International Journal of Development and Economic Sustainability

Vol.3, No.6, pp.24-37, December 2015

Published by European Centre for Research Training and Development UK (www.eajournals.org)

BARRIERS OF ACCESS TO FINANCE IN NEPAL

Ramesh Prasad Chaulagain

PhD Student, Kathmandu University School of Education

ABSTRACT: *Access to finance has several meanings, reasons and consequences. Normally, access to finance has two facets, i.e. at household or individual level and business firm level (Beck and Kunt, 2008; World Bank, 2009) to reach in financial institutions to consume financial services. Many policies are formulated and practiced in Nepal to increase access to finance, still the situation is poor. Number of financial intermediaries are increased since the decades, however a larger segment of people are out of financial mainstream. Still, the people do not know about financial services, about service centers and doing business; i.e. financial literacy is poor. From this, a consistent and sustainable access of them to financial services is questionable. Access of people in financial services or access of service providers to people is a 'double barrel' question. Similarly, why the poor access among the efforts to increase it since some decades in Nepal is a big question. The paper presents some of the reasons for the poor access of people in financial services. The paper is based on analytical design with some secondary data.*

KEYWORDS*:* Barriers, Access to Finance, financial literacy, financial inclusion, development

INTRODUCTION

Philosophical Background of Nepali Financial Sector

Nepal is a liberalized country since 1980s, from then several socio-economic sectors are liberalized and privatized. As a result private sector investment in financial sector, aviation, transportation, education and tourism is increased. Before 1980, limited financial activities, limited financial expansion, and limited industrial activities were practiced. Nepal Rastra Bank (NRB), (1996) has mentioned a turning point of financial liberalization in 1984 when first joint venture bank (Nepal Arab Bank Limited) was established. NRB further mentioned that Nepali financial sector was further liberalized since the beginning of 1990s as a result proliferation of financial institutions is prevailed. Nepal Rastra Bank (2014) mentions that increasing speed of financial liberalization since early 1990s is the major turning point of increase in number of banks and financial institutions in Nepal. The deregulation process since the decade, new entry of banks and financial institutions was promoted and facilitated. The interim constitution of Nepal-2006 mentioned the private sector as an active and strong pillar of national development. The same philosophy was followed by new constitution of Nepal 2015. From this the Nepali economy is basically the market led economy where the role of private sector in development is more important. The government, according to the philosophy of liberalized country, is a promoter, facilitator and limited regulator of economy.

Paudel (2005) has mentioned that one of the major objectives of NRB Act 1955 was development of the banking system. During the period, increase in number of financial service providers was prioritized as a way of increasing access of people in financial services. However, one of the major objectives of NRB Act 2002 is building the trust and confidence of people towards financial system. It shows a paradigm shift in banking business that only expansion of number of financial institutions is not sufficient to build a sound financial system; public confidence is also a vital ingredient for that. Therefore, market liberalization provides a comfortable environment to increase people's access to financial services rather than in regulated economy. However, Khatiwada (2013) opines that the role of private sector, as an active actor of development, and the government may conflict sometimes in efficiency parameter. He further argues that private sector plays efficiency criterion for seeking more profit, if the government compels them to follow inclusion, the contradictions prevail. Trade-off between these two is an increasing challenge for liberalized economy like in Nepal.

Introduction of Access to Finance

The section presents a brief introduction and background of Nepali banking/financial sector and how the excess to finance is generally conceptualized. Some numerical data are used to describe the supply sided access situation in Nepal. Normally, people require several nature of access in lives such as access to basic needs, education, property, representation, leadership, finance and employment etc. Access to some services and facilities are similar to human right. New constitution of Nepal 2015 has assured the right to property, justice, education, employment, health, that assure the access of people in that basic human fundamentals and rights.

The financial sector of Nepal consists commercial banks and other financial institutions. Paudel (2005) has mentioned the financial system regulated by NRB includes commercial banks, development banks, finance companies, micro finance development banks and some licensed cooperatives and international financial non-government organizations (FINGOs). However, there is a strong stake of saving and credit cooperative societies (SACCOS) in Nepal outside the NRB's purview of regulation and supervision, who are doing the similar saving/credit functions as banks and financial institutions licensed by NRB do. These institutions are regulated by government of Nepal. It shows a dual regulation in the same market, i.e. by the government and monetary authority (NRB). The proliferation and structure of banks, financial institutions and cooperatives are presented in *annexure I*.

Access means different for different people. A hunger desires access to food for live, a billionaire desires access to achieve more billions. Access itself does not create a remedy of any problem but opens the door for that. In financing also, a low income and poor people wants a minimum level of financial resources from supply points whereas a big entrepreneur looks for a big amount of resources for business expansion; both are looking for their access to finance. Access, from the institutional point of view, has two facets; retaining the existing clients for the long term and search of new clients in the institutions. Access to finance from people or financial consumers point of view is always related to involuntary and involuntary access to finance. For the involuntarily excluded people, there is difficulty to get financial services in affordable cost. If one does not need any financial service, access to finance is not his/her concern. Access to finance, broadly defined as the share of households and firms that are able to use financial services if they choose to do so, can have substantial effects on welfare and can contribute to the reduction of poverty (Suarez, 2010: p5). His claim about substantial effect of access to finance may not always valid because only the access is not sufficient in financial well-being of people. World Bank (2008) has defined access to finance as supplying the financial services and proper utilization of the financial services in productive and income generating sectors.

Indicators of Access to Finance

This section presents what indicators are useful to explain about the excess to finance. The indicators help to measure the access to finance, however measuring access to finance is a difficult task. Access is not easy to measure, and empirical evidence linking access to development outcomes has been quite scarce due to lack of data (World Bank, 2008: p17). It covers both the supply and demand side indicators. The service suppliers, their service categories, properties and financial capacity of service suppliers are some of supply sided indicators that show the increase in access of people whereas in demand side, financial literacy, financial empowerment, income generation and satisfaction of financial consumers are some of the indicators. Demand side indicators in access to finance is difficult to achieve, however, it is only possible through a longitudinal and perception survey of financial consumers. Nevertheless, to cover the inclusiveness of the financial system in its various possible dimensions in a three pillared approach we consider: how many people does it cover-geographically and demographically (physical access or outreach dimension); how easy is it to undertake transactions (ease dimension); and how much does it cost (cost dimension) (Arora, 2010, p4).

Kendal, Mylenko and Ponce (2010) opine saving/credit, outreach (ATM, branches of banks and financial institutions, number of banking branches), saving and credit to GDP ratio as the major indicators to measure access to finance. Consultative Group to Assist the Poor (2009) mentions expansion of saving, credit and outreach, i.e. physical expansion of financial intermediaries as the indicators of Access to finance. However, Suarez (2010) has included total saving and total credit to total deposit ratio, and physical expansion of financial intermediaries including ATM points as the indicators of Access to finance.

Moreover, market capitalization that indicates an aggregate volume of sold ownership capital from corporate sector is also an important indicator about how much people have invested their money in income generating sectors with some risk. According to the Nepal Rastra Bank (2008) and the Nepal Rastra Bank (2015), market capitalization volume has reached to NPR 989 billion in 2015 from NPR 366 billion in 2008. Similarly, expansion of insurance coverage is another indicator of access to people in financial transaction. According to Government of Nepal (2015) the total transaction volume of the insurance industry, where there are 27 insurance companies, is found NPR 116 billion, it was in 2010 according to Government of Nepal (2010). Additionally, remittance amount, total banking assets, ratio of saving/credit to Gross Domestic Product (GDP) are also significant measurement in access to finance. All these show an increased situation of financial services from supply side.

Access to Finance and Development

This section presents some evidence and arguments that the access to finance has the links and objective of national development. However, development means different for different people. In this section, development is described as a process of making people financially sound, independent and capable to make own financial decision. For this, their access to financial services are beginning steps. It is obvious that financial sector is engine for growth and development that mobilizes the surplus financial resources to supply in needy sector mostly for productive use. It shows a development connection of access to finance by managing financial resources. "Finance is at the core of the development process. Improving access and building inclusive financial systems is a goal that is relevant to economies at all levels of development. The challenge of better access means making financial services available to all, thereby spreading equality of opportunity and tapping the full potential in an economy" (World Bank, 2008: p21). It also mentions that to promote the income equality, the access to financial services plays a vital role.

There are relationships among financial access and financial systems and economic development parameters using commonly accepted and widely available indicators: (i) financial access as related to growth and the reduction of income inequality; (ii) financial access as related to other financial sector parameters, notably financial stability; and (iii) financial access in relation to financial infrastructure and the business environment (Consultative Group to Assist Poor, International Finance Corporation, 2013). Similarly, Arora (2010) has opined the low access to finance cause income inequality, poverty and low economic growth and thereby reverse effects in national development. However, Suarez (2010) has different argument on this that the causal relationship between social and financial development, sometimes, is controversial due to complementary feature of these two variables. It means that these go somehow parallel with and without affecting each other. It also shows that access and development go simultaneously.

Nepal (2015) is in favor of access to finance because of positive contribution of literate and economically active people could contribute in financial sector stability and thereby financial development. Economic transformation implies diversifying the sources of economic growth, improving technology and human capital, and channeling financial resources more effectively toward productive investment (Khatiwada, 2013: p6). To mobilize financial resources effectively; easy, consistent and sustainable access of people to financial services are necessary. To mobilize the financial resources person's financial knowledge and skill play a vital role. Financial education can contribute to the development of financial systems and markets as well as to the promotion of more transparent competition amongst financial providers (Russia's G20 Presidency and Organization for Economic Cooperation and Development (2013: p17). Kotze and Smith (2008) argue that poor access to finance is one of the barriers to develop entrepreneurship development in South Africa. Small and cottage industries are the indigenous and local industrial base for under-developed countries like Nepal. Nash (2012) also have argued that financial literacy bridges financial inclusion with financial stability and thereby financial development of the country. The common views of these authors is the connection among financial literacy, financial inclusion, small and cottage entrepreneurial development, financial stability and development.

Barriers of Access to Finance: Facets and Reasons

This section presents the rationale of the issue in underdeveloped countries like Nepal and also presents some contemporary barriers of access to finance and its reasons. Financial development is a part of national development that is possible with easy and comfortable access of people in financial services. Access matters for all the people in terms of availability of opportunities of financing, education, representation, participation, leadership and also sometimes on control over the supply. The access depends on what the level of person's demand. The demand is influenced by existing situation. Poverty, poor education, physical distance, sub-prime and no collateral, low income of people, social discrimination (ethnic/religious minorities, untouchable and dalit), increasing cost of finance, financial market imperfections, income inequality and slow economic growth (World Bank, 2008). In mass poverty people hesitate themselves and lose their confidence of doing business. Low level of literacy of people make them unknown and innocent about their business atmosphere and about backward society. The poverty and illiteracy invites the situation of discrimination and exclusion from financial mainstream.

Beck and Kunt (2008) explain about demand sided and supply sided barriers in access to finance. Both the barriers are powerful either or. The demand sided barriers are poor financial education about how, where and how the financial services are available on what cost. When the financial consumers are not capable enough to consume financial services supplied, the access would be poor. Sometimes, there is voluntary inaccess of people financial services too, that is no more concern of access to finance activities. Supply sided access is related to availability of financial services in right time, services of right typed, in right time and in right/affordable cost. According to Fletschner and Kenney (2011) poor control over assets of women is one of the major barriers of access to financial activities, however the females are comparatively finance sensitive, i.e. minimizing wastages of financial resources than the male counterparts in their family. In Nepal too, mostly the ownership of fixed assets like land and building belong to male that create a problem of collateral while borrowing from financial institutions. Similarly, females play less decisive role than the males in household financial matters voluntarily and involuntarily.

Suarez (2010) presents financial exclusion, financial sector inefficiency and inadequacies, inflation, income inequality, poor governance and inadequate and inappropriate regulatory actions as the reasons of poor access to finance. However, he has mentioned financial culture of people, under which financial environment they live, as a new factors to affect access to finance. Financial culture is normally understood as how the people behave with money and financial activities. Improve in financial culture is the objective of access to finance. He further opines that 'fragilities in the financial system' are clear obstacles to sustainable financial access (p21). In increasing access to finance, the role of financial institutions is also vital. Basically, their priority and focus, main motive, internal capacity of doing business, institutional financial strength, autonomy of doing business, technological dependency are some of factors to influence access to finance. If these aspects are strong, viable and sustainable, it contributes to access to finance and vice versa.

According to FINMARK TRUST (2015), a survey conducted by FINSCOPE in Nepal has found that the cost of fund is major barrier of access to finance. Similarly, geographical distance for consumers to service centers, mass illiteracy about service, services and utilization of resources are also some of barriers for the access. In backward societies, some discrimination regarding caste and ethnicity, gender, minority are also the root causes of such exclusion. While increasing access of people, some regulators and role players have diversified efforts, without any consolidated approach. Due to lack of central coordination of financial service providers and monetary authority, the process of increasing access is being challenging in Nepal. Such system inefficiency create a cost of access to finance. In some cases, policy inadequacy/provisions of government and monetary authority, poor infrastructure, institutional barriers on documentation, process and procedures, lack of motivation/counselling of client, professional integrity, and skill of staffs also are recognized as the barriers of access to finance.

2053-2199 (Print), 2053-2202(Online)

International Journal of Development and Economic Sustainability
Vol.3, No.6, pp.24-37, December 2015
Published by European Centre for Research Training and Development UK (www.eajournals.org)

Access or Inclusion: A Debate

People's access to finance and their inclusion in mainstreaming financial activities in formal financial service providers are interdependent factors each other. Sometimes, these are used interchangeably that inclusion promotes access and/or access promotes inclusion. This chapter discusses whether access affects inclusion or inclusion affects access. Access from people's view is easy reach of them in formal financial market at affordable cost as and when they need it. Financial inclusion, however, is including all the people in financial service except their voluntary exclusion. Both the concepts are contemporary and emerging in financial development sector.

"Financial inclusiveness is understood as providing and ensuring reliable and affordable financial services to all segment of society. Although access to finance is necessary for all members of society, it is particularity more important for disadvantaged and low income segments of society, as it provides opportunities for them to save and invest, and protect themselves from various risks such as natural disasters, illness, and loss of livelihoods. Access to finance will enable the poor and low income people to make economic self-realization and give chances to break the vicious cycle of poverty" (Nepal, 2015). However, Inclusion does not always necessarily transform the economy, and may affect market based contribution. In such, interface between market-led economy and financial inclusion could contribute to market efficiency and inclusive growth. World Bank (2008) presents some possibilities of voluntary financial exclusion of poor people, i.e. inappropriate financial services/products offered to them by financial institutions, lack of financial awareness of the products, poor financial literacy of the people who desire to use financial services from formal sector. Similarly, it also mentions that without financial inclusion, the poor, deprived and low income people only in their own financial resources that is always scarce and limited. It means that to reduce the poverty and income inequality the inclusive finance is a major financial agenda. World Bank (2008) further mentions that financial inclusion and access to finance are similar and complement concepts.

Khatiwada (2013) has different views about inclusion that it may somehow contradict with private sector efficiency under liberalized philosophy. He argues that the government desires to promote financial inclusion in the economy whereas the market desires to operate under efficiency criteria. It simply means that the social obligation of government may sometimes contradict with profit motive of private sector. He also opines that the inclusion does not have role to transform the economy and it also is unable to maintain equity. He further says that 'the global agenda for development must focus on equity rather than limiting to inclusion which is difficult to achieve without meaningfully engaging everyone in the process and in the benefit of economic growth' (p7). But, Russia's G20 Presidency and Organization for Economic Cooperation and Development (2013) favor financial inclusion as an important to promote financial stability, economic growth and welfare of people. However, without including the excluded parts of people such as women, low income people, ethnic minorities, and untouched groups of societies the national development is questionable. Financial literacy and financial inclusion are twin pillars (Ravikumar, 2013). His emphasis is to promote financial literacy of those who are financially excluded in the society to promote financial inclusion. In the same line, Wachira and Kihiu (2012) have opine that the financial illiteracy of the people is the root for financial exclusion from mainstreaming financing activities. Both of them have common views on making people financially informed and skilled to promote access to financial services. It shows poor financial literacy as effective barrier in access.

2053-2199 (Print), 2053-2202(Online)

Remedial Steps of Access to Finance

Poor access to finance is a drawback to financial and thereby economic development of the country. This section discusses how these barriers to resolve and the access could increase. While talking about the increase of access, supply sided activities which have been done from a long before is to consider. Still, some privilege, facilities, cost minimization and other related development efforts are necessary to increase access. In demand side, the consumers are to empower though their literacy, skill, awareness, and some motivations to consumer financial services.

World Bank (2008) has advised that the government is a primary role players to promote access to finance and financial inclusion. However the same report also doubts about effectiveness of all the government actions to do so, and some actions might create counterproductive consequences too. It is so, a careful and fact based evaluation is appropriate in actions of access to finance. Khatiwada (2013) has also raised a question whether the access and inclusion may contradict with private sector investment in financial sector in the name of market efficiency and increasing access or maintaining access. World Bank (2008) has also advised to increase subsidy to promote access and maintain inclusion; however subsidizing the borrowers will not help to promote sound financial health, neither has it helped to poor in the long run. Nepal has negative experiences and long term consequences of such the credit subsidy some years back.

Another contemporary way forward for the agenda is technological development. For example, in Bangladesh, mobile banking activities for financial activities is famous and popular, so we did in Nepal but less effectively. However, Nepal Rastra Bank (2015) reports more than 0.9 million mobile banking customers in Nepal. Similarly, some financial institutions have done branchless banking in remote areas where the branchless banking is costly and less feasible. Branchless banking is a practice of delivering the resources to the needy people in their own place. It also helps to decrease the cost of funding. , Nepal Rastra Bank (2015) reports about 501 branchless banking services in Nepal. These two banking practice, mobile banking and branchless banking practices, have shifted the paradigm in banking business in Nepal to some extent. The conventional/commercial financing approach prefers the people to financial services while the recent financing trend expects the intuitional access to the people. Technology plays major role. However, increasing access is necessary but not sufficient for development. The consequences of access is to consider. However both the practices, people to banking or the banks to people should have the same mission of increase access to finance, financial inclusion and financial stability.

If the barriers, both from demand and/or supply sides, are minimized the access to finance is increased and vice-versa. In this, one of the effective model to increase access to finance in Nepal is cooperative societies. However, it is not our typical model, its contribution in increasing access of people is significant. According to the data of Government of Nepal (2015), there are more than 32 thousand cooperative societies established in Nepal including around 13,400 saving and credit cooperatives in the review period, others are based on different subjects than the saving and credits. Total members of all types of cooperatives are around five million because the cooperatives in Nepal are member based financial intermediary.

Financial Literacy: A Milestone in Access to Finance

This section discusses about contribution of financial literacy to increase people's access to financial services. Financial literacy is a set of financial knowledge and financial skill that people can learn from formal, semi-formal and informal educational sources. Sometimes persons are financially literate to some extent by their friends, Medias, family, financial institutions and by their own efforts and experiences. Australian Securities and Investments Commission (2014) presents four dimensions of financial literacy, i.e. financial knowledge, skill, attitude and behavior of persons. However, Organization for Economic Cooperation and Development (2005) also presents the same dimensions of financial literacy and connects financial literacy as a tool to promote access to finance of individuals.

Gillen and Loeffler (2012) opine that marginalized people lack access to financial resources that promotes the poverty and deprivation. The strategic plan of Nepal Rastra Bank (2012) presents a poor situation of financial literacy in women, low income and marginalized people and provides a policy input to promote financial literacy to increase their access in financial services. Similarly, Government of Nepal (2014) has also mentioned that poor access to financial services of people could be resolved by promoting financial literacy to more extent. In the same line, Nepal Rastra Bank (2015) has mentioned in its monetary policy that increasing financial literacy is useful to minimize the poor access to finance of the people. Financial Stability Report of Nepal Rastra Bank (2014) also has mentioned that there is close and positive relationship between access to finance and financial literacy. World Bank, (2008) advices to promote financial literacy to the people to increase their access to financial services. Xu and Zia (2012) have opined that financial literacy and access to finance have causal relationship each other. (Beck and Kunt 2008) argued that financial illiteracy causes a high degree of financial exclusion.

Russia's G20 Presidency and Organization for Economic Cooperation and Development (2013) also mentions that basic objectives of financial literacy are increasing participation of people in formal financing activities and empowering people for better use of these services. But,

Households' access to financial services is not based on levels of financial literacy but rather on factors such as income levels, distance from banks, age, marital status, gender, household size and level of education (Wachira and Kihiu, 2012). All the arguments are based on close connection of financial literacy, financial inclusion and access to financial services. As discussed about demand sided access to finance per se, the financial literacy is helpful in promoting financial demand of the people. From such the literacy ability, people are well informed about financial services, service providers and cost of financial services. Financial services not only is useful for gaining financial knowledge but also to retain financial and entrepreneurship skills. However, the financial literacy alone is not a panacea to solve all the financial and non-financial problems of the people. It increases the likelihood for getting better opportunities in the market due to proper financial information. It is also to consider that not all the people need the same contents and type of financial knowledge and skill, whereas it is contextual and relative.

DATA AND DISCUSSION

The following annexures present the situation of indicators per se about supply sided financial institutions and services in Nepal. In the review period, the number of saving and credit cooperatives are consistently increasing since last eight years as shown in first table (*Annexure I)*. The growth of banks and financial institution (Class A, B, C, and D) are about constant and then gradually decreasing in the review period. Nepal Rastra Bank (2010) has postponed licensing of new banks and financial institutions for further consolidation of established institutions. The second table in *annexure II* presents the situation of access to finance indicators such as amount growth of saving, credit, Gross Domestic Product (GDP), assets of financial institutions etc. The volume of all the indicators are increasing consistently throughout the review period. Similarly, the ratio of all the indicators with GDP and aggregate saving per head are also increasing throughout the review period. The table (*annexure III*) shows the situation of ten additional major indicators of increasing access of people in financial services. However, the comparative data is not available of the indicators, the data is in expanding order in Nepal since the period.

All the indicators have shown an increasing number of institutions, services, ratios and coverage of financial services gradually. But the services are not equally and proportionately diversified within the country as the population distribution. Some of the districts have very poor situation of access and some have relatively satisfactory (*see annexure IV*). The population per branch, according to the table in *annexure IV*, ranges between below than 2000 and more than 72000, that shows a wider variation of access. Some of the districts are highly remote and some of the rural areas are still outside the formal financial services. It shows an increasing challenge in access to finance in Nepal. The concentration of financial institutions are found towards urban and semi-urban districts of the country. And also the financial services are in multiple form, i.e. a people might have holding more than one account in saving and credit. The credit and saving amount might have highly held by limited and elite persons who have financial and personal access to the resources. Therefore, the increasing access from supply side also does not seem effective.

CONCLUSIONS

Half of world adult population does not have a bank account whereas about 75 percent poor people are found unbanked (Consultative Group to Assist Poor, International Finance Corporation, 2013). According to Nepal (2015), the journey to achieve universal access to finance by 2020 is a challenging task. If the access situation is poor, now there is a big question about to whom the prevailing financial system is serving? Who are consuming the increasing financial services around the world, so as in Nepal? Where the financial regulators and actors are focusing towards their efforts and service claims? This chapter concludes with raising some genuine, relevant and contemporary issues within access to finance agenda, basically focusing Nepal.

First: it is required to be clear about access to finance whether it is an issue, a problem, a cause of financial backwardness of the country or a consequence of financial actions done by financial market regulators and actors. I argue that the access to finance is a financial issue and to some extent it is problem of underdeveloped countries like Nepal.

2053-2199 (Print), 2053-2202(Online)

Second: who is responsible to increase access capacity of people, whether government, financial role players, monetary authority, general people who are seeking financial services or of mix of them? I argue that major role to increase access to people is of central bank, i.e. Nepal Rastra Bank in Nepal. It is because, the monetary authority has the regulatory and supervisory authority to expand the services of banks and financial intermediaries. However, from demand side, central banks, financial intermediaries and people themselves are responsible to be/make them empower, literate and active in consuming financial services from formal financial sector.

Third: is it a panacea for low income and unemployed people? Not exactly, the access to finance itself is a way of providing financial services with low possible cost and as required to the people; but it itself is not a panacea of financial problems.

Forth: whose access is to prioritize, service suppliers, or of people? Normally, we talk about access of people in financial services that focus how the people be informed, ready and active in consuming financial services. Conventional paradigm of banking prefers access of people to financial services, modern banking prefers access of institutions to people, however both helps people be benefitted.

Fifth: what to prioritize-market liberalization/efficiency or inclusion/intervention? Interface between market led financial activities where the private sector financial intermediaries focus to their efficiency and the active action of maintaining financial inclusion is necessary these days; hence the Nepali economy is mix of private and public sector efforts in development.

Sixth: what are the forward and backward linkages of access to finance, i.e. what affects access and what result the access brings in financial market and thereby in economy is to consider. Access to finance is an absolute agenda in economy; it is affected by government, central bank, financial role players and other's efforts; however, its goal is to improve people's financial lives.

Seventh: multiple financing (Nepal Rastra Bank, 2014) and duplication of financial services are increasing problem in financial sector and play a reverse role in sustainable access to finance. The problem also indicates an inefficient trend of financial market. Consultative Group to Assist the Poor (2006) has estimated that about one third of total deposit accounts of the developing countries are multiplied (p6). Similarly, Ferrari, Jaffrin, and Shrestha (2007) argue an unfair concentration of financial institutions in privileged, urban and semi-urban areas of the country. It give rise to an unequal distribution of establishment of financial intermediaries. Meanwhile, World Bank (2008) advises to distinguish between voluntary and involuntary exclusion of people in financial services. If some people do not desire to involve in financial activities voluntarily, or if they do not need the financial services for particular period of time, access may not be a problem for them.

Beck and Kunt (2008) opine that the access to finance is an unfinished agenda, i.e. it goes continue because a degree of access remains always exist in the world. Neither access to finance is a single time campaign in financial business, nor full degree of access is possible; it is a relative and contextual concept. However, a minimum degree of access helps to develop financial market, economic development and thereby aggregate development of the country. So the access and market have two razors; i.e. market development affects the access and sometimes access also affect market perfections. Aggressive access to finance activities may create counter production in the economy by hampering the efficiency of market, because without mobilizing private sector, expanding excess is quite a difficult task for central bank. It's a continue process rather an occasional sentiments. To achieve a sound financial infrastructure, access to finance is important.

REFERENCES

Arora, R. U. (2010). *Measuring access to finance*. Griffith University. Discussion Paper. ISSN1837-7750

Australian Securities and Investments Commission. (2014). *National financial literacy strategy*: ASIC

Beck, T. & Kunt, A. D. (2008). Access to finance: An unfinished agenda. *The world Bank Economic Review, 22*(3), 383-396.

Consultative Group to Assist the Poor. (2006). *Access for all: Building inclusive financial system*. Washington, USA. CGAP

Consultative Group to Assist the Poor. (2009). *Financial access; Measuring access to financial services around the world*. Washington, USA: CGAP

Consultative Group to Assist the Poor, International Finance Corporation. (2013). *Financial access 2012: Getting to a more comprehensive picture*. Washington: Authors.

Ferrari, A, Jaffrin, G. & Shrestha, S. R. (2007). *Access to financial services in Nepal*. Washington D.C., the World Bank.

FINMARK TRUST. (2015). *Fin Scope consumer survey Nepal, 2014*. Johannesburg: Author

Fletschner, D. & Kenney, L. (2011). *Rural women's access to financial services credit, savings and insurance*. ESA working paper. The Food and Agriculture Organization of United Nations

Gillen, M. & Loeffler, D. N. (2012). Financial literacy and social work students: Knowledge is Power. *Journal of Financial Therapy, 3*(2), 27-38.

Government of Nepal. (2010). *Economic survey of fiscal year 2009/10*. Kathmandu, Nepal: Author

Government of Nepal. (2014). *Economic survey of fiscal year 2013/14*. Kathmandu, Nepal: Author

Government of Nepal. (2015). *Economic Survey of fiscal year 2014/15*. Kathmandu, Nepal: Author

Kendal, J., Mylenko, N., & Ponce, A. (2010). *Measuring financial access around the world*. Policy research working paper. World Bank

Khatiwada, Y. R. (2013). *Forward looking macroeconomic policies for inclusive and sustainable development in Asia- Pacific segion*: A Commentary. Bangkok

Kotze, L. & Smith, A. V. A. (2008). Personal financial literacy and personal debt management: the potential relationship with new venture creation. *SAJESBM NS, 1*(1), 35-50

Nash, D. R. (2012). Financial literacy: Indian scenario. *Asian Journal of Research in Banking and Finance, 2*(4), 79-84.

Nepal, C. (2015). *National conference on financial inclusion in Nepal*: A key note speech. Kathmandu, Nepal: NRB, UNCDF and UNDP

Nepal Rastra Bank. (1996). *40 Years of the Nepal Rastra Bank*. Kathmandu, Nepal: Author

Nepal Rastra Bank. (2008). *Monetary policy for the fiscal year 2008/09*. Kathmandu, Nepal: Author

Nepal Rastra Bank. (2010). *Monetary policy for the fiscal year 2010/11*. Kathmandu, Nepal: Author

Nepal Rastra Bank. (2012). *Strategic plan (2012-16)*. Kathmandu, Nepal: Author

Nepal Rastra Bank. (2014). *Financial stability report*. Kathmandu, Nepal: Author

Nepal Rastra Bank. (2014). *Monetary policy for the fiscal year 2014/15*. Kathmandu, Nepal: Author

Nepal Rastra Bank. (2015). *Monetary policy for the fiscal year 2015/16*. Kathmandu, Nepal: Author

Organization for Economic Cooperation and Development. (2005). *Improving financial literacy: analysis of issues and policies*: OECD

Paudel, D. P. (2005). Financial sector development. *Nepal Rastra Bank in 50 Years*. Kathmandu, Nepal: Nepal Rastra Bank

Paudel, N. P. (2005). Financial system and economic development. *Nepal Rastra Bank in 50 Years*. Kathmandu, Nepal: Nepal Rastra Bank

Ravikumar, T. (2013). Perceptions towards financial literacy in India. *Research Journal of Social Science and Management*, *2*(9), 61-69.

Russia's G20 Presidency and Organization for Economic Cooperation and Development. (2013). *Advancing national strategy for financial education*. Authors

Suarez, L. R. (2010). *Access to financial services in emerging powers: Facts, obstacles and policy implications*. Washington DC. OECD

Wachira, M. I. & E. N. (2012). Impact of financial literacy on access to financial services in Kenya. *International Journal of Business and Social Science*, *3*(19), 42-50.

World Bank. (2008). *Finance for all? Policies and pitfalls in expanding access*. World Bank Policy Research Report: WB

World Bank. (2009). *The case for financial literacy in developing countries; Promoting access to finance by empowering consumers*. The international Bank for Reconstruction and Development. Washington, USA: WB

Xu, L. & Zia, B. (2012). *Financial literacy around the World: An overview of the evidence with practical suggestions for the way forward*. World Bank Working Paper 6107

ANNEXURE I

Structure of Nepali Banks and Financial Intermediaries

S.N.	MP Year	Class A	Class B	Class C	Class D	SACCOS	Total
1	2015/16	30	79	50	36	13,413	13,608
2	2014/15	30	84	53	37	12,983	13,187
3	2013/14	31	86	59	31	12,614	12,821
4	2012/13	32	88	70	23	11,392	11,605
5	2011/12	31	87	80	21	10,558	10,777
6	2010/11	27	79	79	18	8,000	8,203
7	2009/10	26	63	77	15	NA	181
8	2008/09	25	63	78	12	NA	178

Source: Monetary Policy (from 2008 to 2015), Nepal Rastra Bank: data compiled by author

NA: data not available

ANNEXURE II

Some financial access indicators (Rupees in billions) of financial intermediaries

SN	Indicators	2008	2009	2010	2011	2012	2013	2014	2015
1	Total deposits	5,09	6,75	7,88	8,74	10,77	15,57	15,20	17,62
2	Total credits	3,92	5,12	6,21	7,19	8,08	9,79	11,81	13,58
3	Total assets	7,06	9,89	10,27	11,66	13,81	16,21	19,14	21,94
4	Nominal GDP	8,18	9,60	11,71	13,46	15,58	17,01	19,29	21,25
5	Total Deposit/GDP	62.18	70.27	67.30	64.91	69.10	91.54	78.84	82.92
6	Total Credit/GDP	47.84	53.31	53.02	53.40	51.83	57.56	61.92	63.91
7	Total Assets/GDP	86.31	103.01	87.67	86.66	88.63	95.27	99.23	103.24
8	Per capita deposit (Rs)	21,982	29,138	34,040	32,969	40,636	58,777	57,386	62,747

Source: Banking and financial statistics, August 2015, Nepal Rastra Bank

ANNEXURE III

Some Other Indicators of Access to Finance

S.N.	Indicators	Situation	S.N.	Indicators	Situation
1	Density of BFI branches*	7,288	6	No of ATM machines*	1,721
2	No of deposit accounts	1,43,34,000	7	No of branchless banking	501
3	No of credit accounts	10,08,000	8	No of Mobile banking customers	9,13,000
4	No of people using debit cards	43,60,000	9	No of BFI branches*	3,448
5	No of people using credit cards	59,352	10	No of credit cards*	43,895

Source: Nepal Rastra Bank, (2015. Monetary Policy for the Fiscal Year 2015/16

** Banking and financial statistics, August 2015, Nepal Rastra Bank*

ANNEXURE IV

The districts having most and least financial access in Nepal (from A, B and C Class FIs only)

S.N.	Districts	Total population per branch	S.N.	Districts	Total population per branch
1	Bajura	72,026	1	Mustang	1,810
2	Bajhang	69,043	2	Manang	2,154
3	Kalikot	48,962	3	Kaski	3,419
4	Jajarkot	45,840	4	Kathmandu	3,654
5	Achham	45,183	5	Chitwan	4,478
6	Rautahat	41,946	6	Lalitpur	4,671
7	Rolpa	38,473	7	Myagdi	5,129
8	Salyan	36,562	8	Rupandehi	5,694
9	Mahottari	34,960	9	Bhaktpur	6,529
10	Dailekh	34,720	10	Tanahu	7,261

Source: Nepal Rastra Bank (Banking and Financial Statistics, 2015 August)