Chapter 7
Financial Education and Inclusion:
Fundamental Aspects for Success of Entrepreneurs

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ABSTRACT

One of the greatest drawbacks for entrepreneurship is to achieve the financial sustainability of a project in the short term. This is a phase of the venture in which mistakes can be made and ideas can be considered; in the beginning, they can be considered as good ideas, but they are usually not brought to a happy end because of wrong decision making. Being the access to venture capital a vital need for a project, it is very possible that the decisions that are made are not accurate and with this, financial pressure is placed on a project that, at its outset, requires support in this regard. Due to the above, the improvement in the levels of financial education and the early insertion in the financial services is a decision that helps to improve the quality of decision making and with this, to have greater certainty about the possibilities of success that an entrepreneurship project can have.

INTRODUCTION

Financial education has become of vital importance for the development of public policies since, despite contradictory positions, its contribution to the economic development of countries has been proven. Initiatives to improve the levels of education have emerged and continue to do so from different multilateral agencies, governments and as a commitment, directing from within themselves, the traditional financial system, which in many countries must create programs to strengthen the knowledge of the population in this regard.

The first part of the chapter presents an overview of the current situation of the financial education, its importance and the results that were obtained from some studies measuring its development around the world.

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In the second part, financial inclusion is presented as another element of great global importance and the progress that has been made in recent years, especially after it has become an instrument for the achievement of the Sustainable Development Goals from the United Nations (UN) to be fulfilled in 2030. In this same part, the relationship between financial inclusion and economic development, poverty and social inequality is shown.

After that, informality is presented; its different interpretations and the implications that it has had on the consolidation of an enterprise that has grown in the shadow of informality.

Finally, the document shows the importance that the development of a solid financial education has for the venture and the implications that this holds on the future success of business initiatives.

1. FINANCIAL EDUCATION

Education has always been, but much more evident in recent years, one of the most important factors for the development of nations and accordingly, government policies have focused on ensuring the constant improvement of the quality with which children, young people and even adults are being formed.

Strictly speaking, the greatest efforts have been focused on the development of skills and knowledge in reading, mathematics and natural sciences. However, in terms of business development, the importance of financial education has been understood and by doing so, specific financial education programs that allow people to have some basic knowledge related to the use of money from an early age have been implemented from different international organizations and even governments.

In this sense, Hogart (2006) states that in financial education there are three fundamental elements that must be considered; the first one is the need to have the essential knowledge and necessary information about the administration of money and assets, services and products offered by the financial system (credit, savings and investment) and taxes; the second is the understanding of those elements, evidenced by the change in the value of money over time and the use of interest rates, and finally, the articulation of these two, with knowledge, information and understanding of the concepts, which leads people to consider a decision-making process that involve planning, execution and evaluation of the same.

Thus, it is a logical strategy to strengthen financial education in order to ensure that a society educated in this area is able to generate greater opportunities for entrepreneurship, and broader options to guarantee the success of business initiatives that are developed in its interior.

Despite the fact that financial education is now considered a fundamental axis for the processes of formation of people, particularly of young people, its study and diffusion dates from few years ago, specifically, when the Organization for Economic Cooperation and Development (OECD) by 2005, publishes the first studies on financial education in its member countries.

For this organization, financial education is defined as:

The process by which consumers and financial investors improve their understanding on financial products, concepts and risks, and, through information, instruction and/or objective advice, develop the skills and confidence to be more aware of financial risks and opportunities, to make informed decisions, to know where to go for help and to take any effective action to improve their economic well-being (OECD, 2005).

In this regard, Willis (2011) argues that the financial education is a fallacy according to which, the implementation of financial education programs is a politically correct decision but the results are not

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