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Financial Literacy for Empowering Marginalized People in Nepal

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Abstract
By empowering the individuals, the society is possible to change and transform. However, empowerment has several facets to understand and several ways to implement. Providing financial knowledge and skill to the individuals is one of the ways of empowering the individuals. Previous studies conclude that financial knowledge and skill help people to change their financial attitude, behavior and well-being. The theories of behavioral study also show that the behavior of the individuals are subject to change their knowledge, skill and attitude. Similarly, the agenda of empowerment and transformation are relative, contextual and dynamic in nature. This study concludes that empowerment is one of the prime concerns of those people who are still marginalized and excluded from the mainstream of societies from several aspects. The paper stands on the assumption that the financial literacy simply works all around the place in the similar degree and directions. This approach believes that financial literacy is more relevant for the marginalized people and one of the tools of national development through empowering the marginalized and excluded people. The paper follows the methodology of desk review.
Keywords: financial literacy, empowerment, marginalized people

Introduction

The paper aims to connect financial literacy for empowering marginalized people in Nepal. Financial literacy is an emerging financial and educational concern for policy makers and practitioners. The prime concern of financial literacy is more relevant to focus marginalized and excluded segment of people in society. Some of the OECD, World Bank and Nepal Rastra Bank policy documents are some of the example studies and policy documents in this endeavor. This paper claims that financial literacy, as an effective tool, can empower the individuals and thereby contributes in national development. Making the people financially literate, capable and confident are some of the ways to empower the people in general and marginalized people in particular. However, empowerment and marginalization are more subjective, contextual and relative concepts. In this study some particular aspects of these concepts are discussed. Similarly, it is also difficult to claim what degree of financial literacy could empower particular individuals and by how much it works. In this study, the concept of marginalization is discussed by describing how the people are excluded from the financial mainstream and those who might have poor access to financial services. Generally, financial marginalization is believed to surround by poor access, poor supply and poor utilization of financial resources of each individuals.

Concept of Financial Literacy

This section presents understanding of financial literacy and its contribution on financial behavior and well-being. Financial literacy, as a part of functional literacy skill, is focused to excluded, low income, less educated, minorities, women and people at margin in under-developed countries like in Nepal. Financial literacy attributes financial knowledge, skill, attitude and behavior of the individuals. As a part of behavioral economics, financial literacy concerns with personal financial issues within microeconomics. Theoretically, the microeconomics raises the economic agenda of individuals and business firms in unit level. Jurevicienel and Ivanova (2013) argue that behavioral finance theory focuses how financial information could empower the individuals and thereby making well financial decision. They further highlight that behavior of a person is influenced by rationality.

Rationality in economics concerns about preference of each persons in utilizing financial resources for financial betterments. In the same line, Ricciardi and Simon (2000) opine that behavioral finance affects the financial decision making process of individuals. In practice, not all the financial agenda such as life cycle financial plan, investment decisions, portfolio management are influenced by merely the rationality under personal finance. However, the degree of effectiveness of rationality in the financial decisions is quite difficult to measure and establish. Additionally, rationality is also a psychological aspect but may not be always a sole determinant of decision making process. Practically, complete rationality is an imaginary concept. Every person is rationality maximizer (Pompian, 2006) who tries to maximize the utility with limited cost and expenditure. However, Ritter (2003) opines portfolio management for utility maximization under rationality concept. Portfolio management is an act of managing investment in diversified sources to minimize the risk and maximize the returns.

According to the rationality approach, every individual is a rational consumer. However, the rationality stands on personal preference on quantity, quality and price of consumption goods and services. In normal situation, it is expected that a rational consumer prefers more quantity of better quality goods and service with relatively lower price. Leonel Robbins (as cited in Mulligan, 2009) argues that every consumers desire to fulfill their unlimited demands and needs with limited personal financial resources. Such the skill of balancing limited resource and achieving knowledge of prioritized demand are possible from financial education. Here, Sucuahi (2013) opines that the financial education is one of the sources of financial literacy.

From the functional approach, financial literacy is an addition to the usual literacy skill of reading and writing. Wagley and Lamichhane (2010) and Bhola (1995) argue that financial literacy is a part of functional literacy. Functional literacy is an education plus knowledge and life skill for identifying market opportunities, increases employability, and also increases the access to financial services to the individuals. It shows an empowerment contribution of functional literacy to the people. Another aspect of financial literacy is connected with capability aspect where the empowerment is linked with. Welch (2002), Nussbaum (2003) and Sen (2005) have the common arguments on positive effect of capability to achieve human needs. They also argue that such capability and skill contribute empowering the individuals. However, they are silent about the sources of capability enhancement.

Moreover, financial literacy concept is also connected with financial education. Organization for Economic Cooperation and Development (2005) defines financial education as a process and financial literacy as skill and confidence. Stanculescu (2010) differentiates financial education and literacy as ways of educating people and achieving knowledge and understanding of the phenomenon respectively. Financial education is, basically source of financial knowledge, whereas it is difficult to measure. In other side, financial literacy is a primary destination of financial education which is measurable. Education is a broader perspective of learning whereas the literacy is a primary achievement and effect of education. Literacy is more related to basic skill, capability and confidence of persons.

Australian Securities and Investments Commission (2014) and Organization for Economic Cooperation and Development (2005) present four dimensions of financial literacy, i.e. knowledge, skill, attitude and behavior. The first two are the concepts and the last two are the application part of financial literacy. Program for International Student Assessment (2012) adds financial well-being through financial knowledge and skill. Financial well-being is more affected by financial behavior. Moreover, Lusardi and Mitchel (2014) emphasizes financial skill of financial planning for wealth maximization of the individuals. Most of the above mentioned concepts of financial literacy have consensus in terms of the issue that is related to personal finance and but differences in terms of priority of financial literacy in terms of its dimensions. However, the previous studies commonly found that the financial literacy make a difference. "Financial literacy education may first increase awareness of and change attitudes towards financial products, then improve numerical ability to compare financial options, and subsequently change financial behavior" (Carpena, Cole, Shapiro, & Zia, 2011). This link shows a linear contribution of financial literacy on behavior.

Financial literacy is also a macroeconomic policy agenda. In broader sense, the macroeconomic stability is possible with inclusive growth. Inclusive growth is an emerging paradigm in financial sector that emphasizes how a marginalized and excluded sector of people to mainstream in financial system. Similarly, every national policy should primarily consider the people and thereby the system. Macroeconomic policies with human faces are linked with inequality, poverty, gender, and inclusion (Khatiwada, 2013). Financial education is an unconventional way of achieving inclusive financial growth, and helpful to maintain financial equity. In the same line, Nepal Rastra Bank (2015) emphasizes financial literacy to increase access to finance in inclusive way. From this, financial literacy is a policy issue that is considered useful to maintain financial inclusion and thereby achieving economic growth and stability. In this, financial inclusion has positive links with growth, stability and development. By considering the increasing value of expanding the access of people in financial services, Nepal Rastra Bank (2012) mentions the importance of financial literacy for conflict victim, ethnic minorities and marginalized people to empower them. Accordingly, Nepal Rastra Bank (2017) aims to formulate a national financial literacy strategy within a year. The strategic plan of the central bank is an important policy document to assure an unconventional focus of banking policy towards financial inclusion, increase access to finance by making the people empowered.

However, neither the financial literacy is panacea (West, 2012) to empower people, nor itself can change the financial position of individuals, nor is it a sole determinant of financial inclusion and access to finance. Carpena, Cole, Shapiro, and Zia (2011) opine that financial literacy has only the long term effect to enable the individuals to discern costs and rewards. Despite the financial literacy, the behavior is also affected by income, access, security of financial transaction, market opportunity of financial transaction and other several factors as well. Willis (2011) doubts of existence of financial education in reality and claims that there is not any effective financial education. She also denies the financial education due to its increasing cost. It means that the financial literacy increases cost of learning. Willis (2008) claims that financial literacy does not necessarily empower the person. She also argues that financial literacy may divert a person towards wrong financial decision due to financial overconfidence. It shows some chances of negative consequences of financial literacy too, in practice. Way and Wong (2010) opine that individuals and household do not necessarily act consistently as their financial information and knowledge. But in practice, there is very less possibility of financial knowledge and skill that guide towards wrong decisions because financial behavior are basically affected by financial knowledge and skill.

Concluding, both financial literacy and empowerment are the direct agenda of the people. Empowerment is major concern of those people who are outside financial resources, fair market opportunities, access to public and private services, excluded from representation, incapable to make own decisions properly. The marginalization is major constraint in poverty reduction and thereby achieving growth and development. Growth and development of the nation are difficult without including the marginalized people in mainstream. Without empowering them such process is incomplete whereas the financial literacy is one of tool for empowering the people from financial perspective.

Marginalized People

However, the marginalization is difficult to understand and articulate in few words and aspects of people. Normally, marginalized people are those who are simply at backside of the society from any aspect. The backside is the situation of exclusion, oppression, and discrimination. Marginalization is the situation of treating the groups of people differently who are at margin and excluded from mainstream. Baffoe (2013) describes marginalization as the situation of physical and mental disability of individuals, whereas United Nations Development Program (2010) defines marginalization as the poverty, inequality and discriminated situation. Given (2008) describes marginalization as the process and situation of exclusion from social, economical, political and cultural mainstreaming practices. However, it is quite difficult to define and understand marginalization in some of limited definitions and explanations.

Constitution of Nepal 2015 defines marginalized people as, "those who have been forced to fall backward politically, economically and socially, those who have been unable to avail services because of discrimination and harassment, and because of geographical disconnection, and those communities whose standard of living has been below the legal standard as specified in the Human Development indicators. It also signifies the ultra-marginalized and communities on verge of extinction" (Nepal Law Commission, 2015). It shows marginalization as a situation prevailed in the societies where the groups of people are not equally responded in social activities and development process. Some of the people are sidelined in terms of national opportunities, national service delivery and also in terms of participating in national key positions. However, the marginalization is not also an emerging situation of the societies, though the policies and practices are focused to minimize such the marginalization.

Centre for Constitutional Dialogue (2009) estimates that about half of the population in Nepal are indigenous and fall under the poverty line. Such people need many kinds of privileges, supports and state opportunities; facilitating access to finance is one of them. From the financial perspective, the marginalized people are those who have poor access to financial services. Nepal Rastra Bank (2014) mentions that about 2.5 billion people in the world are out of financial mainstream, whereas the ratio of the youths outside the financial access is about ninety percent and above in Nepal. From this perspective, '*financial marginalization*' in Nepal is also a serious matter and greater challenge for the development. The financial marginalization is the situation where some segment of people are excluded from the financial mainstream. Such people have poor knowledge, skill, opportunities, access and privileges in formal financial activities.

The financial marginalization can have explained from two perspectives, i.e. forward and backward linkages. Forward linkages are about the effects of financial exclusions in financial well-being of the people. Such marginalization results poverty, deprivation, unemployment and thereby adversely effects to development process. Similarly, what causes the financial marginalization, are its backward linkages. Some degree of discriminations in terms of caste, ethnicity and gender are some of the reasons. In this, social structure, state policies, desire of persons, and established power structure of the society are some of the reasons to induce financial marginalization. Supply of opportunities and ability of utilizing the opportunities are also play vital role to make the people marginalized. Some of the opportunities are employment, access, participation, entrepreneurship. Financial literacy can contribute in increase of absorbing capacity of such opportunities of individuals and thereby contribute in well-beings, other things remaining the same.

Empowerment: How and to Whom?

Empowerment is an important agenda in terms of excluded, disable and marginalized people. Although empowerment is quite relative, contextual and subjective construct, it is also to understand as a process of making the individuals powerful in terms of socialization, collecting and utilizing financial resources, being educated and capable enough to cope the opportunities. For this study purpose, empowerment is discussed on the basis of financial empowerment where the low income people, women, marginalized, and conflict victim people are expected to focus how they can be financial knowledgeable and skilled. Luttrell, Quiroz, Scrutton and Bird (2009) explain empowerment in terms of economic, social, political and cultural strength of the individuals. Out of these, the economic empowerment is the fundamental one because it considers access, rights and capability of better utilization of financial resources for financial well-beings. Ibrahim and Alkire (2007) opine that the empowerment is making the person free, autonomous, self-determined, participative and self-confident. There are several ways to make the persons empower or to provide power to make right decision, to do right behavior and to achieve right information and skills. From the human capital perspective, Fleischhauer (2007) opines that human capital or resource is based on education whereas education is a source of several knowledge, awareness and life skills that makes a human productive and thereby prosperous. Pamarthy (2012) focuses that lack of partial or full access to financial services, and lack of sustainable access may cause the situation of exclusion and marginalization of people. It shows that access to financial services is one of the ways of financial empowerment, inclusion and mainstreaming.

World Conference on Youth (2014) has mentioned ethnic minorities, refugees, youths excluded from state opportunities, rural women are as the marginalized people. In Nepal's case, dalits, ethnic minorities, indigenous people, sub-cultural group people are known as excluded and marginalized. However, the exclusions and marginalization have several aspects and facets such as geography, religion, caste/ethnicity, economic situation, access to state opportunities etc. Central Bureau of Statistics (2011) and National Planning Commission (2014a) report that there are 48 indigenous (*aadibasi/janajati*) castes and ethnic groups among 126 in Nepal. These people are taken as highly vulnerable and at risk in terms of socialization, financial access, education, health facilities and access to the state facilities. Most of them are backward in terms of their representation in the politics and bureacracy. Social structures, power relations prevailed among the several classes the societies, mass poverty and deprivation, discriminated people in multi-faceted reasons are some of the causes of marginalization.

Financial Literacy and Empowerment

This section presents an interface between financial literacy and empowerment. Normally, there is a linear relationship among financial literacy, financial capability, empowerment and thereby well-being of individuals, whereas such relationship is not conditions free. Empowerment is the agenda of how persons to make capable enough for better living. Though, it is quite difficult to specify who is to empower with what and how. However, empowerment is delimited in terms of making the people financially knowledgeable and skill to improve one's financial behavior and thereby contributes in financial well-being in this paper. Basically, the marginalized people need some extra interventions to make them capable with compare to other people. Financial literacy contributes in empowerment subject to change in his/her awareness, knowledge, skill, attitude and behavior. Stein and Valters (2012) describe that specific intervention leads to change and transformation. International Network on Strategic Philanthropy (2005) mentions that interventions focusing people, strategy and outcomes bring change in persons and thereby the society. In these lines, transformation and change are based on particular inputs and interventions that desire to empower the person with personal effort to change in attitude and behavior.

From a different perspective, empowerment is confidence and capability issue too. Kotze and Smith (2008) argue that the financial literacy is a source of personal confidence on money management. Program for International Student Assessment (2012) is also in favor of increasing financial confidence through financial literacy. Consumer Financial Protection Bureau (2014) focuses the effect of financial literacy to induce financial capability of persons. Chakrabarty (2013) argues that the financial literacy makes the persons 'financially smart'. But Bhushan and Medury (2013) believe that the financial literacy empowers individuals in terms of use and gain of financial services. They have conceptualized financial literacy and its implication differently. They show an interface between financial literacy and empowerment.

These references have the commonality on a linear relationship among financial literacy, capability, confidence and empowerment. Although, it is difficult to say by how much the person is empowered with how much financial knowledge, skill, and confidence. However, financial literacy itself is not a panacea to change and transform the individuals. Until and unless the individuals do not desire and act according to the achieved knowledge and skill, the empowerment agenda would be passive. Similarly, empowerment is a continuous process for the persons, and by the persons. There are several ways to empower the individuals that start from educating. Empowerment is more significant for those who are outside the mainstream in terms of opportunities, decision making, representation, increasing access to public services, access to employment, access to financial services, increasing autonomy, free from discrimination and domination, active participation, well social recognition and alike.

Theoretical Framework

Theoretical framework of financial literacy concerns about effectiveness of financial knowledge and skill in respective financial behavior. This section deals with how the literacy contributes behavior from theoretical perspectives. Two basic theories are used to explain the contribution of financial literacy on behavior: the theory of change and the life-cycle hypothesis. The theory of change explains financial literacy and its contribution in behavior by using a path model. Organizational Research Service (2004) explains the theory of change in terms of change in human behavior which is subject to change in their knowledge and skill. Similalry, the change in behavior has the positive contribution in well-being of individuals. There is a close linking explanation of the theory in the financial behavior. Chaulagain (2015b) opines that the financial behavior of individuals is subject to change in financial knowledge and skill.

In the same line, Vogel (2012) has rightly argued that the theory of change is both the process and product. Sometimes it is process because it follows a systematic path from intervention to change in behavior and thereby the well-being. Sometimes it is product because it brings the desired result in persons' usual situation, i.e. knowledge, attitude and behavior. According to Stein and Valters (2012), theory of change as an engine of change and logic model of impacts of particular interventions such as financial knowledge and skill are subject to effective in personal financial attitude and behavior with combined efforts of individuals. The person can achieve change with financial knowledge and skills as outputs and change in financial attitude and behavior as outcomes. However, West (2012) has challenged such linear conversion of knowledge into behavior. From this, the change has the role in empowering the people at margin in improving the behavior and thereby the wellbeing subject to improve their knowledge and skills.

From the eye-views of life-cycle hypothesis developed by Franco Modigliani, the human life has different life-stages to pass through. Modigliani and Cao (2004) argue that the earlier stages of human life has more marginal propensity to save rather than the later stages. It means that the adulthood helps to spend less with compare to income. But the situation may go reverse in the old age. Therefore, every wise person has to make an old-age plan by increasing saving for old age consumption expenditure. It means that the person should be conscious on the future limitation of earning and possibly the increasing trend in expenditure such as medicine and take care of them. Persons should be financially literate from the early stage and better to make an old-age planning to maintain future expenditure by today's earning. From the life-cycle hypothesis perspective, low income and marginalized people have more uncertainty in the future rather than the active age. People can earn some money to maintain consumption expenditure in middle age. However, if they do not plan for the future, the future livelihood would more uncertain. Relatively, low income, women, marginalized people should be more conscious about their future financial plan, for which they should focus to save and manage their regular expenditure with their limited income from the beginning age.

Financial Literacy and National Development

This section discusses whether financial literacy is one of the development agendas and strategy for national development. Development is a multi-faceted term and also a contextual, relative and dynamic concept. The section tries to establish the rational contribution of financial literacy in socio-economic development in under-developed countries like in Nepal. Poverty reduction and economic development have inverse relationship, i.e. higher the rate of poverty shows lower pace of development and vice-versa. Khatiwada (2013) argues that the poverty is a multi-dimensional issue and to address with multi-faced efforts and so the economic development too. Chambers (2004) opines that the development is for change and transformation. However, Sen (2000) argues that the development is a situation of freedom from social problems such as poverty, injustice, exploitation, exclusion, poverty, deprivation, illiteracy and discrimination.

Development perspective is closely linked with human development. Pande, Tropp, Sharma, and Khatiwada (2006) are in favor of four pillars of human development, i.e. equity for the fair opportunity for all, sustainability for longevity of resources, productivity for economic independency and empowerment for making the people capable or competent. In other words, the human development relates with human capital. Human capital is a living resource of production function, which is also known as human resource or labor force. It concerns about how the persons achieve knowledge and skills of developing professionalism and occupation. Human development, in other aspect, stems on fulfillment on basic needs of each human that includes food, shelter, cloth, education, health and empowerment.

Another way of understanding the development is by mapping level of access of the people in resources and capacity of decision making. In this regards, the National Planning Commission (2014b) reports that one of the challenges for the economic development is poor access of people in financial services. The report also mentions that one of the reasons behind such poor access is poor financial literacy. From this, it is relevant to mention here that the financial literacy has a poverty reduction and development implication through increasing financial access of the people in financial services. From a wider perspective, the education and literacy have a development connection in line with developing employability, entrepreneurship, health consciousness, and competency buildup of individuals. The development link of financial literacy is based on how the literacy works or change the behavior and well-being of the people.

Similarly, in 13th development plan, National Planning Commission (2014b) mentions that the poor financial access is one of the development drawbacks for Nepal and prescribes both of supply and demand sided approach of financing to minimize the challenges. The supply sided approach includes expansion of financial services through banks and financial intermediaries; whereas, the demand sided approach includes how to improve the access and motivate the people in formal financial system. Chaulagain (2015a) argues that the supply sided financial services are necessary but not sufficient condition to increase access to finance. To assure the demand sided access, he argues that the financial literacy is one of the agendas. In this regards, financial literacy leads to poverty alleviation, community economic development, asset building, consumer education and protection and empowerment (Ramakrishnan, 2012). Additionally, Sebstad and Cohen (2003) are also in favor of financial literacy as a development instrument through poverty reduction in developing countries by increasing people's knowledge and opportunities.

Bhushan and Medury (2013) opine that financial literacy contributes quality of financial services and thereby aggregate economic growth and development. They also argue that financial literacy could empower the individuals. From this opinion, economic growth and development is a function of the people's empowerment and such empowerment is a function of financial knowledge and skill of the citizen. Reza, Nath, Hossain, Rana and Uraguchi (2014) have common understanding on contribution of financial literacy and financial inclusion in national sustainable economic growth and development through empowering marginalized people. Although, they have left to mention who are the marginalized group of people. Islam and Mamun (2011) argue that empowering and including marginalized people in financial mainstream and such empowerment is for stable and equitable economic growth and development. It is more clear understanding that the financial empowerment is a necessary condition for national development.

Financial literacy, as a tool to make the individuals capable, skilled and confident through financial education, is linked with transformation of individuals' financial position that could create other opportunities of personal growth and changes thereafter. Thomas and Zia (2009) find that financial literacy is a powerful predictor of financial services. According to them, financial literacy is not only to increase financial knowledge and skill of the person but also increases employability. From the human capital perspective as mentioned by Kessler and Lulfesmann (2002), investment in educating the persons to provide knowledge and skills could develop a human as a human capital. It is usual that any type of capital has potentiality of further income generation, so as human capital too. However, financial literacy concerns personal financial agendas, Chaulagain (2018) argues that financial literacy has both of direct and indirect contribution in national development by empowering persons in regular financial matters.

Under-developed countries are relatively backward in terms of resources constraints and poor socio-economic fundamentals. Socio-political backwardness of these countries also stem on the socio-economic fundamentals. The socio-economic fundamentals are summation of poor education, incapability, unawareness, and poor attitude towards self and society. From this perspective, people are required to make empowered. Out of several ways and tools of empowering the people in developing nations, providing them knowledge and skill is one. To neutralize the challenges of poverty, exclusion, under-development and socio-economic fundamentals among the countries, several countries have focus of financial literacy interventions towards school children, adolescents, excluded, marginalized, conflict victims, low income, women, ethnic minority people who have poor access to finance. Nepal is in stage of formulating financial literacy policy whereas some of other countries have done so far.

Conclusion

Financial literacy is basically a financial behavioral issue for everyone. However, there are mixed effectiveness of financial literacy on behavior. Similarly, the financial literacy has empowerment and development implications as well. However, the financial literacy is only one of the tools that may help to empower the people through their financial health. Financial literacy is not an absolutely new educational issue. Priority of financial literacy both in education and finance in Nepal is yet to set. Empowering the people is not a short run, one time and on-size-fits-all agenda. Empowering the marginalized people is possible to making the people financially literate which can contribute to increase access of them in financial services, and capable enough to identifying and consuming financial services, other things remaining the same. There are several modes of empowering people, several degrees of intervention to empower and distinct priorities of empowerment. Basically, in Nepal, the vulnerable group of people such as women, ethnic minority, conflict victims, deprived and low income people who are necessary to empower. Other things remaining the same, making the people financially aware, capable, accessible and sustain to them in financial services are some of the ways to empower the marginalized and excluded people. However, financial literacy is not a panacea for every financial problems of those people. As Nepal is an underdeveloped nation with mass poverty, deprivation and unemployment, educating the people in financial matters helps open the door in several ways. Financial sophistication is necessary for poverty alliviation, curbing the deprivation and search for market opportunities of employment. In such, marginalized, poor women, minority people are necessary to focus in mainstreaming in financial matters.

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