

## Financial Inclusion for Financial Well-Being: Evidence from Pokhara, Nepal

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### Abstract

Financial inclusion has become a significant issue in developing nations. Financial access is essential for the economic empowerment of the youth. This study uses a quantitative, primarily cross-sectional research design to examine the effect of financial inclusion on the financial well-being of youth in Pokhara Metropolitan City, Nepal. A convenience sampling technique was used, and a primary survey was conducted among 204 youths aged 18-29 years. Descriptive methods, correlation, and regression analysis were applied to examine the data. This study finds that youth financial well-being is primarily affected by affordability and usage of financial services. Providing financial services alone is not enough to promote people's financial well-being; affordability and the use of financial services are equally important. Delivering affordable financial services, promoting active usage, and offering financial education and access ensure the financial well-being of youth. The outcomes of this research have significant policy implications for expanding affordable and productive usage of financial services. Policymakers may develop a strategy to ensure the productive application of affordable financial services to the welfare of youth and promote financial well-being.

**Keywords:** Financial inclusion, financial education, financial services, financial well-being

### Introduction

Financial inclusion has become a global research agenda and a crucial policy, particularly in developing countries. Access to finance promotes social empowerment, economic growth, and personal well-being. An inclusive financial system expands access to financial services, primarily for the unbanked and low-income people (Sapre, 2021). It is essential for achieving seven of the 17 Sustainable Development Goals (SDGs), as it helps eradicate poverty, encourages economic growth and employment, and supports women's economic empowerment (World Bank, 2025).

Financial inclusion is essential for creating an inclusive financial system and eliminating poverty and inequality in the economy (Shrestha, 2020). In the context of development, financial inclusion has emerged as a key issue, particularly in expanding economic opportunities for marginalized groups (Subedi & Dhungana, 2024). It is frequently regarded as a crucial component of inclusive growth, as it enables economic actors to engage in productive activities, make long-term investment and consumption decisions, and manage

unforeseen short-term shocks (Park & Mercado, 2015).

Youth is a crucial stage of life when young people begin to understand their goals, gain financial independence, and find their place in society. Youth make up a significant portion of the population and are a powerful force that can influence the direction of the economy in many countries. They are essential change agents because of their enthusiasm, adaptability, and openness to new ideas. By funding young people's financial empowerment, the country can harness their potential to drive growth across various sectors (Sykes-Nyarko et al., 2016).

Youth are involved in financial inclusion in two ways: as participants and as influencers. Equipping young people with the skills and knowledge they need to promote economic activity. Youth is a desirable workforce for the nation's economic growth. Young people can start businesses, invest in their education and skill development, and manage their money effectively (Elmasmari & Amaghous, 2024).

Financial literacy has been recognized as a significant means of improving people's financial well-being

(Sheng et al., 2022). Well-informed, financially educated consumers can make better decisions for their families, which leads to increased financial security and well-being. Financial literacy improves an individual's capacity to plan for both short-term (e.g., emergencies, healthcare) and long-term (e.g., retirement) needs (Hilgert et al., 2003).

Financial well-being includes having a reliable source of income, managing debt responsibly, saving enough money, having access to financial services, being financially literate and knowledgeable, being resilient, and having confidence in one's financial situation (Shair et al., 2024). Financial well-being is a measure of household happiness and can affect other facets of household life, including health, education, and peace. Financial well-being benefits individuals, families, businesses, and society in ways that extend beyond the financial arena (Dare et al., 2023).

Financial inclusion has become a significant issue in developing countries like Nepal (Dhungana & Kumar, 2015; Kumar & Dhungana, 2013). Access to finance is crucial for the economic empowerment of youth. Young people are struggling to use financial services effectively due to limited financial knowledge and confidence in making wise financial choices. This study has made a significant contribution to exploring the effect of financial inclusion on the financial well-being of young people. The objective of the paper is to assess the influence of financial inclusion- measured through access, usage, financial literacy, affordability of financial services, and family financial influence on the financial well-being of youth in Pokhara.

## Review of Literature

### Theoretical Review

Sen (1990) developed the financial capability theory, which emphasizes individual freedom to attain well-being and live meaningful lives. This theory highlights people's ability to adopt financial services to improve their lives, achieve their objectives, and enhance their overall well-being, as well as their access to these services within the context of financial inclusion. The financial literacy theory posits that people's financial behavior and results are influenced by their knowledge and abilities. Strong financial literacy ensures wise financial choices, including investing, saving, and budgeting, ultimately resulting in increased financial

stability and well-being (Huston, 2010).

Planned behavior theory holds perceived attitudes, shared norms, and control all affect intentions, which in turn drive behavior. This theory helps understand behavioral factors that affect financial well-being, as it increases the likelihood of use when people have positive attitudes, social encouragement, and trust in their ability to access services (Ajzen, 1991). Institutional theory related to financial inclusion highlighted the role of trusted norms, values, rules, and social behaviors in shaping individuals' decisions regarding access to and use of financial services. This theory offers valuable insights into how evolving social structures can improve financial inclusion and, in turn, enhance overall well-being (Ozili, 2023).

### Empirical Review

#### Financial services and financial well-being

Omar and Inaba (2020) found that financial inclusion is a notable factor in expanding access to financial services for underprivileged groups to overcome financial barriers. Microfinance is a significant tool for financial inclusion (Dhungana, 2013). Access to finance significantly improves financial satisfaction and safety, reduces worries, and helps manage emergency funds (Hamida et al., 2023). This hypothesis is proposed based on the above arguments:

**H<sub>1</sub>:** There is a significant positive impact of access to financial services on the financial well-being of youth.

#### Usage of financial services and financial well-being

**There** is a nexus between the use of financial services and financial well-being (Kumar & Ahuja, 2024). It facilitates people in effective fund management and risk mitigation. Mishra et al. (2024) found that perceived usage of financial services is crucial for the financial well-being of youth. The following hypothesis is suggested based on the above literature review:

**H<sub>2</sub>:** There is a substantial positive influence of the usage of financial services on the **financial** well-being of youth.

#### Financial literacy and financial well-being

Financial well-being is significantly linked to both financial education (Ianole-Calin et al., 2021). Financial literacy has a significantly positive impact on financial well-being (Lone & Bhat, 2022). Financial **behavior**

significantly facilitates the influences of financial literacy, socialization, fintech, and self-control on financial well-being. The results highlighted financial behavior as a key driver in strengthening youth financial well-being (Sabri et al., 2023). This hypothesis is proposed based on the above arguments:

**H<sub>3</sub>:** There is a substantial positive impact of financial literacy on the financial well-being of youth.

**Affordability of financial services and financial well-being**

Affordability of financial services determines financial well-being (Wellfren et al., 2025). It includes reasonable account-opening amounts, transparent and low-cost service structures, acceptable lending rates compared to those of informal moneylenders, and overall affordability that supports better financial well-being (Vosloo et al., 2014). It can be hypothesized, as discussed above.

**H<sub>4</sub>:** There is a substantial positive effect of the affordability of financial services on the financial well-being of youth.

**Family financial influence and financial well-being**

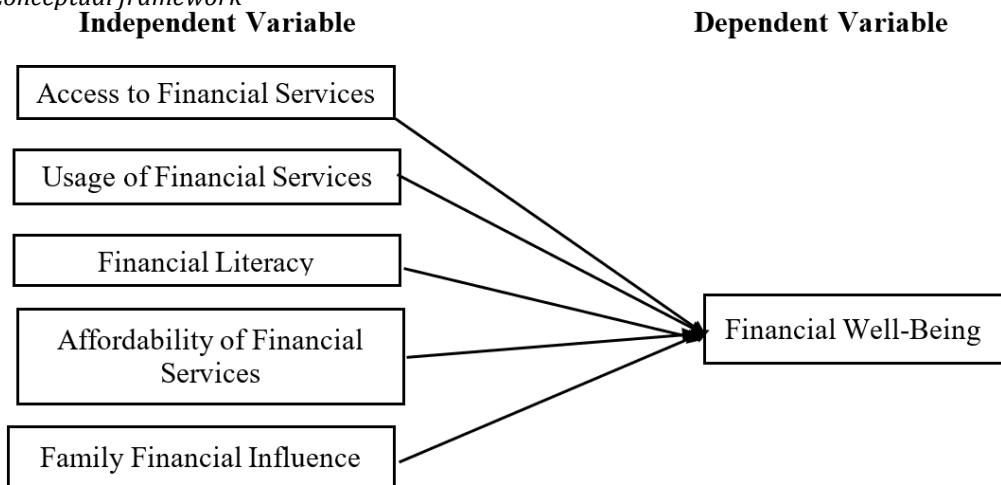
Zhao and Zhang (2020) stated that parental financial socialization significantly improves financial literacy, financial behavior, and financial well-being among adults, including parents discussing money, modeling financial habits, and providing assistance. Family financial influence and financial modeling are potent drivers of young people’s financial knowledge, behaviors, and overall well-being (Wellfren et al., 2025). Based on this literature, the following hypothesis can be postulated:

**H<sub>5</sub>:** There is a substantial positive impact of family financial influence on the financial well-being of youth.

Based on the above literature, the following conceptual framework was developed to investigate the effect of financial inclusion on the financial well-being of people living in Pokhara Metropolitan City of Nepal.

**Figure 1**

*Conceptual framework*



**Data and Methods**

This study employs a quantitative research design, primarily a cross-sectional study, to examine the effect of financial inclusion on the financial well-being of youth in Pokhara Metropolitan City, Nepal. The primary survey was conducted using a structured questionnaire based on established dimensions of financial inclusion in March to April 2025. As per the latest census of Nepal, the population for this study is 60,748 youth (aged 18 to 29 years) residing in Pokhara Metropolitan City (CBS, 2022). The sample

size of 204 has been determined as appropriate using Yamane Taro's (1967) formula with a 95% confidence interval and a 7% margin of error. A convenience sampling technique was used, accounting for potential biases.

The questionnaire was distributed online via Google Forms to ensure a broader reach. The questionnaire primarily uses five-point Likert items ranging from "strongly disagree" to "strongly agree" to measure perceptions of the accessibility and use of financial services, financial literacy, the

affordability of financial services, family financial influence, and financial well-being.

Descriptive, correlational, and regression analyses were performed on the data using SPSS. Internal consistency was assessed using Cronbach's alphas, which ranged from 0.80 to 0.90, indicating good reliability of the designed research instruments. The validity of the research instruments, normality, and multicollinearity were checked in this study. For this, the required procedures were adopted on the reliability and validity of the measurement tools, the appropriateness of the sampling techniques, and the selection of appropriate statistical tools for analysis.

**Results and Discussions**

**Demographic Condition**

The demographic condition of respondents involves age group, gender, academic level, occupation, and monthly income. Table 1 exhibits the demographic condition of the respondents.

**Table 1**  
*Demographic Condition of Respondents*

Respondents' detail	Number	Percentage
<b>Age group</b>		
18 - 21 years	59	28.9
22 - 25 years	110	53.9
26 - 29 years	35	17.2
<b>Gender</b>		
Male	144	70.6
Female	60	29.4
<b>Academic level</b>		
Secondary	24	11.8
Intermediate	57	27.9
Bachelor	74	36.3
Above Bachelor	49	24.0
<b>Occupation</b>		
Student	103	50.5
Employed	86	42.2
Unemployed	15	7.3
<b>Monthly income</b>		
Under Rs 30,000	52	25.5
Rs 30,000 - Rs 60,000	69	33.8
Rs 60,000 - Rs 90,000	37	18.2
Over Rs 90,000	46	22.5
<b>Bank account</b>		
Yes	198	97.1
No	6	2.9

Total	204	100.0
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Table 1 summarizes the demographic profile of 204 youths living in Pokhara Metropolitan City of Nepal. Many respondents (53.9%) are aged 22 to 25 years. Most of the respondents are male (70.6%) and have a bank account (97.1%). Likewise, the majority of respondents (50.5%) are students, have a bachelor's degree or higher (60.3%), and have a monthly income of less than Rs 60,000 (50.9%).

**Descriptive Statistic**

Descriptive statistics have been used to measure perceived financial inclusion and financial well-being factors using a five-point Likert scale.

**Perceived Financial Inclusion Factors Affecting Youth Financial Well-being**

Financial inclusion significantly impacts the financial well-being of youth by providing access to financial resources. The perceived financial inclusion factors affecting youth financial well-being are presented in Table 2.

**Table 2**  
*Perceived financial inclusion factors*

Perceived financial inclusion factors	Frequency	Percent
Access to financial services	47	23.0
Usage of financial services	22	10.8
Financial literacy	87	42.6
Affordability of financial services	27	13.2
Family financial influence	21	10.3
<b>Total</b>	<b>204</b>	<b>100</b>

Table 2 presents key perceived factors influencing the financial well-being of youth. Financial literacy (42.6%) is the most significant factor, and family financial influence (10.3%) is the lowest-perceived financial inclusion factor among respondents. It indicates that improving

financial literacy and ensuring accessible, affordable financial services are crucial to improving youth's financial condition.

#### Access to Financial Services (AFS)

Access to financial services is a crucial factor in financial inclusion. It refers to easy

access to financial services when needed. Table 3 depicts access to financial services, including ATMs, mobile agents, and digital banking services.

**Table 3**

*Access to financial services*

Codes	AFS factors	Mean	Standard deviation	Perception
AFS1	It is easy for me to access various financial institutions when I need to.	3.42	1.21	Low
AFS2	I have access to ATMs, mobile agents, or digital banking services nearby.	3.81	1.20	High
AFS3	I can easily open a bank or financial account if I need to.	3.75	1.30	High
AFS4	Employees at the financial institutions are invaluable, welcoming, and knowledgeable.	3.36	1.13	Low
AFS5	I am aware of nearby financial service providers.	3.42	1.21	Low
<b>Average</b>		<b>3.55</b>		

**Note:** 1: Strongly Disagree; 2: Disagree; 3: Neutral; 4: Agree; 5: Strongly Agree  
Note. Calculation based on field survey, 2025.

Table 3 shows that access to ATMs, mobile agents, and digital banking services is the most influential and helpful, and that youth are most welcoming and knowledgeable, yet have low perceived access to financial services. Several studies found that access to financial services is crucial for the financial well-being of youth (Sabri et al., 2023; Wellfren et al., 2025).

**Table 4**

*Usage of financial services*

Codes	UFS factors	Mean	Standard deviation	Perception
UFS1	I use my financial account regularly.	3.43	1.13	Low
UFS2	I have used savings, loans, insurance, or remittance services.	3.21	1.19	Low
UFS3	I frequently use ATMs, debit cards, QR codes, and mobile apps.	3.80	1.19	High
UFS4	I use financial services for daily or monthly expenses.	3.71	1.12	High
UFS5	I frequently visit the formal financial institutions for financial services.	3.17	1.03	Low
<b>Average</b>		<b>3.46</b>		

Table 4 shows that ATM, Debit card, QR code, and mobile apps are the most widely

#### Usage of Financial Services (UFS)

The use of financial services is one of the determinants of financial inclusion. Table 4 illustrates respondents' perceptions of the use of financial services and their impact on youth's financial well-being.

used financial services for youth's financial well-being. Visiting formal financial institutions for financial services is the lowest-ranked factor for youth's financial

well-being. This finding is consistent with the studies by Dhungana (2025) and Mishra et al. (2024), which found that perceived use of financial services is crucial for the financial well-being of youth.

#### **Financial Literacy (FL)**

Financial literacy refers to the knowledge, skills, and behaviour that enable youth to

make sound financial decisions. Table 5 presents respondents' perceptions regarding financial literacy that supports youth's financial well-being.

**Table 5**

*Financial literacy*

Codes	FL factors	Mean	Standard deviation	Perception
<b>FL1</b>	Financial literacy promotes financial well-being.	3.89	1.27	High
<b>FL2</b>	I understand the importance of saving, budgeting, and investing.	3.90	1.23	High
<b>FL3</b>	I can compare financial services when making financial decisions.	3.67	1.07	Low
<b>FL4</b>	I feel confident in managing my personal finances.	3.58	1.07	Low
<b>FL5</b>	I am aware of financial concepts such as interest rates, inflation, and credit risk.	3.77	1.14	High
<b>Average</b>		<b>3.76</b>		

Table 5 indicates that saving, budgeting, and investing are the most important for financial well-being among youth. Managing my personal finances is the lowest-ranked factor in youth financial well-being. This finding is consistent with the study by Alqam and Hamshari (2024), which found that financial literacy factors are crucial for

the financial well-being of youth.

#### **Affordability of Financial Services (AFFS)**

Affordability of financial services refers to the ability to access them without incurring high costs or financial burdens. Table 6 shows respondents' perceptions of the affordability of financial services for youth's financial well-being.

**Table 6**

*Affordability of financial services*

Codes	AFFS factors	Mean	Standard deviation	Perception
<b>AFFS1</b>	The cost of financial services is affordable for me.	3.12	1.10	Low
<b>AFFS2</b>	The minimum required to open an account is reasonable for me.	3.50	1.09	High
<b>AFFS3</b>	Financial services are designed to be affordable and transparent for people like me.	3.50	1.17	High
<b>AFFS4</b>	The lending rates of financial institutions are acceptable and lower than those of moneylenders.	3.41	1.08	High
<b>AFFS5</b>	Affordable financial services have helped me to improve my financial well-being.	3.48	1.14	High
<b>Average</b>		<b>3.40</b>		

Table 6 shows that affordable, transparent financial services and a minimal account-opening fee are the highest perceived affordability factors for the financial well-being of young people. The cost of financial

services is the lowest-perceived factor affecting the financial well-being of young people. This finding is consistent with the study by Pandey et al. (2020), which found that affordable financial services are crucial

for the financial well-being of youth.

### Family Financial Influence (FFI)

Family financial influence refers to the impact of a family's guidance, habits, and discussions on an individual's financial

behavior and decision-making. Table 7 presents respondents' perceptions of their family's financial influence on the youth's financial well-being.

**Table 7**

*Family financial influence*

Codes	FFI factors	Mean	Standard deviation	Perception
FFI1	My family encourages me to save and manage money.	3.79	1.35	High
FFI2	Family discussions about financial matters matter to me.	3.57	1.26	Low
FFI3	My financial habits and decisions are influenced by my family's advice and the environment I grew up in.	3.62	1.22	Low
FFI4	I have learned money management from my parents/guardians.	3.68	1.20	Average
FFI5	I consult with family members before making financial decisions.	3.73	1.20	High
<b>Average</b>		<b>3.68</b>		

Table 7 demonstrates that family encouragement to save and manage money is the most substantial family financial influence on youth's financial well-being. Family discussions about financial issues rank lowest among factors affecting youth's financial well-being. This finding is consistent with the study by Sheng et al. (2022), which found that family financial influences are crucial to the financial well-

being of youth.

### Financial Well-Being (FWB)

Financial well-being encompasses financial health, including the ability to manage money, financial decision-making capacity, and secure financial prospects. Table 8 shows respondents' perceptions of youth's financial well-being.

**Table 8**

*Financial well-being*

Codes	FWB factors	Mean	Standard deviation	Perception
FWB1	I feel confident about my current financial situation.	3.17	1.15	Low
FWB2	I can meet my regular financial obligations.	3.25	1.03	Average
FWB3	I feel confident in handling financial emergencies.	3.31	1.02	High
FWB4	I feel secure about my financial future.	3.19	1.17	Low
FWB5	I can achieve financial well-being by accessing formal finance.	3.33	1.15	High
<b>Average</b>		<b>3.25</b>		

Note. Calculation based on field survey, 2025.

Table 8 shows that access to formal finance is the most highly perceived factor for financial well-being. The current financial situation is the lowest-ranked factor

affecting the financial well-being of young people. This finding is consistent with the study by Sakyi-Nyarko et al. (2022), which found that financial well-being is a crucial factor.

**Inferential Analysis**

Correlation and regression methods were applied to conclude people's financial well-being. The connection between the dependent variable, the financial well-being

of youth, and the independent variables, access and use of financial services, financial literacy, affordability of financial services, and family financial influences, has been presented in Table 9.

**Table 9**  
*Correlation Matrix*

Variables	FWB	AFS	UFS	FL	AFFS	FFI
FWB	1					
AFS	0.61**	1				
UFS	0.61**	0.67**	1			
FL	0.58**	0.81**	0.69**	1		
AFFS	0.66**	0.67**	0.59**	0.63**	1	
FFI	0.57**	0.71**	0.59**	0.75**	0.60**	1

\*\* . Correlation - significant at the 0.01 level (2-tailed).  
Note. Based on data analysis using SPSS.

Table 9 shows that youth financial well-being is positively connected with financial inclusion factors. The value of financial access and use is 0.61, indicating a strong positive relationship with well-being. Financial literacy has a value of 0.58, showing a positive link. Affordability of financial services has the highest value of 0.66, so it affects well-being the most. Family financial influence has a value of 0.57, showing a positive connection. All these results are significant at the 0.01 level, which means they are strong and reliable.

This shows that greater access, use, knowledge, affordability, and family influence in financial services improve youth's financial well-being.

The regression results were estimated using access and use of financial services, financial literacy, affordability of financial services, and family financial influences as independent variables, with financial well-being of youth as the dependent variable. The regression analysis of youth financial well-being is presented in Table 10.

**Table 10**  
*Regression analysis*

Variable	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics
	B	Std. Error	Beta			
(Constant)	1.47	1.03		1.42	0.16	
AFS	0.12	0.08	0.13	1.45	0.15	3.53
UFS	0.27	0.08	0.25	3.55	0.00	2.14
FL	-0.03	0.09	-0.04	-0.36	0.72	3.83
AFFS	0.38	0.07	0.37	5.14	0.00	2.02
FFI	0.12	0.07	0.14	1.80	0.07	2.53
R-squared: 0.401		Adjusted R-squared: 0.384		F value: 23.18		P value: 0.000

Dependent variable: FWB  
Predictors: (Constant), AFS, UFS, FL, AFFS, and FFI  
Note. Based on the data analysis using SPSS.

Table 10 shows that the affordability of financial services has the most substantial positive impact on youth financial well-being. Likewise, the use of

financial services has a positive and substantial effect on financial well-being. Youth well-being is primarily influenced by affordability and usage of financial services,

while other factors have a lesser or insignificant effect. This finding is consistent with the study by Mahdzan et al. (2023), which found that financial well-being is negatively affected by financial literacy.

The hypothesis was tested using the coefficient table above, which includes the independent variables as predictors. The summary of the hypothesis testing has been listed in Table 11.

**Table 11**

*Summary of hypothesis testing*

Hypotheses	P-Value	Decision
H1	0.15	P > 0.05 (Rejected)
H2	0.00	P < 0.05 (Accepted)
H3	0.72	P > 0.05 (Rejected)
H4	0.00	P < 0.05 (Accepted)
H5	0.07	P > 0.05 (Rejected)

Note. Based on the authors' calculation.

Table 11 shows that the affordability of financial services has the most substantial positive impact (beta = 0.37,  $p = 0.00$ ) on the financial well-being of young people. Likewise, usage of financial services has a positive and substantial effect (with a beta of 0.25 and significance of 0.00), as youth who actively use financial services tend to have better financial well-being. Youth well-being is primarily affected by affordability and usage of financial services, while other factors have a lesser or insignificant effect. The collinearity statistics indicate acceptable levels of multicollinearity among the variables, confirming the validity of the regression results. This result aligns with Nandru et al. (2021), who found that financial inclusion indicators are helpful in promoting people's financial well-being.

### Discussion

Financial inclusion significantly enhances the well-being of marginalized street vendors by improving future financial security, children's education, investments, employment, income, consumption, living standards, and health (Nandru et al., 2021). Greater financial inclusion leads to significant improvements in welfare indicators, including food consumption, healthcare access, income, and school attendance. The findings also highlight that promoting financial inclusion can support

progress toward key SDGs (Sakyi-Nyarko et al., 2022).

Financial inclusion improves socioeconomic outcomes, and it is essential for promoting economic stability (Mishra et al., 2024). Affordable financial products, digital services, and convenient access to financial services are crucial for financial inclusion enhancement (Subedi & Dhungana, 2024). This study emphasizes the growing importance of aligning financial inclusion factors for the financial well-being of youth. Interestingly, while 42.6% of respondents identified financial literacy as the most important determinant of financial well-being, the empirical findings did not support a direct statistical relationship, underscoring a critical gap between subjective beliefs and objective outcomes. These findings align with those of Bashir and Qureshi (2023), who noted the need for theory-based financial well-being research and proposed investigating the roles of causal and intervening mechanisms in the relationships between experiences and financial well-being.

### Conclusion

Youth financial well-being is primarily affected by affordability and usage of financial services. Providing financial services alone is not sufficient to promote people's financial well-being; affordability and the use of those services are equally important. Financial services should be reasonably priced and actively utilized by the unbanked people. Financial literacy and family financial influence may strengthen youth awareness for expanding financial inclusion. All five factors are entirely associated with financial well-being; however, the affordability of financial services has the most substantial positive impact. Delivering affordable financial services, promoting active usage, and offering financial education and access ensure the financial well-being of youth.

The outcome of this research is significant for expanding affordable and productive usage of financial services at the policy level. Policymakers may develop financial policies to promote the productive use of affordable financial services for youth that ensure financial well-being. One limitation of this study is its focus on the Pokhara Metropolitan City of Nepal, which may not represent the Nepalese youth. So, further studies can be conducted in Nepal's rural and urban municipalities. In addition, given

the cross-sectional design of the present study, causal relationships between affordable and usable financial services for financial well-being can be reflected using longitudinal and experimental research to demonstrate causality in future studies.

Moreover, this study is based on a primary survey using structured questionnaires to capture youths' perceived financial well-being. Further study can be conducted using secondary data, with actual financial records and practices.

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