

Relationship Between Financial Literacy And Success Of Women Entrepreneurs

Dr. Shiny Rajan¹, Ms. Ramya Ramancha²

¹*Asst. Professor St. Francis College for Women, Hyderabad, India., Email: shiny@sfc.ac.in*

²*Research Analyst Factset Systems India Private Limited, Email: ramancharamya@gmail.com*

Abstract

The objective of this study is to measure the financial literacy levels among women entrepreneurs and its relationship with their entrepreneurial venture achievements. Other objectives of the study included to determine the obstacles faced by them and also to understand the need of women entrepreneurs. A structured questionnaire inclusive of financial literacy and business success parameters has been administered to solicit data from women Entrepreneurs in Hyderabad, Telangana. Business success was determined by their number of years of operation, number of employees, revenue and its growth and financial literacy is measured using five basic parameters i.e. awareness of funding sources and investment, financial planning, budgeting and control, record keeping / bookkeeping, risk management and few questions on financial terminology. Descriptive analysis, regression analysis and correlation analysis have been used to analyse the data.

Key Words: Financial literacy, Women Entrepreneurs, Success Score, Financial Planning,

Introduction

Financial literacy is imperative in today's marketplace for triumph of any enterprise. In "Every Entrepreneur Needs Financial Literacy" Andrew Tait, founder and president of Tait Laboratories Inc. quotes, "Financial literacy is an vital skill for entrepreneurs to acquire but many of them get carried away with the aspect of developing a product or service. Without knowing financial essentials an entrepreneur may have difficulty growing their business or even keeping it afloat

Literature Review

Baporikar, Neeta & Akino, Susan. (2020) in their paper identified that financial literacy greatly influences the success of women

entrepreneurship and hence recommends group-based and focused training for women entrepreneurs through suitable programs to equip and enhance financial literacy among women entrepreneurs. Joyce Kinyanjui, Dennis Ocholla (2017) in their paper identified high correlation between financial literacy skillsets and economic outcomes. Geoffrey kimunduu, Otieno Erich, Adam shisia (2016) in their study found that high levels of financial literacy among SME owners led to higher financial performance of SMEs. W. A. R. Senevirathne, L. P. S. Gamini & W. A. D. K. Jayendrika (2016) in their paper examined the levels of financial literacy among women entrepreneurs of micro enterprises and found that sustainability of micro enterprises has not been influenced by the existing level of financial literacy of women entrepreneurs.

Olawale Fatoki (2014) , investigated the level of financial literacy of the owners of new micro-enterprises in South Africa and the overall results suggest a low level of financial literacy of the owners of new microenterprises and also failure rate of new micro enterprises is very high in South Africa. The study recommended a positive attitude towards entrepreneurship and training on financial management for non financial managers. Phelomenah Nduku Kalekye , Dr. Florence Memba (2013) ,the purpose of this paper was to determine the role of financial literacy on the profitability of women owned businesses. The study concluded that budgeting, cash management, savings and record keeping significantly influenced profitability of women owned businesses. Dr. D.D.Arora & Subhash Chandra (2013) tried to examine the financial obstacles faced by women entrepreneurs during start-up stage and running up of their enterprise. The results of the study showed that 39.2 percent of sample women entrepreneurs faced the problem in obtaining start-up capital and accepted it as a major obstacle. Activity wise this problem is felt more in manufacturing and trading sectors. While many women entrepreneurs felt that financial institutions showed reluctance in granting credit facilities to them, inadequate dissemination of information about financial schemes for women entrepreneurs was also a major problem. C.E. Eresia-Eke, C. Raath (2013) tried to investigate a possible relationship between SMME owners' financial literacy and business growth. Relationships between the SMME owners' financial literacy and several aspects of possible business growth along the broad dimensions of financial, strategic and structural growth were also explored and found that the superficial interpretation of which could be that financial literacy of the SMME owner bears no relationship with the growth of the business.

Objectives

1. To assess financial literacy levels among women entrepreneurs in Hyderabad.
2. To analyze the relationship between the financial literacy (measured by five basic parameters) and success of women entrepreneurs.
3. To analyze the relationship between individual financial literacy parameters and Success.

Hypotheses

- **H₀₁**:There will be no significant prediction of success score by financial literacy score
- **H₀₂** :There is no statistically significant relationship between success score and financial literacy score
- **H₀₃**:There is no significant relationship between success score and percentage of understanding Funding sources and Investments
- **H₀₄**: There is no significant relationship between success score and percentage of literacy on Financial Planning, Budgeting and Control.
- **H₀₅**:There is no significant relationship between success score and percentage of Literacy on Record keeping
- **H₀₆**: There is no significant relationship between success score and percentage of literacy on risk management.
- **H₀₇**: There is no significant relationship between success score and percentage of literacy on basic financial terminology.

Research Methodology

The methodology used was of quantitative in nature and was aimed at depicting the manner in which financial literacy affects success of women entrepreneurs. For this, questions related to financial literacy and entrepreneurial success were asked, where financial literacy was measured based on five basic categories such as investment and funding sources; financial

planning and budgeting; record keeping; understanding of business terminology; and basic finance related questions and entrepreneurial success was measured based on their years of operation, no. of employees, revenue per annum and financial growth.

The sample for the study comprises of 81 women entrepreneurs selected randomly from the twin

cities of Hyderabad and Secunderabad. The data was analysed using correlation and regression.

The data collected from the sample respondents were allotted scores on a scale from 0 to 10 for the financial literacy and business success parameters.

Findings

Table 1- Descriptive Statistics

	N	Statistic	Mean	Std. Deviation	Skewness
Success score	81		51.72	15.05	.755
Financial literacy	81		73.75	21.06	-.474

Source: The Author's

Average mean score for Entrepreneurial success was 52% (S.D=15%)

Average mean score for financial literacy was 74% (S.D=21%)

Hence we say that on average most of the women entrepreneurs are financially literate

Table No.2 Correlation between Success score and overall Financial literacy

		Success score	Financial literacy
Success score	Pearson Correlation	1	.565**
	Sig. (2-tailed)		.000
	N	81	81
Financial literacy	Pearson Correlation	.565**	1
	Sig. (2-tailed)	.000	
	N	81	81

** . Correlation is significant at the 0.01 level (2-tailed).

Source: The Author's

From table 2 we can observe that there was a positive correlation between Success score and literacy on financial literacy, which was statistically significant ($r = .565$, $n = 81$, $p =$

.000)..Hence H_{02} is rejected, it means that there is a statistically significant relationship between success score and financial literacy score

Table 3 Correlation between Success score and understanding of Funding sources and Investments

		Success score	Understanding funding sources and investment
Success score	Pearson Correlation	1	.355**
	Sig. (2-tailed)		.001
	N	81	81

Understanding funding sources and investment	Pearson Correlation	.355**	1
	Sig. (2-tailed)	.001	
	N	81	81

** . Correlation is significant at the 0.01 level (2-tailed).

Source: The Author's

From table 3 we can observe that there was a positive correlation between Success score and literacy on financial planning budgeting and control, which was statistically significant ($r =$

.355, $n = 81$, $p = .001$). Hence H_{03} is rejected, it means that there is a significant relationship between success score and percentage of understanding Funding sources and Investment.

Table 4 Correlation between Success score and Financial Planning , Budgeting and Control

		Success score	literacy of financial planning budgeting and control
Success score	Pearson correlation	1	.414**
	Sig. (2-tailed)		.000
	N	81	81
literacy of financial planning budgeting and control	Pearson Correlation	.414**	1
	Sig. (2-tailed)	.000	
	N	81	81

** . Correlation is significant at the 0.01 level (2-tailed).

Source: The Author's

From table 4 we can observe that there was a positive correlation between Success score and literacy of financial planning budgeting and control, which was statistically significant ($r =$

.414, $n = 81$, $p = .000$). Hence H_{04} is rejected, it means that there is a significant relationship between success score and literacy of Financial Planning , Budgeting and Control

Table 5 Correlation between Success score and literacy on recordkeeping

		Success score	literacy of recordkeeping
Success score	Pearson Correlation	1	.564**
	Sig. (2-tailed)		.000
	N	81	81
literacy on recordkeeping	Pearson Correlation	.564**	1
	Sig. (2-tailed)	.000	

.000). Hence H_{07} is rejected it means that there is a significant relationship between success score and literacy on basic financial terminology

Regression Analysis-

Here ,

$$Y = a + b * X + E$$

Y= Women entrepreneurial success (measured by years of operation, no. of employees, revenue per annum and financial growth)

X= Financial literacy measured by 16 questions based on 5 basic categories/Parameters

a= Constant OR intercept

b= Slope of regression

E= Error

TABLE 8: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.565 ^a	.320	.311	12.49587
a. Predictors: (Constant), financial literacy percentage				

Source: The Author's

Table 8 gives the values of R and R square ,here R denotes simple correlation between success score and financial literacy score , R= 0.565 which is positively correlated and can be considered as good correlation. R square

indicates, how much of the dependent variable (success) can be explained by the independent variable (financial literacy). In the above model 32% can be explained.

TABLE 9: ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5797.427	1	5797.427	37.128	.000 ^b
	Residual	12335.598	79	156.147		
	Total	18133.025	80			
a. Dependent Variable: Success score percentage						
b. Predictors: (Constant), financial literacy percentage						

Source: The Author's

p value in the table 10 is less than 0.05.($p < 0.05$). Hence, it can be concluded that the model applied

can statistically significantly predict the outcome variable.

TABLE 10: Coefficients

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.

		B	Std. Error	Beta		
1	(Constant)	21.921	5.085		4.311	.000
	Financial literacy percentage	.404	.066	.565	6.093	.000
a. Dependent Variable: Success score percentage						

Source: The Author's

Table 10 gives the values needed to predict the dependent variable (success) from the independent variable (financial literacy).

The regression equation can be presented by taking the values in B column under Unstandardized coefficients.

A significant regression equation was found ($F(1,79)=37.128, p<0.000$, which is less than 0.05) with an R of 0.565 and R^2 of .320 i.e. $\text{Success} = 21.921 + 0.404(\text{financial literacy})$

Hence, we rejected H_{01} saying that there be significant prediction of success score by financial literacy score.

Conclusions

The study revealed that on average 74% of the women entrepreneurs are financially literate.

Most of them knew concepts of financial literacy, but then some of the small scale entrepreneurs medium of education was different. It indicates that higher financial literacy leads to higher growth or success and lower financial literacy leads to lower growth. In other words it can be said that there is a higher chance for financial literate entrepreneurs to be successful than those with lower financial knowledge. There was a positive correlation between individual parameters of financial literacy.

References:

- Baporikar, Neeta & Akino, Susan. (2020). Financial Literacy Imperative for Success of Women Entrepreneurship. International Journal of Innovation in the Digital Economy International Journal of

Innovation in the Digital Economy (IJIDE), 2020, vol. 11, issue 3, 1-21.

- C.E. Eresia-Eke, C. Raath (2013) SMME Owners' Financial Literacy and Business Growth Mediterranean Journal of Social Sciences, Vol 4, No 13 November 2013
- Chander, Subhash (2013). Study of financial problems of women entrepreneurs International Journal of Social Science & Interdisciplinary Research, ISSN 2277 3630, IJSSIR, Vol. 2 (4)
- Geoffrey kimunduu, Otieno Erich, Adam shisia (2016), A Study On The Influence Of Financial Literacy On Financial Performance Of Small And Medium Enterprises In Ruiru Town, Kiambu County, Kenya. International Journal of Economics, Commerce and Management. Vol. IV, Issue 11, November 2016
- Kamal Gupta & Jatinder Kaur (2014) A Study Of Financial Literacy Among Micro Entrepreneurs In District Kangra, International Journal Of Research In Business Management, Vol. 2, Issue 2, Feb 2014, 63-70.
- Kinyanjui J., Ocholla D. (2018) Financial Literacy Competencies of Women Entrepreneurs in Kenya. In: Kurbanoglu S., Boustany J., Špiranec S., Grassian E., Mizrachi D., Roy L. (eds) Information Literacy in the Workplace. ECIL 2017. Communications in Computer and

- Information Science, vol 810. Springer, Cham
- Olawale Fatoki (2014) The Financial Literacy of Micro Entrepreneurs in South Africa, *Journal of Social Sciences*, 40:2, 151-158.
 - Phelomenah Nduku Kalekye, Dr. Florence Memba(2013), "The Role of Financial Literacy on the Profitability of Women Owned Enterprises in Kitui Town, Kitui County, Kenya", *International Journal of Science and Research (IJSR)*, www.ijsr.net, Volume 4 Issue 6, June 2015, 2360 - 2365.
 - Priyanka Sharma Gurnani (2011) *Women Entrepreneurship: Emerging Dimension of Entrepreneurship in India*, EDUCREATION PUBLISHING (retrieved from <https://books.google.com>)
 - W. A. R. Senevirathne, L. P. S. Gamini and W. A. D. K. Jayendrika(2016) "Sustaining Micro Enterprises of Women Entrepreneurs through Financial Literacy", *Open University Research Sessions 2016*
 - William T.Sucuahi (2013), *Determinants Of Financial Literacy Of Micro Entrepreneurs In Davao City*, *International Journal of Accounting Research* Vol. 1, No.1, 2013