard deviation, and Pearson correlation in addition to descriptive statistics. The study's conclusions demonstrated a strong relationship

between credit default risk, leverage risk, and investment risk and cooperative governance. The study comes to the conclusion that there is no clear correlation between liquidity risk and the governance structure, pointing instead to the importance of other factors.

In Morocco, Kavitha (2022) carried out research on the components of regional financial inclusion. Determining the intra- and interregional disparities in financial inclusion among Moroccan regions was one of the study's goals. to investigate the factors that influence regional financial inclusion across a sample of twelve Moroccan regions. The data analysis methods employed in the study were t-test, analysis of variance, confirmatory factor analysis, and exploratory factor analysis. The study's main conclusions demonstrated that while all panels for the other variables are stationary at the initial difference, certain HDI variable panels include unit roots. According to the study's findings, other variables are stationary at first difference whereas unit roots are present in HDI panels.

A research quantifying the effect of financial inclusion on cooperative-based rural development was carried out by Lal (2018). This study set out to quantify the effects of financial inclusion on cooperative-based rural development. Data analysis techniques employed in the study included structural equation modeling, t-test, analysis of variance, confirmatory factor analysis, and exploratory factor analysis. The study's conclusions demonstrated the direct and substantial influence cooperatives have on financial inclusion and rural development. According to the study's findings, financial inclusion via cooperatives significantly influences rural development.

A research on the function of urban cooperative banks in financial inclusion was carried out by Agarwal (2017). The purpose of this study was to examine how urban cooperative banks might bridge the gap in financial access and financial literacy to enable underprivileged groups in society to get affordable financing. The t-test, correlation analysis, and analysis of variance were employed in the study to analyze the data. More security in mobile transactions is beneficial to customers over the long term, according to the study. According to the study's findings, UCB has dual authority over the RBI and state governments should be eliminated for improved governance and operation.

Pant (2016) carried out a paper titled "Policy review and prescriptions for financial inclusion in Nepal." Examining pertinent statistics on financial inclusion and reviewing the policies put in place to improve it was the study's goal. Data analysis for the study was done using a qualitative and review approach. The study's conclusions demonstrated that, following an evaluation of some pertinent data on financial inclusion, policy measures put in place to improve it are reviewed. The study found that a number of issues, including limited financial literacy, a lack of infrastructure, and inadequate technology-based facilities, prevented the measures from being implemented to the intended extent.

A research on the challenges and opportunities facing Nepal's cooperative sector to advance financial inclusion was carried out by Simkhada (2013). The aim of this research was to investigate how cooperatives functioning in various areas may be enhanced to enhance members' well-being and access to financing. For data analysis, the study employed multiple regression analysis, correlation coefficient, mean, standard deviation, and descriptive statistics. The study discovered that the creation of jobs, rising wages, bettering sanitation, health, and education, empowering women, and having better physical infrastructure, among other things. The study came to the conclusion that Nepal should pay greater attention to the cooperative model, which would enable new cooperatives to be formed and enhance those that already exist, reaching more isolated rural people.

In 2012, Nayak carried out research on cooperative banks as a viable means of achieving inclusive growth through financial inclusion. Understanding how financial inclusion through cooperative banks might be a workable alternative for inclusive growth in India was the study's main goal. For data analysis, the study employed graphical and tabular form along with compound growth rate and percentage change. The study's conclusions demonstrated that while there has been a little decline in poverty over time, the trend has not been very significant. The research findings indicate that cooperative banks, due to their local focus and close ties to the community, possess a distinct edge over commercial banks in terms of financial inclusion.

Table 1

Summary of Literature Review

Author(s)	Year	Title	Objectives	Research Methodology	Findings
Elouaourti and Ezzahid	2024	Factors of regional financial inclusion in Morocco	Determine interregional and intraregional inequalities in financial inclusion across Moroccan regions	Exploratory factor analysis, confirmatory factor analysis, analysis of variance, t-test	HDI panels contain unit roots at first difference; other variables are stationary at first difference.
Dinda	2023	Financial inclusion through cooperative banks in India	Explore the role of cooperative banks in promoting financial inclusion	Descriptive statistics, mean, standard deviation, Pearson correlation, multiple regression analysis	Regulatory framework for cooperative banks; need for technology adoption for outreach and efficiency.
Paudel	2023	Financial risk and governance nexus in Nepalese cooperative societies	Investigate relationships between credit default risk, leverage risk, liquidity risk,	Descriptive statistics, mean, standard deviation, Pearson correlation, multiple	Significant connection between governance system and credit default risk, leverage

			investment risk, and governance system of Nepalese cooperative societies	analysis of variance, t-test, correlation analysis	risk, investment risk; liquidity risk not substantially linked to governance system.
Kavitha	2022	Financial inclusion and role of co-operative bank	Analyze co-operative bank's role in new banking policy of financial inclusion	Descriptive statistics, mean, standard deviation, Pearson correlation, multiple exploratory factor analysis, confirmatory factor analysis, analysis of variance, t-test, structural equation modeling	Financial inclusion as strategy for inclusive growth; co-operative banks vital for financial inclusion.
Lal	2018	Measuring impact of financial inclusion on rural development through cooperatives	Measure impact of financial inclusion on rural development through cooperatives	Exploratory factor analysis, confirmatory factor analysis, analysis of variance, t-test, structural equation	Financial inclusion through cooperatives has direct and significant impact on rural

				modeling	development.
Agarwal	2017	Role of urban cooperative banks in financial inclusion	Analyze role of urban cooperative banks in filling gap for finance access, financial literacy for weaker sections	Analysis of variance, t-test, correlation analysis	Urban cooperative banks play a role in financial inclusion.
Pant	2016	Financial inclusion in Nepal: policy review and prescriptions	Examine relevant data on financial inclusion, review policy measures	Qualitative and review method	Challenges in execution of measures due to low financial literacy, inadequate technology-based facilities, etc.
Simkhada	2013	Problems and prospects of the cooperative sector in Nepal for promoting financial inclusion	Strengthen cooperatives to improve access to finance and well-being of members	Descriptive statistics, mean, standard deviation, multiple regression analysis, correlation coefficient	Cooperative model should receive increased attention in Nepal for reaching remote rural communities.

Nayak	2012	Financial inclusion through cooperative banks: a feasible option for inclusive growth	Understand feasibility of cooperative banks for inclusive growth	Compound growth rate, graphical and tabular representation	Cooperative banks have an advantage over commercial banks for financial inclusion.

2.3 Research Gap

A research gap exists in the nuanced understanding of the role of cooperative banks in advancing financial inclusion in Nepal, particularly regarding their impact on marginalized and underserved communities. While existing studies acknowledge the significance of cooperative banks as community-based financial institutions, there is limited empirical evidence on the specific mechanisms through which they contribute to enhancing access to financial services, improving livelihoods, and promoting socio-economic empowerment at the grassroots level.

Furthermore, there is a lack of comprehensive research that examines the effectiveness of cooperative bank initiatives in addressing the diverse needs and preferences of different demographic groups, including smallholder farmers, women entrepreneurs, and rural households. Additionally, there is a dearth of studies that critically assess the institutional and contextual factors shaping the operations and outreach of cooperative banks in Nepal, such as regulatory frameworks, governance structures, and market dynamics. Addressing these research gaps is essential for informing evidence-based policies and interventions aimed at strengthening the role of cooperative banks in advancing financial inclusion goals and fostering inclusive economic development in Nepal.

CHAPTER III

RESEARCH METHODOLOGY

3.1 Research design

This study has based on primary data and a combination of casual and descriptive comparative research designs. In order to accurately describe and summarize traits or behaviors, descriptive research does not demonstrate cause-and-effect links. It gathers data through methods like surveys and observations and focuses on the situation as it stands right now. Conversely, causal comparative study looks at possible reasons for observed variations or differences between current conditions or groups. By comparing these groups in the past, it makes it possible to infer causal correlations, but it does not provide the same level of control as experimental designs. Primary data has gathered via the survey instrument.

3.2 Population and Sample

At present, there are 10,115 people are live in Kalika rural municipality, Rasuwa, Nepal (NPHC, 2021). Among them only 1,097 people has been received the cooperative program. All 1097 people are constitute the population and among of them, 285 people are selected as the sample for the study of role of cooperative banks in advancing financial inclusion. In this study random sampling was used.

$$\text{Finite Population (n)} = \frac{SS}{1+\frac{Z^2*p(1-p)}{e^2N}}$$

$$= \frac{384.16}{1+\frac{1.96^2*0.5(1-0.5)}{0.05^2*1097}}$$

$$=285$$

Where,

$$\text{Unlimited Population (SS)} = \frac{Z^2*p(1-p)}{e^2N}$$

$$= \frac{1.96^2 * 0.5 * (1-0.5)}{0.05^2}$$

$$= 384.16$$

Z= Z-score

e= margin of error

N = Population Size

p = Population Portion

3.3 Nature and Sources of data

Data is very reliable and effective source for research. The study uses the primary data to fulfill its objectives. Primary data are those data that are collected by survey questionnaire. Once a primary data is used, it loses its originality and becomes secondary. This study is mainly depends on the use of primary data that consists questionnaire by the respondents.

3.4 Data Processing and Presentation

The primary data for the research are used. The goal of descriptive and inferential data analysis is computation. A questionnaire was utilized to gather primary data, while websites and annual reports of listed corporations were used to gather primary data. Numerous statistical and financial methods, such as regression, correlation, standard deviation, average (mean), and others, have been utilized for mathematical analysis. In a similar manner, calculations have been done using Word, Excel, SPSS, and spreadsheets.

Since they are raw data, information gathered from many sources cannot be utilized directly in its original form. Data analysis and research studies would be useless if the data were not provided in an easy-to-understand manner. Without processing the data, readers would find it impossible to grasp the analysis section. Thus, data processing is necessary to ensure that the study is immediately comprehensible. Presenting data entails transforming unprocessed data into a comprehensible format by editing, double-checking, and the application of different tools including tables, charts,

figures, and trend lines. The data in this study are also presented utilizing all required tools to facilitate a good and straightforward understanding of the analysis portion.

3.5 Tools for Data Analysis

The financial and statistical techniques used to assess the data and draw the research's conclusion will be covered and included in the thesis. Various tools are used to examine the data in order to derive specific findings from this study. The emphasis on statistical tools is in line with the topic requirement, hence the following statistical tools will be employed in this study.

3.5.1 Arithmetic Mean

The value that represents the group of values and provides information about the concentration of values in the middle of the distribution is called the mean. We get a point from an average that best represents the data. It portrays the traits shared by the entire group. Between the two extreme observations of the whole data set is where the arithmetic mean value is found. It is a messenger for the homogenous bulk of info.

The value of the AM is obtained by adding together all the items by dividing this total by the number of items.

Mathematically,

Arithmetic Means (AM) is given by,

$$\bar{X} = \frac{\sum x}{n}$$

Where,

X=Arithmetic Mean

∑X= Sum of all the values of the variable X

n= Number of observation

3.5.2 Standard Deviation

The absolute dispersion is measured by the standard deviation (σ). The size of the values' departures from their mean will increase with increasing standard deviation. High levels of observational consistency and series homogeneity are indicated by small standard deviations, and vice versa.

Mathematically,

$$\sigma = \sqrt{\frac{1}{n}\sum (X - \overline{X})^2}$$

3.5.3 Coefficient of Variation

A relative metric is the coefficient of variation, or CV. CV is a better statistical technique to compare variability between two or more series.

Mathematically,

$$CV = \frac{\sigma}{\overline{X}} \times 100$$

3.5.4 Correlation Coefficient (r)

3.5.4 Relationships Coefficient (r) Correlation is the term for the proper statistical methods used to identify, quantify, and describe a connection in a concise formula when it is of a quantitative character. A positive correlation exists when there is a direct proportionality between the values of the variables. Conversely, in the event when the variable values exhibit inverse proportionality, the correlation is deemed negative; yet, the correlation coefficient consistently stays within the range of +1 to -1.

$$r_{xy} = \frac{\mathrm{cov}(X, Y)}{\sigma X \sigma Y}$$

$$r_{xy} = \frac{N\sum XY - \sum X \sum Y}{\sqrt{N\sum X^2} - (\sum X)^2 \sqrt{N\sum Y^2 - (\sum Y)^2}}$$

Where, r_{xy} is the correlation between two variables X and Y, ‘r’ lies always between +1 and -1

When ‘r’ = +1, there is perfect positive correlation.

When ‘r’ = -1, there is perfect negative correlation.

When ‘r’ = 0, there is no correlation.

When ‘r’ lies between 0.7 to 0.999 (or -0.7 to -0.999) there is high degree of positive or negative correlation.

When ‘r’ lies between 0.5 and 0.699, there is a moderate degree of correlation.

When ’r’ is less than 0.5, there is low degree of correlation.

3.5.6 Regression Analysis

The statistical method that allows us to predict an unknown variable's value from a known value of any other variable is called regression. We can estimate the value of one variable from the value of another, assuming that the two variables are tightly connected. The one whose value is known is known as the independent variable, and the one whose value has to be estimated is known as the dependent variable. Therefore, regression uses a specific amount of change in one variable to predict the average probable change in another. By establishing an estimated functional connection between the variables, it is a statistical method for identifying the link between the variables. It is employed to ascertain whether or not the provided independent variable has an impact on the dependent variable.

Regression analysis is a branch of statistical theory that is widely used in almost all the scientific disciplines.

Multiple Regression model

In the analysis, a data regression model has been employed. The problem of heterogeneity in the two banks chosen for the investigation is addressed by the data estimation approach. The study's econometric model is as follows:

$$Y = \beta_0 + \beta X_{it} + e_{it}$$

Where, Y is the dependent variable; β_0 is constant; β is the coefficient of explanatory variables; X_{it} is the vector of explanatory variables; and e_{it} is the error term (assumed to have zero mean and independent across the time period).

$$\hat{Y} = \alpha + \beta 1 X_1 + \beta 2 X_2 + \beta 3 X_3 + e_i$$

Where,

$\hat{Y}$	=	Promoting Financial Inclusion (dependent variable)
X_1	=	Balanced Development
X_2	=	Improvement in Health and Transport
X_3	=	Improvement in Education

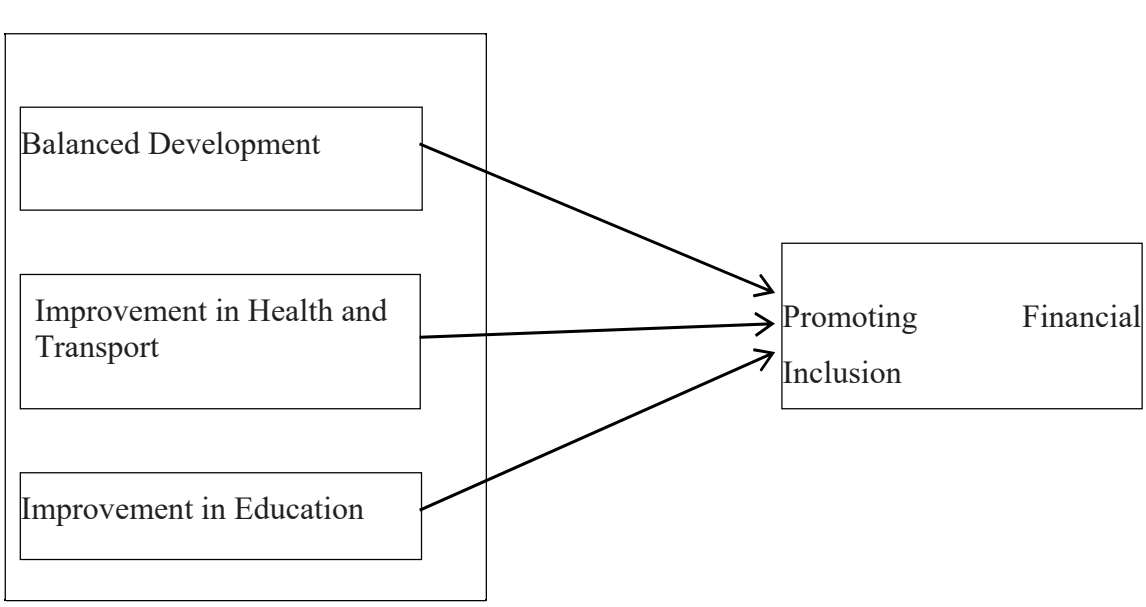
α = Constant

$\beta 1, \beta 2 \ldots \beta 3$ = Regression coefficients of Factor 1 to Factor 3 respectively

e_i = Error term.

3.6 Research framework and definition of the variables

The first review of the relevant literature served as the foundation for the schematic diagram shown in Figure 1. As a result, the goal of this study is to evaluate the following hypothesis:



Souce: Lal (2018)

Figure 1 Research framework

3.6.1 Definition of the variables

Balanced Development

The idea of "balanced development" refers to the fair allocation of infrastructure and economic growth across various regions, guaranteeing that every area has access to comparable resources and possibilities. It contributes to the general development of a nation or area by preventing regional inequities and promoting uniform advancement in a variety of sectors, including health, education, and transportation. This idea is especially pertinent to rural development, since it aims to give rural regions access to

sufficient services and infrastructure, which are frequently concentrated in metropolitan areas (Anil, 2015).

Improvement in Health and Transport

It begins with health improvement, with the goal of raising communities' general well-being via improved access to healthcare, illness prevention, and mental health assistance. Enhancing transportation is similarly important; it entails growing public transit and road networks to enable the effective flow of people and products, which is necessary for economic development (Divya, 2014).

Improvement in Education

This additional pillar aims to lower socioeconomic and gender inequities by lowering the cost of education and making it available to all. To prepare pupils for the workforce, this entails maintaining up-to-date curriculum, hiring qualified teachers, and encouraging skill development (Arya et al., 2015).

Promoting Financial Inclusion

Financial inclusion provides banking services, microfinance, digital financial services, and financial literacy training in an effort to close the gap for individuals who have historically been shut out of the financial system. A more equitable and successful society will result from this all-encompassing strategy, which guarantees that all social sectors may engage in and profit from economic activity (Padma & Gopisetti, 2013).

CHAPTER IV

RESULTS AND DISCUSSION

Through an empirical analysis of the information gathered from the respondents, this chapter seeks to accomplish the study's goals. The goal of this chapter is to summarize the findings from the study technique and data analysis covered in chapter three. Based on the study questions and hypotheses, the data findings are examined. The study attempted to investigate the effect of training on promoting financial inclusion of Everest Bank Limited using primary data collected from the 285 respondents. This chapter covers the respondents' demographic profile, variable descriptive statistics, hypothesis testing, and a discussion of the analytically-derived results. Basic details about the respondent, including age, gender, and job experience, were summed up in their profile. The study variables' associated items' mean value, standard deviations, correlation, and regression are examined under the analysis section. In order to achieve the study's goals, the hypothesis was finally evaluated. Tables are included with the data to facilitate appropriate interpretation.

4.1 Demographic Profile of Respondents

The demographic analysis and interpretation of the gathered data are covered in this section. A total of 285 respondents who work for banks were chosen to participate in the study. This part presents the demographic profile, which includes information about age, gender, employment experience, etc. The respondent's demographic profile is displayed in the table.

4.1.1 Gender of Respondents

Male and female responses are categorized according to their gender. Table 2 displays the frequency distribution and percentage composition of the various genders.

Table 2

Gender of respondent

Gender of respondents	Frequency	Percent
Male	165	57.9
Female	120	42.1
Total	285	100.0

Table 2 exhibits a detailed breakdown of the gender distribution among the respondents. Out of a total of 285 respondents, 165 identified as male, representing 57.9% of the sample. Meanwhile, 120 respondents identified as female, making up 42.1% of the sample. This table indicates that the majority of respondents are male, with males constituting a greater proportion of the survey population compared to females.

4.1.2 Age of Respondents

The Age of respondents is classified into below 25, 25-35, 35-45 and above 45. The frequency distribution and percentage composition of different genders is shown in Table 3.

Table 3

Age of respondents

Age of respondents	Frequency	Percent
Below 25 Years	28	9.8
25-35 Years	61	21.4
35-45 Years	141	49.5
Above 45 Years	55	19.3
Total	285	100.0

Table 3 presents a detailed overview of the age distribution of the respondents. The respondents are categorized into four age groups. The first group, those below 25 years of age, consists of 28 individuals, accounting for 9.8% of the total respondents. The second group, aged between 25 and 35 years, includes 61 respondents, making up 21.4% of the sample. The third and largest group, those aged between 35 and 45 years, comprises 141 respondents, representing 49.5% of the total. Finally, the group of respondents above 45 years old consists of 55 individuals, constituting 19.3% of the sample. The table shows that nearly half of the respondents are in the 35-45 years age range, indicating a significant concentration of individuals in this middle-age category.

4.1.3 Education Status of Respondents

The education status of respondents is classified Bachelor's degree, Doctoral degree, High school and Master's degree. The frequency distribution and percentage composition of different education level of respondents is shown in Table 4.

Table 4

Education Level

Education Level	Frequency	Percent
Bachelor's degree	162	56.8
Doctoral degree	38	13.5
High school	15	5.3
Master's degree	70	24.5
Total	285	100.0

Table 4 presents the educational backgrounds of the surveyed respondents, offering insights into their levels of education. Among the 285 total respondents, the largest group holds a Bachelor's degree, with 162 individuals, representing 56.8% of the sample. The next most common educational attainment is a Master's degree, comprising 24.5% of the respondents, followed by individuals with Doctoral degrees at 13.5%. A smaller portion of the sample, 5.3%, has a High School education.

4.1.4 Members in Family

The members in family of respondents are classified into 2 members, 3 members, 4 members and more than 4 members. The frequency distribution and percentage composition of respondents is shown in Table 4.

Table 4

Members in Family

Members in Family	Frequency	Percent
2 members	49	17.3
3 members	43	15.0
4 members	129	45.3
above 4 members	64	22.5
Total	285	100.0

Table 4 provides information about the composition of family sizes among the surveyed respondents. Among the 285 total respondents, the majority of them have four members in their families, with 129 individuals, representing 45.3% of the sample. The next most common family size is having more than four members, accounting for 22.5% of respondents. A substantial portion of the sample consists of families with two members at 17.3%, and families with three members at 15.0%.

4.1.5 Annual Income Before Involvement

The annual income before involvement is classified into 0-100,000, 100,000-300,000, 300,0000-600,000 and 600,000 and above. The frequency distribution and percentage composition of annual income before involvement of respondents is shown in Table 5.

Table 5

Annual Income Before Involvement

	Frequency	Percent
0-100,000	15	5.3
100,000-300,000	120	42.0
300,0000-600,000	100	35.3
600,000 and above	50	17.5
Total	285	100.0

Table 5 presents data on the annual income levels of respondents before their involvement in a microfinance program. Out of the total 285 respondents, the most significant portion falls within the income range of 100,000 to 300,000, with 120 individuals, accounting for 42.0% of the sample. The next most common income category is 300,000 to 600,000, encompassing 35.3% of the respondents. A smaller percentage of individuals, 17.5%, reported annual incomes of 600,000 and above. Lastly, 5.3% of the respondents reported annual incomes within the 0 to 100,000 range.

4.1.6 Annual Income After Involvement

The establishment of your enterprise is classified into 0-100,000, 100,000-300,000, 300,0000-600,000 and 600,000 and above. The frequency distribution and percentage composition of establishment of your enterprise of respondents is shown in Table 6.

Table 6

Annual Income After Involvement

	Frequency	Percent
0-100,000	67	23.5
100,000-300,000	12	4.3
300,0000-600,000	125	43.8
600,000 and above	81	28.5
Total	285	100.0

Table 6 provides data on the annual income levels of respondents before their involvement in a microfinance program. Among the 285 total respondents, the largest group falls within the income range of 300,000 to 600,000, with 125 individuals, making up 43.8% of the sample. The next most common income category is 0 to 100,000, encompassing 67 individuals, or 23.5% of the respondents. A significant percentage of individuals, 28.5%, reported annual incomes of 600,000 and above. Lastly, a smaller portion of respondents, 4.3%, reported annual incomes within the 100,000 to 300,000 range.

4.2 Descriptive Statistics

This part of research explains the descriptive analysis of the data collected from the respondents through the questionnaires during the research process. Descriptive analysis explains the data with the help of statistical tools and measures. Those statistical measures are mean, frequency and standard deviation. This mean and standard deviation are presented in the tabular form. For this study "Five Point Likert Scale" questions were asked to bank employees which scaled from:

1- Strongly Disagree

2- Disagree

3- Neutral

4- Agree

5- Strongly Agree

The mean and standard deviation of independent and dependent variables are shown in Table 7.

Table 7

Descriptive Statistics

	Mean	Std. Deviation
Promoting Financial Inclusion (PFI)	3.5796	.64623
Balanced Development (BD)	3.4924	.59341
Improvement in Health and Transport (IHT)	3.5760	.62418
Improvement in Education (IE)	3.6622	.58374

Table 7 provides descriptive statistics for four variables: Promoting Financial Inclusion (PFI), Balanced Development (BD), Improvement in Health and Transport (IHT), and Improvement in Education (IE). For each variable, the table displays the minimum, maximum, mean, and standard deviation values.

For the variable PFI (Promoting Financial Inclusion), the data ranges from a minimum score of 1.40 to a maximum score of 5.00, with a mean score of 3.5796 and

a standard deviation of 0.64623. These statistics indicate the spread and central tendency of the scores measuring Promoting Financial Inclusion within the sample.

Similarly, the variable BD (Balanced Development) ranges from 1.40 to 4.80, with a mean of 3.4924 and a standard deviation of 0.59341. This suggests the variation in scores related to Balanced Development among the respondents, with a moderate mean value.

The variable IHT (Improvement in Health and Transport) ranges from 1.40 to 5.00, with a mean score of 3.5760 and a standard deviation of 0.62418. These statistics reflect the spread and central tendency of scores assessing the quality and effectiveness of Improvement in Health and Transport methods.

Lastly, the variable IE (Improvement in Education) ranges from 1.80 to 5.00, with a mean score of 3.6622 and a standard deviation of 0.58374. These statistics illustrate the variability and central tendency of scores measuring the linkage between Improvements in Education within the surveyed population.

4.3 Inferential analysis

This section's goal is to outline the methodology for evaluating the empirical data and testing the hypotheses developed in the preceding chapter. Through the application of inferential statistics, researchers can draw conclusions or extrapolate findings from sample data to the entire population. It makes it possible to infer population values from one or more observational samples. To ascertain whether observed differences between groups or variables are true or the result of random variation, inferential analysis tests hypotheses. It generates new data by extrapolating generalizations and predictions from samples. There are two analytic tools in this section, which are:

4.3.1 Correlation analysis

Correlation Analysis between variables was studied to find relations among them. Pearson’s Correlation analysis is used to determine the relation between various independent and dependent variables associated with the research. It measures the linear correlation between any two variables.

Table 8

Correlations

	PFI	BD	IHT	IE
PFI	1			
BD	.288**	1		
IHT	.268**	.328**	1	
IE	.348**	.365**	.348**	1

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

The table presents correlation coefficients between Promoting Financial Inclusion (PFI) and three independent variables: Balanced Development (BD), Improvement in Health and Transport (IHT), and Improvement in Education (IE). Each value indicates the strength and direction of the linear relationship between the variables.

The correlation coefficient between PFI and BD is 0.288**, suggesting a moderate positive relationship. This implies that as balanced development efforts increase, the promotion of financial inclusion also tends to improve. This correlation is statistically significant, indicating that balanced development activities—such as equitable resource distribution, infrastructure improvements, and social services—are likely to support financial inclusion initiatives. Cooperatives, which often focus on balanced development, can play a crucial role by providing inclusive financial services and fostering economic equity.

The correlation between PFI and IHT is 0.268**, indicating a positive and statistically significant relationship. This suggests that enhancements in health and transport infrastructure are associated with higher levels of financial inclusion. Improved health services and transport networks can facilitate better access to financial institutions and services, especially in rural and underserved areas. Cooperatives that invest in these areas can thereby enhance their members' financial inclusion by reducing barriers to accessing financial services.

The strongest correlation in the table is between PFI and IE, with a coefficient of 0.348. This positive and significant relationship indicates that improvements in education are strongly linked to promoting financial inclusion. Education enhances financial literacy, empowering individuals to make informed financial decisions and utilize financial services effectively. Cooperatives can contribute significantly to financial inclusion by supporting educational initiatives that increase their members' understanding of financial products and services.

4.3.2 Regression Analysis

While correlation analysis assumes no causal relationship between variables, regression analysis assumes causal relationship between two or more variables. Simple linear regression shows the effect of an independent variable on single dependent variable while multiple linear regression shows the effects of multiple independent variables on single dependent variable. Correlation analysis only provides the degree of relationship between two variables. Thus, regression analysis is done to have better understanding of the strength of relationship between two or multiple variables. Multiple regression analysis is used to analyze the impact of multiple independent variables on single dependent variable. Thus, multiple regression analysis is used to analyze the impact of various independent variables. Formulated on the proposed research model, the statistical multiple regression model was developed as follows:

Where, Y is the dependent variable; β0 is constant; β is the coefficient of explanatory variables; Xit is the vector of explanatory variables; and eit is the error term (assumed to have zero mean and independent across the time period).

$$\hat{Y} = \alpha + \beta 1X_1 + \beta 2X_2 + \beta 3X_3 + e_i$$

Where,

$\hat{Y}$ = Promoting Financial Inclusion (dependent variable)

X_1 = Balanced Development

X_2 = Improvement in Health and Transport

X_3 = Improvement in Education

α = Constant

$\beta 1, \beta 2 \ldots \beta 3$ = Regression coefficients of Factor 1 to Factor 3 respectively

e_i = Error term.

The results of model summary, analysis of variance (ANOVA) and beta coefficients of impact of independent variables are presented in the following tables.

Table 9

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.407[a]	.166	.154	.59428

a. Predictors: (Constant), IE, IHT, BD

Table 9 presents the model summary for a regression analysis, with the dependent variable likely being Promoting Financial Inclusion (PFI), although it's not explicitly stated. The table provides information about the overall fit of the regression model. Square, also known as the coefficient of determination, explains the proportion of variance in the dependent variable (PFI) that is predictable from the independent variables (IE, IHT, BD). In this case, R Square is 0.166, which means that approximately 16.6% of the variance in Promoting Financial Inclusion can be explained by the predictor variables included in the model. This suggests that while the independent variables contribute to explaining the variance in Promoting Financial Inclusion, there are other factors not accounted for in the model.

Adjusted R Square takes into account the number of predictors and the sample size, providing a more conservative estimate of the proportion of variance explained by the model. In this instance, Adjusted R Square is 0.154, which is slightly lower than R Square. This adjustment penalizes the model for including more predictors, resulting in a slightly lower value.

Table 10

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	15.496	3	5.165	14.626	.000[b]
	Residual	78.050	281	.353		
	Total	93.546	284			

a. Dependent Variable: PFI

b. Predictors: (Constant), IE, IHT, BD

Table 10 presents the results of an analysis of variance (ANOVA) for Model 1, which likely represents a regression analysis with Promoting Financial Inclusion (PFI) as the dependent variable and predictor variables (IE, IHT, BD). In this case, the regression sum of squares is 15.496, with 3 degrees of freedom, resulting in a mean square of 5.165. The F value is 14.626, and the associated p-value is less than 0.001 (Sig. = .000b). This indicates that the regression model is statistically significant at the 0.05 significance level. In other words, there is sufficient evidence to conclude that at least one of the predictor variables (IE, IHT, BD) has a non-zero effect on Promoting Financial Inclusion (PFI).

Table 11

Coefficient

		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	1.505	.318		4.733	.000
	BD	.169	.074	.155	2.286	.023
	IHT	.137	.070	.133	1.970	.050
	IE	.271	.076	.245	3.587	.000

a. Dependent Variable: PFI

Table 11 provides detailed information about the coefficients derived from Model 1 of a regression analysis, with the dependent variable being PFI (Promoting Financial Inclusion). The table offers insights into the relationships between the predictor variables (BD, IHT, IE) and the dependent variable, as well as the statistical significance of these relationships.

The regression model aims to quantify the effect of BD, IHT, and IE on PFI. The constant term (intercept) is 1.505 with a standard error of 0.318, and it is statistically significant with a t-value of 4.733 ($p < 0.001$). This intercept represents the expected value of PFI when all predictors are zero, which, while not necessarily meaningful in isolation, provides a baseline for the regression equation.

For BD, the unstandardized coefficient (B) is 0.169 with a standard error of 0.074. This coefficient indicates that for each unit increase in BD, PFI is expected to increase by 0.169 units, assuming all other variables are held constant. The standardized coefficient (Beta) is 0.155, suggesting a modest effect size relative to the other predictors. The t-value for BD is 2.286, and the p-value is 0.023, indicating that the relationship between BD and PFI is statistically significant at the 5% level. This implies that balanced development has a meaningful impact on promoting financial inclusion.

The unstandardized coefficient for IHT is 0.137 with a standard error of 0.070. This indicates that a one-unit increase in IHT leads to a 0.137 unit increase in PFI, holding other variables constant. The standardized coefficient (Beta) for IHT is 0.133, indicating a relatively small but significant effect size. The t-value is 1.970 with a p-value of 0.050, which is exactly at the threshold of statistical significance. This suggests that improvements in health and transport contribute to financial inclusion, although the effect is marginal compared to other factors.

IE has an unstandardized coefficient of 0.271 with a standard error of 0.076, indicating that a one-unit increase in IE is associated with a 0.271 unit increase in PFI, assuming other variables are constant. The standardized coefficient (Beta) is 0.245, the highest among the predictors, suggesting a relatively strong impact on PFI. The t-value for IE is 3.587, and the p-value is less than 0.001, indicating a highly significant

relationship. This underscores the importance of educational improvements in enhancing financial inclusion, making it a key area for co-operatives to focus on.

4.3.3 Hypothesis Testing

Hypothesis testing is a statistical method used to determine whether there is enough evidence in a sample of data to infer that a certain condition or relationship holds true for a population. It typically involves comparing a null hypothesis, which posits no effect or no difference, against an alternative hypothesis, which suggests there is an effect or difference. Through rigorous statistical analysis, researchers calculate a test statistic from their sample data and determine the likelihood of observing such a statistic if the null hypothesis were true. If this likelihood, called the p-value, is sufficiently low (typically below a predetermined threshold like 0.05), the null hypothesis is rejected in favor of the alternative hypothesis, indicating that there is significant evidence to support the proposed effect or difference. The results of the hypothesis are as follows:

Table 12

Results of Hypothesis

Hypothesis	P-value	Results
H1: There is a significant relationship between balanced development and promoting financial inclusion.	.023	Accepted
H2: There is significant relationship between improvement in health and transport and promoting financial inclusion.	.050	Accepted
H3: There is significant relationship between improvement in education and promoting financial inclusion.	.000	Accepted

Table 12 presents the results of hypothesis testing regarding the relationships between various factors related to cooperative and Promoting Financial Inclusion. Each hypothesis (H1, H2, H3) proposes a specific relationship between a training-related factor and Promoting Financial Inclusion, and the table provides the associated p-values and the resulting conclusions.

H1: There is a significant relationship between balanced development and promoting financial inclusion.

The p-value for this hypothesis is 0.023, which is below the commonly used significance threshold of 0.05. This result leads to the acceptance of H1, confirming that there is indeed a significant relationship between balanced development and promoting financial inclusion. This suggests that efforts to create more balanced and equitable development contribute positively to financial inclusion, highlighting the importance of balanced resource distribution, infrastructure improvements, and equitable access to services in promoting financial inclusion.

H2: There is a significant relationship between improvement in health and transport and promoting financial inclusion.

The p-value for H2 is 0.050, which is exactly at the significance threshold. This means that there is just enough statistical evidence to accept the hypothesis, indicating a significant relationship between improvements in health and transport and promoting financial inclusion. This underscores the role of enhanced health services and transport infrastructure in facilitating better access to financial services, particularly in underserved and remote areas, thus aiding financial inclusion.

H3: There is a significant relationship between improvement in education and promoting financial inclusion.

The p-value for H3 is less than 0.001, a value far below the 0.05 threshold, which leads to a strong acceptance of the hypothesis. This confirms a highly significant relationship between improvements in education and promoting financial inclusion. Education appears to be the most impactful among the three variables, likely because it directly enhances financial literacy and the ability to engage with financial services. This suggests that educational initiatives are crucial for increasing financial inclusion, as they empower individuals to understand and utilize financial products effectively.

4.4 Major Findings

- There is a statistically significant relationship between balanced development (BD) and promoting financial inclusion (PFI) with a correlation coefficient of 0.288.

- The regression analysis shows that BD has a positive impact on PFI with an unstandardized coefficient (B) of 0.169 and a standardized coefficient (Beta) of 0.155.
- Hypothesis H1 is accepted with a p-value of 0.023, indicating that balanced development significantly promotes financial inclusion.
- A statistically significant relationship exists between improvement in health and transport (IHT) and PFI, as indicated by a correlation coefficient of 0.268.
- Regression results show that IHT positively influences PFI, with an unstandardized coefficient (B) of 0.137 and a standardized coefficient (Beta) of 0.133.
- Hypothesis H2 is accepted with a p-value of 0.050, confirming that improvements in health and transport significantly contribute to financial inclusion.
- Improvement in education (IE) has the strongest correlation with PFI, with a coefficient of 0.348.
- The regression analysis reveals that IE has a significant positive effect on PFI, with an unstandardized coefficient (B) of 0.271 and a standardized coefficient (Beta) of 0.245.
- Hypothesis H3 is accepted with a p-value of less than 0.001, highlighting that educational improvements are highly significant in promoting financial inclusion.

CHAPTER-V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

The analysis investigates the relationships between Balanced Development (BD), Improvement in Health and Transport (IHT), and Improvement in Education (IE)and their impact on Promoting Financial Inclusion (PFI). The findings indicate that each of these factors has a positive and statistically significant effect on financial inclusion, with improvements in education showing the strongest influence.

Balanced Development is shown to have a moderate positive relationship with financial inclusion. This suggests that efforts aimed at creating equitable resource distribution and enhancing infrastructure and social services contribute significantly to financial inclusion. As co-operatives often focus on promoting balanced development within communities, their role in providing inclusive financial services and fostering economic equity is highlighted as crucial.

The relationship between improvements in health and transport and financial inclusion is also significant, though to a slightly lesser extent. Enhancing health services and transport infrastructure can facilitate better access to financial institutions and services, especially in rural and underserved areas. This underscores the importance of co-operatives investing in these sectors to reduce barriers to financial service access and promote financial inclusion.

Improvements in education emerge as the most significant factor influencing financial inclusion. Education enhances financial literacy, empowering individuals to make informed financial decisions and utilize financial services effectively. Co-operatives can play a pivotal role by supporting educational initiatives that increase financial literacy and awareness among their members, thereby fostering greater financial inclusion.

The hypothesis testing further supports these findings, confirming significant relationships between each independent variable and financial inclusion. Balanced development, health and transport improvements, and educational advancements all positively correlate with promoting financial inclusion. For co-operatives, this means that strategic investments in these areas can substantially enhance their efforts to

promote financial inclusion, leading to broader socio-economic benefits for their communities.

Finally, the analysis highlights the critical role of balanced development, health and transport improvements, and educational advancements in promoting financial inclusion. Co-operatives, by focusing on these areas, can effectively enhance financial inclusion among their members and contribute to broader socio-economic development.

5.2 Conclusion

The comprehensive analysis shows the role that balanced development, health and transport improvements, and educational advancements play in promoting financial inclusion. Each of these factors positively and significantly influences financial inclusion, with educational improvements having the most substantial impact. Co-operatives, given their community-centric approach, are uniquely positioned to drive these changes.

By fostering balanced development, co-operatives can ensure equitable resource distribution and enhanced infrastructure, creating a more inclusive financial environment. Investment in health and transport infrastructure is also crucial, as it reduces physical and logistical barriers to accessing financial services, particularly in underserved areas. Most importantly, prioritizing education and financial literacy initiatives can significantly empower individuals, enabling them to make informed financial decisions and effectively engage with financial services.

In conclusion, co-operatives that strategically focus on balanced development, health and transport improvements, and educational initiatives can substantially enhance financial inclusion. This multi-faceted approach not only promotes greater access to financial services but also contributes to the overall socio-economic development of communities. By leveraging these insights, co-operatives can better serve their members and play a vital role in fostering inclusive growth and financial stability.

5.3 Recommendations

- Co-operatives should prioritize projects that ensure equitable resource distribution and infrastructure development.

- Emphasize creating inclusive policies that address the needs of marginalized and underserved communities.
- Allocate resources to improve health services and transport networks to reduce barriers to accessing financial services.
- Collaborate with local governments and other organizations to enhance the physical and logistical infrastructure.
- Develop and support educational initiatives aimed at improving financial literacy among members.
- Implement training programs that educate members about financial products and services to empower informed decision-making.
- Adopt a holistic approach by integrating balanced development, health and transport improvements, and education into strategic planning.
- Ensure that these initiatives are aligned with the overall mission and goals of the co-operative.

Recommendations for Future Research

- Compare the effectiveness of co-operatives versus other financial institutions in promoting financial inclusion through these initiatives.
- Investigate other potential factors that might influence financial inclusion, such as technological advancements, digital literacy, and regulatory environments.
- Study the impact of these initiatives across different geographical regions and demographic groups to identify specific challenges and opportunities.
- Examine the role of digital financial services and fintech solutions in enhancing financial inclusion within the framework of co-operatives.
- Analyze the influence of local and national policies and regulations on the effectiveness of co-operatives in promoting financial inclusion.

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CHAPTER I INTRODUCTION 1.1 Background of the Study Financial inclusion has emerged as a critical aspect of economic development worldwide, aimed at ensuring that all individuals and businesses have access to affordable financial services and products. In Nepal, despite significant progress in recent years, financial exclusion remains a pressing issue, particularly in rural and remote areas. Cooperative banks, with their community-based approach and focus on serving the underbanked and marginalized populations, have the potential to play a crucial role in advancing financial inclusion efforts in the country. Cooperative banks, unlike traditional commercial banks, are member-owned and operated financial institutions that prioritize serving the needs of their communities. In Nepal, cooperative banks have a strong presence, especially in rural areas where mainstream banks often find it unprofitable to operate. These banks typically offer a range of financial services tailored to the specific requirements of their members, including small farmers, artisans, women entrepreneurs, and micro-entrepreneurs. Nepal, a predominantly agrarian economy with a diverse demographic landscape, faces challenges related to access to formal financial services. A significant portion of the population, particularly in rural areas, still lacks access to basic banking services such as savings accounts, credit facilities, and insurance. This exclusion limits their ability to save, invest, and participate in economic activities, perpetuating cycles of poverty and economic inequality. A growing understanding of financial inclusion's potentially transformative power to accelerate development gains is evident in the increased emphasis on it. Many nations have