Sweta Koski

Financial Inclusion in Gadhi Gaupalika

Helsinki Metropolia University of Applied Sciences

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Financial inclusion is considered a tool for improving people's lives, reducing poverty, and advancing the economy. Thus, financial inclusion in recent years has become a top global priority to achieve sustainable economic development by eliminating informal sources of credit. (Nepal Economic Review, 2016.)

The purpose of the study was to examine the relationship between financial inclusion and the socio-economic development of the people living in rural Nepal (Gadhi Gaupalika, Nepal). This study attempts to discern and distinguish the importance of financial inclusion in the socio-economic development of the people living in rural Nepal, wherein a large population has little access to financial services, which are critical for a country's overall economic progress.

A structured questionnaire was sent to 150 persons in Gadhi Gaupalika, Nepal, to collect primary data. The study looked at 90 genuine responses, separated among account holders and non-account holders. Secondary data was gathered from a variety of sources, including journals, past studies, and articles.

According to the findings, belonging to a specific age group, gender, and income of the respondents had a more significant impact on bank account ownership or use of financial services. As a consequence of the findings, it is clear that many people borrowed money from friends and money lenders rather than going to a bank. Respondents have just a rudimentary understanding of the various financial services and loans/insurances accessible to them. People did not borrow money from the bank because of documentation, collateral, bribes, and increased interest rates. Cooperative banks were favored by the majority of respondents above commercial banks and other financial institutions.

The findings point to the necessity for financial education and the government's construction of financial institutions in rural areas. People continue to rely on traditional methods of borrowing money and are unaware of the various financial services accessible to them. Such reliance on traditional methods of managing financial demands and a lack of awareness of accessible financial services would worsen the population's socioeconomic status, perpetuating the vicious cycle of poverty.

Keywords	Financial Inclusion, Gadhi Gaupalika, Nepal

Contents

1 Introduction

1.1 The background

Financial inclusion, by definition, is a process that ensures that the formal financial system is accessible, available, and usable to all members of an economy. Financial inclusion is viewed as a mechanism for improving people's living conditions, lower poverty levels and bring advancement in economic development by policymakers. A financial system that is open to all comes with various advantages, such as: deployment of productive resources that is efficient and deducting the cost of capital. Along with the merits mentioned above, accessibility to formal financial services automatically improves the financial management on a daily basis. An inclusive financial system eliminates informal sources of credit, which are corruptive. (Nepal Rastra Bank (NRB) Economic Review, 2016.)

Financial inclusion has become a top global priority and has been placed on the higher agenda by various international development agencies, academics, governments and private sectors. By 2020, the World Bank has aimed to make universal financial accessibility one of its primary goals. Such attention to financial inclusion exhibits an increasing realization of how vital its potentiality is. Such importance and emphasis on financial inclusion demonstrate a growing realization of its potential in expediting development. (NRB Economic Review 2016.) Since a few years back, many countries have developed master plans and strategies for National Financial Inclusion, with efforts to adjust micro-finance agencies to protect better the users of their services (Rillo, 2014).

Benefiting the world's poor population is one of the aims of financial inclusion, the ample amount of whom are not able to take advantage of the basic instruments of economic self-determination, which mainly include savings, insurance, credit, money transfer, payments, and financial education (McKinsey & Company, 2010). One of the aims of financial inclusion is to transfer the outcast population out of the informal, undocumented, unmonitored, and uncontrolled financial system and into the formal, transparent, and protected financial system. Service facilities, overdraft facilities, payment and remittance services, low-cost financial services, cheque facilities, all types of commercial loans, electronic fund transfer, credit and debit card access, access to financial markets, financial advice, insurance (Medical insurance), microcredit during an emergency, entrepreneurial credit, and so on are some of the financial products and services provided to people through financial inclusion Thorat (2006).

Capital formation and credit mobilization, as a result of improved saving habits and enhanced credit access, can help boost economic growth. This will also aid in the collection of remittances for wealth accumulation and productive sector investment. Higher and better productivity in different target markets can be achieved through relevant, affordable and improved distribution channels. Farmers and small businesses will be the primary beneficiaries of improved lending and payment access. Recipients of remittances, salaried workers, irregular earners, and dependents will all benefit from a well-balanced product mix. (Nepal Financial Inclusion Plan, 2017.)

Participating in the financial service industry, financial inclusion is an essential driver for socio-economic welfare. Financial inclusion can help to boost overall economic growth and meet other development objectives. Because of mobile payments, the majority of the potential gain comes from increased productivity. The balance comes from new investments resulting from individual and small and medium-sized business financial inclusion. Additionally, time savings by individuals could result in more hours of productive work. (Maas, T., 2018.)

Accessibility to financial accounts means people no longer have to rely solely on cash, make cash transactions, or store their savings as cash at home. Accessibility to the financial system helps people connect to the formal financial system of the current economy, making their daily life easier and allowing them to form assets, lessening the financial emergencies caused by illness or injury and making productive investments. (The World Bank, 2012.)

Access to financial services helps underprivileged people to come out of poverty and brings equality into the community. Individuals and families that are financially included can help to build entire communities and drive economic growth. It's about giving individuals the skills and knowledge they need to manage and save their money, as well as equipping them with the skills and knowledge they need to make sound financial decisions.

1.2 Statement of the problem

Financial services providers often focus on those consumers who characterize commercially innovative propositions and leave vulnerable consumers. Efforts must be made to guarantee that everyone has access to a basic bank account that is both effective and affordable. Banking has transitioned from a personal service to an automated service, which many people find difficult. Banks must provide the right products and services to the unbanked. A basic bank account can be thought of as a gateway to additional products such as savings, insurance, and credit. Access to basic financial services is critical in the fight against unemployment and the attainment of housing, education, insurance, pensions, and health care. The financial services available in high-income and poor economies are vastly different. While almost half of all persons globally have a formal financial account, the share in high-income economies is (89%) more than / twice that in low-income economies (41 per cent). More than 2.5 billion adults worldwide do not have a formal account, with the majority of them living in developing countries. In developing economies, the disparities in account usage between demographic groups are substantial. The World Bank, in 2012.)

The history of financial inclusion in Nepal dates back to the mid-1950s. Efforts to promote financial inclusion in the Nepalese financial sector have resulted from the strategies implemented by the Government of Nepal (GON), the bilateral and multilateral development partners, and the private sector. Experiences have shown that access to cheap finance is not very important for the poor and disadvantaged group; instead, they need quick, simple and easy access to finance at no or low transaction costs.

Several financial outreach-related policy initiatives are underway in Nepal, along with the formulation of a long-term development strategy to help the country graduate from the status of least developed country by 2022 and achieve the UN Sustainable Development Goals of becoming a middle-income country by 2030. Financial inclusion appears to be a good fit for this goal since it helps the government work effectively with its bilateral and multilateral partners to realize its 2030 vision.

When the financial access in Nepal is examined further, it is discovered that 61 per cent of the adult population has access to formal financial services (40 per cent are formally banked, and 21 per cent use "other formal products"). Exclusively 21% of persons utilize only informal financial services, while 18% of adults use no financial services (formal or informal). When overlaps in the usage of financial channels are taken into account, however, informal channels emerge as the most common, with 57 per cent of the adult population reporting product consumption through informal channels. (FinScope, 2014.)

Because the majority of the adult population lives in rural areas, rural adults (7.2 million) have more financial access than urban individuals (1.1 million). When it comes to the percentages of adults who have access to financial services in both rural and urban areas, both categories are similarly represented: 82 percent of adults in each location. These results are influenced by different providers: a higher percentage of metropolitan adults (71%) are formally financially included, compared to only 58 percent of rural adults. Rural adults, on the other hand, have a higher proportion of access to informal financial services than their urban counterparts. (FinScope, 2014.)

1.3 Significance of the study

Financial inclusion has become one of the top global priorities. Financial inclusion made the topic of its pillars in The G20 during the 2009 Pittsburgh Summit. Financial inclusion is kept at the top of the agenda by governments, international agencies, academics and various private sectors. Financial inclusion was recognized in the Istanbul Program of Action and the Sustainable Development Goals as a critical enabler for many development objectives (Thankom. A & Rajalaxmi. K, 2015.) Achieving universal financial access by 2020 through means of access to the formal financial system such as debit cards or mobile payments for every individual is a vision laid by World Bank in 2015. According to Nepal Rastra Bank, roughly 61 percent of Nepali adults have access to the formal financial system through bank and cooperative bank services. Despite the rapid growth of the financial sector and the increase in the number of financial institutions, 18 percent of Nepal's adult population has no access to formal or informal financial services. According to the World Bank's Index, roughly 52 percent of Nepal's adult population uses their bank accounts as a mailbox, with barely 1-2 interactions each month. Only 18 percent of people use their bank accounts on a regular basis, with more than three transactions per month. Furthermore, only 8.47% of the adult population uses financial products and services exclusively from banks without using in-formal or other formal procedures to obtain services The fact that just a small percentage of adults use a bank as their primary channel for financial transactions is alarming and demonstrates both the customer's unmet need and the banks' incapacity to meet it.

The eventual goal of strengthening the economy through increased access to financial services, which will bring up the living standard of individuals, has gained the attention of the Government of Nepal, and for that Government has been adopting policies and strategic measures to facilitate access. Even though Nepal has been going through a very long phase of transition and has revised its financial acts and regulations though, in the pipeline, there have not been more extensive reforms. Even though the Nepal Rastra Bank has taken various actions, such as requiring Microfinance Institutions (MFIs) to provide deprived sector lending, requiring MFIs to open branches in rural areas before establishing units in urban areas, and providing interest-free/refinancing to banks and financial institutions (BFIs) for opening branches in identified rural areas, such initiatives have only provided limited access to such facilities. (2016, Nepal Economic Forum.)

To promote financial inclusion, specific strategies need to be developed and applied to expand access to financial services, develop new products, improve lending methodologies, access to the local/rural communities, and promote new technologies while using banking services.

Overall, the study aims to examine the relationship between the financial inclusion and socio-economic development of the people living in Gadhi Gaupalika of Ne-pal. The study attempts to discern and distinguish the importance of financial inclusion in the socio-economic development of the people of rural Nepal.

2 Theoretical Background

There exists no universal or fixed definition of financial inclusion. Generally, financial inclusion refers to access to finance and financial services for everyone in an unbiased, transparent and equitably affordability (Sarma, 2008). According to Fuller and Mellor (2008), financial inclusion denotes the desire to develop ‘alternative’, welfare-oriented, trustable, cheap and easily accessible financial services to all the people of a nation. Alpana (2007), on the other hand, sees inclusion as a market-driven solution to poverty alleviation. Financial inclusion is the desired outcome since it allows poor people to better their living conditions.

Efobi et al. (2014) explored the factors which influenced the access to and use of bank services in Nigeria. The results disclosed that the individual traits, income and ICT inclination significantly impact the use of bank services in Nigeria.

Fungacova and Weill (2015) researched the understating of financial inclusion in China. It was studied that the higher use of a formal account and formal savings significantly impacted the level of financial inclusion in China. Further, it was observed that factors like higher income, better education, being a man, and belonging to a particular age group had multiple connections with the use of standard banking services, ownership of banks, and use of formal credit sources.

According to Allen et al. (2012), increased account ownership and account use were linked to lower costs and greater agreement with financial channels. Lower-fee accounts, exemptions from paperwork requirements for some depositors, and the ability for corresponding banking and bank accounts to get government economic advantages were the most effective initiatives to promote financial inclusion among those who were likely to be excluded.

Demirguc-Kunt and Klapper (2013) stated that measuring financial inclusion through variation in financial services across and within countries. In the study, it was observed that having an account at financial institutions served as an entry point into the formal financial sector of the economy. It can be made large to save and pen access to credit from financial institutions. Accounts, savings, and credit have been discovered to show the differences in countries' degrees of financial inclusion. Account ownership was also shown to be influenced by individual income levels, with disparities in official and informal saving and credit systems between the country's poor and affluent populations.

Improved and easy access to credit facilities aid poor individuals in escaping poverty by allowing them to engage in human capital and microenterprises, hence reducing aggregate poverty (Banerjee and Newman 1993; Aghion and Bolton 1997). Households are thought to be able to smooth consumption with better access to financial services. Instead of relying on cash, using safer, less expensive, and faster ways of money transfer allows for more economic transactions over longer distances. Different financial services offer additional ways to achieve the same goal but with varying degrees of efficacy. For example, Collins et al. (2009) suggested that for poor people, savings and credit are regarded as equivalents. The former denotes a series of little payments with a significant pay-out at the end, whereas the latter implies a single massive pay-out.

The economic literature on financial inclusion seems to be incomplete or lacking events through financial inclusion in the recent years has become an essential topic on the global policy agenda for sustainable economic development. Most researchers have examined the appropriate financial inclusion measures at household and country levels. While some studies have focused on the role of financial access in reducing poverty and income inequality (Park and Mercado, Jr., 2015), others have looked at different levels of financial inclusion in advanced and emerging nations.

In terms of general agreement, financial inclusion should cover four categories of financial services: savings, payments, credit, and insurance (Independent Evaluation Group, 2014). Similarly, such services should be structured in a way that makes them accessible to traditionally marginalized categories of people, such as the poor, women, minorities, and those who are difficult to reach, such as rural dwellers. Furthermore, the provision of these services must meet appropriate quality criteria; that is, they must be affordable, available, and stable, as well as meet minimum standards to protect consumers. Finally, in terms of choice and competition, such services should be given by various institutions. (World Bank, 2014.)

There are still significant differences in the availability, use, and quality of savings accounts in financial institutions and access to credit and insurance products among various economic categories. 2 billion adults in the world are still unbanked. (World Bank, 2014.)

2.1 Classification of banks and financial institution of Nepal.

The Nepal Rastra Bank (NRB), the country's central bank, issues licenses to key financial institutions such as commercial banks, development banks, finance firms, micro-credit development banks, and others. The NRB also promotes and oversees cooperatives and financial non-governmental organizations (NGOs), which it authorizes to conduct a restricted number of banking activities. In Nepal, it also runs savings and credit organizations. In Nepal, banks are classified into following types:

Central Bank

The Nepal Rastra Bank (NRB) of Nepal was initiated on Baisakh 14, 2013 B.S. (April 26, 1956 A.D.) as a central bank of Nepal for supervising the banks and financial institutions (licensed by the NRB) in Nepal and to provide guidance on monetary policy. It was created in 1955 under the Nepal Rastra Bank Act to carry out primary banking functions and provide guidance for developing the fledgling domestic financial industry. The number of domestic financial institutions and their activities have increased significantly since its inception. (Asia Trade Hub.)

Commercial Banks (Class A)

A commercial bank is a bank or financial institution that offers a variety of services, including collecting deposits, making business loans, and supplying primary investment products. A commercial bank can also be referred to as a bank or a large bank division, which explicitly provides deposit and loan services to big corporations or large/middle-sized businesses (Daud D.H). Currently, there are 28 operating commercial banks in Nepal.

Development Bank (Class B)

Development Bank is a bank established for the development purpose of various sectors such as industrial, agricultural, infrastructural and so on by imitating the modern system and methodology through financial, technical and administrative assistance. Development banks in Nepal have played vital roles in developing the economy and raising the economic status of Nepal. Nepal has many nationalized and private development banks (Asia Trade Hub.) There are 36 development banks in Nepal altogether.

Finance Companies (Class C)

In the financial history of Nepal, financial institutions/companies have not been here too long. Before enacting the Finance Company Act 2042, only a few insurance companies and Karmachari Sanchaya Kosh acted as non-banking financial institutions. Due to the unauthorized sector taking advantage of the general public in the name of Upahar and Dhukuti programs, the government of Nepal felt the necessity to introduce the Finance Company Act, 2042 and save the general public from getting scammed. The government recognized the necessity for finance businesses in order to mobilize people's savings in the productive sector, as well as the banking sector's inability to carry out capital market activities and meet customers' credit needs. The Finance Company Act of 2042 was enacted as a result of this. (Asia Trade Hub.)

Micro Credit Development Bank (Class D)

Nepal is a landlocked country in the underdeveloped world. In Nepal, a large percentage of the population (38%) lives in poverty. The majority of the impoverished reside in rural areas with limited opportunities. Micro-finance (Micro Credit Development Bank) may be able to assist disadvantaged people who lack collateral but are prepared to work and want to start a business that will provide them with employment and income. In Nepal, there are currently 63 Micro Credit Development Banks.

2.2 Review of Related Studies

Use of formal financial services and factors affecting it:

Efobi et al. (2014), in their book "Access to and use of bank services in Nigeria: micro-econometric evidence". Factors that influence access to and use of bank services in Nigeria were investigated. Individual characteristics, income, and ICT inclination all have a substantial impact on the use of bank services in Nigeria, according to the findings.

Fuller and Mellor (2008), in their article entitled "Banking for the poor: addressing the needs of financially excluded communities in China", examined the understating of financial inclusion in China. The study showed that greater use of the formal account and formal savings had a high impact on financial inclusion in China. Other influencing factors like higher income, better education, being a man, and belonging to a specific demographic age group (i.e. belonging to a certain age) have been related with significant use of formal ownership of bank accounts and formal credit in China.

Allen et al. (2012), in their book "The foundations of financial inclusion: understanding ownership and use of formal accounts", examined that greater account ownership and use are linked to lower costs and closer proximity to financial intermediaries. Lower-cost accounts, exemptions from paperwork requirements for some depositors, corresponding banking, and utilizing bank accounts to get government financial benefits are some of the most effective programs to increase financial inclusion among people who are most likely to be excluded.

Demirguc-Kunt and Klapper (2013), in their book entitled "Measuring financial inclusion, the global index database", stated that measuring financial inclusion through variation in the use of financial services across and within countries. The study observed that simply having an account at financial institutions opened doors to the formal financial sector. Having an account can have a greater extent to saving and pen access to credit from financial institutions. Accounts, savings, and credit have been discovered to illustrate the differences in a country's level of financial inclusion. It also discovered that account ownership is influenced by an individual's income level, and that formal and informal saving and credit processes differ between the rich and the poor within a country.

Collins et al. (2009), in their book entitled "Determinants of financial inclusion", argue that savings and credit are often considered as alternatives for individuals living in poverty, with the former implying a series of tiny payments upfront with a substantial payout at the end. The latter has a high initial payout followed by a series of smaller instalments.

Even though financial inclusion in recent years has emerged as a significant issue on the global policy agenda for sustainable development, there hasn't been as much economic literature or research on the topic as there should have been. While some studies focus on the role of financial access in alleviating poverty and economic inequality, others examine the various levels of financial inclusion in developed and developing countries. The majority of research has focused on the best financial inclusion techniques for both households and countries. (Nepal Rastra Bank, 2019.)

Beck (2006), in his book "The basic analytics of access to financial services", has opined that bringing the entire financial system to assist low-income and rural people is necessary for financial inclusion. The paper showed that mobile payments as digital payments had been the most promising development in decades. Reduced costs for both parties (payer and payee), lower risks, and increased privacy were the advantages of digital payments. The transparency of payment flow is also beneficial for the government brought by digital payment.

Muralidharan et al. (2014), in their article "Payments infrastructure and the performance of public programs", revealed that in Andhra Pradesh, switching from manual cash-out to digital payments via smart cards of social security pensions reduced the level of efflux between the government's contributions and the receipts of the beneficiaries. Even while mobile money had the potential to alter financial inclusion, advantages of this technique were not available to everyone in the least developed part of the country.

Access to formal finance and its benefits:

Oji (2015), in his research paper "Promoting Financial Inclusion for Inclusive Growth in Africa", explains that providing good financial products to the financially excluded opens up and boosts the possibilities for local economic development. People can develop small businesses while employing others to produce income and conduct financial transactions with the necessary support mechanisms, which is critical for the local economy to expand and sustain.

Sahay et al. (2015) posted a journal entitled "Financial Inclusion: Can It Meet Multiple Macroeconomic Goals?" revealed that a household's financial access correlates with growth. Using a general equilibrium model, they also demonstrated that the link between depth and growth is bell-shaped, indicating that the returns to growth decrease as depth increases beyond a certain point.

Furthermore, Dabla-Norris et al. (2015), in their journal paper "Identifying Constraints to Financial Inclusion and Their Impact on GDP and Inequality: A Structural Framework for Policy", showed how lowering monitoring costs, easing collateral restrictions, and improving enterprises' access to credit would boost growth. Furthermore, they estimate that a ten percentage point increase in financial inclusion (defined as an account with a formal financial institution as defined in the Global Findex Survey) could result in a 1.3 per cent increase in average income per worker, improvements in total factor productivity and capital per worker arise from increased financial inclusion.

Chibba (2009), in his paper "Financial inclusion, poverty reduction and the millennium development goals", opines that financial inclusion is the process of including all segments of society under the auspices of a well-established financial system. Individuals' engagement in the mainstream financial system has several advantages. Additional and complementary reasons for dealing with poverty and fostering inclusive development are provided by financial inclusion (FI). Inclusive growth and development achieve sustainable economic growth and excellent financial stability. The UN's newly adopted framework of Sustainable Development Goals (SDGs) also identifies the importance of promoting financial inclusion as a critical enabler to achieving sustainable development.

Lower account charges, closer accessibility to financial institutions, and a robust and stable legal and political climate are all elements that contribute to greater financial inclusion.

Hannig and Jansen (2010) conducted research entitled "Financial inclusion and financial stability". They advocated against financial inclusion as a result of the global financial crisis of 2008, which demonstrated that too much financial innovation may harm the economy. Financial regulations have been tightened as a result of the financial crisis. The tightening of banking laws has made it more difficult for low-income people to receive financial services. However, the shards of evidence revealed that the financial crisis was caused by commercial banks' high-risk lending and lending. Customers in the actual low-income category were more likely to maintain sound financial habits throughout the financial crisis, repaying their debts and securing their savings.

Bell (1990), in his research paper "Interactions between Institutional and Informal Credit Agencies in Rural India", stated that the expansion and extension of rural credit displaced village moneylenders to a significant extent and had a minor impact on increases in aggregate crop output, fertilizer use increased dramatically, and investments in physical capital such as tractors, pump sets, and animal stocks were made. Additionally, he observed that access to finance allows individuals to get out of poverty by increasing their productivity.

Binswanger and Khandker (1995), in their study “The impact of formal finance on the rural economy of India”, have established that because of the Indian Rural expansion program, rural poverty was reduced, and non-agricultural employment was greatly enhanced. They also claimed that the Indian rural branch extension initiative reduced rural poverty while also increasing non-agricultural employment. The program made to expand branches and good lending program enriched the small scale industrial output. Hence, these studies confirm the indirect effect of financial availability and accessibility on poverty reduction.

Khan (2011), in his study "Financial inclusion and financial stability: are they two sides of the same coin?" states that financial inclusion, when seen in the framework of economic integration, has the power to uplift the state of finances and living situation of the vulnerable and poor member of the society. His research also claims that the source of farm household loans may be determined by looking at the level of financial inclusion. Farm households borrow money from a variety of sources, both formal and informal, and occasionally both.

Sinclair (2011), in his paper "Financial inclusion and development", has attempted to examine data on necessary banking services, long-term savings, and financial literacy to gauge financial inclusion. Financial Inclusion, according to him, is the process of ensuring that vulnerable groups, such as the weaker segments and low-income groups, have sufficient access to financial services and credit at a reasonable cost. He has also attempted to compute financial inclusion for 160 nations using survey-based data and secondary data on the number of bank accounts. Furthermore, he said that the financial inclusion aims to broaden the breadth of activities available to persons with modest incomes through a well-organized financial system and the unreachable through the official financial system, in order to make them partners in the country's economic prosperity. His report also used banking records and population census data from 2004 to 2010 to gauge financial inclusion in India.

Majumdar and Gupta (2013), in their paper "Financial inclusion in Hooghly", surveyed 20,753 households from the Hooghly district of West Bengal and found that households most excluded financially were those who belonged to minority populations, backward classes, those living in poverty, uneducated, agricultural laborers, and daily wage employees. They also looked at the impact of social contact and caste affiliation on individual financial instrument awareness and investing behavior in Indian households. They discovered that social interaction and financial literacy have a good link in the research. They also looked into the degree of access to formal credit by rural Dalit households, as well as the increasing exclusion of rural Dalits from formal credit from commercial banks since the early 1990s. They found that the most common reasons for financial exclusion in rural areas were a lack of bank branches in the area, a long distance to travel to the bank, fixed and limited bank hours, and a lack of awareness about financial issues and a lower level of education.

Enhancing financial inclusion can result in a variety of advantages, including bettering people's lives and expanding domestic economic activity, according to the preliminary literature analysis. It also demonstrates that small enterprises gain from lending, while savings help people manage their spending. Overall, when financial inclusion plays a substantial part in the government's economic plan, the country is more effective in extending access to the many unbanked and underserved individuals and offering equitable economic possibilities. However, for all of this to happen, the government's policies must be rational and realistic. (NRB Economic Review, 2016.)

3 The Purpose, Aims and Objectives

This study attempts to discern and distinguish the importance of financial inclusion in the socio-economic development of the people living in rural Nepal, where a significant percentage of the population is unable to obtain financial services, which are critical for a country's overall economic development. The study aims to examine the relationship between financial inclusion and the socio-economic development of the people living in rural Nepal (Gadi Gaupalika, Nepal). The aims of the study are listed below:

• To analyse the level of awareness about financial services among people in the rural part of Nepal.

• To examine the difference between bank account holders and non-account holders concerning awareness of financial inclusion.

• To access the extent to which people in rural Nepal use financial services such as savings, loans, insurance and remittance.

• To determine how age, gender, income and education of people affect-their habit of using financial services

• To examine whether the background of the respondent matter in using financial services.

4 Research Setting

For this study, the population sample of Gadhi Gaupalika has been surveyed. Gadhi Gaupalika (Gaupalika in English is Village Development Community). Gadhi Gaupalika is one of the rural municipalities in Nepal located in Sunsari District of Provine 1. According to the census of Nepal 2011, the total population in Gadhi Gaupalika is 34852 (census is conducted every ten years in Nepal). The total number of male population accounts 16931 whereas female accounts to 17921 (Nepal Census 2011). In the 2011 census, male population aged between 5-25 who were currently in school/colleges were 6823 and female aged between 5-25 currently enrolled in education were 7324. So, for the research, Gadhi Gaupalika was selected because it is easily accessible and nature of population being diverse in terms of gender, literacy, household incomes, occupation. Most of the rural areas of Nepal are very difficult to access due to its geographical location/condition and accessibility by transportation. By selecting Gadhi Gaupalika, research would be conducted cost effectively, time effectively and conveniently.

5 Materials and Methods

5.1 Research design

This research employed a quantitative descriptive research design. By descriptive research design, it means that in the research process, the individuals, events, or conditions are described by studying them as they are in nature. In this type of research design, the variables are not manipulated by the researcher; instead only explains the sample and the variables as they are. (Siedlecki, S.L, 2020.) So, in order to understand the factors of financial inclusion among the inhabitants of Gadhi Gaupalika, this study is based on a survey research design. Nepal. Here, the opinions of villagers about determinants of financial inclusion were gathered and presented systematically and accurately. Hence, for this, both questionnaires and published data were used. Previous studies and research on the topic, as well as articles on the topic published in newspapers, journals, and magazines, are secondary sources of information. For the collection of primary data, a set of questionnaires was prepared and distributed among the villagers living in Gadhi Gaupalika. First, the respondents were selected randomly and given the questionnaire, and later snowballing method was used to reach more respondents. Later, friends, colleagues, relatives and neighbors of the first respondents.

5.2 Sampling

With the study's objective being to investigate the factors that influence financial inclusion, the questionnaires were distributed to 150 individuals from the village of Gadhi Gaupalika. The respondents were asked to participate in a survey, which is very common due to reduced cost, increased response rate and overall convenience. The responders were given a structured questionnaire to fill out. The questionnaire was distributed randomly on a convenience basis at the beginning to the villagers. After that, the snowballing method was used to reach friends, co-workers, nearby houses, and relatives of the respondents to collect more samples. The data came from a primary source, and it was computed using a variety of mathematical methods after it was collected.

A total of 150 questionnaires were prepared and distributed to collect primary data. The questionnaire was prepared in such a way that would help to find the awareness and effects of financial inclusion in the villages of Gadhi Gaupalika, and the influence of bank account ownership on the ease of access, availability, and usage of the formal financial system by all members of society was investigated in this study.

SPSS and MS-Excel were mostly employed to evaluate the acquired data since they serve as the foundation for computation, tabulation, and interpretation.. The reliability of scales is analysed by taking sample respondents from the maximum area of the Gadhi

Gaupalika to get an accurate result. To accomplish the study's objective, various graphs, diagrams, and pie charts have been used for analyse. The analysis result has been appropriately tabulated, compared, analysed and interpreted as far as possible.

5.3 Data Collection

The convenience sampling approach was used to collect data from a sample of 103 people using survey questionnaires, taking into account their age, educational qualifications, and profession. The age of respondents was of ages starting from 15-to 20, with education levels starting from below School Leaving Certificate level. Although questionnaires were distributed to 150 sample respondents, only 103 of them responded. Out of 103 responses, only 90 samples were included in the final analysis phase because the remaining 13 responses provided partial information, or some of the information could not be extracted properly.

Structured questionnaires were the most important tools in the study's execution. The questionnaire was created by the author to satisfy the research's stated goals. The information was gathered from primary and secondary sources. The designed questionnaire yielded the key information. Secondary data was collected from a variety of sources, including websites, papers, graduate research projects, and pertinent books. The survey mostly consisted of multiple-choice questions and ranking scale questions, which are commonly used rating scales to indicate a degree of relevance with each set of assertions. Each statement has potential possibilities on the ranking scale.

5.4 Analysis of data

Data analysis is the set of techniques and procedures that are used to describe, categories and illustrate data to generate meanings and conclusions (Shamoo & Resnik 2003). Depending upon the type of data collected, i.e. qualitative or quantitative, different methods can be applied within this stage (Saunders et al. 2009). Patton (1987) stated that during the data analysis stage, the researcher can identify and link the data with the research question to find valuable results. Sample can be presented in an ideal way by using descriptive statistics or graphs. Whether the information collected needs to be presented in a quantifiable way or intuitive way, the researcher chooses the type of research conducted. (Gormon & MacIntosh, 2015, 76.)

According to Sharma (2019, 4-5), there are mainly two objectives to performing the descriptive analysis: highlighting the potential relationship between the variables. The second is to find out the basic information about variables in the dataset. The descriptive statistical display helps simplify the enormous amount of data in an aggregated way.

Because the study is descriptive research and quantitative data has been collected, descriptive analysis of the data has been performed. The responses collected from the respondents were entered into SPSS and Excel worksheet. The data were categorized with respect to specific themes. Descriptive analysis of the data collected was performed by presenting them in different tables, figures and charts to make the results visually appealing and easy to observe. While doing this, a description and an examination relationship between and among different variables were performed. Quantitative data was collated, basic percentages were calculated, and a thorough analysis was carried out. The recommendation and conclusion are based upon the findings of the study.

6 Results

The outcomes of the data collection are presented in this chapter. It is concerned with the analysis and interpretation of primary data received from 90 respondents through questionnaire. The first section delves into the profile of the respondents as well as their demographic characteristics. It includes demographic information on the respondents, such as age, gender, income, education, occupation, and ICT. The second section I the usage of available banking services/financial services. It includes data on respondents' savings, loans, and other financial services.

6.1 Respondents' Profile

This section is dedicated to the demographic analysis and interpretation of primary data gathered through surveys. This section provides information on the demographic characteristics of the respondents. Gender, age, education, career, income, and family type are all part of the responder profile.

Ownership of respondents

The questionnaires were handed out to all types of residents in the community. The objective was to establish the percentage of respondents who owned a bank account. In Table 4.1, the frequency and percentage of responders are shown:

Table 1: Distribution of respondents based on ownership of bank account

Ownership of bank account	Frequency	Percentage
Account Holder	60	67 %
Non-account Holder	30	33 %
Total	90	100 %

(Source: Field Survey, 2022)

Table 1 show the ownership distribution of the respondents. From the above table, it is seen that out of total respondents, 60 were bank account holders and remaining 30 were non account holders. Hence, both account holder respondents comprised of 67 percent and non-account holder population comprised of 33 percent of the total sample respondents. As a result, both account holders and non-holder respondents were equally represented in this study.

Age-group of respondents

The questionnaire was sent to respondents of various ages. As indicated in Table 2, this was done to calculate the percentage distribution of age groups of persons who answered to the provided questionnaire.

Table 2 Distribution of Respondents based on Age-Group

Ownership of bank account	Age group	Frequency	Percentage
Account holder	15-24	8	13%
	25-35	38	64%
	36-45	10	16%
	46-60	4	7%
	Total	**60**	**100%**
Non account holder	15-24	5	17%
	25-35	3	10%
	36-45	18	60%
	46-60	4	13%
	Total	**30**	**100%**

(Source: Field Survey, 2022)

Table 2 show the age distribution of both account holder and non-account holder, where majority of the account holder fall under the age group of 25-35 and majority of non - account holder fall under the age group 36-45. Out of total respondents, 13 percent of account holder and 17 percent of non-account holder fell in the age group of 15-24. Similarly, 64 percent of account holder and 10 percent of non -account holder fell in the age group 25-35, 16 percent of account holder and 60 percent of non-account holder represented 36-45 age group. The age group 46-60 was represented by 7 percent of account holder and 13 percent of non-account holder. It shows that the age group of 25-35 are more aware and age group of 36-45 are less aware.

Gender of respondents

Respondents of all genders were given the questionnaire. Table 3 shows how respondents were distributed based on their gender.

Table 3: Distribution of Respondents based on gender

Ownership of bank account	Gender	Frequency	Percentage
Account holder	Male	51	85%
	Female	9	15%
	Total	**60**	**100%**
Non account holder	Male	7	23%
	Female	23	77%
	Total	**30**	**100%**

(Source: Field Survey, 2022)

Table 3 show the gender distribution of both account holder and non-account holder, where majority of the account holder are male and majority of non-account holder Female. Out of total respondents, 85 percent of male and 15 percent of female are account holder whereas 23 percent of male and 77 percent of female are non-account holder. It shows that the male respondents are more aware and female respondent are less aware about financial inclusion.

Family type of respondents

Respondents from all sorts of families were given the questionnaire. Table 4 shows the distribution of respondents based on their family type.

Table 4: Distribution of Respondents based on family type

Ownership of bank account	Family type	Frequency	Percentage
Account holder	Joint	46	77%
	Nuclear	14	23%
	Total	**60**	**100%**
Non account holder	Joint	21	70%

	Nuclear	9	30%
	Total	**30**	**100%**

(Source: Field Survey, 2022)

Table 4 show the types of family member distribution of both account holder and non-account holder, where majority of the account holder and non-account holder fall under the joint family and less number of account holders and non-account holder fall under the nuclear family. It shows that both the joint and nuclear family respondents have equal level of awareness regarding financial services.

Academic qualification of respondents

The questionnaire was distributed to account holder/non account holder possessing a variety of academic qualifications. The academic qualification of respondents is shown in Table 5.

Table 5: Distribution of Respondents based on Academic Qualification

Ownership of bank account	Academic qualification	Frequency	Percentage
Account holder	Below SLC	32	53%
	Intermediate	21	35%
	Bachelor's degree	7	12%
	Masters degree	0	0%
	Total	**60**	**100%**
Non account holder	Below SLC	19	63%
	Intermediate	6	20%
	Bachlor's degree	5	17%
	Masters degree	0	0%
	Total	**30**	**100%**

(Source: Field Survey, 2022)

Table 5 show the Academic Qualification of both account holder and non-account holder.

Majority of the account holder as well as non-account holder has not passed their SLC level education. From the above table it is seen that 32(53%) account holder and 19(63%) non account holder has not passed their SLC level examination, 21(35%) account holder and 6(20%) non account holder has passed their intermediate level education, 7(12%) account holder and 5(17%) non account holder passed their bachelor's degree and neither account holder and no non account holder have passed their masters level education. It shows that intermediate level respondents are more aware about financial inclusion.

Occupation of respondents

Respondents from various vocations were given the questionnaire. Table 6 shows the distribution of respondents depending on their occupation.

Table 6: Distribution of Respondents based on Occupation

Ownership of bank account	Occupation	Frequency	Percentage
Account holder	Farmer	28	47%
	Service	7	12%
	Business	13	22%
	Unemployed	12	20%
	Total	**60**	**100%**
Non account holder	Farmer	20	67%
	Service	0	0%
	Business	3	10%
	Unemployed	7	23%
	Total	**30**	**100%**

(Source: Field Survey, 2022)

Table 6 depicts the categorization of respondents based on occupation. The profession of respondents was divided into four categories: Farmer, service, business and unemployed. It shows that majority of the respondents were in farming profession representing 47 percent from account holder and 67 percent from non-account holder , followed by service represented by 12 percent from account holder and business represented by 22 percent from account holder and 10% from non- account holder. Out of the total respondents, 20 percent were unemployed from account holder and 23 percent from non- account holder. It shows that most of the farmers are unaware about financial inclusion whereas service holders and business persons are aware about the financial inclusion.

6.2 Management of finance and usage of banking services

This section analyses the responses on the basis of banking service used by the respondents and management of finances by them.

Household income

The questionnaire was distributed to respondents having different household income. This was further categorized into 4 categories, Below 2 lakhs, 2-4 lakhs, 4-6 lakhs and 6 lakhs and above. Household income of respondents is shown in Table 7.

Table 7 Distribution of Respondents based on Household income

Ownership of bank account	Annual Income	Frequency	Percentage
Account holder	Less than 2 lakhs	6	10%
	2-4 lakhs	31	52%
	4-6 lakhs	19	32%
	More than 6 lakhs	4	7%
	Total	**60**	**100%**
Non account holder	Less than 2 lakhs	18	60%
	2-4 lakhs	11	37%
	4-6 lakhs	1	3%
	More than 6 lakhs	0	0%
	Total	**30**	**100%**

(Source: Field Survey, 2022)

Table 7 depicts that maximum number of account holder is under the range 2-4 lakhs annual income and maximum number of non- account holder is under the range of less than 2 lakhs. This means 52 percent of account holder has household income ranging from 2-4 lakhs and 60 percent of non- account holder has annual income below 2 lakhs. 10 percent of account holder's income is below 2 lakhs and 37 percent of non- account holder has annual income ranging 2-4 lakhs. 32 percent of account holder and 1 percent of non- account holder has income ranging from 4-6 lakhs. Lastly, 7 percent of account holder has income more than 6 lakhs. It table shows that the respondent having high level of income are aware and maintain bank account while the respondents having low level of income are not aware about the financial institution and are not included in its system.

Account maintained on financial institution

The questionnaire were distributed to respondents having bank account on different financial institutions. The account maintained of respondents is shown in Table 8.

Table 8 Respondents based on Account maintained on financial institution

Financial Institution	Frequency	Percentage
CB/DB/Finance companies	23	38%
Micro finance institutions	11	18%
Cooperative banks	26	43%
Total	**60**	**100%**

(Source: Field Survey, 2022)

Table 8 show the account maintained on financial institution of account holder. Majority of the account holder has maintained account on cooperative banks. From the above table it is seen that 23(38%) account holder has maintained account on CB/DB/Finance companies, 11(18%) account holder has maintained account on microfinance institution, 26(43%) account holder has maintained account on cooperative banks. It shows that most of the respondents prefer cooperative banks.

Respondents rank on management of surplus income

The questionnaire was distributed to respondents for ranking on management of surplus income on different sectors. This was further categorized into 6 categories. The surplus money management of respondents is shown in Table 9.

Table 9: Respondents rank on management of surplus income

Bank account	**Surplus money**	**1**	**2**	**3**	**4**	**5**	**6**	**Rank**
Account holder	Keep at home	18	42	0	0	0	0	**II**
	Deposit in bank	42	18	0	0	0	0	**I**
	Lend to friends/relatives	0	0	18	12	24	6	**IV**
	Invest in own business	0	0	24	24	12	0	**III**
	Buy cattle	0	0	12	18	18	12	**V**
	Buy gold and ornaments	0	0	6	6	6	42	**VI**
Non account holder	Keep at home	30	0	0	0	0	0	**I**
	Deposit in bank	0	0	0	0	0	30	**VI**
	Lend to friends/relatives	0	4	20	6	0	0	**II, III**
	Invest in own business	0	14	10	6	0	0	**II, III**
	Buy cattle	0	12	0	18	0	0	**IV**
	Buy gold and ornaments	0	0	0	0	30	0	**V**

(Source: Field Survey, 2022)

Table 9 indicates the respondent response on ranking scores regarding management of surplus income on different sectors. In case of account holders, mean rank score for "Deposit in bank" has been ranked 1 making it the most important determinant management of surplus income. "Keeping at home" and ''Invest in own business" has been ranked as second and third priority accordingly.

"Lending to friends/relatives" , "Buy Cattle's" and "Buy gold and ornaments" were regarded as least important factors and are ranked as fourth, fifth and sixth respectively.

In case of non- account holders, rank score for “Keeping at home” is 1 making it the most important determinant management of surplus income. The second and third important factors in managing surplus income are “Lending to friends/relatives & Invest in own business”. The factors “Buy cattle’s”, “Buy gold and ornaments” and “Deposit in bank” are regarded as least important factors and are ranked as fourth, fifth and sixth respectively in case of non-account holder as well. It shows that maximum number of account holder prefers to manage their surplus income by depositing in bank and non-account holders prefer to keep at home. Whereas maximum number of account holder doesn’t prefers to manage their surplus income by buying gold & ornaments and non- account holders doesn’t prefers to deposit in bank.

Respondents reason behind low or no savings

The questionnaire was distributed to respondents having low savings. The distribution of respondents based on their reason behind low savings is shown in Table 10.

Table 10: Respondents reason behind low savings

Ownership of bank account	Reasons	Frequency	Percentage
Account holder	Lack of sufficient income	49	82%
	lack of FI awareness	3	5%
	Lack of trust in FI	8	13%
	Total	**60**	**100%**
Non account holder	Lack of sufficient income	16	54%
	lack of FI awareness	8	26%
	Lack of trust in FI	4	13%
	Inflation	2	7%
	Total	**30**	**100%**

(Source: Field Survey, 2022)

Table 10 show the reasons behind low savings of both account holder and non- account holder, where majority of the account holder 49 (82%) and non- account holder 16 (54%) reason behind low saving is lack of sufficient income. From the above table it is seen that

3 (5%) account holder and 8 (26%) non account holder reason behind low saving is lack of FI awareness. 8 (13%) account holder and 4 (13%) non account holder reason behind low saving is lack of trust in FI. Similarly, 2 (7%) non account holder reason behind low saving is inflation. Therefore, the main reason behind low saving is lack of sufficient income.

Respondents rank on family expenses based on their volumes

The questionnaire was distributed to respondents for ranking on family expenses base on their volumes. This was further categorized into 5 categories. The family expenses of respondents are shown in Table 11.

Table 11: Respondents rank on family expenses based on their volumes

Bank Account	**Expenses**	**1**	**2**	**3**	**4**	**5**	**Mean**	**Rank**
Account holder	Food and household	60	0	0	0	0	1	**I**
	Alcohol/Smoking	0	24	18	12	6	3	**II**
	Education	0	6	18	24	12	3.7	**IV**
	Health care	0	12	6	12	30	4	**V**
	Festivals	0	18	18	12	12	3.3	**III**
Non account holder	Food and household	30	0	0	0	0	1	**I**
	Alcohol/Smoking	0	14	8	8	0	2.9	**II**
	Education	0	6	0	4	22	4.5	**V**
	Health care	0	3	4	12	11	3.6	**IV**
	Festivals	0	6	15	9	0	3.3	**III**

(Source: Field Survey, 2022)

Table 11, indicates the respondent response on ranking scores regarding family expenses based on their volumes. In case of account holders, mean rank score for "Food and household" expenses is 1 making it the most important determinant of family expenses. The mean score for "Alcohol/Smoking" (3)"Festivals" (3.3) "Education" (3.7), "and "Health care" (4) is regarded as least important factors and are ranked as second, third, fourth and fifth respectively.

In case of non- account holders, mean rank score for “Food and household” expenses is 1 making it the most important determinant of family expenses. The mean score for “Alcohol/Smoking” (2.9) “Festivals” (3.3) “Health care” (3.6), “and “Education” (4) is regarded as least important factors and are ranked as second, third, fourth and fifth respectively. It shows that maximum number of account holder and non- account holders volume of family expenses is on food and house hold expenses. Whereas maximum number of account holder expends less on health care and non- account holders expends less on education.

Respondents meeting the emergency of Rs 20,000 at home

The questionnaire was distributed to respondents on how they meet the emergency of Rs 20,000 at home. The distribution of respondents based on their way of meeting 20,000 at home is shown in Table 12.

Table 12: Respondents meeting the emergency of Rs 20,000 at home

Ownership of bank account	Ways of meeting	Frequency	Percentage
Account holder	My own saving	23	38%
	Borrow from relative and friends	13	22%
	Borrow from money lenders	19	32%
	Take out loan from banks	5	8%
	Others	0	0%
	Total	**60**	**100%**
Non account holder	My own saving	7	23%
	Borrow from relative and friends	6	20%
	Borrow from money lenders	17	57%
	Take out loan from banks	0	0%
	Others	0	0%

	Total	30	100%

(Source: Field Survey, 2022)

Table 12 shows the way of meeting an emergency of Rs 20,000 at home of both account holder and non- account holder, where majority of the account holder23(38%) meets the money by their own saving and non- account holder 17 (57%) meets the money by borrowing from money lenders. Minimum number of account holders 5(8%) take out loan from bank and non- account holders 6 (20%) borrow from relatives and friends. It shows that majority of account holders meets the emergency of Rs 20,000 at home by their own savings and non- account holders by borrowing from money lenders which is 57%.

Respondents knowledge on IT services of bank

The questionnaire was distributed to respondents to find out whether they know the IT services provided by the bank. The distribution of respondents based knowing IT services provided by bank is shown in Table 13.

Table 13: Respondents knowledge on IT services of bank

Ownership of bank account	**IT Services**	**Frequency**	**Percentage**
Account holder	Mobile banking	0	0%
	Internet banking	0	0%
	SMS banking, Debit Card	27	45%
	Credit card	0	0%
	Don't know	33	55%
	Total	**60**	**100%**
Non account holder	Mobile banking	0	0%
	Internet banking	0	0%
	SMS banking, Debit	9	30%

Card		
Credit card	0	0%
Don't know	21	70%
Total	**30**	**100%**

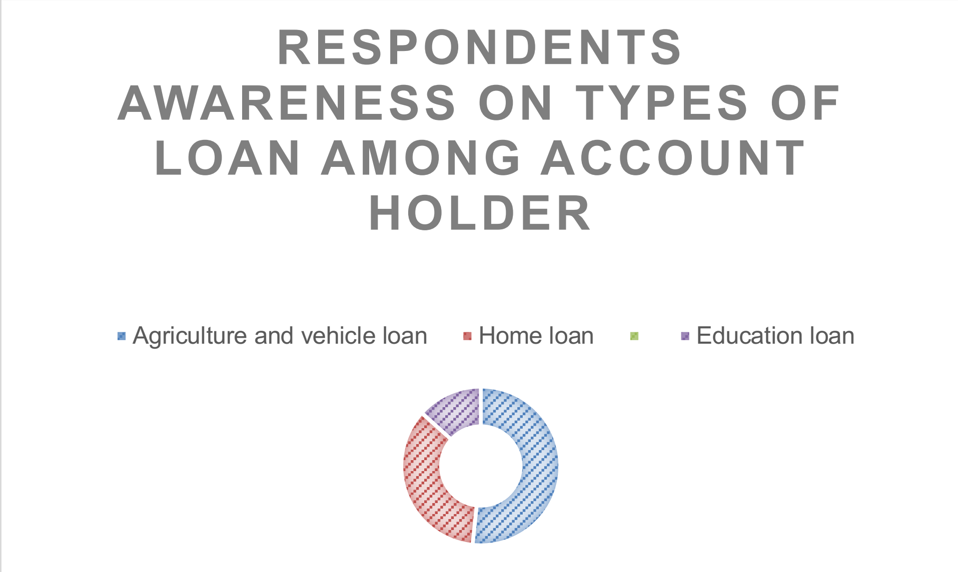
(Source: Field Survey, 2022)

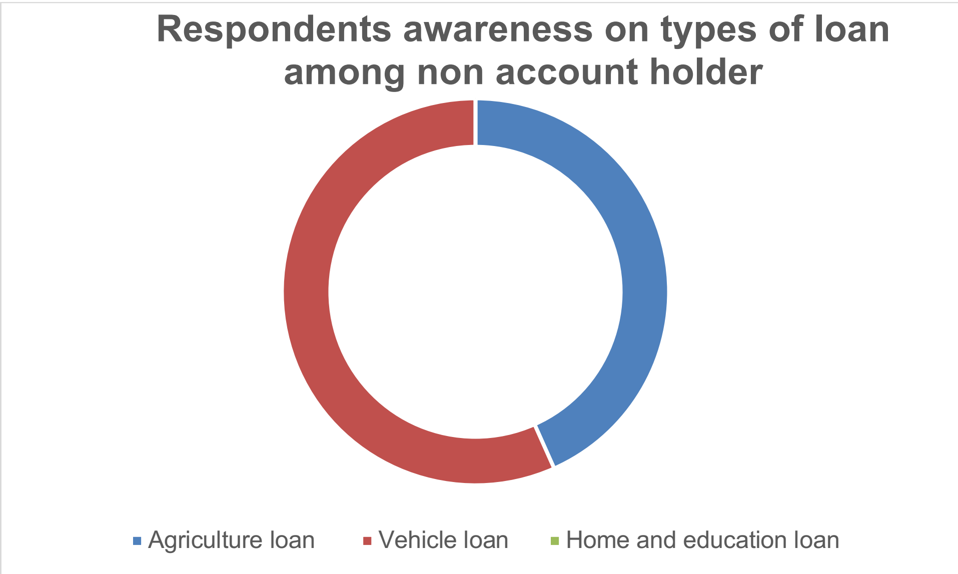
Table 13 shows the knowledge of IT services of banks of both account holder and non - account holder, where majority of the account holder27(45%) knows about SMS banking and debit card and other 33 (55%) are unaware about any kinds of IT services of bank. In case of non-account holders 9 (30%) knows about SMS banking and debit card and remaining 21 (70%) are unaware about any types of IT services provided by the bank like mobile banking, internet banking, credit card and others. So, account holders are more aware about IT services provided by the bank.

Respondents awareness on types of loan

The questionnaire was distributed to respondents to find out whether they are aware about different types of loan provided by the bank. The distribution of respondents based there awareness about types of loan provided by bank is shown in figure 1.

Figure 1 : Respondents awareness on types of loan





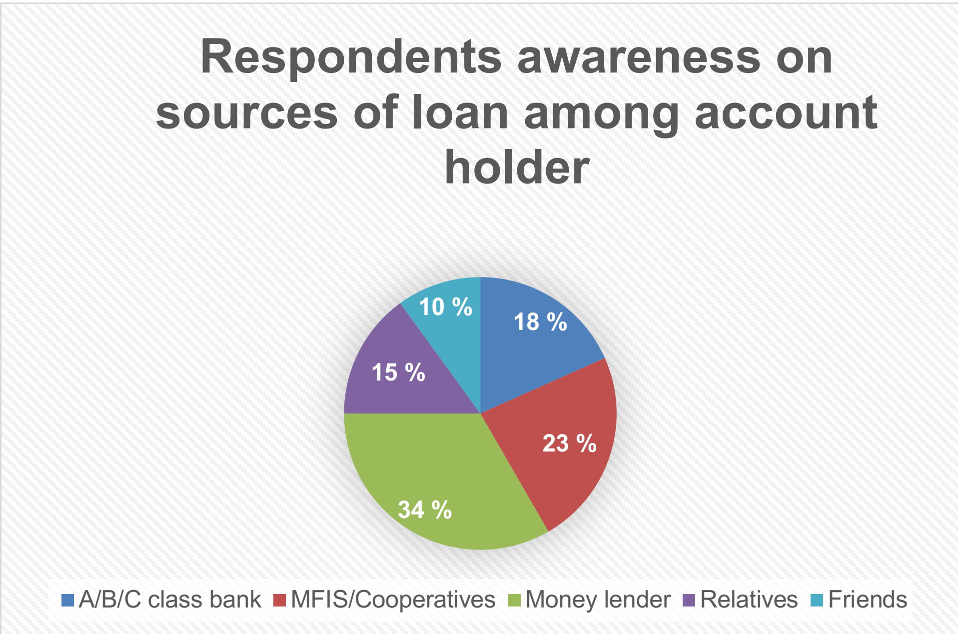
(Source: Field Survey, 2022)

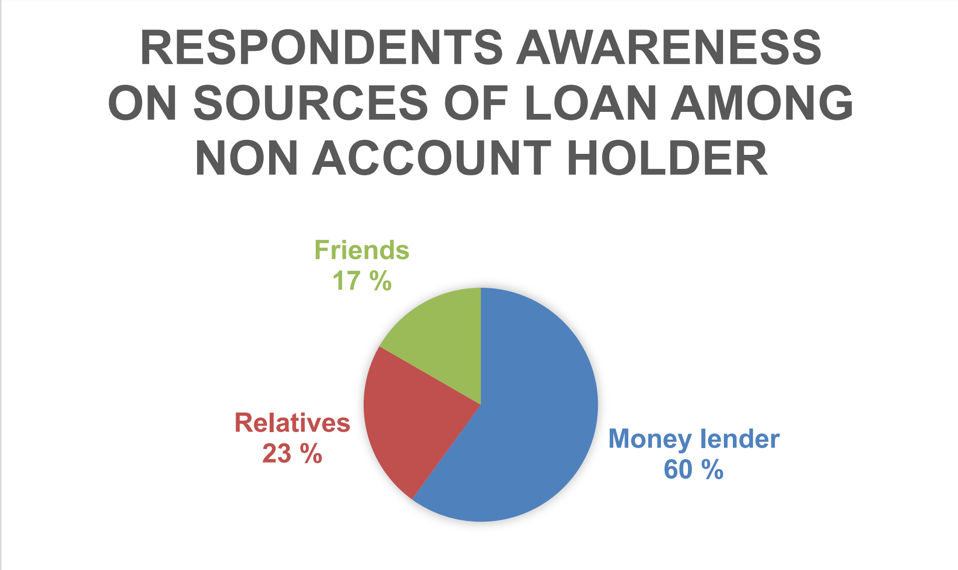
Figure 1 shows the awareness of respondent on different types of loan provided by the bank of both account holder and non- account holder, where majority of the account holder31(52%) are aware about agriculture and vehicle loan. 21(35%) are aware about home loan. 8 (13%) are aware about the education loan. In case of non- account holder, majority of the non- account holder 13 (43%) are aware about agriculture loan. 17 (57%) are aware about agriculture loan. Among non-account holders, none of them aware about the home and education loan. Therefore, most of the respondents are aware about agriculture and vehicle loan.

Respondents sources of loan

The questionnaire was distributed to respondents to find out there sources of loan. The distribution of respondents based there sources of loan is shown in Figure 2:

Figure 2 : Respondents awareness on sources of loan





(Source: Field Surrvey 2022)

Figure 2 shows the sources of loan of both account holder and non -account holder, where majority of the account holder 20 (34%) and non- account holder 18 (60%) gets loan from money lenders. From the above table it is seen that 11(18%) account holder gets loan from A/B/C class bank.

Respondents on amount of loan taken at latest

The questionnaire was distributed to respondents to find out on the amount of loan taken at latest. The distribution of respondents based on the amount of loan taken latest is shown in table 14:

Table 14: Respondents on amount of loan taken at latest

Ownership of bank account	Amount	Frequency	Percentage
Account holder	0-50,000	7	12%
	50,000-1,00,000	19	32%
	1,00,000-2,00,000	26	43%

	2,00,000 and above	8	13%
	Total	**60**	**100%**
Non account holder	0-50,000	11	37%
	50,000-1,00,000	16	53%
	1,00,000-2,00,000	3	10%
	2,00,000 and above	0	0%
	Total	**30**	**100%**

(Source: Field Survey, 2022)

Table 14 shows the amount loan taken at latest of both account holder and non-account holder, where majority of the account holder 26 (43%) falls under the amount of Rs 1,00,000-2,00,000 and non- account holder 16 (53%) falls under the amount of Rs 50,000-1,00,000. Minimum number of account holders 7 (12%) took loan below Rs 50,000 and non-account holders 3 (10%) took loan of Rs 1,00,000 -2,00,000.

Problems faced by respondents in taking loan

The questionnaire was distributed to respondents to figure out the problems faced by them while taking out the loans. The distribution of respondents based on the problems faced by them is presented in the table 15:

Table 15: Problems faced by respondents in taking loan

Ownership of bank account	Problems	Frequency	Percentage
Account holder	Documentation	16	27%
	Bribe/commission	9	15%
	Collateral	23	38%

	High interest rate	8	13%
	No problem at all	4	7%
	Others	0	0%
	Total	**60**	**100%**
Non account holder	Collateral	8	27%
	High interest rate	21	70%
	No problem at all	1	3%
	Others	0	0%
	Total	**30**	**100%**

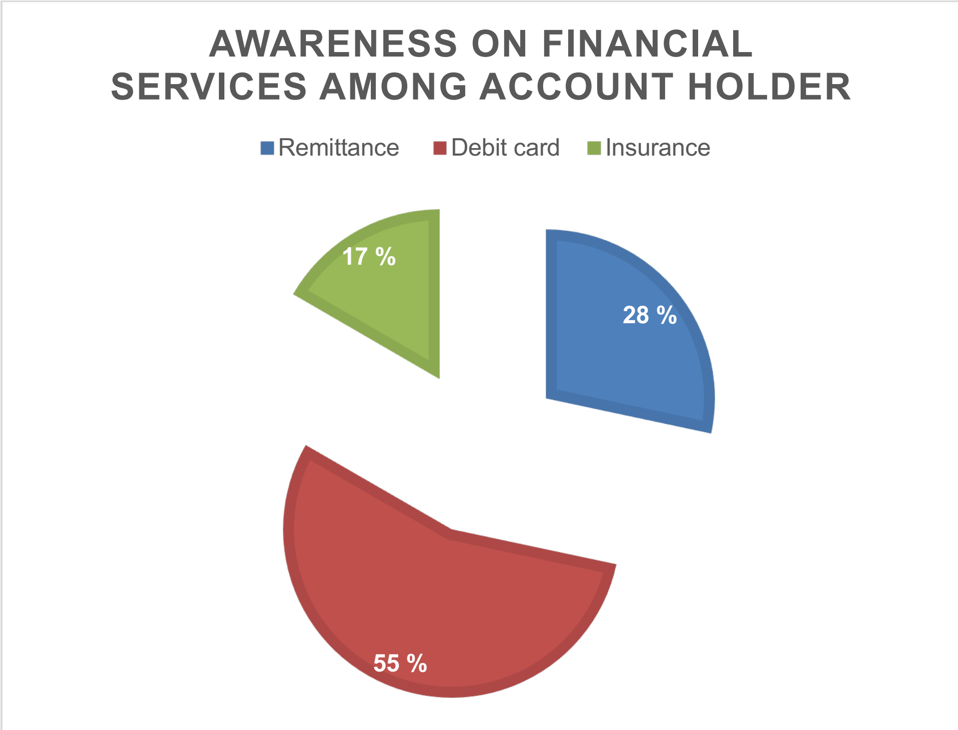
(Source: Field Survey, 2022)

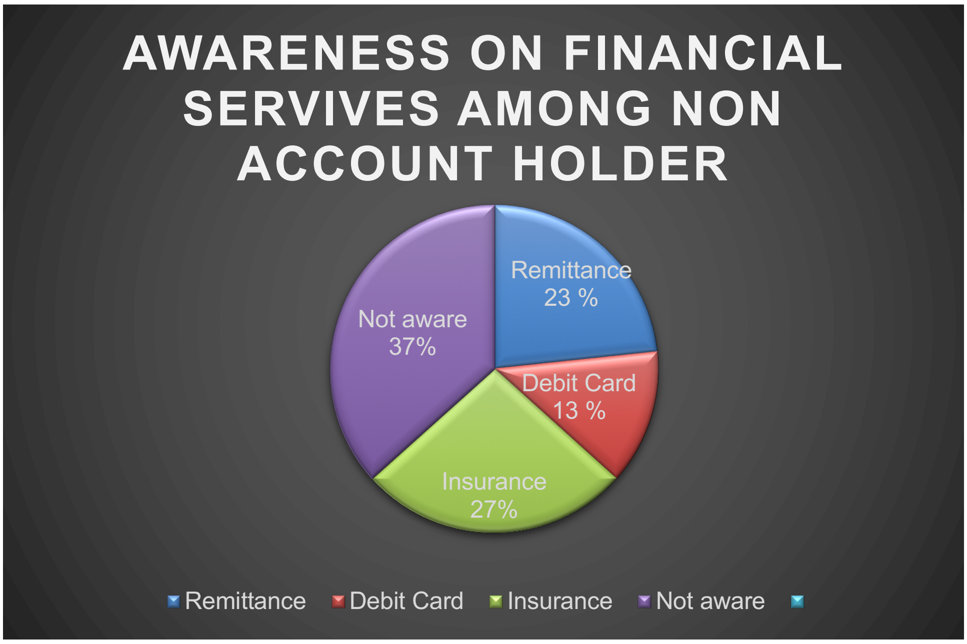
Table 15 show problems faces in taking loan by both account holder and non-account holder, where majority of the account holder 23(38%) has faced problem of collateral and non-account holder 21 (70%) faced the problem of high interest rate. From the above table it is seen that 4 (7%) account holder and 1 (3%) non account holders didn’t face any problem. It shows that non account holders are paying high interest rate on loan compared to account holders.

Awareness on Financial Services

The questionnaire was distributed to respondents to find out the awareness on available financial services. The distribution of respondents based on the types of financial services known to them is shown in the Figure 3:

Figure 3: Awareness on financial services





(Source: Field Survey, 2022)

Figure 3 shows how awareness on financial services of both account holder and non-account holder, where majority of the account holder 55 % and non-account holder 13% are aware about debit card. From the above table it is seen that 28% of account holders and 23% on non -account holders are aware about the remittance services. It shows that both account holder and non-account holder are aware about debit card. 17% of total account holders are aware about the insurance services while non account holders accounts to 27%. Majority of non-account holders which is 37% do not know about the available financial services available.

8 Discussion

The study's main purpose was to gain a better understanding of determinants and awareness of financial inclusion in the villages of Gadhi Gaupalika and illustrate the relationship between age group, gender, education status, profession, household income, and knowledge of information & communication technology with ownership of bank account. Upon examining the factors, it has been found that a relationship between them does exist.

Presented research demonstrates that age group, gender and income have a more significant impact in determining ownership of bank accounts in the rural areas.
It is very clear from the study that most of the account holders in Gadhi Gaupalika are male and non-account holders are female. The age group of 25-35 are more aware, and the age group of 35-45 are less aware of financial inclusion. Both the joint and nuclear family respondents have an equal level of awareness regarding financial services. Regarding the education qualification of the respondents, those who have an education level below School Level Certificate (SLC)were more financially included. Most farmers were unaware of financial inclusion, whereas service holders and business people were relatively more aware of financial services available and were financially included. The respondent with a high level of income maintained a bank account and knew. In contrast, the respondents who had a low level of income did not maintain any account nor knew about the available banking services.

Most of the respondents prefer cooperative banks over traditional banks. Maximum number of account holder preferred to manage their surplus income by depositing in bank and non-account holders would rather keep at home, whereas maximum number of account holder did not prefer to manage their surplus income by buying gold & ornaments and non-account holders did not prefer to deposit in bank. The main reason behind low saving was lack of sufficient income both among account holder and non-account holder. Maximum number of account holder and non-account holders' volume of family expenses was on food and household. Whereas maximum number of account holder spent less on medical expenses and non-account holders spent less on education. Depositing, withdrawing, debit card and remittance facilities were known to the respondents but they were un-ware about other banking services such as: internet banking, credit cards and insurances policies.

Respondents were aware of some forms of loans, such as agriculture loans but did not know much about others, such as personal loans, vehicle loans, education loans etc.
The majority of account holders took a high loan amount compared to the non-account holders. Both account holder and non-account holder's primary purpose for taking a loan was for agriculture purposes. The need for collateral was the biggest problem when a borrowing loan from the bank and others were not aware of the loan services provided by financial institutions. Due to that reason, most of the respondents preferred to borrow money/loans from friends and money lenders rather than from financial institutions with significantly high-interest rates.

8.1 Ethical consideration

Good scientific research involves the application of sound scientific practices to ensure reliability and good ethics. The researcher should act honestly, diligently, openly and responsibly in the various aspects of the research stages. Data accusation and research methods should be ethically sustainable and open. The research should be well designed and conducted so that the work of other researchers is taken into consideration as well. (Kuula 2006, 34-35).

TENK and ARENE, Finland's national board for research integrity, advise and define ethical criteria for research quality, requiring researchers to perform ethical thought and evaluation. In ARENE, the copyright statute compels researchers to cite the origin, author, and source in accordance with the law (ARENE 2018). The data was correctly referenced throughout the paper, and the sources were indicated. The readers should be able to link back to the source to check the proof or information is accurate, which is done through the proper methods of referencing to additional research (Tenk 2009; ARENE 2018).

In this research, the materials/information obtained from the participants were ethically and confidentially handled. Data acquired was used only for the sole purpose of writing a thesis, and after the completion of the study, all the collected materials (questionnaires) were/will be destroyed. The anonymity of the informants participating in the survey was deleted/encoded already at the early data analysis stage. The participants/respondents were informed about the nature of the study and where and how the information provided by them would be used and handled. Participants in the interview were asked for their consent in written form before collecting the data.

8.2 Reliability and Validity of data

The applied research methodology or measurement method's reliability and consistency in measuring the targeted phenomena is referred to as research reliability (Hiltunen 2009). In terms of data validity, the primary data for the study was acquired via a questionnaire prepared by the author to meet the study's objectives and goals. The results are based on the respondents' responses, and the researcher has no influence or personal opinion on them. The analysis took a lot of time and effort to reach a significant result.

According to Hiltunen (2009), the extent to which a study can explore the phenomena of interest that it was originally meant to investigate is determined by its validity. Despite the fact that earlier research findings can be related to this study's findings, the validity of this thesis outcomes, that is, the amount to which a concept is reliably quantified in quantitative research, is somewhat lacking (Heale et al. 2015). The study is based on a small sample of Gadhi Gaupalika, and the findings do not apply to all of Nepal's rural districts. Due to incomplete information/difficulty retrieving information, only 90 of the 103 obtained samples were evaluated. If all 103 responses had been analyzed, the results might have been different.

9 Conclusion

Finally to conclude, the following link between the dependent and independent variables was discovered:

• There is a strong association between age and bank account ownership.

• There is a considerable association between gender and bank account ownership, as well as a large relationship between income and bank account ownership.

• There is no substantial link between education and bank account ownership.

• There is a significant link between employment and bank account ownership.

• There is a significant link between understanding of information and communication technology and bank account ownership.

10 Recommendations

The following recommendations are pre-scripted based on the research findings to serve as a guideline for future research work of a similar nature:

• This study is purely a master's thesis research, so the sample size is small. For the professional research purpose, the sample size should be increased to reduce the error and make the result more pervasive.

• The data collection for this study happened in a single location, i.e. Gadhi Gaupalika, the Village area of Sunsari district of Nepal. As a result, the sample contained only respondents living in the village area, not considering the situation in other geographic regions. This emphasizes the need of expanding the scope of the study to include a larger and more geographically diverse sample of respondents.

• This study could not find a major connection between the independent variable (education qualification) and dependent variable(ownership of bank account), which should be studied further in the future.

• Government of Nepal should also invest in building good Information Technology infrastructure to increase the financial inclusion in Nepal. The government should also organize training programs to provide knowledge of the usefulness of the banking activities and understanding of the available financial services.

• The number of financial institutions must be increased in rural areas so that people can get easy access to loans, insurance and saving accounts.

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Questionnaire

1. Gender

Male ( )

Female ( )

Others ( )

2. Age

3. Academic qualification

Below SLC Intermediate ( )

Bachelor's degree Master's degree ( )

Professional or other degree please specify ( )

4. Occupation

Farmer ( )

Service/employed ( )

Business ( )

Unemployed ( )

5. Annual income

6. Type of family

Joint ( )

Nuclear ( )

7. SAVINGS

7. In which financial institutions do you maintain account?

Central Bank/Development Bank/Finance companies ( )

Micro finance institutions ( )

Cooperative banks ( )

No account ( )

8. How do you manage your surplus income? Rank the following attributes; 1 as mostly used followed by 2, 3, 4, 5 and 6 as least used.

Keep at home ( )

Deposit in bank ( )

Lend to friends/relatives ( )

Invest in own business ( )

Buy cattle( )

Buy gold and ornaments ( )

Others (Specify)

9. What is the main reason behind low or no saving? (Only one answer)

Lack of sufficient income ( )

Lack of Financial awareness ( )

Lack of trust in Financial institution ( )

Inflation ( )

Taxation policy ( )

Others

10. Rank the following family expenses based on their volumes? (1=High, 6=Low)

Food & Household expenses ( )

Alcohol/smoking ( )

Education ( )

Healthcare expenses ( )

Festivals ( )

11. How do you meet the financial emergency at your home?

My own saving ( )

Borrow from relatives and friends ( )

Borrow from money lender ( )

Take out loan from banks /financial institution( )

Others ( )

12. What IT services of banks known to you?

Mobile Banking ( )

Internet Banking ( )

SMS Banking ( )

Debit card Credit card ( )

13. **Which types of loan are you aware of? (Multiple answer)**

Home loan ( )

Agriculture loan ( )

Vehicle loan ( )

Education loan ( )

Other ( )

14. From which source do you take loan mostly? (Only one answer)

Banks ( )

MFIS/Cooperatives ( )

Money lender ( )

Relatives/Friends Others ( )

15. What is the amount of loan that you have taken at latest?

0 - 50,000 ( )

50,000 - 1,00,000 ( )

1,00,000 - 2,00,000 ( )

2,00,000 and above ( )

16. Which type of problem do you face in taking loan? (Only one answer)

Documentation ( )

Bribe/commission ( )

Collateral ( )

High Interest rate ( )

No problem at all ( )

Others ( )

17. What is the main purpose/use of loan? (Only one answer)

Business ( )

Agriculture ( )

Education ( )

Healthcare expenses ( )

Household expenses (marriages, festivals, food) ( )

Repay old loan (   )

Others (Specify)

18. Which of the following financial services do you aware of? (Multiple answers possible)

Insurance (   )

Remittance (   )

Mutual fund (   )

Debit card (   )

Credit card (   )

Others (   )

19. Do you have insurance policy?

Yes (   )

No (   )

20. If yes, what type of insurance policy do you have?

Life (   )

Health (   )

Cattle (   )

Crops (   )

Vehicles ( )

Others (specify)

21. If no, what were the reasons for not having any forms of insurance policy?

Too expensive, can’t afford it (   )

Don’t have anything valuable (   )

No insurance man coming to door (   )

Do not know about it (   )

Others (specify)

PARTICIPANT INFORMATION SHEET

Study title: Financial Inclusion in Gadhi Gaupalika

Invitation to participate in a research study

We'd like to invite you to take part in our research study, where we will be researching about the financial inclusion of people living in Gadhi Gaupalika. The participants will be chosen randomly and after that snowballing method will be used to approach more participants. Questionnaires will be distributed to over 120 participants.

Voluntary nature of participation

The participation in this study is entirely voluntary. You can withdraw from the study at any time without giving any reason and without there being any negative consequences. If You withdraw from the study or withdraw your consent, any data collected from you before the withdrawal can be included as part of the research data.

Purpose of the study

The purpose of the study is to examine the awareness of financial services among people living in Gadhi Gaupalika and determine the level of financial inclusion in Gadhi Gaupalika.

Who is organizing and funding the research?

The research is organized and funded by the researcher Sweta Koski alone. All the expenses occurred during the research process will be covered by the researcher. The final work after the completion of the research will be submitted to the research supervisor Marianne Pitkäjärvi of Metropolia University of Applied Sciences.

What will the participation involve?

The participants will be provided with structured questionnaire and will be asked to answer the questions by themselves. General questions regarding their income, expenses, age, gender, education level, uses of financial institution and their services will be asked .Detailed or sensitive questions will not be included in the questionnaire. The participants will be involved in just on the first phase of the collective samples and after that there will not be any contact between the researcher and the participants. The materials/information obtained from the participants would be ethically and confidentially handled. Information obtained will be used only for the sole purpose of writing thesis and after the completion of the study (June-July 2022), all the collected materials (questionnaires) will be destroyed. The anonymity of the informants participating in the survey will be deleted/encoded already at the early stage of data analysis

Possible benefits of taking part

The sole purpose of the research is to write academic thesis. There will not be any benefits to the participants from the research. However, the information provided in the final work could be beneficial for government authorities, financial institution and non-governmental organizations to understand the financial inclusion in Gadhi Gaupalika.

Possible disadvantages and risks of taking part

There is not going to be any discomforts or disadvantages to the participants in present or in the future because anonymity of the participants will be maintained throughout the research process and detailed personal information will be not asked.

Financial information

Participation in this study will involve no cost to you. You will receive no payment for Your participation.

Informing about the research results

The research is for writing Master's thesis conducted by Sweta Koski. The results will be published in the final work i.e. thesis work. Participants personal information will not be asked and will not be published in the thesis.

Termination of the study

The researcher conducting the study can also terminate the study if there will be personal complications in researcher's life.

Further information

Further information related to the study can be requested from the researcher Sweta Koski.