**Abstract: Financial Inclusion and Economic Growth in Nepal**

Financial inclusion is the ease of access and availability of formal financial products and services –credit, insurance, payments, savings, and transaction facilities– to individuals and businesses. Coined by The World Bank as a “key enabler to reducing poverty and boosting prosperity", financial inclusion has been growing in popularity as a crucial factor for economic development in low-income countries. Through providing easier access and appropriate services to everyone, including the poor, financial inclusion is expected to reduce transaction costs and inefficiencies, increase productivity, and promote economic development. In Nepal, providing banking services for the “unbanked” population, especially from the country’s rural region, remains a big challenge. This research investigates supply-side factors that limit financial inclusion. Additionally, it studies the impact of financial inclusion on economic development in Nepal.

The research finds that only 17 out of 75 districts in Nepal had commercial bank branches higher than the average of 16, while 12 out of 75 districts had only 2 commercial bank branches. The results also show an unequal distribution of bank branches throughout districts in Nepal with high concentration in urban areas, including Kathmandu. Besides, based on the district-level data from the Nepal Census 2011 and Nepal Human Development Report 2014, the number of commercial bank branches has a strong positive correlation with Per Capita Income (PCIN). Further analysis of data and literature shows that inefficient allocation and expansion of banking services undermines financial inclusion in Nepal. The results also provide support for the hypothesis that financial inclusion promotes economic development; notwithstanding empirical research using a regression analysis, including district level cross-sectional study of Nepal is required to draw conclusions and policy recommendations.