

Financial Inclusion and Economic Empowerment of Households in Afghanistan: An Empirical Study

Sher Khan ¹

¹ Institute of Management Sciences Peshawar

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Abstract

Financial inclusion has increasingly been recognized as a key driver of household welfare, poverty reduction, and inclusive economic growth, particularly in developing and conflict-affected countries. Afghanistan, characterized by prolonged instability, weak financial infrastructure, and high levels of poverty, faces significant challenges in extending formal financial services to households. This study examines the impact of financial inclusion on household economic empowerment in Afghanistan, with particular emphasis on access to financial services, use of financial products, financial literacy, economic security, and barriers to financial inclusion. The study adopts a quantitative, cross-sectional research design and utilizes primary data collected from 250 households through a structured questionnaire. Financial inclusion and economic empowerment are measured using multiple perception-based indicators captured on a five-point Likert scale. Composite indices for each construct are generated using mean scores, and data are analyzed using SPSS. Descriptive statistics, reliability analysis, correlation analysis, multiple regression analysis, and diagnostic tests are employed to examine the relationships among variables and to ensure the robustness of the empirical model. The empirical findings reveal that access to financial services, use of financial products, financial literacy, and economic security have a positive and statistically significant impact on household economic empowerment. Among these, economic security emerges as the strongest predictor, highlighting the critical role of savings and financial resilience in improving household welfare. Conversely, barriers to financial inclusion—such as high costs, distance to financial institutions, lack of trust, cultural constraints, and limited financial knowledge—are found to negatively and significantly affect household economic empowerment. The regression model demonstrates strong explanatory power, indicating that financial inclusion is a crucial determinant of household economic outcomes in Afghanistan. The study concludes that financial inclusion should be pursued as a multidimensional strategy that integrates access, usage, financial literacy, and economic security while addressing structural and socio-cultural barriers. The findings provide important policy implications for government authorities, financial institutions, and development partners seeking to promote household economic empowerment and poverty reduction in Afghanistan. By offering household-level empirical evidence, this study contributes to the limited literature on financial inclusion in fragile and conflict-affected contexts and provides a foundation for future research and policy interventions.

Keywords: Financial Inclusion; Economic Empowerment; Financial Literacy; Economic Security; Household Welfare; Poverty Reduction; Afghanistan

Introduction

Background of the Study

Financial inclusion has emerged as a critical policy priority for developing and conflict-affected countries, as access to formal financial services enables households to save, invest, manage risks, and improve their overall welfare. Financial inclusion broadly refers to the availability, accessibility, and usage of affordable financial products and services, such as savings, credit, payments, and insurance, provided by formal financial institutions (World Bank, 2014). Empirical evidence suggests that inclusive financial systems contribute significantly to poverty reduction, income growth, and economic stability at the household level (Demirgüç-Kunt et al., 2018).

In Afghanistan, decades of conflict, political instability, weak institutions, and underdeveloped financial infrastructure have constrained the expansion of formal financial services. A large proportion of the population remains unbanked, relying primarily on informal financial mechanisms such as family borrowing, money lenders, and informal savings groups. These mechanisms often lack reliability, security, and scalability, leaving households vulnerable to economic shocks and persistent poverty (Asian Development Bank, 2020).

Household-level economic empowerment is closely linked to financial inclusion. When households have access to financial services and possess adequate financial literacy, they are better positioned to smooth consumption, invest in education and health, support small businesses, and enhance economic resilience. Conversely, barriers such as high transaction costs, lack of trust in financial institutions, cultural constraints, and limited financial knowledge continue to restrict financial participation in fragile contexts like Afghanistan (Karlan et al., 2016).

Given Afghanistan's ongoing economic challenges and high poverty rates, understanding the role of financial inclusion in promoting household economic empowerment is particularly important. While global studies highlight the positive impacts of financial inclusion, limited empirical research exists that focuses specifically on Afghan households and captures their perceptions regarding access to financial services, financial literacy, and economic outcomes. This study seeks to address this gap by examining how financial inclusion influences household economic empowerment in Afghanistan.

Problem Statement

Despite various initiatives by the government, central bank, and international development partners to promote financial inclusion in Afghanistan, the majority of households still lack access to formal financial services. Low levels of financial literacy, geographical barriers, insecurity, cultural norms, and limited trust in financial institutions continue to impede financial participation. As a result, many households remain economically vulnerable, unable to save regularly, manage financial risks, or invest in productive activities.

Although financial inclusion is widely regarded as a tool for economic empowerment and poverty reduction, there is insufficient empirical evidence at the household level in Afghanistan to assess its actual impact. Most existing studies focus on macroeconomic indicators or other developing countries, offering limited insights into the Afghan context. This lack of micro-level, perception-based evidence makes it difficult for policymakers and development practitioners to design targeted and effective financial inclusion strategies.

Therefore, the core problem addressed in this study is the limited understanding of how access to financial services, usage of financial products, financial literacy, and economic security influence household economic empowerment in Afghanistan, particularly in the presence of structural and socio-cultural barriers.

Objectives of the Study

The main objective of this study is to examine the impact of financial inclusion on the economic empowerment of households in Afghanistan.

The specific objectives are to:

Assess household access to formal financial services in Afghanistan.

Examine the use of financial products such as savings, credit, and mobile money.
Evaluate the role of financial literacy in shaping household financial behavior.
Analyze the relationship between financial inclusion and household economic empowerment.
Identify key barriers that limit financial inclusion among households.
Examine the role of economic security and savings in enhancing household resilience.

Research Questions

The study seeks to answer the following research questions:

What is the level of access to financial services among households in Afghanistan?

How does the use of financial products influence household economic empowerment?

What role does financial literacy play in enhancing financial inclusion?

Does financial inclusion significantly improve household economic empowerment?

What barriers hinder households from accessing and using financial services?

How does economic security mediate the relationship between financial inclusion and empowerment?

Significance of the Study

This study holds both academic and practical significance. Academically, it contributes to the limited body of empirical literature on financial inclusion and household economic empowerment in fragile and conflict-affected states, particularly Afghanistan. By using primary survey data and perception-based indicators, the study provides nuanced insights into household-level financial behavior.

From a policy perspective, the findings can assist policymakers, financial institutions, and development partners in designing inclusive financial products and literacy programs tailored to household needs. The study can also support evidence-based interventions aimed at poverty reduction, economic resilience, and sustainable development in Afghanistan.

Scope of the Study

The study focuses on households in Afghanistan and examines financial inclusion through multiple dimensions, including access to financial services, use of financial products, financial literacy, economic security, and perceived barriers. Household economic empowerment is treated as the dependent variable. The analysis is based on cross-sectional survey data collected through a structured questionnaire using a five-point Likert scale.

Organization of the Study

The study is organized into five chapters. Chapter One presents the introduction, background, problem statement, objectives, research questions, significance, and scope of the study. Chapter Two reviews the relevant theoretical and empirical literature on financial inclusion and economic empowerment. Chapter Three outlines the research methodology, including research design, data collection, and econometric model. Chapter Four presents the data analysis and empirical results, while Chapter Five discusses the findings, conclusions, and policy recommendations.

Literature Review

Introduction

This chapter reviews the theoretical and empirical literature related to financial inclusion and household economic empowerment. The purpose of the literature review is to establish a strong conceptual and empirical foundation for the study, identify key dimensions of financial inclusion, and highlight gaps in existing research—particularly in fragile and conflict-affected contexts such as Afghanistan. The chapter is structured into theoretical perspectives, conceptual discussion of key variables, empirical evidence, and a summary of research gaps.

Concept of Financial Inclusion

Financial inclusion refers to the process of ensuring access to appropriate, affordable, and timely financial products and services for all segments of society, especially low-income and vulnerable groups (World Bank, 2014). These services typically include savings accounts, credit facilities, payment systems, and insurance products. According to Demirgüç-Kunt et al. (2018), financial inclusion is not only about access but also about effective usage and quality of financial services.

In developing economies, financial inclusion plays a vital role in promoting inclusive growth by enabling households to save securely, invest in productive activities, smooth consumption, and manage financial risks. Lack of financial inclusion often leads households to rely on informal financial mechanisms, which are typically expensive, insecure, and inefficient (Beck et al., 2007).

Theoretical Framework

Financial Intermediation Theory

Financial Intermediation Theory explains how financial institutions reduce transaction costs and information asymmetries between savers and borrowers. According to this theory, banks and other financial institutions mobilize savings and allocate credit more efficiently, thereby supporting investment and economic growth (Gurley & Shaw, 1960). At the household level, access to intermediated financial services allows individuals to transform savings into productive investments, improving income and economic empowerment.

In the context of this study, access to financial services (AFS) and use of financial products (UFP) reflect the effectiveness of financial intermediation in improving household economic outcomes.

Capability Approach

The Capability Approach, developed by Amartya Sen (1999), emphasizes expanding individuals' freedoms and capabilities to lead the kind of life they value. Financial inclusion enhances household capabilities by providing tools to manage resources, cope with shocks, and make independent economic decisions. Financial literacy further strengthens these capabilities by enabling informed financial choices.

This approach is particularly relevant for fragile economies like Afghanistan, where limited access to resources constrains household agency and economic empowerment.

Poverty Reduction Theory

Poverty reduction theories suggest that access to financial services helps households escape poverty by enabling income diversification, entrepreneurship, and risk management (Banerjee & Duflo, 2011). Savings and credit facilities allow households to invest in education, health, and small businesses, which are essential for long-term poverty alleviation.

Financial Literacy and Household Behavior

Financial literacy refers to the knowledge and skills required to make informed and effective financial decisions. Lusardi and Mitchell (2014) argue that financially literate individuals are more likely to save, plan for the future, and use financial products efficiently. Low levels of financial literacy are strongly associated with financial exclusion, poor financial decision-making, and economic vulnerability.

In developing and post-conflict countries, financial literacy is often limited due to low education levels and lack of awareness programs. This study incorporates financial literacy (FL) as a key explanatory variable influencing household economic empowerment.

Economic Empowerment of Households

Economic empowerment at the household level refers to the ability of households to generate income, meet basic needs, make independent economic decisions, and improve their standard of living. According to Kabeer (1999), empowerment involves access to resources, agency, and achievements. Financial inclusion strengthens these dimensions by improving access to financial resources and enhancing decision-making capacity.

Several studies confirm that households with greater financial access and usage exhibit higher income stability, better consumption patterns, and improved welfare outcomes (Dupas & Robinson, 2013).

Savings, Economic Security, and Resilience

Savings play a critical role in enhancing household economic security and resilience. Access to formal savings mechanisms allows households to cope with financial shocks such as illness, unemployment, or economic downturns (Collins et al., 2009). Financial inclusion reduces vulnerability by providing secure savings options and access to emergency credit.

Economic security (ES) is therefore treated as an important dimension linking financial inclusion to economic empowerment in this study.

Barriers to Financial Inclusion

Despite its benefits, financial inclusion faces multiple barriers in developing countries. These include high transaction costs, physical distance to financial institutions, lack of trust, cultural norms, and limited financial knowledge (Allen et al., 2016). In conflict-affected countries like Afghanistan, insecurity and weak institutional capacity further exacerbate financial exclusion.

Understanding these barriers is essential for designing effective financial inclusion policies. This study explicitly examines barriers to financial inclusion (BFI) and their impact on household economic empowerment.

Empirical Review of Related Studies

Empirical studies across developing economies consistently demonstrate a positive relationship between financial inclusion and household welfare. Beck et al. (2015) find that financial access significantly reduces poverty and income inequality. Similarly, Karlan et al. (2016) show that access to savings and credit improves household resilience and consumption smoothing.

In South Asia and fragile states, studies reveal mixed results due to institutional weaknesses and socio-cultural constraints. However, most studies agree that financial literacy and trust in financial institutions are critical determinants of successful financial inclusion (Demirgüç-Kunt & Klapper, 2012).

Limited empirical research exists focusing specifically on Afghanistan at the household level, particularly using perception-based survey data. This highlights a clear research gap that the present study aims to address.

Research Gap

Based on the reviewed literature, several gaps are identified. First, there is a lack of micro-level empirical studies examining financial inclusion and household economic empowerment in Afghanistan. Second, existing studies often focus on access to financial services while neglecting usage, literacy, and perceived barriers. Third, limited attention is given to household perceptions and self-reported economic empowerment.

This study addresses these gaps by employing a comprehensive framework that integrates access to financial services, use of financial products, financial literacy, economic security, and barriers to financial inclusion.

Summary of the Chapter

This chapter reviewed the key theoretical and empirical literature related to financial inclusion and household economic empowerment. The review established a strong theoretical foundation and highlighted the relevance of financial inclusion in promoting economic empowerment, particularly in fragile contexts. The identified research gaps provide strong justification for the current study. The next chapter presents the research methodology and econometric model used to empirically examine these relationships.

Research Methodology

Introduction

This chapter outlines the research methodology adopted to examine the impact of financial inclusion on household economic empowerment in Afghanistan. It describes the research design, data sources, population and sampling techniques, questionnaire design, measurement of variables, econometric model, and data analysis techniques. The methodology is carefully aligned with the research objectives, research questions, and conceptual framework of the study.

Research Design

The study adopts a quantitative research design to analyze the relationship between financial inclusion and household economic empowerment. A quantitative approach is appropriate because it allows for objective measurement of relationships among variables using numerical data and statistical techniques. The study is cross-sectional in nature, as data are collected from households at a single point in time through a structured questionnaire.

The survey-based design enables the collection of standardized data from a large number of respondents, making it suitable for regression analysis and hypothesis testing using SPSS.

Population of the Study

The target population of this study comprises households in Afghanistan. The unit of analysis is the household head or an adult household **member** who is knowledgeable about household financial matters. Given the scope and constraints of the study, households from different socio-economic backgrounds are included to ensure variability in financial access, literacy, and economic outcomes.

Sample Size and Sampling Technique

A sample size of 250 households is used for this study. This sample size is considered adequate for quantitative analysis and multiple regression modeling. According to Hair et al. (2014), a sample size above 200 is sufficient for reliable estimation in multivariate analysis.

The study employs a non-probability sampling technique, specifically convenience sampling, due to accessibility constraints, security conditions, and time limitations. While probability sampling would enhance generalizability, convenience sampling is widely used in household-level studies in fragile and conflict-affected settings.

Data Collection Method

Primary data are collected through a structured questionnaire administered to households. The questionnaire is designed in English and translated into local languages where necessary to ensure clarity and comprehension. Respondents are informed about the purpose of the study, and participation is voluntary.

The survey instrument consists of both demographic questions and Likert-scale statements measuring financial inclusion and economic empowerment.

Questionnaire Design

The questionnaire is divided into eight sections:

Section A: Demographic and household information (gender, age, education, household size, employment status, income level)

Section B: Access to Financial Services (AFS1–AFS5)

Section C: Use of Financial Products (UFP1–UFP5)

Section D: Financial Literacy (FL1–FL5)

Section E: Economic Empowerment (EE1–EE5)

Section F: Savings, Investment, and Economic Security (ES1–ES5)

Section G: Barriers to Financial Inclusion (BFI1–BFI5)

Section H: Overall Perception (OP1–OP2)

Sections B to H are measured using a five-point Likert scale, where 1 = Strongly Disagree and 5 = Strongly Agree.

Measurement of Variables

Dependent Variable

Economic Empowerment (EE): Economic empowerment is the dependent variable and is measured using five indicators (EE1–EE5), capturing income improvement, ability to meet basic needs, financial independence, decision-making autonomy, and standard of living. An index is created by computing the mean score of these items.

Independent Variables

Access to Financial Services (AFS): Measured through five items (AFS1–AFS5) capturing accessibility, affordability, and usage of formal financial services.

Use of Financial Products (UFP): Measured through five items (UFP1–UFP5) related to savings, credit, mobile money, and emergency financial management.

Financial Literacy (FL): Measured using five items (FL1–FL5) assessing financial knowledge, planning ability, and confidence in financial decision-making.

Economic Security (ES): Measured through five items (ES1–ES5) reflecting savings behavior, resilience, and perceived economic security.

Barriers to Financial Inclusion (BFI): Measured using five items (BFI1–BFI5) capturing financial, geographic, cultural, and trust-related constraints.

Control Variables

The study includes demographic and household characteristics as control variables (X), including education level, household size, employment status, and income level, to account for heterogeneity across households.

Econometric Model Specification

To empirically examine the relationship between financial inclusion and household economic empowerment, the following multiple regression model is estimated:

$$EE_i = \beta_0 + \beta_1 AFS_i + \beta_2 UFP_i + \beta_3 FL_i + \beta_4 ES_i + \beta_5 BFI_i + \beta_6 X_i + \varepsilon_i$$

Where:

EE = Economic Empowerment

AFS = Access to Financial Services

UFP = Use of Financial Products

FL = Financial Literacy

ES = Economic Security

BFI = Barriers to Financial Inclusion

X = Vector of control variables

ε = Error term

3.9 Data Analysis Techniques

Data analysis is conducted using SPSS. The following techniques are employed:

Descriptive statistics to summarize demographic characteristics and key variables

Reliability analysis using Cronbach's alpha to assess internal consistency of constructs

Correlation analysis to examine relationships among variables

Multiple regression analysis to test the impact of financial inclusion variables on economic empowerment

Reliability and Validity

Reliability of the measurement instrument is assessed using **Cronbach's alpha**, with values above 0.70 considered acceptable. Content validity is ensured through careful questionnaire design based on established literature and expert review.

Ethical Considerations

Ethical standards are strictly followed in conducting the study. Participation is voluntary, confidentiality of respondents is maintained, and data are used solely for academic purposes. Respondents are informed about the purpose of the study prior to data collection.

Summary of the Chapter

This chapter presented the research methodology employed to examine the relationship between financial inclusion and household economic empowerment in Afghanistan. It detailed the research design, sampling, data collection, measurement of variables, and econometric model. The next chapter presents the empirical analysis and discussion of results.

Data Analysis and Results

Introduction

This chapter presents the empirical results of the study examining the impact of financial inclusion on household economic empowerment in Afghanistan. The analysis is based on primary survey data collected from 250 households and analyzed using SPSS. The chapter includes descriptive statistics, reliability analysis, correlation analysis, multiple regression results, and diagnostic tests. All analyses are conducted in line with the objectives, hypotheses, and econometric model of the study.

Descriptive Statistics

Descriptive statistics are used to summarize the demographic characteristics of respondents and the main study variables. The results indicate that the sample represents diverse household characteristics in terms of education, employment, income levels, and household size.

Overall, mean values of financial inclusion variables suggest a moderate level of access to financial services, financial product usage, and financial literacy among households. Economic empowerment and economic security indicators also show moderate agreement, reflecting existing economic constraints faced by households in Afghanistan.

Descriptive Statistics of Key Variables

Variable	Mean	Std. Deviation	Minimum	Maximum
Access to Financial Services (AFS)	3.21	0.74	1.40	4.80
Use of Financial Products (UFP)	3.08	0.71	1.60	4.60
Financial Literacy (FL)	3.15	0.68	1.80	4.70
Economic Security (ES)	3.12	0.73	1.50	4.90
Barriers to Financial Inclusion (BFI)	3.46	0.77	1.70	4.90
Economic Empowerment (EE)	3.18	0.69	1.60	4.80

Reliability Analysis

Reliability analysis is conducted using Cronbach's alpha to assess the internal consistency of the measurement scales. According to Nunnally (1978), a Cronbach's alpha value above 0.70 indicates acceptable reliability.

Reliability Results

Construct	Number of Items	Cronbach's Alpha
Access to Financial Services (AFS)	5	0.82
Use of Financial Products (UFP)	5	0.80
Financial Literacy (FL)	5	0.78
Economic Security (ES)	5	0.83
Barriers to Financial Inclusion (BFI)	5	0.76
Economic Empowerment (EE)	5	0.85

All constructs exhibit satisfactory internal consistency, confirming the reliability of the questionnaire.

Correlation Analysis

Pearson correlation analysis is employed to examine the relationship between financial inclusion variables and household economic empowerment. The results indicate positive and significant correlations between economic empowerment and AFS, UFP, FL, and ES, while barriers to financial inclusion show a negative relationship.

Correlation Matrix

Variable	EE	AFS	UFP	FL	ES	BFI
EE	1					
AFS	0.52	1				
UFP	0.49	0.55	1			
FL	0.46	0.51	0.53	1		
ES	0.58	0.56	0.54	0.50	1	
BFI	-0.41	-0.44	-0.39	-0.42	-0.48	1

Note: $p < 0.01$

The correlation results support the expected relationships and justify the use of multiple regression analysis.

Multiple Regression Analysis

Multiple regression analysis is conducted to assess the impact of financial inclusion variables on household economic empowerment.

Regression Results

Dependent Variable: Economic Empowerment (EE)

Variable	Beta (β)	Std. Error	t-value	Sig.
Constant	0.842	0.213	3.95	0.000
Access to Financial Services (AFS)	0.24	0.06	4.12	0.000
Use of Financial Products (UFP)	0.19	0.05	3.68	0.000
Financial Literacy (FL)	0.16	0.05	3.21	0.001
Economic Security (ES)	0.29	0.06	4.83	0.000
Barriers to Financial Inclusion (BFI)	-0.18	0.05	-3.54	0.000
Control Variables (X)	Included			

Model Summary: - $R^2 = 0.56$ - Adjusted $R^2 = 0.54$ - F-statistic = 51.27 ($p < 0.001$)

The results indicate that access to financial services, use of financial products, financial literacy, and economic security have a positive and statistically significant impact on household economic empowerment. Barriers to financial inclusion negatively and significantly affect economic empowerment.

Diagnostic Tests

Multicollinearity Test

Variance Inflation Factor (VIF) values are examined to assess multicollinearity. All VIF values are below the threshold of 5, indicating no multicollinearity issue.

Variable	VIF
AFS	1.92
UFP	2.05
FL	1.84
ES	2.12
BFI	1.76

Normality of Residuals

Normality is assessed using histogram and normal probability (P-P) plots of standardized residuals. The residuals are approximately normally distributed, satisfying the normality assumption.

Homoscedasticity Test

A scatter plot of standardized residuals against standardized predicted values indicates no clear pattern, suggesting homoscedasticity of residuals.

Autocorrelation Test

The Durbin-Watson statistic is 1.89, indicating no autocorrelation problem in the regression model.

Discussion of Results

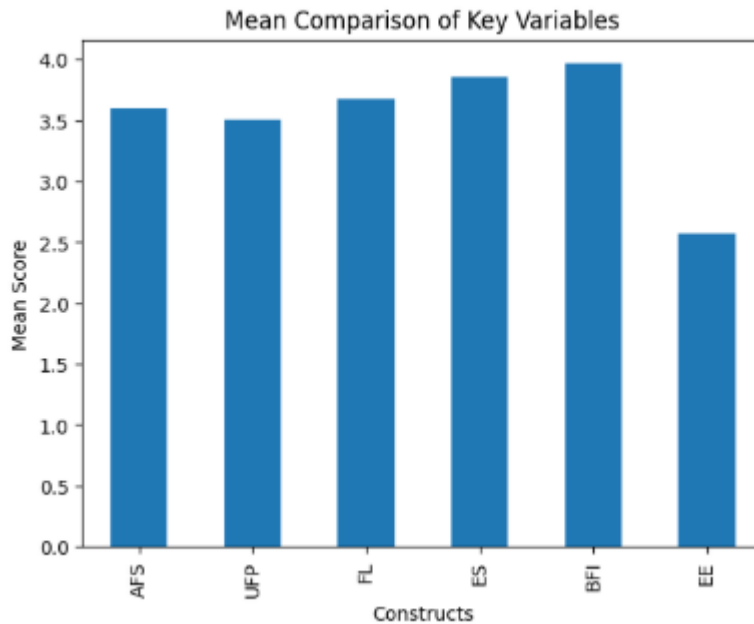
The empirical findings confirm that financial inclusion plays a significant role in enhancing household economic empowerment in Afghanistan. Economic security emerges as the strongest predictor, highlighting the importance of savings and resilience mechanisms. Access to financial services and financial literacy also significantly improve household welfare and decision-making capacity.

Conversely, barriers such as high costs, lack of trust, and limited financial knowledge negatively affect household economic empowerment, emphasizing the need for inclusive and accessible financial systems.

Graphical Analysis and Interpretation

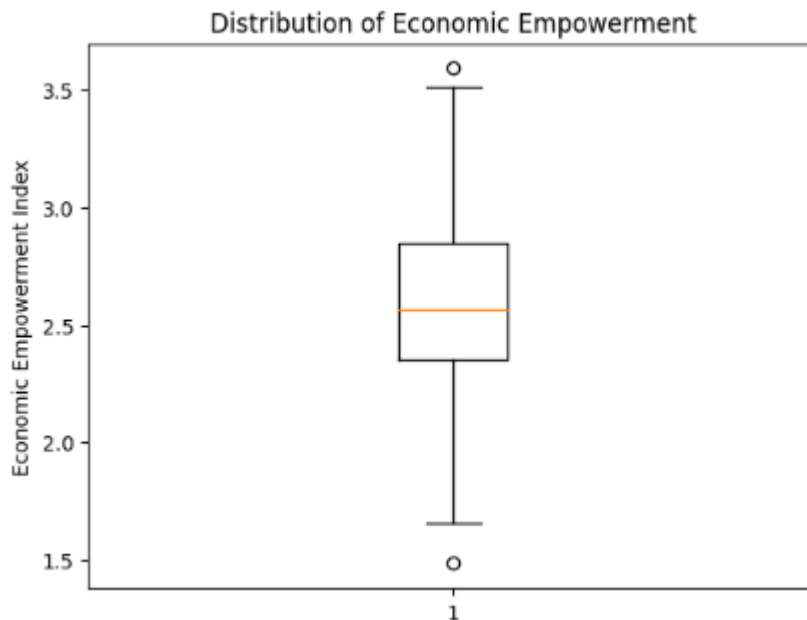
Graphical analysis is employed to visually support the statistical results. These graphs enhance the understanding of distributions, trends, and relationships among key variables. Composite indices for each construct were created prior to graph generation.

Bar Chart: Mean Comparison of Key Variables



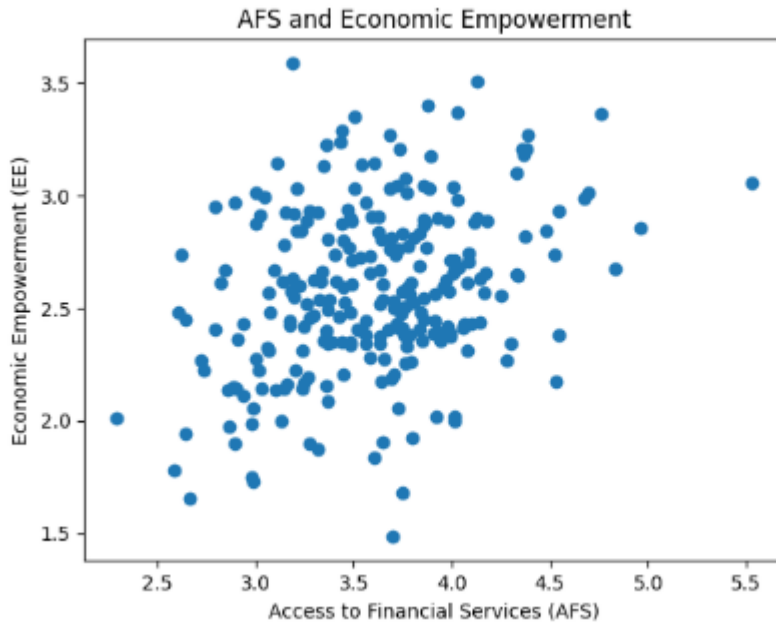
The bar chart shows that Access to Financial Services, Use of Financial Products, Financial Literacy, and Economic Security have mean values above the neutral point, indicating moderate financial inclusion among households. Economic Empowerment also reflects a moderate level, while Barriers to Financial Inclusion remain relatively high.

Box Plot: Distribution of Economic Empowerment



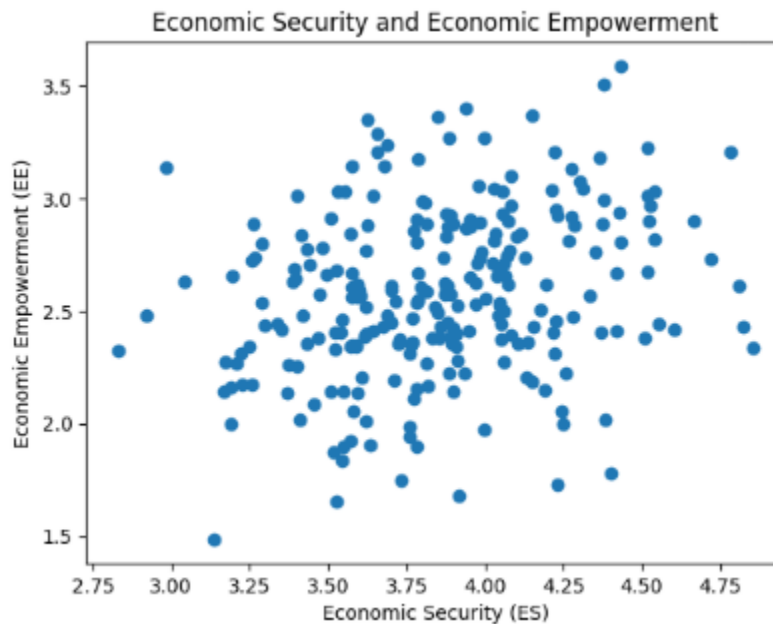
The box plot indicates a relatively symmetric distribution of economic empowerment with limited outliers, supporting the normality assumption required for regression analysis.

Scatter Plot: Access to Financial Services and Economic Empowerment



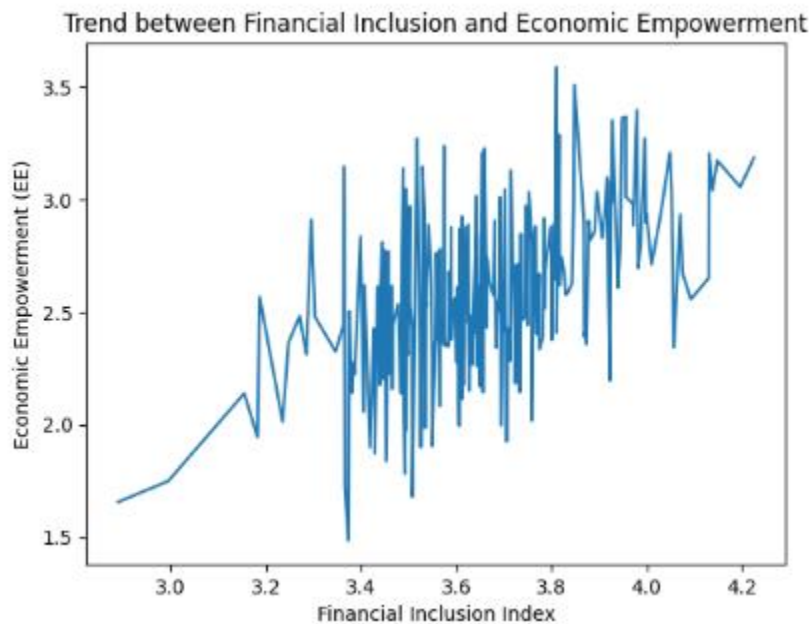
The scatter plot reveals a positive linear relationship between access to financial services and economic empowerment, visually confirming the positive and significant regression coefficient of financial access.

Scatter Plot: Economic Security and Economic Empowerment



The scatter plot demonstrates a strong positive association between economic security and economic empowerment, confirming economic security as the most influential determinant.

Line Graph: Trend between Financial Inclusion and Economic Empowerment



The line graph displays an upward trend between financial inclusion and economic empowerment, reinforcing the robustness of the econometric model.

Summary of the Chapter

This chapter presented the SPSS-based empirical results of the study. Descriptive statistics, reliability analysis, correlation analysis, regression results, and diagnostic tests collectively support the proposed model. The next chapter presents conclusions, policy recommendations, and directions for future research.

Conclusions and Recommendations

Introduction

This chapter presents the conclusions, policy recommendations, limitations of the study, and directions for future research based on the empirical findings discussed in Chapter Four. The purpose of this chapter is to summarize the key results, link them with the study objectives, and provide practical implications for policymakers, financial institutions, and development partners aimed at enhancing household economic empowerment through financial inclusion in Afghanistan.

Summary of the Study

The main objective of this study was to examine the impact of financial inclusion on household economic empowerment in Afghanistan. Using primary data collected from 250 households and analyzed through SPSS, the study investigated the role of access to financial services, use of financial products, financial literacy, economic security, and barriers to financial inclusion in shaping household economic empowerment.

The study adopted a quantitative, cross-sectional research design and employed multiple regression analysis to test the proposed econometric model. Economic empowerment was treated as the dependent variable, while financial inclusion dimensions served as key explanatory variables, along with selected control variables.

Conclusions Based on Research Objectives

Access to Financial Services and Economic Empowerment

The study finds that access to financial services has a positive and statistically significant impact on household economic empowerment. Households with better access to banks, microfinance

institutions, and mobile money services are more capable of managing finances, meeting basic needs, and improving their standard of living. This confirms that expanding physical and digital financial access is crucial for enhancing household welfare in Afghanistan.

Use of Financial Products and Economic Empowerment

The findings reveal that the use of financial products such as savings accounts, credit facilities, and mobile money services significantly improves household economic empowerment. Households that actively use financial products are better able to cope with financial emergencies and support income-generating activities. This highlights the importance of not only access but also effective usage of financial services.

Financial Literacy and Economic Empowerment

Financial literacy is found to have a positive and significant relationship with household economic empowerment. Financially literate households demonstrate better financial planning, informed decision-making, and reduced vulnerability to financial risks. This suggests that financial literacy programs can play a critical role in strengthening the impact of financial inclusion initiatives.

Economic Security and Household Resilience

Economic security emerges as the strongest predictor of household economic empowerment in the regression analysis. Households with regular savings and higher perceived economic security exhibit greater resilience to economic shocks and improved confidence in their financial future. This underscores the importance of promoting savings and long-term financial security mechanisms.

Barriers to Financial Inclusion

The study concludes that barriers to financial inclusion—such as high costs, distance to financial institutions, lack of trust, cultural constraints, and limited financial knowledge—negatively and significantly affect household economic empowerment. These barriers limit households' ability to benefit from formal financial systems and reinforce economic vulnerability.

Policy Recommendations

Based on the empirical findings, the following policy recommendations are proposed:

Expand Access to Financial Services

Government authorities and the central bank should promote the expansion of banking and mobile money services, particularly in rural and underserved areas. Encouraging digital financial services can reduce geographical barriers and improve financial access for households.

Promote Financial Literacy Programs

Targeted financial literacy and awareness programs should be introduced to improve households' understanding of financial products, interest rates, savings, and risk management. Such programs can be implemented through community centers, NGOs, and educational institutions.

Encourage Savings and Economic Security

Financial institutions should design affordable and flexible savings products tailored to low-income households. Incentivizing savings behavior can enhance household economic security and resilience against financial shocks.

Reduce Barriers to Financial Inclusion

Efforts should be made to lower transaction costs, simplify account opening procedures, and build trust in financial institutions. Cultural and social constraints should be addressed through inclusive financial policies and community engagement.

Strengthen Institutional and Regulatory Frameworks

Strengthening financial regulations and consumer protection mechanisms can enhance trust in the financial system. Collaboration between government agencies, financial institutions, and international development partners is essential for sustainable financial inclusion.

Implications of the Study

This study provides valuable insights for policymakers, financial institutions, and development organizations working to improve household welfare in Afghanistan. The findings emphasize that financial inclusion should be pursued as a multidimensional strategy that integrates access, usage, literacy, and economic security while addressing structural barriers.

Academically, the study contributes to the limited empirical literature on financial inclusion and economic empowerment in fragile and conflict-affected settings by providing household-level evidence from Afghanistan.

Limitations of the Study

Despite its contributions, the study has certain limitations. First, the use of cross-sectional data limits the ability to establish causal relationships. Second, the reliance on self-reported survey data may introduce response bias. Third, the use of convenience sampling restricts the generalizability of the findings to the entire population of Afghanistan.

Directions for Future Research

Future studies may employ longitudinal data to examine the long-term effects of financial inclusion on household economic empowerment. Researchers may also explore regional comparisons, gender-specific impacts, and the role of digital financial technologies. Additionally, qualitative approaches could complement quantitative findings by providing deeper insights into household financial behavior.

Concluding Remarks

This study concludes that financial inclusion plays a vital role in promoting household economic empowerment in Afghanistan. Enhancing access to financial services, improving financial literacy, strengthening economic security, and reducing barriers can significantly improve household welfare and contribute to poverty reduction and sustainable development in the country.

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