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Impact of Financial Literacy on the Growth of Women Entrepreneurship

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ABSTRACT

Financial literacy plays a crucial role in shaping the growth of women entrepreneurship, especially in developing regions where access to financial knowledge remains uneven. This study examines how basic financial understanding influences the ability of women entrepreneurs to manage resources, make informed decisions, and expand their businesses. Using a combination of primary responses from women entrepreneurs and supporting secondary sources, the analysis highlights that improved financial awareness is closely linked with better business outcomes, including stability and gradual growth. The study also points out that despite increasing participation of women in entrepreneurial activities, gaps in financial education, limited access to credit, and social constraints continue to restrict their progress. Women with stronger financial skills show greater confidence in dealing with financial institutions and adapting to market changes. The findings suggest that promoting practical financial education and supportive policies can significantly strengthen women-led enterprises. The study emphasizes that financial literacy is not only a supportive factor but a key driver of sustainable entrepreneurial development among women.

***Keywords**: Financial Literacy, Women Entrepreneurs, Business Growth, Resource Management, Financial Decision-Making, Inclusive Development.*

Introduction

Women entrepreneurship plays an important role in economic development by generating employment, encouraging innovation, supporting household income, and creating opportunities for financial independence. Women-owned businesses operate across different sectors, including retail, education, food processing, handicrafts, clothing, beauty services, agriculture, and digital commerce. Their contribution is particularly significant in developing economies, where entrepreneurship can provide opportunities for income generation and social mobility. Despite these contributions, women entrepreneurs often face difficulties in establishing, managing, and expanding their businesses. Common challenges include limited access to finance, inadequate business training, insufficient market information, restricted professional networks, and social expectations that affect their economic participation. Financial literacy is one factor that may help women manage these challenges more effectively. Financial literacy refers to the knowledge and skills required to understand financial concepts and make informed financial decisions. In entrepreneurship, it includes budgeting, bookkeeping, cash-flow management, credit assessment, interest-rate calculation, savings, investment planning, and risk management. These capabilities help business owners understand their financial position and use available resources efficiently.

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For example, a woman operating a small clothing business needs to calculate the cost of purchasing stock, transportation expenses, selling prices, profit margins, and future inventory requirements. Without proper financial records, she may confuse sales revenue with actual profit or use business income for personal expenses without planning. Financial literacy can help her separate personal and business finances, estimate future requirements, and make informed decisions about expansion.

However, financial literacy alone cannot guarantee entrepreneurial success. A financially knowledgeable entrepreneur may still experience difficulties if she cannot obtain affordable credit, reach customers, or access suitable infrastructure. Therefore, understanding the relationship between financial literacy and women entrepreneurship requires consideration of financial knowledge alongside economic, social, and institutional factors.

This review paper examines existing literature to understand how financial literacy may influence women entrepreneurs' financial decisions, business performance, and long-term sustainability.

Objectives of the Review

The major objectives of this review paper are:

- To examine the relationship between financial literacy and the growth of women entrepreneurship.
- To review existing studies on financial management, access to finance, and entrepreneurial performance.
- To understand the role of digital financial literacy in women-owned businesses.
- To identify challenges that limit women entrepreneurs' ability to apply financial knowledge.
- To suggest measures for strengthening financial literacy and supporting sustainable entrepreneurial development.

Review of Literature

- **Financial Literacy and Entrepreneurial Performance**

Arya and Singla (2022) conducted a systematic literature review examining financial literacy among entrepreneurs and its relationship with financial access and the performance of micro, small, and medium enterprises. Their review identified 67 relevant studies and highlighted the importance of financial literacy for enterprise performance. The authors observed that financial knowledge is particularly useful when businesses have adequate funds available to support their operations. <Cite refs={["turn727640search11"]}/>

This study provides an important foundation for understanding women entrepreneurship. Financially literate entrepreneurs may be better prepared to maintain records, manage expenses, evaluate financial products, and plan investments. These activities can contribute to business stability and informed decision-making. Nevertheless, the findings also indicate that financial knowledge needs to be supported by sufficient financial resources. Knowledge without access to capital may not be enough to expand a business.

- **Financial Literacy and Women's Entrepreneurial Development**

Andriamahery and Qamruzzaman (2022) investigated the relationships between access to finance, technical knowledge, financial literacy, women's empowerment, and entrepreneurial development. Their study analysed responses from women-owned small and medium-sized enterprises and reported positive relationships between these factors and women's entrepreneurial sustainability and empowerment. <Cite refs={["turn727640search1"]}/>

The study suggests that financial literacy should be considered alongside technical skills and access to finance. Women entrepreneurs need to understand how to use financial resources effectively, but they also require the practical knowledge to manage their businesses. For example, obtaining a loan may support expansion, but the entrepreneur must also assess repayment capacity, expected revenue, operating expenses, and potential business risks.

The findings underline the importance of combining financial education with practical business training and suitable financing opportunities.

- **Women Entrepreneurship in India**

Baral et al. (2023) reviewed 74 scholarly articles on women entrepreneurs in India published between 1993 and 2020. Their systematic review organised existing research, identified areas that had

received attention, and highlighted opportunities for future research. The study is particularly relevant because it examines women entrepreneurship within the Indian socioeconomic context. <Cite refs={[“turn727640search12”]}/>

In India, women entrepreneurs operate businesses of different sizes and levels of formality. Some establish small enterprises using personal savings or family support, while others pursue formal business registration, bank credit, digital sales, and expansion into new markets. Their financial requirements and business challenges consequently vary.

Financial literacy may help women understand banking services, prepare financial documents, compare borrowing options, and manage business transactions. However, regional differences, educational opportunities, household responsibilities, and access to business networks can influence whether financial knowledge translates into measurable business growth.

- **Financial Literacy and Access to Finance**

Access to finance is an important factor in starting and expanding a business. Women entrepreneurs may need capital to purchase equipment, maintain inventory, recruit employees, improve production, or enter new markets. However, obtaining suitable finance can be difficult when entrepreneurs lack collateral, formal financial records, credit histories, or information about available schemes.

The OECD and Global Women’s Entrepreneurship Policy Network (2025) examined financing barriers faced by women entrepreneurs and possible policy responses. Their report highlights the importance of financial literacy, tailored financing arrangements, microfinance, fintech, and broader institutional support. It also emphasises that financial barriers cannot be addressed through a single intervention. <Cite refs={[“turn727640search0”,“turn727640search2”]}/>

Financial literacy can help women entrepreneurs understand loan terms, interest rates, repayment schedules, and financing risks. It may also help them prepare business plans and financial statements that are useful when approaching lenders. Nevertheless, financial knowledge does not automatically ensure loan approval. Lending practices, collateral requirements, business characteristics, and structural inequalities may continue to affect access to finance.

- **Digital Financial Literacy and Women Entrepreneurship**

Digital technology has created new opportunities for women entrepreneurs to conduct business transactions, communicate with customers, receive payments, and access financial services. Mobile banking, digital payment applications, online marketplaces, and electronic accounting tools can make certain business activities more convenient.

Digital financial literacy involves understanding how to use these services safely and effectively. Entrepreneurs need to recognise transaction charges, understand digital credit conditions, protect confidential information, and identify fraudulent activities. These skills are especially relevant to women running home-based businesses or selling products through social media and e-commerce platforms.

However, digital access does not always lead to effective use. Limited digital skills, unreliable connectivity, language barriers, and concerns about online fraud may prevent entrepreneurs from fully benefiting from digital financial services. Financial literacy programmes should therefore include practical digital training and cybersecurity awareness.

Major Themes Emerging from the Literature

The reviewed studies indicate several important connections between financial literacy and women entrepreneurship.

- **Financial Planning and Resource Management**

Financial literacy can support budgeting, bookkeeping, cost calculation, cash-flow monitoring, and profit assessment. These practices help entrepreneurs understand their financial position and plan for future expenses. Regular financial records can also help identify unnecessary costs and evaluate business performance.

- **Informed Borrowing and Investment Decisions**

Entrepreneurs must evaluate whether borrowing is necessary, whether repayments are affordable, and whether an investment is likely to generate sufficient returns. Financial knowledge can

help women compare financing options and avoid unsuitable debt. It may also support decisions about purchasing equipment, increasing inventory, or entering new markets.

- **Entrepreneurial Confidence and Empowerment**

Financial knowledge can strengthen women's confidence in managing business finances and participating in financial decisions. Greater understanding of financial matters may support independence and more effective communication with lenders, suppliers, and business partners. However, empowerment also depends on decision-making authority, control over income, and access to opportunities.

- **Business Sustainability**

Sustainable growth requires more than short-term sales increases. Entrepreneurs need to manage working capital, prepare for unexpected expenses, control debt, and make realistic expansion plans. Financial literacy can contribute to these activities, although market demand, competition, product quality, and business networks also influence long-term success.

Research Gap

Although existing literature has examined financial literacy, women's financial inclusion, and entrepreneurial performance, several areas require further investigation.

First, more research is needed to understand which specific financial skills have the strongest relationship with business outcomes. Budgeting, bookkeeping, credit management, digital payments, and investment planning may influence enterprises in different ways.

Second, women entrepreneurs are not a uniform group. Their financial needs may vary according to educational background, business size, location, sector, and stage of development. Future research should examine these differences.

Third, more region-specific research is required in India, particularly in areas where women entrepreneurs operate microenterprises or informal businesses. Studies could investigate how financial literacy interacts with access to banking, digital infrastructure, and government support.

Finally, financial literacy should be examined alongside structural barriers. Future studies could explore whether mentoring, access to credit, digital skills, and institutional support strengthen the relationship between financial knowledge and business growth.

Discussion

The reviewed literature indicates that financial literacy is an important entrepreneurial capability. It can help women understand financial information, manage resources, assess borrowing options, and make informed business decisions. These skills are relevant throughout the entrepreneurial process, from starting a business to maintaining operations and pursuing expansion.

However, financial literacy should not be treated as the sole explanation for entrepreneurial success. Business performance depends on several interconnected factors, including access to finance, customer demand, technical knowledge, infrastructure, and institutional conditions. A woman entrepreneur may understand financial management but remain unable to expand because of insufficient capital or limited market access.

Consequently, financial education is likely to be more effective when combined with affordable financing, mentoring, business development services, and digital support. Training should also be practical and relevant to entrepreneurs' actual needs. For example, women running small retail businesses may benefit from exercises on inventory costs, daily cash records, profit margins, and digital payments.

The literature also highlights the need to evaluate the outcomes of financial education programmes. Participation in training does not necessarily mean that entrepreneurs have improved their financial practices. Future assessments should examine changes in record-keeping, borrowing decisions, profitability, business survival, and expansion.

Recommendations

Based on the literature reviewed, the following measures may strengthen financial literacy among women entrepreneurs:

- Practical financial education: Provide accessible training in budgeting, bookkeeping, cash-flow management, pricing, profit calculation, and debt management.
- Improved access to finance: Help women understand suitable credit options, loan requirements, repayment obligations, and relevant government support programmes.
- Digital financial literacy: Offer training in digital payments, mobile banking, online transactions, fraud prevention, and financial data security.
- Mentoring and business support: Connect women entrepreneurs with experienced business owners, accountants, financial advisers, and entrepreneurship development organisations.
- Context-specific programmes: Design training according to entrepreneurs' educational backgrounds, business sectors, geographical locations, and financial needs.
- Research and evaluation: Encourage further studies to assess whether financial literacy programmes improve measurable business outcomes over time.

Conclusion

This review paper examined the relationship between financial literacy and the growth of women entrepreneurship through existing academic studies and institutional reports. The reviewed literature suggests that financial literacy can support better financial planning, informed borrowing, effective resource management, digital financial capability, and entrepreneurial confidence.

At the same time, financial knowledge alone cannot eliminate the structural and institutional barriers faced by women entrepreneurs. Access to affordable finance, market opportunities, technical skills, digital infrastructure, and supportive networks remain important for business development.

Therefore, strengthening women's financial literacy should form part of a broader strategy that combines practical education with financing opportunities, mentoring, digital training, and supportive policies. Future research should investigate how different dimensions of financial literacy relate to business survival, profitability, employment generation, and expansion across different regions of India. Such an approach can contribute to a more inclusive and sustainable entrepreneurial environment.

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