Journal of Educare (JoE)
(A Peer Reviewed Bi-Annual Journal)
ISSN: 3048-9652 (Online) www.educare.aliah.ac.in

Financial Education is the pathway to Financial Inclusion and Financial Well-Being: A Qualitative Narrative Review

Abdul Motin Ostagar
Assistant Professor, Aliah University
Email: motin@aliah.ac.in

ABSTRACT

In developing nations, financial literacy is crucial for improving financial inclusion and overall financial health. This study employs a qualitative narrative literature review to investigate the causal relationship among financial literacy, financial behaviour, and digital capabilities. Researchers look at the different parts of financial literacy to see how financial education can affect financial inclusion, financial well-being, and the growth of businesses. The evaluation also underscored the significance of financial literacy among youth and women, illustrating its role in fostering sustainable financial practices and the utilisation of digital financial services. The study further examined the dissemination of financial literacy across diverse demographic segments categorised by gender, age, education, and income. A critical analysis of financial education policies in India demonstrated their impact on individuals' self-efficacy. The study asserts that financial literacy improves financial inclusion by facilitating informed financial decision-making, fostering prudent financial behaviour, and encouraging the utilisation of formal financial services. Improved financial inclusion has a positive effect on financial well-being by lowering financial stress and making people more financially resilient. Financial self-efficacy is a middleman in this relationship. The review indicates the necessity for a holistic policy framework that incorporates financial education into educational curricula, workplace training, and the promotion of digital learning platforms, thereby addressing the requirements of both conventional and digital competencies.

Keywords: Financial Behavior, Financial Education, Financial Inclusion, Financial Literacy, India.

1. INTRODUCTION

Financial literacy is a key factor for economic growth and development. In this digital era, it is important to safeguard people from financial risk. This is one of the paths that equips people with the tools and techniques to enhance their financial self-efficacy that enhances the capability for informed financial decisions. It is seen as an essential, thus, considered as a part of education by the policymakers (OECD, 2014). In India, the Reserve Bank of India has taken Financial Inclusion and Education as the key elements for its developmental role. They have created a volume of literature for banks and other stakeholders to use them for financial literacy training. The aim of this initiative is to impart awareness on various financial products and services and consumer protection. It also encourages people to accept good financial practices and adopt fintech. This is in line with the development of educational curricula that develops economic citizenship where children and adolescents can realize their potential as a citizen towards financial empowerment and capability (CYFI, 2013). Studies show that lack of financial literacy put people into poor credit situation. It is indicated by accumulation of excessive debt, using credit with high interest rates, inappropriate mortgage selection, experiencing repayment difficulties or even foreclosure (Hastings, 2013).

Despite the growing policy interest, financial literacy remains is still have scope to be inclusive. It has been observed that the extent of financial literacy is varied on different demographic segments, predominantly among women, youth and low-income groups. They are identified as vulnerable to the financial risk and poverty. This acts as a barrier for financial inclusion and hinders the economic growth and development. To bridge this gap, an in-depth study of various dimensions of financial literacy is needed along with its determinants and its policy implications.

Purpose and Research Questions:

The purpose of this qualitative narrative review study is to assess the theoretical framework on the inter-relationship of financial literacy, financial inclusion, financial well-being, financial self-efficacy, and entrepreneurship. The research questions addressed in this paper are as follows:

- How the various dimensions of financial literacy influence financial inclusion and financial well-being?
- What demographic and socio-economic factors moderate the relationship of financial literacy with financial inclusion and financial well-being?
- How financial education policies strengthen financial literacy as a tool for empowerment entrepreneurial development?

2. METHODOLOGY

This paper is built on a qualitative narrative literature review approach. Review of published journal articles and policy documents are studied to focusing on developing countries specially in Indian context. The link between financial literacy and financial inclusion, financial well-being and entrepreneurship is analyzed thematically to identify the concepts, theoretical frameworks and policy implications. The analysis followed the IMRaD framework to ensure the logical flow of the study.

3. Results and Thematic Findings

3.1 Definitions and Dimensions of Financial Literacy

Financial literacy is defined as the skills and knowledge of individuals to make informed decisions about personal finance including planning, budgeting, saving, investing, borrowing

Journal of Educare (JoE)
(A Peer Reviewed Bi-Annual Journal)
ISSN: 3048-9652 (Online) www.educare.aliah.ac.in

that lead to better economic outcomes (Tohar & Akron, 2025). This is a multi-dimensional concept with three core conditions, financial knowledge, financial attitude and financial awareness. Financial knowledge refers to the understanding of basic financial concepts such as compound interest, time value of money, inflation, risk diversification, budgeting etc. (Lusardi & Mitchell, 2023).

Similarly, financial attitude exhibits the preference for the financial product and services. Whereas, financial awareness considers the familiarity with the formal financial products and services. It focuses on the long-term perspective about financial risk and planning (Tohar & Akron, 2025). In this context, digital financial literacy is another concept where primarily mobile and internet is the mode for usage of the financial services (Lyons & Kass-Hanna, 2021).

Measurement of financial literacy is often involved with objective tests where questions are assessed. On the contrary, subjective assessment is done for the same on financial experiences and perceptions. Big Three and Big Five Questions (Lusardi & Mitchell, 2023) in combination is one of the objective measurements where multiple-choice questions or true and false are asked on compound interest, inflation, and risk diversification. Financial Literacy Indices is a multi-dimensional index, integrates financial knowledge, attitudes, behaviors, and digital skills and prepares composite scores or multidimensional indices (Lyons & Kass-Hanna, 2021). Another measurement tool is Item Response Theory (IRT) where a psychometric approach is taken to develop to assess the financial literacy level (Hauff et al., 2020). Although, in the absence of a standard definition and instrument, comparison of financial literacy is a challenge (Ouachani et al., 2021).

3.2 Financial Literacy as a Driver of Financial Inclusion

Financial literacy is associated with improved financial behavior evident through informed financial decision-making related to saving, investing, and borrowing (Khan et al., 2022). Therefore, the intervention of financial literacy improves financial behavior and mitigates risky behavior. Financial inclusion is defined as the access and usage of suitable financial products and services in a formal financial institute (Morgan & Long, 2020). In the context of India as a developing country, financial literacy enhances financial inclusion by channelizing personal banking and finance in formal financial institutions such as savings accounts, credit, payments, and insurance. Apart from access and usage, financial awareness which is defined as the awareness about the various financial products and services, that is driven by financial literacy. Financial literacy is one of the prerequisites for financial inclusion that enables one with the understanding for efficient use of finance. There are studies highlighted the significant impact of financial literacy on financial inclusion. Better financial literacy leads to higher savings and better credit usage (Morgan & Long, 2020). Subsequently, it reduces the financial risk through positive financial behavior that promotes financial inclusion. Financial literacy positively correlated with financial behaviors including budgeting, saving, investing, and borrowing (Dewi et al., 2020).

3.3 Financial Literacy and Financial Well-being

Financial literacy is correlated with financial well-being that reduces financial stress, and fosters positive financial behaviors (Khan et al., 2022). Financial well-being as defined by many researchers exists where individuals get the financial security and resilience to meet the financial obligations which are presently exists and which are coming in future. There is an association between financial inclusion and financial well-being. Financial inclusion improves the financial health of individuals through smooth consumption and wealth accumulation. Consequently, it improves satisfaction and reduces financial stress through the access of appropriate financial products and services. In a holistic view, financial literacy improves the financial well-being of the people so that they can maintain their living standards and build up resilience for future financial risks, and mitigate the financial stress. Positive financial habits and literacy reduce the financial stress and contribute to perceived financial security, while financial stress negatively influences financial well-being (Rahman et al., 2021).

3.4 Demographic variations in Financial Literacy

A lack of financial knowledge is prevalent among people of different ages and geographical areas (OECD,2005). Financial literacy varies on the demographic factors gender, age, education, income, and ethnicity. It is observed that women, youth, and low-income groups often exhibited low financial literacy contributing to inequality in financial inclusion and outcomes.

Age typically shows a hump-shaped curve indicating that financial literacy increases with age and experience but it declines in elderly population. They have low financial literacy. Within the middle-aged population, it was found to be highest (Hauff et al., 2020; Lusardi & Mitchell, 2023). Emerging generations display distinct financial cognition where short term financial attitude and low level of long-term financial (Ouachani et al., 2021) implication is evident (Tohar & Akron, 2025). Extensive use of fintech by the youth population is evident which is actually for digital literacy and technology adoption factor (Lyons & Kass-Hanna, 2021), compensating their financial knowhow.

In the study of gender, women found to score low in objective financial literacy tests. This low score is often linked with low confidence and non-responsiveness (Andriamahery & Qamruzzaman, 2022).

The formal education has strong association with financial literacy. People with higher degrees have better financial literacy. Similarly, people in higher income levels also exhibit greater financial literacy (Dewi et al., 2020). In another observation, it is found that socialization has an impact on financial literacy affecting the financial knowledge and behavior (Khan et al., 2022).

3.5 Financial Literacy, Entrepreneurship, and Empowerment

Financial literacy promotes entrepreneurship among youth and women, enhancing their empowerment through entrepreneurial development and responsible financial behavior (Bilal et al., 2021). Financial knowledge has a significant impact on empowerment of women through entrepreneurial development. It also impact on the financial self-efficacy of the targeted population. This is visible when more people are accessing their personal finance and managing it by own. This enhanced financial inclusion on the women for entrepreneurship which is instrumental in increasing financial empowerment (Solesvik, 2019).

3.6 Financial Education and Sustained Positive Financial Behavior

The OECD (2014) has defined financial education as an activity to develop financial literacy. It plays a key role in improving financial literacy by enabling individuals to plan their budget, manage their income, wisely save and efficiently invest their money, and most importantly protect themselves from any kind of financial frauds. Financial education ultimately aims to equip and motivate people to adopt good financial practices and manage their finance responsibly that enables that to informed financial decision making. It can lead to a sustainable financial behavior. It not only increases the knowledge of the people; it also effects the psychological and behavioral aspect of the people. It mitigates the gap between what people's knowledge and actions. It is evident that financial education has a positive effect on self-efficacy that develops the confidence level of the people for informed financial decisions (Tehran et.al., 2025). By encouraging the small actions, it develops good financial habits like regular saving, budgeting, and borrowing money with proper evaluation. Financial education combing with social norms and accessible financial tools. That can be noticed in positive financial behaviors that persists beyond the learning context (Tatad et. al., 2024).

Financial literacy improves when financial education is delivered through various levels and modes. There are studies which have evaluated the impact of financial-literacy education by reporting its effect on financial knowledge, behavior, attitude, level of confidence (Amagir, 2018). Evidence also suggested that mandatory financial education in school curriculum can enhance the financial literacy of the youth people. It can have a substantive effect on them in comparison to the effect of delivery in after-school voluntary programs (Frisancho, 2019). The early start of financial education can impart financial literacy among youth, Gen Z to be specific, and are effective as they can carry on the outcome through lifelong financial habits. In fact, it is more effective when parental involvement is higher (Campenhout, 2015). A positive outlook for the financial with a purposive financial behavior and self-efficacy and control expected to be the outcome of the program. On the contrary, adult financial education programs in the workplace have a positive effect on the employee's ability for retirement planning, saving, and investing (Lusardi & Mitchell, 2023).

Inclusion of financial education as a compulsory course into the pedagogy of the school. By including it in its curriculum ensures that students get engaged in a continuous learning process. The focus of financial education mainly to cover the concepts of budgeting, saving, spending, and credit. In some programs, topics such as investment and the usage of banking services are also included. Review of financial education programs shows that the core concepts addressed by these programs are similar across countries (Amagir, 2018).

Although there are studies that emphasized that financial education may not have a significant impact on financial behavior. Courses like management of personal finance at the high school level had no significant impact on financial literacy, attitudes, or behavior of the students. However, being a full-time college student or graduate was associated with positive financial behavior (Mandell, 2009).

The Self-Determination Theory is also applicable to financial-literacy education as its primary concern is to promote students' autonomy and competence. Here autonomy refers to the control of the learning process. On the other hand, competence captures an individual's perception of being capable and effective within their social environment. This idea is linked to self-efficacy which is defined as individuals' judgment on his capabilities to organize and carry out actions necessary to achieve a desired level of success (Bandura, 1993). In this line, the focus of financial-literacy education is not limited to teaching the financial concepts, rather on improving self-confidence that will lead to positive financial behavior (Walstad, 2010).

Policymakers believe that financial education can overcome the incidents where people take poor financial decisions due to their limited financial knowledge. Thus, governments run financial literacy programs for the user level as they realize that financial education may have a delayed impact or be more effective when students are older and more financially responsible (Hilgert, 2003). The Government of India through Reserve Bank of India developed tailored financial literacy content for the trainers in financial literacy programs. It is specifically for target groups like farmers, small entrepreneurs, school children, self-help groups, senior citizens. Apart from basic financial literacy, it emphasizes digital payment services like unified payment interface (UPI) transfer and quick response (QR) based payment systems.

4. DISCUSSION AND POLICY IMPLICATIONS

This study hypothesizes that financial literacy is enhancing financial inclusion and financial well-being. It brings economic empowerment through entrepreneurial development. In India, embedding financial education into the formal curriculum in the formal education system can bring the success of financial literacy programs. Apart from it the community-based learning is another effort that can increase the financial literacy. In this digital era, fintech is one of the platforms that mitigate the availability and accessibility gap to the unserved population. To leverage the technology platform, it is essential that people should have the acumen to use fintech. Thus, integrating digital financial awareness in financial literacy policy framework is crucial for the overall success of the financial literacy program. An overall policy framework on financial literacy, can target the disadvantaged segment that includes women, youth and rural populations. There is a demand for a standardized, culturally accepted, and multi-dimensional financial literacy assessment tool incorporating both the traditional and digital proficiency. To reserve the cultural aspect the traditional education, need to kept along with the digital skill upgradation. The field of financial literacy is evolving towards digital financial literacy to leverage fintech as a critical path towards overall success of the financial literacy policy (Lyons & Kass-Hanna, 2021).

Sophisticate measurement models are being used to capture the multidimensionality of financial literacy and its long-term outcomes (Hauff et al., 2020). The causal relationship between financial literacy and improved economic condition through positive financial behavior can be established thoroughly. Further research can be done to explore the mediating role of financial attitude, behavior and stress controlling on gender and socio-economic conditions can be a groundbreaking approach. Policy implications of financial literacy emphasize on early education but are continuous and tailor-made to address the specific demographic segment (Rahman et al., 2021).

Financial Education Policy implications for India need to be synched with existing national programs such as PMJDY (Jan Dhan), the National Strategy for Financial Education (NSFE 2020–25), RBI–NCFE initiatives, and the rapid expansion of UPI/QR-based digital payments. To translate knowledge into sustained behaviour, financial education must be delivered in local languages, using pictorial and audio formats for low-literacy groups, and engagement of bank correspondents, post offices, Self Help Groups, and most importantly banks and micro finance institutes. To ensure that financial education leads to sustained positive financial behaviour, financial education programs must incorporate principles of Self-Determination Theory (SDT) by strengthening autonomy, competence, and relatedness (Charles R. Chaffin EdD, 2018). Hands-on digital onboarding by showing users how to install UPI apps, verify QR codes, adopt the safety measures and identify spams and frauds, should be mandatory. Behavioural nudges such as automated small savings transfers, SMS reminders, and goal-tracking messages can strengthen habit formation. Finally, monitoring under NSFE should track not just knowledge but self-efficacy, confidence, usage of formal financial services and safe digital practices, ensures India's financial literacy efforts to a long-term policy goal where people can participation in the formal financial system.

5. CONCLUSION

Financial literacy has a key role in enhancing individuals' financial self-efficacy, equip them for financial decision making that supports greater financial inclusion. When people effectively utilize formal financial services, they are in better position to save money and accumulate a fund. Their reliance on formal financial institution has a positive effect in improving the financial resilience of target population. It safeguards people from financial stress which is evident in better financial well-being.

In this financial landscape, digital capability plays an equal important role in enhancing the financial well-being of the people. People need to develop their digital financial skills to leverage the benefits of fintech. This study highlighted the interdependence of finance and digital technology and demands the need for a combination of financial literacy and digital literacy. This effort is essential for improving the adoption rate of digital technology and to protect the interest of the vulnerable population.

This synchronized effort is essential to achieve an inclusive and sustainable financial development. Bu enhancing self-efficacy and empowering people to participate meaningfully in the formal financial system, can contribute to the economic growth. Effective financial education goes beyond imparting knowledge. They must address both cognitive and non-cognitive factors to cultivate rational, confident and sustainable financial behavior.

REFERENCE

Amagir, A., Groot, W., Maassen van den Brink, H., & Wilschut, A. (2018). A review of financial-literacy education programs for children and adolescents. In *Citizenship, Social and Economics Education* (Vol. 17, Issue 1, pp. 56–80). SAGE Publications Inc. https://doi.org/10.1177/2047173417719555

Andriamahery, A., & Qamruzzaman, M. (2022). Do Access to Finance, Technical Know-How, and Financial Literacy Offer Women Empowerment Through Women's Entrepreneurial Development? *Frontiers in Psychology*, *12*. https://doi.org/10.3389/fpsyg.2021.776844

Bandura A (1993) Perceived self-efficacy in cognitive development and functioning. *Educational Psychologist* 28(2): 117–148

Bilal, M. A., Khan, H. H., Irfan, M., Haq, S. M. N. U., Ali, M., Kakar, A., Ahmed, W., & Rauf, A. (2021). Influence of Financial Literacy and Educational Skills on Entrepreneurial Intent: Empirical Evidence from Young Entrepreneurs of Pakistan. *Journal of Asian Finance, Economics and Business*, *8*(1), 697–710. https://doi.org/10.13106/jafeb.2021.vol8.no1.697

Charles R. Chaffin EdD (2018) Self-Determination Theory and Self-Efficacy in Financial Planning, *Client Psychology*, Chapter 12. https://doi.org/10.1002/9781119440895.ch12

CYFI (2013) Research evidence on the CYFI model of children and youth as economic citizens. CSD Research Review No.13-04. Available at:

http://www.bu.edu/bucflp/files/2014/06/CYFI-Research-Brief-Research-Evidence-on-the-child-and-youth-finance-model-of-economic-citizenship-2.pdf

Dewi, V. I., Febrian, E., & Anwar, M. (2020). *Financial Literacy among the Millennial Generation: Relationships between Knowledge, Skills, Attitude, and Behavior*.

Frisancho, V. (2019). *The Impact of Financial Education for Youth*. http://www.iadb.org

Hastings JS, Madrian BC, Skimmyhorn WL (2013) Financial literacy, financial education, and economic outcomes. *Annual Review of Economics* 5(1): 347–373.

Hauff, J. C., Carlander, A., Gärling, T., & Nicolini, G. (2020). Retirement Financial Behaviour: How Important Is Being Financially Literate? *Journal of Consumer Policy*, *43*(3), 543–564. https://doi.org/10.1007/s10603-019-09444-x

Hilgert, M. A., Hogarth, J. M., & Beverly, S. G. (2003). Household financial management: The connection between knowledge and behavior. Federal Reserve Bulletin, 89, 309-322.

Khan, F., Siddiqui, M. A., & Imtiaz, S. (2022). Role of financial literacy in achieving financial inclusion: A review, synthesis and research agenda. In *Cogent Business and Management* (Vol. 9, Issue 1). Cogent OA. https://doi.org/10.1080/23311975.2022.2034236

Lusardi, A., & Mitchell, O. S. (2023). The Importance of Financial Literacy: Opening a New Field. *Journal of Economic Perspectives*, *37*(4), 137–154. https://doi.org/10.1257/jep.37.4.137

Lyons, A. C., & Kass-Hanna, J. (2021). A methodological overview to defining and measuring “digital” financial literacy. *Financial Planning Review*, *4*(2). https://doi.org/10.1002/cfp2.1113

Mandell, L., & Klein, L. S. (2009). *The Impact of Financial Literacy Education on Subsequent Financial Behavior*. http://ssrn.com/abstract=2224231

Morgan, P. J., & Long, T. Q. (2020). Financial literacy, financial inclusion, and savings behavior in Laos. *Journal of Asian Economics*, *68*. https://doi.org/10.1016/j.asieco.2020.101197

OECD. (2005). Improving financial literacy: Analysis of issues and policies. Paris: OECD

Organisation for Economic Co-operation and Development (OECD) (2014) PISA 2012 results: Students and money: *Financial literacy skills for the 21st century* (Vol. VI). In: PISA. Paris: OECD Publishing.

Ouachani, S., Belhassine, O., & Kammoun, A. (2021). Measuring financial literacy: a literature review. In *Managerial Finance* (Vol. 47, Issue 2, pp. 266–281). Emerald Group Holdings Ltd. https://doi.org/10.1108/MF-04-2019-0175

Rahman, M., Isa, C. R., Masud, M. M., Sarker, M., & Chowdhury, N. T. (2021). The role of financial behaviour, financial literacy, and financial stress in explaining the financial well-being of B40 group in Malaysia. *Future Business Journal*, *7*(1). https://doi.org/10.1186/s43093-021-00099-0

Solesvik, M. Z. (2019). Entrepreneurial Competencies and Intentions: the Role of Higher Education. *Forum Scientiae Oeconomia*, *7*(1), 23–36. https://doi.org/10.23762/fso

Tatad J. et al. (2024). The Effect of Financial Literacy and Budgeting Skills on Financial Wellbeing Among Finance Students of One of the Universities in Cagayan de Oro. 10.13140/RG.2.2.29853.93926.

Tehran A. M. K. et. al. (2025). The Impact of Financial Literacy on Financial Behavior and Financial Resilience with the Mediating Role of Financial Self-Efficacy. 7. 38-55. 10.22034/ijieor.v7i2.146.

Tohar, G., & Akron, S. (2025). Financial literacy cognitions and optimal financial behavior. *Finance Research Letters*, 83. https://doi.org/10.1016/j.frl.2025.107455

Van Campenhout G (2015) Revaluing the role of parents as financial socialization agents in youth financial literacy programs. *Journal of Consumer Affairs* 49(1): 186–222

Walstad WB, Rebeck K, MacDonald RA (2010) The effects of financial education on the financial knowledge of high school students. *Journal of Consumer Affairs* 44(2): 336–357.