

Financial Literacy of Women Entrepreneurs

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ABSTRACT

Understanding finances is essential since there is a relationship between financial literacy and economic growth. Financial literacy and entrepreneurship are two sides of the same coin that are crucial to the expansion of the Indian economy. The chance of success for every newly founded company has been associated with the ability and capability of its founders to manage financial matters in a financially literate manner. A person is considered financially literate if they exhibit a range of abilities, know-how, and behaviours that enable them to make wise and efficient financial decisions. The purpose of this study is to ascertain how women in Telangana state's Warangal district perceive their financial literacy in relation to their financial behaviour. Both primary and secondary data are used in the design of the study. The questionnaire is used to gather the primary data.

Key words: Women entrepreneur, Financial Literacy, Financial Behaviour, Financial Knowledge and Financial attitude.

FINANCIAL LITERACY OF WOMEN ENTREPRENEURS

INTRODUCTION

"You can tell the condition of a nation by looking at the status of its women".

- Jawaharlal Nehru

The formula to help you succeed financially is as follows:

Income – Savings = Costs. Stated differently, your budget plan should prioritize and account for saves, and then your expenses should be scheduled and funded with the money left over after savings. Budgeting, establishing and enhancing credit, saving, taking on and repaying debt, and investing are all part of financial literacy. Increasing one's financial literacy may help one feel less intimidated while making financial decisions on loans, large purchases, and investments. Financial literacy requires understanding the risk-reward trade-off in investment products, budgeting, regulating expenditure, and paying off debt. Financial literacy also includes knowing fundamental financial ideas like compound interest, opportunity cost, yearly return, and time worth of money. Financial literacy is hampered by a lack of knowledge about personal finance, complex financial situations, a wide range of options for financing decisions, and time constraints on learning about personal finance.

Women's empowerment is one of the greatest issues facing our nation, and it can only be achieved by educating, releasing, and empowering women financially. One definition of financial literacy is the capacity to understand how money functions in a typical situation. It specifically refers to the combination of abilities and information that enables a person to manage all of their financial resources in an informed and efficient manner. Numerous scholars have defined financial literacy in numerous studies pertaining to personal finance; nevertheless, many fall short in accurately defining the idea because it fails to account for managers and businesswomen entrepreneurs.

The OECD was among the first organizations in the world to define financial literacy as "a combination of awareness, knowledge, skills, attitude, and behaviour necessary to make sound financial decisions and ultimately achieve individual wellbeing." the G20 leaders accepted this definition in 2012, and it was widely accepted. The Reserve Bank of India defines financial literacy as the ability to be familiar with and comprehend financial market goods, including reward and risk, so that one may make well-informed decisions.

Financial literacy is defined as "having the skills and knowledge on financial matters to confidently take effective action that best fulfils an individual's personal, family, and global community goals" by the national financial educators council. Specific definitions of financial literacy are designed with managers and female entrepreneurs in mind. A financially literate small-business owner or manager is one who understands the best financing choices for the company's performance at different phases of growth, where to find the best products and services, and how to deal confidently with suppliers of these goods and services.

OBJECTIVES OF THE STUDY

1. To examine the notion of financial literacy.
2. To provide an overview of why financial literacy is essential for business owners.
3. To state how entrepreneurs propel economic growth.

PURPOSE OF THE STUDY

This article aims to evaluate the financial literacy of women entrepreneurs in the Warangal district of Telangana state.

METHODOLOGY OF THE STUDY

The authors of this research investigate the connection between women entrepreneurs and financial literacy. A questionnaire with multiple items, covering basic and advanced financial literacy variables, has been used to test the level of financial literacy. To ensure the study is effective, measurements have been made of about 225 respondents.

LIMITATIONS OF THE STUDY

The study's primary limitation is the limited sample size. A bigger sample size could have allowed for a wider variety of analyses and produced more dependable results.

REVIEW OF LITERATURE

Agarwal, 2017, a major portion of one's overall and financial well-being in adulthood can be explained by variations in early financial understanding. Financial literacy is essential to financial well-being. At a rate never seen before, financial technology, or FINTECH, is completely changing the financial services sector. Financial literacy is defined as having the knowledge, drive, and aptitude to apply that understanding to make wise decisions in a variety of financial contexts, in addition to having information about and comprehension of financial ideas and hazards. To increase the economic well-being of society and women entrepreneurs while enabling their involvement in the economy. Consequently, this research paper examined studies on both financial behaviour and financial understanding since financial literacy encompasses both.

Emira kozarevic et al. (2016) believes that the management's capacity to make critical financial decisions is significantly influenced by their financial understanding. The global financial crisis is likely due in part to a lack of financial literacy. Making educated financial decisions is difficult because there is a wide range of financial goods and services available to both individuals and businesses today. Quality of decisions taken by businesses will depend on a large extent on the knowledge level of the decision makers. It has been pointed out by the authors that financial literacy could be one of the key factors promoting economic growth, as decisions taken by management knowingly or unknowingly will directly affect the profitability of the businesses.

Sekar.m., and gowri. M(2015) focused outlined the findings of the Coimbatore city study on financial literacy and the factors that influence it among millennial employees. The study's findings indicate that financial literacy is influenced by age, gender, income, and educational attainment.

Gandhi, d., and sharma, v., (2014) "women entrepreneurship as the emerging economic workforce in the 21st century," Gandhi, D., and Sharma, V., focused on the key obstacles and constraints that women entrepreneurs must overcome while identifying the characteristics that support them. It also covered the various opportunities for development that exist. There are recommendations for boosting the proportion of female entrepreneurs and fostering their successful development.

Kalpna agrawal (2013) her study focused on the entrepreneurship of Indian women. Due to a lack of resources, labour, market expertise, and Indian social and cultural standards, women entrepreneurs operate in an unofficial sector in India. However, things have changed, and women are now employed in clinical research, technology, and retail. This research study examines women entrepreneurs in India, discussing the nature of women's entrepreneurship, its position, and the difficulties that these women encounter.

Ansong and gyensare (2012) carried out a study with 250 cape coast undergraduate and graduate students, finding a favourable correlation between financial literacy and age and work experience. Additionally, respondents' financial literacy and mother's education are favourably connected. However, factors such as study level, place of employment, father's educational background, media availability, and financial education source have little bearing on financial literacy.

Gitman (2003) described the financing provision and says that the area that will involve delivering financial products to individuals is financial services. In SMEs firms, one of the essential managerial talents is financing literacy. The majority of academics concur that decision-making about the acquisition, distribution, and use of resources is a constant activity for entrepreneurs, irrespective of their age. Since there are always financial repercussions to such actions, entrepreneurs need to be financially educated in order to be successful.

Sumangala naik (2003) has written about "the need for developing women entrepreneurs," pointing out that while in the past women were always focused on traditional activities, today's women have changed the way they think and approach things because of favourable government policies, the expansion of education awareness, and the development of women entrepreneurs.

NEED OF THE STUDY

Throughout their career in business, entrepreneurs must navigate difficult choices. Therefore, it is thought that entrepreneurs that possess financial literacy abilities adjust to a more sophisticated comprehension of financial services

that are offered through various channels. The following are some justifications for stressing the necessity of "financial education needs" for entrepreneurs:

- ❖ To divide up commercial finance from personal finance
- ❖ To predict the business's future
- ❖ To provide various abilities in order to handle the risks involved in business
- ❖ To strengthen the ability for choosing decisions
- ❖ To boost corporate productivity by mastering financial concepts
- ❖ To carry out financial management tasks
- ❖ To understand the risk and expense of the financial services that are available in the market

MEASURING FINANCIAL LITERACY

It was generally accepted that subjects related to personal finance, budgeting, record keeping, and savings were particularly crucial for those with lesser incomes. This implies that financial educators must to impart not just the how-but also the why-of saving. Most countries have not seen a significant increase in the body of literature on financial literacy; instead, governments, central banks, financial institutions subject to regulatory authority, non-governmental organizations (NGOs), and international organizations like the World BANK and OECD collaborate on financial literacy initiatives. Governmental and corporate organizations in both developed and developing nations have measured the financial literacy of their populations through surveys. Financial literacy has been investigated from various angles. The financial literacy of most respondents in the USA, UK, Australia, Japan, and other countries was found to be extremely low in an OECD study from 2005 that examined financial literacy in 12 different countries. Financial literacy, as defined by the organization for economic co-operation and development (OECD), can be divided into three main categories: Financial knowledge, Financial behaviour and Financial attitude.

1.Financial knowledge: A person who is financially literate will have some basic knowledge of the main financial concepts. Financial knowledge is someone's mastery of various things about the world of finance. Financial knowledge is measured by the capacity of an individual or group of women entrepreneur to make sound financial decisions in the areas of insurance, investment, savings, tax planning, budget management, credit management and risk management, amongst others. Knowledge can be acquired from a variety of sources, including official education—like high school curricula or lectures—informal education—like training seminars and after-school classes—and informal education—like guidance from friends, parents, and co-workers. An individual's success in personal finance and financial behaviour are influenced by their financial knowledge.

2.Financial Behaviour: Financial behaviour is the study of how people truly act while making financial decisions. Financial behaviour refers to financial actions, decisions, and choices, which depict an individual's risk appetite in the short run. Individuals who have responsible financial behavioural tend to be effective in using the money they have, such as making a budget, saving money and controlling spending, investing, and paying obligations on time. Financial behaviour can help in planning costs and building financial security. On the other hand, certain behaviours such as the use of excessive credit can reduce financial well-being.

3.Financial Attitude: Financial attitude refers to the accumulated behaviours of an individual toward a long-run financial objective, especially the disposition to savings and investments. Attitudes and preferences are considered as important elements of financial literacy. For example, if women entrepreneur have a negative attitude towards saving behaviour for the future, then they will tend to behave like that. Similarly, individuals might create a long-term financial strategy or have emergency funds if they would rather focus on their immediate needs. Investors with strong financial attitude control can sway the outcome of decisions. Financial behaviour is influenced by financial understanding. An individual's financial attitude is shaped by their cumulative financial behaviour.

Reasons for lack of financial knowledge amongst women

1. Women are less interested in financial matters because they believe they don't know enough about them.
2. Women are less confident when it comes to investing, which makes them more conservative than males. Some people may just lack experience with investments and markets, and people tend to be more conservative when they are unsure of something.
3. A large portion of women lack this comfort level, especially when it comes to important areas of financial planning.
4. Women are generally confident in their ability with money when it comes to everyday money management issues like budgeting, saving, dealing with credit and managing debt. But when it comes to more complex issues like investing, understanding financial language and ensuring enough money for retirement, they are less confident.
5. The knowledge that women possess less than males is congruent with their perceived lack of confidence. Women may act more responsibly with their money if they are able to accurately identify their lack of knowledge. Women are less likely to be eager to deal with financial concerns, services, and their suppliers, and they may not always seize possible opportunities for investment or income.
6. In addition to having less financial knowledge, women may have more barriers than males to obtaining economic and financial opportunity, which could contribute to some of the gender gap in financial fragility.

DATA ANALYSIS AND INTERPRETATION

Descriptive analysis has been used to analyze the data in this study. In order to examine the connection between the financial behaviour and literacy of women entrepreneurs in the Warangal district of Telangana state, a questionnaire was sent to 225 respondents. Given that 7 samples are incomplete and 218 samples were valid for testing.

Table 1: Women Entrepreneurs Financial Literacy

Financial knowledge	Yes %	No %
Simple interest	83	17
Compound interest	58	42
Time value of money	52	48
long period returns	71	29
Stock market/ mutual funds	61	39
Mortgage	45	55
Savings and investment	76	24
Budgeting habit	74	26
Credit card/debit card usage	68	32
Business loan	53	47
Personal loan	56	44
Travellers cheque	28	72
Current account	54	46
Internet banking	35	65
Electronic payment	59	41

(Source: Compiled from Primary data)

Table 1 illustrates the proportion of female entrepreneurs who possess understanding of diverse financial concepts and instruments. Most women business owners are aware of basic interest. Though a sizeable percentage do not, somewhat more than half of female entrepreneurs are aware of compound interest. Though a small majority of people do, knowledge about the temporal worth of money is divided rather evenly. Though a small majority of people do, knowledge about the temporal worth of money is divided rather evenly. Mortgages are confusing to over half of female entrepreneurs. Most female business owners are well-versed in budgetary practices. The majority of people are quite knowledgeable about credit and debit card operations. Although there is a little majority of persons who are aware of business loans, knowledge is distributed fairly. Most female business owners have no idea what traveller's checks are. While a small percentage of people are aware of contemporary financial issues, knowledge is spread quite equally. The majority of female business owners are not familiar with online banking. The majority of people are aware of electronic payments, although a sizeable percentage do not. The data indicates that there are variations in the general financial literacy of female entrepreneurs. Some concepts are more widely recognized than others, such as internet banking and traveller's checks. These concepts include simple interest, savings and investment, and budgeting techniques.

Table 2: Women Entrepreneurs Financial Behaviour

Financial behaviour	Yes %	No %
Regularly contributing to savings account	72	28
Keeping separate records for business and personal use	51	49
Emergency savings account for unforeseen expenses	18	82
Keeping sufficient financial documentation	37	63
Keeping a regular, diverse investment portfolio	21	79
Assurance in ability to save and invest	53	47
Getting financial advice prior to taking out a loan	34	66
Assessing credit risk prior to taking out a loan	42	58
Knowledge of financial services and products	47	53
Feel at ease with your existing debt situation.	36	64
Advance budget planning	41	59
Awareness of the many avenues available for obtaining credit	58	42
Employing basic resources to obtain financial data	43	57
Investing opportunities exist in the stock market.	26	74

(Source: Compiled from Primary data)

Table 2 shows the proportion of female entrepreneurs who engage in particular financial behaviours. A sizable majority makes consistent contributions to their savings account. The custom of maintaining distinct financial documents for personal and business purposes is divided equally. The vast majority do not have emergency funds set aside for unanticipated costs. A large majority of female entrepreneurs fail to maintain adequate financial records. The overwhelming majority don't have a consistent, well-rounded investing portfolio. About equal numbers of people believe they can save and invest, with a small majority feeling confident. When taking out a loan, the majority of female entrepreneurs do not consult a financial advisor. Most don't evaluate credit risk prior to taking out a loan. The majority of people are similarly knowledgeable about financial products and services. Most female business owners find their current debt levels concerning. Most don't plan their budgets ahead of time. It's common knowledge that there are multiple paths to credit. Most people don't know about stock market investing opportunities or don't think they exist. According to the research, while credit education and regular savings account contributions are examples of good financial habits, other areas like emergency savings, getting financial advice, and being at ease with debt need improvement.

SUGGESTIONS

1. Enhancing the availability of formal financing for women.
2. Promoting trainings for women in financial capabilities and business skills.
3. It is recommended that the government take the lead in creating and executing policies and initiatives aimed at raising financial literacy.
4. Both direct and indirect funding assistance to women entrepreneurs.
5. Proper training is necessary for entrepreneurs to enhance their financial literacy about time value of money and budget creation.

CONCLUSION

This article concludes that financial literacy abilities have a major role in the success of businesses and stimulate economic growth. The selection and use of financial products, access to and use of information and advice, and money management behaviours and skills could all be enhanced by financial literacy. From a commercial perspective, the term "financial literacy" is crucial. Businesses can become profitable through making well-informed decisions. Proper training on time value of money and budget preparation is necessary for entrepreneurs to become more financially literate. Also, it's critical to keep them updated on the many resources available for obtaining credit at lower costs. Attending classes, seminars, and workshops on bookkeeping, cash forecasting, and other financial topics should be a regular event for female business owners.

People have become increasingly nervous about money as a result of recent events since they are now responsible for managing both their personal and business budgets. The rise in life expectancy and appropriate financial education establish one type of assurance of financial well-being. This study aimed to provide an overview of women's financial literacy in emerging nations such as India.

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