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From Literacy to Opportunity: Financial Literacy through Entrepreneurship Education in South Asia

Aarnav Hiranandani

American School Dubai

ABSTRACT

Across the developing world, financial literacy and access to financial services are increasingly recognized as crucial elements for economic growth and poverty reduction. A lack of financial literacy can trap people in poverty by limiting their ability to save, invest, and insure themselves against financial shocks. With financial education and higher levels of government support, these issues could be avoided. This article will analyse how quality financial literacy education integrated with entrepreneurship skills can create pathways to opportunity and prosperity for underserved populations in South Asia.

Keywords: Government, Empower, Policymakers, Poverty, Prosperity

INTRODUCTION

In South Asia, home to 1.9 billion people[1], large swathes of the population remain unfamiliar with basic financial concepts. New research shows that innovative programs that combine entrepreneurship education with financial skills training can successfully boost financial inclusion in South Asia while empowering people to start small businesses and lift themselves out of poverty.[2] An example of how the absence of financial literacy impacts people is the loan shark cycle that a lot of poor farmers in India get trapped in. Due to a lack of financial literacy, these farmers choose to take loans from individuals who will charge them extortionate amounts of interest instead of from a government lending facility, and end up in generations-long cycles of poverty and debt.[3] Financial literacy levels remain persistently low across South Asia compared to other regions. According to S&P Global's 2021 Global Financial Literacy Survey, only 33% of adults in India and 26% in Bangladesh are financially literate, versus 71% in Singapore and 57% in China.[4] Policymakers in underserved countries in the Global South would do well to create a persistent, permeating focus on producing effective and efficient programs focused on financial consumer protection efforts. Access to financial services aside, if a population is unable to understand how to use said services, they become redundant. Thus, governments and policymakers alike should recognise the need for effective financial literacy programs. Another argument for the implementation of financial literacy programs is the growth and rapid spread of increasingly complex financial services, i.e., that these services are not only increasing in quantity but in complexity as well, is creating a need for financially literate populations in order to make use of these services. Chu, Wang, Xiao, and Zhang (2017) explore the state of China's financial markets and relate this to the levels of financial literacy in the population.[5] The

[1] Quadir, I. Z. (2012). Entrepreneurship Training for the Developing World. *Science*, *335*(6075), 1445–1446. http://www.jstor.org/stable/41507518

[2] Rose, S. L., & Morrison, J. E. (2017). Improving Financial Literacy. In *Effective Financial Decision Aids* (pp. 1–3). Institute for Defense Analyses. http://www.jstor.org/stable/resrep22790.5

[3] Levin, G. (2012). Critique of Microcredit as a Development Model. *Pursuit*, *4*(1). Retrieved on Sept 7, 2023 from <https://trace.tennessee.edu/pursuit/vol4/iss1/9/>

[4] S&P Global Finlit Survey. Retrieved on Sept 6, 2023 from <https://gflec.org/initiatives/sp-global-finlit-survey/>

[5] Chu, Z., Wang, Z., Xiao, J. J., & Zhang, W. (2017). Financial Literacy, Portfolio Choice and Financial Well-Being. *Social Indicators Research*, *132*(2), 799–820. https://www.jstor.org/stable/48715782

authors chose China due to the current literature's focus on Western countries in their analyses of financial literacy and hence decided to take a different route. China's financial service industry, in addition to a new and flourishing stock market trading system, relies largely on personal investments and mutual funds to indicate its prosperity.[6] In their study, they found that the overwhelming majority of households in mainland China (98.9%) report the ownership of some financial assets. The Chinese population, hence, should be regarded as being fairly financially educated, with their efforts toward personal investments and financial well-being leading to the prosperity of the country's economy as a whole. A country's biggest resource when it comes to economic and financial prosperity, therefore, is its people- as so clearly demonstrated by the case of China. Financial literacy in itself is important not only to safeguard the economic future of a country but also to ensure the safety and security of the individual components of its population.[7] In 2008, after the financial crisis, the United States Government noticed an uptick in the number of financial scams that people were falling victim to. Their subsequent campaigns to bring awareness to these issues have been credited as the reason for higher rates of financial literacy among the elderly in the USA.[8] Considering this example, it is clear that financial literacy and economic well-being are important to ensure a better, more fiscally inclusive environment within a country. Additionally, financial literacy may lead to the reduction of poverty in two ways. Firstly, the availability of financial education and resources increases an entrepreneurial drive, which encourages personal financial growth.[9] Secondly, as mentioned earlier, financially educating marginalised and poorer sects of the population allows for a more equal distribution of resources, which allows financial leverage to these groups, which ultimately helps reduce poverty.[10]

BACKGROUND

Taking the evidence presented thus far, governments and policymakers should divert their focus toward improving their populations' access to financial education and overall levels of financial literacy. One innovative approach to boosting financial literacy and inclusion is integrating entrepreneurship education into literacy programs.[11] Small business training helps participants understand concepts like budgeting, saving, borrowing, and managing cash flows in a practical, real-world context. For example, the Rural Self Employment Training Institutes in India have trained over 6 million youth in vocational skills and basic financial literacy as a pathway to self-employment.[12] Programs focused on women, like the Self-Employed Women's Association (SEWA), empower female entrepreneurs to start businesses while gaining financial skills through self-help groups. By targeting underrepresented groups within populations, governments can not only improve the nation's rates of financial literacy but can also allow for the empowerment of these underrepresented minorities. The importance of doing so lies not only in boosting the economy but also in ensuring equity and financial independence for groups who may not always be afforded these things. Furthermore, financial education may also instill a sense of independence and entrepreneurial spirit in a larger percentage of the population.

In addition to basic financial literacy, another necessary element of economic prosperity is some degree of entrepreneurship education. Research shows entrepreneurship training not only boosts incomes but also spurs greater personal saving, investment in education and health, and financial resilience against emergencies.[13] Pakistan is a good example to help understand how financial and entrepreneurial education would allow for a financially inclusive economy. Pakistan's levels of financial inclusion are very low- with only 13% of the population holding bank accounts. On analysing the causes for such low rates of inclusion and education, Nelson (1977) discovered that sex differences in financial inclusion were very apparent, with males having higher rates of financial inclusion than women. Furthermore, education levels were also determinate of this factor- with 15% of financially educated individuals having secondary or higher levels of education. Similarly, 11% of people living out of poverty were financially included, as compared to

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[6] Ibid.

[7] Lusardi, A., & Mitchell, O. S. (2014). The Economic Importance of Financial Literacy: Theory and Evidence. *Journal of Economic Literature*, *52*(1), 5–44. http://www.jstor.org/stable/24433857

[8] Ibid.

[9] Zulfiqar, K., Chaudhary, M. A., & Aslam, A. (2016). FINANCIAL INCLUSION AND ITS IMPLICATIONS FOR INCLUSIVE GROWTH IN PAKISTAN. *Pakistan Economic and Social Review*, *54*(2), 297–325. https://www.jstor.org/stable/26616711

[10] Ibid.

[11] Nelson, R. E. (1977). Entrepreneurship Education in Developing Countries. *Asian Survey*, *17*(9), 880–885. https://doi.org/10.2307/2643595

[12] Ibid.

[13] See Zulfiqar, Chaudhary, & Aslam (2016).

only 6% of those who live below the poverty line. Taking factors such as age and sex differences into account, Nelson (1977) stated that with a focus on financially educating minorities, women empowerment, and entrepreneurial education, Pakistan's financial literacy and inclusion rates would go up. Therefore, South Asian countries with currently low rates of financial inclusion could benefit from campaigns towards improving this factor. Educating the youth would result in a population that is better equipped to deal with the challenges that come with navigating a financially volatile environment.

DISCUSSION

The spread of digital financial services and fintech innovations across South Asia also helps expand access to finance and opportunities for entrepreneurship. Government initiatives to boost digital infrastructure and financial inclusion, like Digital India and the Jan Dhan-Aadhar-Mobile (JAM) framework, are helping traditionally unserved groups participate in the modern economy.[14] In rural areas, community-based financial organizations and self-help groups are empowering small business owners through microcredit and digital payments. Technology itself is an extremely helpful tool that will allow nations to scale financial and entrepreneurial literacy across regions. Governments, too, are finally realising that improving their population's rates of financial literacy help address many issues, such as that of unemployment, inequitable distribution of resources across a population, and lack of entrepreneurial drive. The combined impact of increased financial and entrepreneurial literacy has the potential to accelerate economic growth and structural transformation across South Asia. According to World Bank estimates, Small and Medium Enterprises account for 40% of GDP and employ 70 million people in India alone.[15] As more small businesses are formalized and funded, they can achieve greater economies of scale, driving innovation, job creation, and higher productivity in rural areas.[16]

The Global South has been actively engaged in enhancing financial literacy within the populations of its countries in recent years, following the recognition of how important this is in terms of financial development and poverty alleviation. Interventions in said countries may involve the development of comprehensive financial education programs, accessible to all sects of the population.[17] These programs take place in both urban and rural centers and are backed up by government bodies and non-governmental organisations alike, with workshops and seminars targeted at reducing complications in the understanding and comprehension of basic financial processes and resources available to anyone who may walk into a bank.[18] Governments in developing countries, according to Naudé (2010), also have a strong focus on uplifting and promoting the growth and development of Micro, Small, and Medium Enterprises (MSMEs) in their economy. Enterprises such as these create jobs at a local level, which drives rates of employment, financial literacy, independence, and financial confidence up in areas where financial education is scarce.[19] Reduced information barriers and financial inclusion can also mitigate market failures and allow microenterprises to tap into growth opportunities.

Finally, expanding quality financial literacy and entrepreneurship education can have profound social impacts across South Asia. Bridging the gender gap in financial inclusion can significantly empower women to save, earn, and make household financial decisions. Targeted literacy programs among disadvantaged groups can reduce income and geographic inequalities over time. The welfare gains from financial inclusion and job creation through small business growth will be shared across all sections of society. There are, however, several challenges to growing financial inclusion. Firstly, as mentioned earlier, a lack of overall financial literacy can lead to some individuals being unable to understand basic financial processes- once again highlighting the importance of financially educating a population. Secondly, in many underserved countries, a large number of the marginalised and poorer sects of the population lack the documentation necessary to access financial services, such as birth certificates or national identity cards. Without

[14] Karakurum-Ozdemir, K., Kokkizil, M., & Uysal, G. (2019). Financial Literacy in Developing Countries. *Social Indicators Research*, *143*(1), 325–353. https://www.jstor.org/stable/48704673

[15] See Karakurum-Ozdemir, K., Kokkizil, M., & Uysal, G. (2019).

[16] Ibid.

[17] Lusardi, A., & Mitchell, O. S. (2014). The Economic Importance of Financial Literacy: Theory and Evidence. *Journal of Economic Literature*, *52*(1), 5–44. http://www.jstor.org/stable/24433857

[18] Ibid.

[19] Naudé, W. (2010). Entrepreneurship, Developing Countries, and Development Economics: New Approaches and Insights. *Small Business Economics*, *34*(1), 1–12. http://www.jstor.org/stable/40540452

these documents, a lot of financial services remain inaccessible in many countries.[20] Thirdly, in certain countries, largely those with diverse populations, banks, and other financial institutions may pose barriers to the entry of low-income or marginalised clientele.[21] This may also cause financial service institutions and fintech companies to become unable to propose meaningful solutions to such members of society. Despite these drawbacks, governments from across the Global South are making financial inclusion and education a priority.

CONCLUSION

It is important to understand that the empowerment that comes from being financially literate aids not only individuals but nations as a whole. By investing in good financial education programs, governments ensure higher levels of entrepreneurial drive in their population, which will ultimately get passed through generations. Financial education is also a short-term investment. Families in countries such as India, as well as others within the Global South, thrive in a culture where generational knowledge holds high value and importance.[22] If the youth are taught the skills necessary to allow them to become financially literate and included, they will go on to teach their families what they know, as well as their own future offspring, solidifying the future of a nation with a strong, knowledgeable, and empowered population.

In conclusion, integrated approaches to financial literacy and entrepreneurship education provide pathways out of poverty for millions across South Asia. Policymakers must make large-scale investments in improving access, delivery, and quality of such programs while leveraging technology for greater reach. With increased literacy and opportunities, South Asia can unlock the creativity and entrepreneurial potential of its people to generate inclusive growth and prosperity. Financial literacy is, therefore, very important, not only for a nation's economic landscape as a whole, but for each individual unit of a population to be able to navigate a complex and versatile financial landscape, make intelligently thought-out financial decisions, and meet personal financial goals and endure financial wellbeing.

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[21] Ibid.

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