









ORIGINAL

Financial literacy levels and their impact on the entrepreneurial aspirations of the inhabitants of the Velasco Riobamba parish - Ecuador

Niveles de alfabetización financiera y su incidencia en las aspiraciones emprendedoras de los habitantes de la parroquia Velasco Riobamba - Ecuador

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ABSTRACT

Financial literacy is a key factor for economic and social development, as it allows people to manage their resources efficiently and make informed decisions. In Ecuador, financial education levels are low compared to the regional average, which negatively impacts the entrepreneurial capacity of the population. In the Velasco parish of the Riobamba canton, Chimborazo province, this situation is reflected in the difficulty of the inhabitants to access adequate financial knowledge, which limits their aspirations and possibilities of entrepreneurship. This study aims to analyze the relationship between financial literacy and entrepreneurial aspirations in this community, using a mixed approach that combines quantitative and qualitative methods. Through surveys and interviews, the level of financial knowledge will be assessed and the factors that influence the economic decisions of the inhabitants will be identified. The research seeks to generate financial education strategies adapted to the local context, in order to strengthen entrepreneurial capacities and promote the economic development of the Velasco parish. The results obtained may serve as a basis for future interventions in financial education in rural areas of the country.

Keywords: Financial Literacy; Entrepreneurship; Financial Education; Economic Development; Financial Inclusion; Rural Economy; Educational Strategies.

RESUMEN

La alfabetización financiera es un factor clave para el desarrollo económico y social, ya que permite a las personas gestionar sus recursos de manera eficiente y tomar decisiones informadas. En Ecuador, los niveles de educación financiera son bajos en comparación con la media regional, lo que impacta negativamente en la capacidad emprendedora de la población. En la parroquia Velasco del cantón Riobamba, provincia de Chimborazo, esta situación se ve reflejada en la dificultad de los habitantes para acceder a conocimientos financieros adecuados, lo que limita sus aspiraciones y posibilidades de emprendimiento. Este estudio tiene como objetivo analizar la relación entre la alfabetización financiera y las aspiraciones emprendedoras en esta comunidad, utilizando un enfoque mixto que combina métodos cuantitativos y cualitativos. A través de encuestas y entrevistas, se evaluará el nivel de conocimientos financieros y se identificarán los factores que influyen en las decisiones económicas de los habitantes. La investigación busca generar estrategias de educación financiera adaptadas al contexto local, con el fin de fortalecer las capacidades emprendedoras y promover el desarrollo económico de la parroquia Velasco. Los resultados obtenidos podrán servir como base para futuras intervenciones en educación financiera en zonas rurales del país.

Palabras clave: Alfabetización Financiera; Emprendimiento; Educación Financiera; Desarrollo Económico; Inclusión Financiera; Economía Rural; Estrategias Educativas.

INTRODUCTION

Financial literacy is fundamental for the socioeconomic progress of communities. Understanding the basic principles of finance allows people to make informed decisions in areas such as saving, investing, and debt management, which generates economic stability and opportunities for development. However, in Ecuador, levels of financial literacy are below the regional and global average, which limits the population's ability to manage their resources efficiently and achieve sustainability. In this context, the parish of Velasco, located in the Riobamba canton of the province of Chimborazo, faces significant financial literacy and entrepreneurship challenges. A lack of financial knowledge prevents its inhabitants from accessing better economic opportunities and making strategic decisions for the growth of their businesses. Although there are training programs promoted by state agencies and savings and credit cooperatives, their impact is still insufficient to meet the community's needs, especially in rural areas, where the obstacles to accessing information and education are more pronounced. The present research aims to analyze the levels of financial literacy and its impact on the entrepreneurial aspirations of the inhabitants of the Velasco parish. To this end, a mixed approach will be used that combines qualitative and quantitative tools, allowing not only the measurement of the level of financial knowledge of the population but also the exploration of their motivations, difficulties, and expectations in entrepreneurship. This study is hoped to provide valuable information that will serve as a basis for the creation of financial education strategies adapted to the circumstances of the parish, thus promoting economic and social development. The overall objective of the research is to analyze the levels of financial literacy and its impact on the entrepreneurial aspirations of the inhabitants of the Velasco parish in the Riobamba canton, Chimborazo province, in the year 2024. Financial literacy is closely related to a country's economic progress and the proper management of resources. This study aims to explore the connection between the level of financial education in Ecuador, which is between two and three times below the regional and global average (World Bank. World Development Report 2022). This deficit poses serious challenges for the Ecuadorian economy and society. The lack of financial education generates multiple problems in the country. It is crucial to emphasize that current programs fail to provide people with the tools necessary to make informed economic decisions. Local entities need to focus on developing financial education programs that impart concepts and train entrepreneurs in areas such as financial planning, risk management, and the efficient use of available resources. In this sense, it is essential to strengthen the inhabitants of the Velasco parish, where many of them depend on the informal economy, which limits their access to formal financial services and reduces their opportunities for sustainable economic growth. In addition, the demographic characteristics of the parish, such as educational level, gender, and work experience, directly impact the inhabitants' ability to understand and apply financial concepts to their businesses and ventures. In Velasco, many entrepreneurs lack financial management knowledge, which is especially worrying for women, who face additional obstacles such as lack of access to information and economic resources, exacerbating gender inequalities in the business environment (National Institute of Statistics and Censuses (INEC) 2022), it is proposed to implement strategies that improve local education, addressing issues such as savings, investment and risk management, in addition to establishing alliances with cooperatives and banks to facilitate access to microcredits and formal financial services. Additionally, it is suggested that digital platforms for savings and payments be promoted through training in financial technology. Finally, cooperation with local universities and educational institutions will facilitate the creation of financial education modules accessible to the community, providing inhabitants with valuable tools that optimize their financial decision-making and reduce their dependence on the informal economy.

METHOD

The methodological approach of this research will be quantitative and descriptive, with a correlational design. This involves measuring the level of financial literacy of the inhabitants of the Velasco parish and its relationship with entrepreneurial aspirations. Standardized questionnaires adapted to the local context will be used, which will allow us to obtain accurate data on the participants' financial skills and knowledge. In addition, statistical techniques such as logistic regression will be applied to analyze the relationship between levels of financial literacy and entrepreneurial aspirations of the population studied. A cross-sectional analysis will collect data simultaneously, allowing us to capture a "snapshot" of the current state of financial literacy and its effects on entrepreneurial aspirations. The inductive method will be used, to begin with the individual study of the facts and formulate universal conclusions that are postulated as laws,

Variables

- Independent variable: financial literacy.
- Dependent variable: entrepreneurial aspirations.

RESULTS

Population and Planning, Selection and Calculation of the Sample Size, which is 21 498 people, comes from the Population Census carried out in 2022 by the National Institute of Statistics and Censuses (INEC) (INEC, 2024). According to this data, the Velasco parish, the survey is conducted on 377 people.

$$\begin{aligned}
 n &= 3,84 * 0,5 * 0,5 * 21\,498 \\
 &= 0,05 * 21\,498 - 1 + 3,84 * 0,5 * 0,5 \\
 n &= 20\,638,08 \\
 &= 0,0025 * 21\,497 + 0,96 \\
 n &= 20\,638,08 \\
 &= 547\,025 \\
 n &= 377
 \end{aligned}$$

Table 1. Processing, analysis and interpretation of results

1. What is its gender?		
Options	Respondents	Percentage %
Woman	147	39
Man	225	59,67
Another	1	0,27
I prefer not to say	4	1,06
2. How old is he?		
Options	Respondents	Percentage %
< 18	11	2,92
18 - 27	109	28,91
28 - 39	144	38,20
40 - 55	133	29,97
> 56	10	2,65
3. Marital status		
Options	Respondents	Percentage %
Single	149	39,52
Married	116	30,77
Free union	76	20,16
Divorced	36	9,55
4. Educational level achieved:		
Options	Respondents	Percentage %
Incomplete primary education	16	4,24
Primary education completed	41	10,88
Secondary	151	40,05
Technical	70	18,57
University	92	24,40
Otras	7	1,86
5. Do you understand the difference between saving and investing?		
Options	Respondents	Percentage %
1 = Disagree	20	5,31
2 = Neither agree nor disagree	68	18,04
3 = Agree	136	36,07
4 = Strongly agree	153	40,58
6 Do you know how to calculate the interest on a debt or loan?		

Options	Respondents	Percentage %
1 = Disagree	49	13,00
2 = Neither agree nor disagree	83	22,02
3 = Agree	137	36,34
4 = Strongly agree	108	28,65
7. Do you understand the importance of drawing up a personal or family budget?		
Options	Respondents	Percentage %
1 = Disagree	22	5,84
2 = Neither agree nor disagree	58	15,38
3 = Agree	153	40,58
4 = Strongly agree	144	38,20
8. Do you regularly review and analyze your income and expenses?		
Options	Respondents	Percentage %
1 = Disagree	22	5,84
2 = Neither agree nor disagree	64	16,98
3 = Agree	163	43,24
4 = Strongly agree	128	33,95
9. Do you try to save part of your income every month?		
Options	Respondents	Percentage %
1 = Disagree	25	6,63
2 = Neither agree nor disagree	75	19,89
3 = Agree	150	39,79
4 = Strongly agree	127	33,69
10. Do you get enough information before investing your money?		
Options	Respondents	Percentage %
1 = Disagree	16	4,24
2 = Neither agree nor disagree	55	14,59
3 = Agree	154	40,85
4 = Strongly agree	152	40,32
11. Do you consider that financial education is fundamental for making better economic decisions?		
Options	Respondents	Percentage %
1 = Disagree	11	2,92
2 = Neither agree nor disagree	45	11,94
3 = Agree	149	39,52
4 = Strongly agree	172	45,62
12. Would you like to start your own business in the future?		
Options	Respondents	Percentage %
1 = Disagree	12	3,18
2 = Neither agree nor disagree	38	10,08
3 = Agree	128	33,95
4 = Strongly agree	199	52,79
13. Do you think that access to financial education can help you to become an entrepreneur?		
Options	Respondents	Percentage %
1 = Disagree	12	3,18
2 = Neither agree nor disagree	38	10,08
3 = Agree	140	37,14
4 = Strongly agree	187	49,60
14. Have you received training or education in financial literacy?		
Options	Respondents	Percentage %

1 = Disagree	73	19,36
2 = Neither agree nor disagree	87	23,08
3 = Agree	138	36,60
4 = Strongly agree	79	20,95
15. Are you willing to participate in financial education training if you are given the opportunity?		
Options	Respondents	Percentage %
1 = Disagree	13	3,45
2 = Neither agree nor disagree	25	6,63
3 = Agree	134	35,54
4 = Strongly agree	205	54,38

DISCUSSION

Analysis of the data obtained in this study on the financial literacy and entrepreneurial aspirations of the Velasco parish inhabitants highlights significant progress and challenges. By comparing these findings with similar research, the causes of the observed differences and their possible impact on the community can be identified.

Comparison with Similar Research

Previous studies have shown that financial literacy is a key determinant of entrepreneurial success. For example, a survey by Lusardi and Mitchell (2014) found that people with higher levels of financial literacy are more likely to save and invest appropriately. In our research, although 76,65 % of respondents understand the difference between saving and investing, 35 % do not know how to calculate interest rates, which raises a clear gap in financial knowledge that could limit people's ability to make informed decisions.

Further research by Atkinson and Messy (2012) indicates that financial education not only improves individual financial decisions but also positively affects the local economy by encouraging entrepreneurship. This finding correlates with our sample's 86,74 % entrepreneurial aspiration, indicating significant potential for economic development in the Velasco parish. However, the lack of basic financial calculation skills can be an obstacle, as suggested by the research of Chen and Volpe (1998), which links low financial literacy with the inability of individuals to manage their finances effectively.

Causes of the Differences Found

1. Access to Financial Education: unequal access to education may be a fundamental cause of the differences observed in levels of financial literacy. In the case of Velasco, the lack of formal financial education programs and the scarcity of training resources are factors that hinder learning. This coincides with the research of Mandell (2008), who emphasizes that communities with less access to educational resources tend to have lower levels of financial literacy.

2. Financial Culture and Behaviors: cultural patterns prioritizing immediate consumption over saving are another possible cause of the observed differences. According to the work of Ssewanyana and Okedi (2018), many communities face cultural barriers that restrict the adoption of healthy financial practices, which is reflected in the 26,52 % of respondents who do not save regularly.

3. Economic Barriers: economic limitations are another critical factor. Research by Zia (2013) shows that people with lower incomes tend to have less access to financial education and formal banking services, which may explain why many respondents in Velasco face difficulties in implementing effective financial practices.

Proposed strategies

Based on the findings and comparisons, it is clear that there is an urgent need to implement financial literacy training strategies and foster an environment conducive to entrepreneurship. Training proposals in key areas such as financial management, budgeting, and access to finance are essential to address the observed skills deficiencies. In addition, creating support networks among entrepreneurs can facilitate the exchange of knowledge and resources, promoting a more robust ecosystem for business development.

The implementation of these strategies will not only contribute to improving the financial literacy and entrepreneurial capacities of the inhabitants. Still, it will foster a cultural change towards healthier and more sustainable financial practices in the Velasco parish. This, in turn, will boost local economic development and the well-being of the community as a whole.

Strategies are proposed to strengthen the levels of financial literacy and the entrepreneurial capacities of the inhabitants of Velasco parish, promoting local economic development. Three methods are detailed below, along with their respective actions.

Table 2. Strategy 1 Financial literacy training program

Strategy	Objective	Activities	Resources needed	Managers	Indicators
Financial literacy training program	Improve the financial knowledge of the inhabitants for the efficient management of their businesses.	Workshops on budgeting, saving and investing. Training on access to credit and interest rates.	Teaching materials, infrastructure for financial institutions and workshops, digital platforms for virtual training.	Educational institutions, financial specialists in financial education.	Improvement in financial knowledge: measured by surveys before and after the workshop. Implementation of financial practices: monitoring of participants who apply what they have learned in their businesses

Table 3. Strategy 2 creation of Support Networks and Cooperativism

Strategy	Objective	Activities	Resources needed	Managers	Indicators
Creation of Networks and Cooperativism	Support and Encourage the creation of support networks between entrepreneurs to share knowledge and resources.	Formation of cooperatives and productive associations. Networking spaces and local fairs to promote products and services.	Physical spaces, digital platforms, technical advice.	Municipality of Riobamba, chambers of commerce and business associations.	Number of networks or cooperatives created: record of new associations formed. Participation in networking events: number of entrepreneurs attending fairs and meetings

Table 4. Strategy 3 strengthening training for access to financing

Description of the strategy	Objective	Activities	Resources needed	Managers	Indicators
Strengthening Training for Access to Finance	To provide specialized training so that the inhabitants acquire the knowledge and skills necessary to access financing and investment funds.	Workshops on preparing projects and business plans to apply for funding. Personalized advice on requirements and processes for accessing credit and investment funds.	Public and private funds, specialized trainers, educational material.	Savings and credit cooperatives, local banks, government organizations.	Number of participants trained: record of attendance at workshops and consultancy. Rate of access to finance: percentage of participants who manage to obtain credit or funds after the training.

CONCLUSIONS

- The research highlights the relevance of financial literacy as a key factor in the development of entrepreneurship and the local economy and emphasizes that the implementation of training strategies is crucial to reducing existing gaps and strengthening the economic autonomy of the inhabitants of the Velasco parish.
- Strengthening financial education in the Velasco parish is crucial to empowering its inhabitants and fostering a cultural change towards more responsible and sustainable financial practices. Implementing the proposed strategies will contribute to closing the gap in financial knowledge and transforming entrepreneurial aspirations into real opportunities, thus promoting the economic well-being of the community.
- A positive correlation was observed between the level of financial literacy and entrepreneurial aspirations; those individuals with more excellent financial knowledge demonstrate greater confidence in their businesses' planning, management, and sustainability. In contrast, people with low levels of financial literacy tend to experience more fear of risk and face difficulties in accessing financing.

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FINANCING

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CONFLICT OF INTEREST

The authors declare that there is no conflict of interest

AUTHORSHIP CONTRIBUTION

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ANNEXES

SWOT Analysis

Strengths	Opportunities
<p>Basic knowledge of finance among a significant proportion of the population.</p> <p>High entrepreneurial aspiration in the community, with potential for local economic development.</p> <p>High willingness to receive financial education training.</p> <p>Positive financial behavior, with many reviewing their income and expenses regularly.</p>	<p>Implementation of accessible educational programs to improve financial literacy.</p> <p>Promotion of entrepreneurship through the creation of local support programs.</p> <p>Application of digital platforms to facilitate access to education and resources.</p> <p>Development of financing initiatives adapted to local needs.</p>
Weaknesses	Threats
<p>Deficiencies in key skills, such as calculating interest and other mathematical and financial aspects.</p> <p>Difficulty transforming entrepreneurial aspirations into sustainable businesses.</p> <p>Lack of formal financial education in a significant portion of the Velasco parish.</p> <p>Limited access to support networks and financial resources.</p>	<p>Economic and cultural barriers that hinder the adoption of healthy financial practices.</p> <p>Difficulties in accessing credit and financial resources.</p> <p>Cultural resistance to change in financial and entrepreneurial habits.</p> <p>Inequalities in access to educational and financial opportunities due to factors such as age, gender and educational level.</p>