

# Financial Inclusion Index for Nepal

**F**inancial inclusion has become an important national priority in recent years. Ensuring that all citizens—especially those in rural, remote, or underprivileged communities—can access financial services is essential for inclusive economic growth. In this context, Nepal Rastra Bank (NRB) has developed and will regularly update the **Financial Inclusion Index (FII)** to measure and monitor progress in this area.

The FII is a composite index that measures the extent of financial inclusion based on three key dimensions: **Access, Usage, and Quality**. It includes a broad range of financial services such as banking, digital payments, insurance, microfinance, securities market (investment) and social security. The FII helps policymakers understand where progress is being made and where further efforts are needed to ensure that financial services reach everyone, fairly and effectively.

The FII is calculated using a method similar to the Human Development Index (HDI), with values normalized on a scale from 0 to 1. A higher score indicates greater financial inclusion. The current version of the index has been developed using 55 different indicators across the three dimensions. Among these, 15 indicators represent Access, 15 represent Usage, and 25 represent Quality.

Each dimension of the index carries a specific weight: **Access** is given 35%, **Usage** 45%, and **Quality** 20%. These weights have been determined based on expert judgment due to the lack of long-term time-series data, with more emphasis placed on the actual use of services and digital financial tools. The indicators were selected and the index methodology was developed by an Interdepartmental Task Force comprising officials from various departments within the NRB.

This index reflects improvements not only in the number and types of financial services available but also in how they are used and perceived by the public. Compared to the previous index value of **0.40 in fiscal year 2021/22**, the FII has increased to **0.47 in 2023/24**, showing significant progress over three years.

Specifically, the **Access Index** improved from **0.38 to 0.47**, indicating that more financial institutions, digital tools, and channels are reaching the population. The **Usage Index** rose from **0.43 to 0.49**, reflecting an increase in the use of digital payments, banking transactions, and financial services overall. The **Quality Index**, which measures aspects like financial literacy, customer satisfaction, barriers to access, and consumer protection, increased from **0.36 to 0.41**. While the growth in the Quality dimension is more modest, it signals progress in areas like transparency, fairness, and inclusiveness in the financial system.

The index has been refined and improved based on consultations with stakeholders and through learning from international experiences—particularly from knowledge-sharing programs with the Reserve Bank of India (RBI).

Nepal's Financial Inclusion Index shows that while there has been meaningful progress in bringing more people into the formal financial system, there is still room for improvement, particularly in improving service quality and ensuring equal access for all. Continued efforts in financial literacy, innovation in service delivery, digital infrastructure, and customer protection will be vital for moving toward a more inclusive and sustainable financial system.



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