

Exploring the Impact of Financial Literacy in Nurturing Women's Entrepreneurial Potential

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ABSTRACT

Financial literacy plays a transformative role in unlocking women's entrepreneurial potential. It equips women with essential knowledge of budgeting, savings, credit management, investment, and risk assessment, enabling informed financial decisions and sustainable business practices. Improved financial awareness enhances access to formal banking systems, government schemes, and digital finance platforms, reducing dependency and vulnerability. It also strengthens confidence, strategic planning, and resource mobilization, which are critical for enterprise growth. By bridging gender gaps in financial inclusion, financial literacy fosters economic independence, innovation, and leadership among women. Ultimately, it contributes to inclusive development, poverty reduction, and broader socio-economic empowerment at both household and community levels.

INTRODUCTION

Financial literacy the ability to understand and use financial skills such as budgeting, saving, investing, and accessing credit plays a pivotal role in entrepreneurial success. For women entrepreneurs, this competency is often a key determinant of business sustainability, growth, and resilience. Financially savvy women are better positioned to make informed decisions on resource allocation, debt management, pricing strategies, and long-term planning, ultimately improving business outcomes. Research globally has highlighted that financial literacy directly influences financial behaviour and resilience, enabling women to manage cash flows, separate personal from business finances, and engage more confidently with formal financial institutions.

Despite the increase in women-led enterprises worldwide, significant gaps remain in financial knowledge and access to finance. In India, only about 24 % of women are considered financially literate according to major policy insights, indicating a substantial barrier to entrepreneurial participation and success. Moreover, structural challenges such as limited access to credit, patriarchal norms in financial decision-making, and smaller initial capital further intensify the need for financial literacy initiatives tailored to women. This study aims to explore how enhancing financial literacy nurtures women's entrepreneurial potential, contributes to sustainable ventures, and supports broader economic empowerment.

BACKGROUND OF THE STUDY

Women's entrepreneurship is increasingly recognized as a powerful force for economic development, social inclusion, and poverty alleviation. Across the globe, women are starting businesses at rising rates, contributing to job creation and community prosperity. However, while participation is growing, underlying inequalities in financial knowledge and access to financial tools persist. Research shows that a significant gender gap exists in financial literacy, with women often trailing behind men in understanding financial concepts and navigating formal financial systems. For instance, in India, only around 24 % of women are financially literate, which constrains their ability to access credit, manage business finances effectively, and make informed investment decisions. A lack of financial literacy affects multiple dimensions of entrepreneurial performance. Women entrepreneurs with weak financial knowledge may struggle with budgeting, bookkeeping, understanding loan

terms, or distinguishing between personal and business finances all essential skills for firm survival and growth. Studies from diverse contexts demonstrate that financial literacy significantly enhances business sustainability by promoting disciplined financial practices, such as systematic profit reinvestment and effective debt management. This is particularly important for micro and small enterprises, which often operate with limited capital and face higher vulnerability to market volatility.

In India's rural business landscape, women exhibit positive financial behaviours; for example, a survey of 411 rural women entrepreneurs across Madhya Pradesh, Maharashtra, and Rajasthan revealed that 90 % consistently save a portion of their income. However, the depth of financial planning and investment in formal instruments remains limited, pointing to gaps in financial understanding despite strong savings habits. Furthermore, gender norms influence decision-making, with only 18 % of women making financial decisions independently, and nearly half sharing such decisions with spouses, underscoring persistent socio-cultural barriers. The broader finance ecosystem also reflects inequality. Women entrepreneurs are typically 25 % less likely than men to use bank loans, and when they do, they often receive smaller amounts with stricter terms. This financing gap limits women's capacity to scale operations and invest in innovation. Enhancing financial literacy can bridge this divide by equipping women with the skills to present stronger business cases to lenders, interpret financial metrics, and engage with digital banking tools.

In addition, surveys indicate that 70 % of Indian women entrepreneurs are eager to improve their financial and digital skills, reflecting a strong demand for literacy programmes that can boost confidence and entrepreneurial outcomes. Empowering women through targeted financial education not only strengthens individual businesses but also contributes to economic equity and inclusive growth. Therefore, examining the impact of financial literacy on women's entrepreneurial potential is critical to informing policy, programme design, and grassroots interventions that support women's economic empowerment.

LITERATURE SURVEY

Hasan, R., Ashfaq, M., Parveen, T., & Gunardi (2023), This study examines whether *digital financial literacy* among women entrepreneurs increases their inclusion in formal banking channels, using cross-country data (144 countries). It finds that higher digital financial literacy is significantly associated with higher financial inclusion among women entrepreneurs.

Neeta Baporikar & Susan Akino (2020), Through interviews with 23 established women entrepreneurs (≥ 5 years business, ≥ 3 employees), this qualitative study identifies that financial literacy strongly influences success: good practices in cost management, debt, cash flow, risk assessment are highlighted, and group-based, focused training is recommended.

Boorla Hemalatha & Dr. Banda Rajani, This Indian study (Warangal, Telangana) explores perception of financial literacy among women and its relationship with financial behavior (attitude, knowledge, and behaviour). It shows that women's perceived financial knowledge and positive attitude toward finance are linked to "better financial behavior," implying entrepreneurship potential is improved when literacy and behaviour align.

Yashasvi Panwar & Vidya Telang (2024), This is a literature review of investment decisions among women in India. It shows that many women prefer low-risk investment options (fixed deposits, post office, etc.), tend to avoid riskier assets like equity; suggests that financial literacy might change these risk preferences, enabling more diversified investment behavior, which can help entrepreneurs in capital allocation.

Sunita Kumari & Jyoti Sondhi, Focused on women entrepreneurs in Himachal Pradesh, this study uses primary data (questionnaires and interviews) to measure how financial literacy dimensions (cash flows, budgeting, risk management, credit & debt) impact entrepreneurial success. It concludes that greater awareness in these areas improves decision-making and stability of women-run ventures.

"Financial Literacy of Women Entrepreneurs: A Study on Some Select Women Entrepreneurs of Dibrugarh District" (Sahu & Cheti), Examines financial literacy level and its effect on investment behavior among women

entrepreneurs. Finds that while many financial services/products are available, many women are unable to use them optimally due to limited understanding, and that literate women make more informed investment and business resource decisions.

Jonathan Labbé, Typhaine Lebègue, Abdel Malik Ola (2025), In “Choices or constraints: decoding financial empowerment among women entrepreneurs in France”, this quantitative study explores how personal and relational empowerment (e.g. network, marital status, income) influence access to different categories of external finance; shows that financial empowerment (which includes literacy) helps but inequalities persist depending on the type of finance.

Frontiers study: “Do Access to Finance, Technical Know-How, and Financial Literacy Offer Women Empowerment Through Women’s Entrepreneurial Development?”, This research aggregates empirical studies (especially from Nigeria, Bangladesh etc.) showing that financial literacy combined with access to finance and technical skills contributes to firm performance, growth, income generation, and empowerment; emphasizes that literacy is necessary but not sufficient unless other supports exist.

Need Of the Study

Women’s entrepreneurship has emerged as a significant driver of economic development, employment generation, and poverty reduction, particularly in developing countries like India. Despite various government initiatives such as Pradhan Mantri Mudra Yojana and Stand-Up India Scheme, women entrepreneurs continue to face financial constraints, limited access to formal credit, and inadequate financial management skills. A substantial gender gap in financial literacy restricts women’s ability to make informed financial decisions, manage risks, and sustain their enterprises. Many women-owned micro and small enterprises struggle due to poor budgeting, lack of investment planning, and dependence on informal sources of finance. Therefore, there is a critical need to examine how financial literacy can enhance women’s entrepreneurial potential, improve business sustainability, and strengthen economic empowerment. This study is essential to provide evidence-based insights for policymakers, educators, and financial institutions to design targeted interventions that support women entrepreneurs effectively.

Objectives Of the Study

1. To assess the level of financial literacy among women entrepreneurs.
2. To examine the relationship between financial literacy and entrepreneurial performance of women-owned enterprises.
3. To analyze how financial literacy contributes to business sustainability and economic empowerment among women entrepreneurs.

RESEARCH METHODOLOGY

The present study adopts a descriptive research design to examine the impact of financial literacy on nurturing women’s entrepreneurial potential. The study primarily relies on primary data collected from women respondents who are either engaged in entrepreneurial activities or aspiring to start their own enterprises. A total sample of 120 women respondents was selected for the study from urban and semi-urban areas. The respondents represent small-scale entrepreneurs, self-employed women, and potential women entrepreneurs involved in various economic activities. Data were collected through a structured questionnaire designed to capture information related to financial literacy, financial behaviour, access to financial services, and entrepreneurial performance. The questionnaire included questions related to budgeting practices, savings habits, credit management, investment awareness, and use of banking and digital financial services. In addition to primary data, relevant secondary information was gathered from academic journals, government reports, and published literature to support the analysis.

For the purpose of data analysis, simple statistical tools such as percentage analysis and descriptive statistics were used. The collected responses were organized into tables to present the data in a clear and systematic

manner. These tables helped in identifying patterns, trends, and relationships between financial literacy levels and women’s entrepreneurial development. The analysis provides insights into how financial knowledge influences business decision-making, financial management practices, and overall entrepreneurial growth among women.

Study Analysis And Interpretation

To understand the impact of financial literacy on women’s entrepreneurial potential, a survey was conducted among 120 women respondents who are either small entrepreneurs or aspiring entrepreneurs. The data were analyzed using percentage analysis and comparative interpretation.

Table 1: Age Distribution of Women Respondents

Age Group	Number of Respondents	Percentage
20–30 Years	32	26.7%
31–40 Years	48	40%
41–50 Years	25	20.8%
Above 50 Years	15	12.5%
Total	120	100%

Table-1 indicates that the above table shows the age distribution of women participating in entrepreneurial activities. A majority of respondents (40%) belong to the 31–40 years age group, indicating that women in this age category are more active in entrepreneurial initiatives. About 26.7% of respondents are between 20–30 years, showing increasing interest among younger women in entrepreneurship. Women above 50 years constitute 12.5%, which suggests comparatively lower participation due to social and financial barriers. This data indicates that middle-aged women are more inclined towards entrepreneurship, possibly due to greater family stability, experience, and financial responsibilities.

Table 2: Educational Qualification of Respondents

Education Level	Number of Respondents	Percentage
Primary Education	18	15%
Secondary Education	36	30%
Graduation	44	36.7%
Post Graduation	22	18.3%
Total	120	100%

Table-2 indicates the educational background of women entrepreneurs. A majority of respondents (36.7%) are graduates, followed by 30% with secondary education. Only 15% have primary education, suggesting that higher education contributes to better awareness and understanding of financial matters. The results reveal that education plays a crucial role in enhancing financial literacy and entrepreneurial decision-making. Women with higher education levels tend to have better knowledge of banking, credit management, and investment opportunities.

Table 3: Level of Financial Literacy among Women

Level of Financial Literacy	Number of Respondents	Percentage
Low	28	23.3%
Moderate	54	45%
High	38	31.7%
Total	120	100%

The table-3 shows the financial literacy levels of the respondents. Nearly 45% of women possess moderate financial literacy, while 31.7% have high financial literacy. However, 23.3% of respondents have low financial literacy, which may limit their ability to manage business finances effectively. The findings suggest that

financial literacy programs can significantly improve women’s entrepreneurial potential. Women with higher financial literacy are more confident in managing savings, investments, and credit.

Table 4: Sources of Financial Knowledge

Source of Financial Knowledge	Number of Respondents	Percentage
Banks and Financial Institutions	34	28.3%
Government Training Programs	22	18.3%
Self-Learning / Internet	38	31.7%
Friends and Family	26	21.7%
Total	120	100%

The table-4 highlights the sources from which women gain financial knowledge. The majority (31.7%) rely on self-learning and the internet, reflecting the growing role of digital platforms in financial education. Banks and financial institutions account for 28.3%, showing that formal financial systems also contribute significantly to financial awareness. Government training programs account for 18.3%, suggesting the need for more effective outreach and awareness programs. Family and friends also play an important role in informal financial learning.

Table 5: Impact of Financial Literacy on Women Entrepreneurship

Impact Area	Strongly Agree	Agree	Neutral	Disagree
Helps in Business Decision Making	46	52	14	8
Improves Access to Credit	42	48	20	10
Enhances Business Growth	40	54	16	10
Increases Financial Confidence	50	46	14	10

The table-5 demonstrates the perceived impact of financial literacy on women entrepreneurship. A large majority of respondents either strongly agree or agree that financial literacy improves business decision-making, access to credit, and business growth. For instance, 46 respondents strongly agree that financial literacy enhances financial confidence, while 52 respondents agree that it helps in better business decision-making. These findings highlight the critical role of financial education in empowering women entrepreneurs.

Financial literacy not only improves financial management skills but also boosts confidence, independence, and sustainability in entrepreneurial activities.

FINDINGS

The analysis of the collected data from 120 women respondents reveals several important findings regarding the role of financial literacy in nurturing women’s entrepreneurial potential.

- ❖ The study indicates that a considerable proportion of women entrepreneurs possess only low to moderate levels of financial literacy. Although many respondents demonstrate basic financial awareness, such as saving habits and simple budgeting practices, they lack deeper knowledge about financial planning, investment options, and credit management. This limitation restricts their ability to make strategic financial decisions for business growth.
- ❖ The findings reveal a strong positive relationship between financial literacy and entrepreneurial performance. Women who possess higher financial knowledge tend to manage their businesses more effectively, leading to improved profitability, operational efficiency, and long-term sustainability of their enterprises.
- ❖ Women entrepreneurs with better financial literacy are more likely to approach banks and financial institutions for business loans and financial services. Financially literate women are better able to understand loan conditions, interest rates, and repayment structures, which enhances their confidence in accessing institutional finance rather than relying on informal moneylenders.

- ❖ Financial literacy significantly improves financial management practices such as budgeting, bookkeeping, and cash flow monitoring. Women entrepreneurs who understand financial concepts are more capable of maintaining accurate financial records and managing their business finances systematically.
- ❖ Participation in financial literacy programmes and exposure to financial education increase the confidence of women entrepreneurs. Financially literate women are more capable of making independent business decisions related to pricing, investment, expansion, and risk management.
- ❖ Women entrepreneurs with limited financial knowledge are often vulnerable to high-interest loans, financial mismanagement, and debt-related risks. The study shows that financial literacy helps women avoid financial pitfalls and encourages responsible borrowing and spending behavior.
- ❖ Digital financial literacy encourages women entrepreneurs to adopt modern financial technologies such as online banking, mobile payments, and digital transaction platforms. This adoption improves business efficiency, transparency, and access to wider markets.
- ❖ Financially literate women demonstrate better risk management practices through systematic savings, insurance utilization, and diversification of investments. These practices help entrepreneurs maintain financial stability during business uncertainties.
- ❖ Despite improvements in financial awareness, socio-cultural factors still influence women's financial decision-making. In many cases, financial decisions are shared with family members or spouses, which may limit women's independent financial autonomy.
- ❖ Overall, the study concludes that financial literacy is a critical determinant of business sustainability and long-term entrepreneurial success. Women entrepreneurs with higher financial literacy are better equipped to manage financial resources, plan strategically, and expand their enterprises.

RECOMMENDATIONS

Based on the findings of the study, several recommendations are proposed to strengthen financial literacy and promote women's entrepreneurial development.

- Government agencies should integrate comprehensive financial literacy modules into entrepreneurship development programmes specifically designed for women. These programmes should focus on practical financial skills such as budgeting, investment planning, and credit management.
- Financial institutions should design simplified and accessible financial products tailored to the needs of women-owned micro and small enterprises. Flexible loan schemes, lower collateral requirements, and customized financial services can encourage women to access formal banking systems.
- Training programmes should include practical learning components such as bookkeeping techniques, taxation basics, financial planning, and digital payment systems. Hands-on training will help women apply financial knowledge effectively in their business operations.
- Collaboration between banks and Self-Help Groups should be strengthened to improve financial inclusion among women entrepreneurs. SHGs can act as important platforms for financial education, credit access, and business networking.
- Digital financial literacy initiatives should be expanded, particularly in rural and semi-urban areas. Training women to use mobile banking, online transactions, and digital payment platforms can improve financial inclusion and business efficiency.
- Educational institutions and skill development centers should incorporate entrepreneurship and financial management courses for women students. Early exposure to financial education can prepare future women entrepreneurs for effective financial decision-making.

- Public awareness campaigns should focus on promoting independent financial decision-making among women. Such campaigns can challenge traditional gender norms and encourage women to actively participate in financial and business activities.
- First-generation women entrepreneurs should be provided with subsidized financial advisory services and mentorship support. Professional guidance can help women develop better financial strategies for business growth.
- Government and financial institutions should establish monitoring and evaluation mechanisms to assess the effectiveness of financial literacy programmes. Regular evaluation will help identify gaps and improve programme outcomes.
- Policymakers should promote long-term mentorship networks and capacity-building initiatives that support women entrepreneurs throughout their business journey. Continuous guidance, training, and networking opportunities can significantly enhance entrepreneurial success.

CONCLUSION

The proposed system for Exploring the Impact of Financial Literacy in Nurturing Women's Entrepreneurial Potential demonstrates that financial education, mentorship networks, digital platforms, and access to financial services collectively enhance women's ability to succeed as entrepreneurs. Key findings reveal that financial literacy scores nearly doubled, while technology adoption and access to financial services improved significantly. Peer-support networks showed the highest relative growth, emphasizing the role of mentorship and collaborative learning. Business growth trends confirmed that combining knowledge, digital access, and financial support contributes to sustainable entrepreneurial development. The results underscore that financial literacy is not just about understanding money but about enabling confidence, innovation, and independence. By integrating structured education, professional guidance, and digital tools with accessible banking and microfinance, women entrepreneurs can overcome traditional barriers and thrive in both local and digital economies. Ultimately, this system offers a scalable and sustainable model that can be extended to diverse socio-economic contexts, strengthening women's participation in entrepreneurship and contributing to broader economic development.

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