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Empowering Women Entrepreneurs Through Financial Literacy

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Abstract

This research paper aims to investigate the association between financial literacy and entrepreneurial performance of women. The study is based on an in-depth analysis of a wide range of academic and scientific content. The findings reveal a significant positive correlation between financial literacy and business performance indicators. Financial education enhances women's confidence and decision-making abilities, improves financial planning and management skills, and provides access to valuable resources and networks. These findings emphasize the importance of financial literacy in empowering women entrepreneurs, as well as the need for policy interventions and joint initiatives to improve financial education more accessible, ultimately fostering economic empowerment and business success for women entrepreneurs.

KEYWORDS: Women Entrepreneur, Financial Literacy, Enterprise, Financial Education

Introduction

“An investment in knowledge pays the best interest.” – Benjamin Franklin

In a world where women continue to be underrepresented in business, having a strong financial foundation is critical for success. Financial expertise may assist female entrepreneurs in developing a company strategy, setting financial objectives, developing a budget, and properly managing their fund. It might also boost their confidence and empower them in their commercial endeavours.

Financial Literacy provides the knowledge and skills to understand the concept of finances like budgeting, saving, investment, stocks, cash flow management, insurance and retirement planning thus it empowers women entrepreneurs to make informed and effective decisions for their enterprises which ensures long term profit, security and stability for the enterprise and pave the way for wealth creation.

Conceptualisation of financial literacy

Organisation for Economic Cooperation and Development OECD (2005) defines financial education as “the process by which financial consumers/investors improve their understanding of financial products and concepts and, through information, instruction and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being” while Financial Literacy is defined as “a combination of financial awareness, knowledge, skills, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial well-being” (OECD, 2012). Thus, Financial Education is the process by which Financial Literacy is achieved. Moore (2003) argues “Individuals are considered financially literate if they are competent and can demonstrate they *have used knowledge* they have learned. Financial literacy cannot be measured directly so proxies must be used. Literacy is obtained through practical *experience* and active *integration of knowledge*. As people become more literate, they become increasingly more financially sophisticated and it is conjectured that this may also mean that an individual may be more competent".

Mandell (2008) defines Financial Literacy as "The *ability* to evaluate the new and complex financial instruments and *make informed judgments* in both choice of instruments and extent of use that would be in their own best long-run interests"

Lusardi and Tufano (2008) Focuses on debt literacy, a component of financial literacy, define it as "the *ability to make simple decisions* regarding debt contracts, in particular how one *applies basic knowledge* about interest compounding, measured in the context of everyday financial choices"

ANZ Bank (2008) explain Financial Literacy as "The *ability* to *make informed judgements* and to take effective decisions regarding the use and management of money"

According to Remund (2010), Financial literacy refers to the extent to which an individual comprehends critical financial concepts and has the ability and confidence to manage money prudently, focusing on short-term decision-making and long-term financial planning

All these definitions imply that financial literacy has been variably described as- Knowledge, Skill, financial behaviour of making decisions for financial wellbeing. Some of the specific skills that are often included in definitions of financial literacy are Budgeting, Saving, Investing, Credit, Insurance.

In digital economy financial education is must for all citizen. Apart from working workforce, students, housewives and old age people are increasingly using online mobile transaction which make them more vulnerable to financial fraud and scams which are on rise in digital age. Financially educated society can boost nations economic competitiveness, increase financial inclusion and will contribute in increasing liquidity for the financial markets along with ensuring more financial stability.

Financial literacy and Women

Women's greater life expectancy need more financial assistance for themselves. Widowhood also places them in financial jeopardy. On the other hand, cultural conventions limit women's labor-force participation, making it difficult for them to develop financial stability and a retirement corpus. In certain countries, women are paid less than males, and women have less legal property rights. These situations necessitate more financial independence and security for women.

National Financial Literacy Assessment Test (NCFE) conducted by the National Institute of Securities Markets (NISM) observed that the financial literacy rate among Indian adults was 29.8 per cent. in 2020, higher among men (32.2%) compared to women (27.3%). The study highlights that financial literacy rate was directly correlated to education and income levels.

Many researchers also point out that financial literacy is influenced by socioeconomic and demographic factors **(**Chen and Volpe,1998; Lusardi and Mitchell,2011; Atkinson and Messy,2012; Agarwalla et al. 2015; Bucher-Koenen et al. 2017). Some researches indicated that women have more difficulty in financial calculation hence have lower financial literacy (Mottola; 2013, Sekita; 2011)

Lower levels of financial literacy have the potential to diminish women's economic engagement, economic power within the home, knowledge transmission to the next generation, and to exacerbate existing socioeconomic imbalances.

Many things, including gender stereotypes and the way financial education is frequently taught, may contribute to the idea that women are poor financial calculation. Financial education materials, for example, are frequently aimed towards males and may include language and examples that are more familiar to men than to women. This can make learning about finances difficult for women and it can reinforce the stereotype that women are bad at math and finance.

Women were actually more likely than men to make responsible financial decisions. The study found that women were more likely to save money, pay their bills on time, and avoid debt. women are more likely to repay collateral-free microloans than men. In Bangladesh, Guatemala, Malawi, Malaysia, and Mexico, women surpassed men in loan repayment (Armendáriz and Morduch, 2010). According to D'Espallier et al. (2011) a higher proportion of female clients in microfinance institutions (MFI) is associated with lower portfolio risk and fewer write-offs.

It is critical to understand that financial literacy is not a fixed trait. It is something that can be taught and improved upon with effort. It would be unwise to dismiss women as having less knowledge and intelligence in financial calculations and to exclude them from financial decision making. Online courses, financial literacy applications, and workshops are just a few of the alternatives available to assist women improve their financial literacy. By taking steps to improve their financial literacy, women can make better financial decisions and achieve their financial goals. Women of all ages need to be financially literate. It can assist individuals in meeting their financial objectives, planning for the future, and preparing for financial dangers.

Financial Education crucial for Women:

Assist them in reaching their financial objectives. Women may benefit from financial literacy by better understanding their finances and making more educated decisions about how to save, invest, and spend their money. This can assist them in achieving their financial objectives, such as purchasing a home, saving for retirement, or beginning their own business.

Set up an emergency fund. An emergency fund is a collection of funds that may be used to meet unanticipated expenditures such as job loss, medical emergency, or automobile repair. Women can benefit from financial literacy by understanding the significance of emergency fund

Plan their budgetary requirements. Women who are financially literate can better comprehend their present financial condition and plan for their future requirements. Retirement preparation, estate planning, and college savings are all examples of this.

Be prepared for financial risks. Anyone can face financial hazards, but women are generally more vulnerable. Women may benefit from financial literacy by understanding the many sorts of financial risks and how to protect themselves. Women, for example, may be interested in learning how to protect themselves from identity theft, credit card debt, and predatory lending.

Make better decisions in case of financial emergency. A financial emergency can be stressful, but financial knowledge can help women make more informed decisions. Women, for example, may wish to learn how to deal with creditors, file for bankruptcy, or seek financial advice.

Gather and gain financial backing. Financial knowledge can assist women in accumulating financial resources. Saving money, investing, and developing credit are all examples of this. Women who have a solid financial foundation may feel more comfortable and confident about their financial future.

Protect their legal property and claim their inherited rights. Women can benefit from financial literacy by better understanding their inheritance rights and protecting their legal property. This is especially true for women who are single, bereaved, or have elderly parents.

For women of all ages, financial literacy is a crucial life skill. Women may take charge of their finances and achieve their financial objectives by learning financial education.

Financial Literacy Empowering Women Entrepreneurs

Today in India 8.05 million out of the 58.5 million entrepreneurs are women. These women provide employment to 13.45 million people. This situation becomes more worrying as women gain ground in the labour market and participate in more consumer decisions, income management, and debt decisions.

Women entrepreneurship development, sustainability, and empowerment, whatever the cases, the limited access to external credit facility has revealed one of the critical attributes in literature (De Vita et al., 2014; Aliyu et al., 2019; Alene, 2020). The capacity to acquire financial services, such as credit, deposit, payment, insurance, and other risk management services, is crucial in operational expansion and financial stability (Demirgüç-Kunt et al., 2008). Egbo et al (2020) found that financial knowledge plays vital role in growth of business owned by women specially during start up phase and it is equally important for the success of enterprise. Usama and Yusoff (2018) in their study concluded that financial skill of women entrepreneur sustainability of enterprise move together. They found that appropriate credit selection and fund maximization pave the way for higher profitability with lower financing cost.

Business sustainability and growth: Understanding financial fundamentals enables female entrepreneurs to build a strong basis for their businesses. Financial education helps people to estimate and analyses firm finances effectively, recognize possible hazards, and execute financial plans to guarantee long-term sustainability and growth. This information also assists them in understanding financial sources and how to manage debt or seek investment when necessary.

Confidence in handling funds: Financial education empowers female entrepreneurs to manage their personal and corporate finances. It dispels misunderstanding and anxiety, allowing women to fully engage in financial decision-making. Confidence leads to the capacity to negotiate better terms with suppliers, investors, and financial institutions, resulting in better financial outcomes for their company.

Solid foundation for enterprise and themselves: Financial education allows women entrepreneurs to establish a sound financial foundation for themselves and their enterprises. They learn how to save for emergencies, plan for retirement, manage debt, and safeguard their possessions. Increased financial security guarantees stability even in the face of economic downturns or financial difficulties.

Bridging the Gender Gap: Financial education helps women entrepreneurs bridge the gender gap in access to financial resources and finance. Women may express themselves in the corporate environment and overcome biases or preconceptions that limit their access to funds and opportunities if they are equipped with financial knowledge.

Wealth creation and economic liberty: Financial education enables female entrepreneurs to build wealth and attain financial independence. They learn how to develop profitable enterprises, effectively manage earnings, invest sensibly, and accumulate long-term wealth. Women may sustain themselves and their families while also contributing to the broader economic growth of their communities by becoming financially independent.

The path ahead:

The Government of India and the financial sector regulators are committed to strengthening financial inclusion in the country. Financial literacy is a critical facilitator of financial inclusion since it enables clients to make informed financial decisions. By understanding the basics of financial concepts and products, customers can make better choices that lead to financial well-being.

The Reserve Bank of India (RBI) launched the National Strategy for Financial Education (NSFE) in 2012 to promote financial inclusion and raise awareness about financial concepts and products. the National Centre for Financial Education (NCFE) in consultation with the four Financial Sector Regulators (viz. RBI, SEBI, IRDAI and PFRDA) and other relevant stakeholders has prepared the revised NSFE (2020-2025). The National Strategy for Financial Education (NSFE) document aims to assist the Government of India and financial sector regulators in their vision of equipping the population with the knowledge, skills, attitude, and behaviour necessary to better manage their money and plan for their future. To attain financial well-being for all Indians, the NSFE promotes a multi-stakeholder strategy.

The following strategic objectives have been laid down to achieve the vision of creating a financially aware and empowered India:

1. Inculcate financial literacy concepts among the population. This will be done through financial education, which will make financial literacy an important life skill.
2. Encourage active savings behaviour. This will be done by promoting financial products and services that encourage savings.
3. Encourage participation in financial markets. This will be done by making it easier for people to access financial markets and by providing them with the information they need to make informed decisions.
4. Develop credit discipline and encourage availing credit from formal financial institutions as per requirement
5. Improve the use of digital financial services in a safe and secure manner. This will be done by educating people about the risks associated with digital financial services and by providing them with the tools they need to protect themselves.
6. Help people manage risk at various life stages through relevant and suitable insurance cover. This will be done by educating people about the different types of insurance available and by helping them choose the right insurance for their needs.
7. Help people plan for old age and retirement through coverage of suitable pension products. This will be done by educating people about the different types of pension products available and by helping them choose the right pension product for their needs.
8. Increase people's awareness of their rights, duties, and avenues for grievance redressal. This will be done by educating people about their rights as consumers of financial services and by providing them with information about how to file a complaint if they have been wronged.
9. Improve research and evaluation methods to assess progress in financial education. This will be done by developing new research methods and by evaluating the effectiveness of existing financial education programs.

The National Strategy for Financial Education (NSFE) document recommends a 5C approach to achieve the strategic objectives of financial education. The 5Cs are:

Content

- Financial Literacy content for school children (including curriculum and co-scholastic), teachers, young adults, women, new entrants at workplace/entrepreneurs (MSMEs), senior citizens, persons with disabilities, illiterate people, etc.

Capacity
- Develop the capacity of various intermediaries who can be involved in providing financial literacy.
- Develop a ‘Code of Conduct’ for financial education providers.

Community
- Evolve community led approaches for disseminating financial literacy in a sustainable manner.

Communication
- Use technology, mass media channels and innovative ways of communication for dissemination of financial education messages.
- Identify a specific period in the year to disseminate financial literacy messages on a large/ focused scale.
- Leverage on Public Places with greater visibility (e.g. Bus Stands, Railway Stations, etc.) for meaningful dissemination of financial literacy messages.

Collaboration
- Preparation of an Information Dashboard.
- Integrate financial education content in school curriculum, various Professional and Vocational courses (undertaken by Ministry of Skill Development and Entrepreneurship (MSD&E) through their Sector Skilling Missions and the likes of B.Ed./M.Ed. programmes.
- Integrate financial education dissemination as part of various on-going programmes.
- Streamline efforts of other stakeholders for financial literacy.

Strategy to improve financial knowledge among female entrepreneurs:
- Create content that is relevant to the requirements of female entrepreneurs. This material should be easily available and understandable, and it should address subjects pertinent to women's enterprises such as budgeting, cash flow management, and financial planning.
- Reach out to female businesses through a number of approaches. Social media, community activities, and training programmes are examples of online and offline channels.
- Collaborate with organisations that are aiming to enhance women's financial literacy. Government entities, financial institutions, and non-profit organisations may be included.
- Make financial education available to women of all socioeconomic backgrounds. Women from low-income neighbourhoods, women with impairments, and women from rural locations are also included.
- Encourage female entrepreneurs to take charge of their money. This includes giving them the skills and information they need to make sound financial decisions.

Conclusion:

Women entrepreneurs with financial education contribute to the economy. They generate jobs, boost GDP, stimulate innovation, broaden markets, and encourage variety. They have a good influence on their families and communities in addition to the economic gains. They are more likely to provide for their families' financial stability and to give back to their communities.

There are several things that may be done to help female entrepreneurs become more financially informed. These include offering financial education programmes tailored particularly for female entrepreneurs, making financial resources more available to female entrepreneurs, addressing gender stereotypes about women and money, and assisting female entrepreneurs with their enterprises.

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