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IMPACT OF GENDER DISPARITIES IN FINANCIAL LITERACY AMONG ENTREPRENEURS

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ABSTRACT

In order to comprehend their combined influence on the decision-making process of entrepreneurs, this study investigates the complex relationships between financial literacy, economic inclusion, and intent to be entrepreneurs. A thorough investigation reveals a strong correlation between more financial literacy and a readiness and intention to pursue entrepreneurial endeavours. In addition, it becomes clear that one important factor is financial inclusion, suggesting that fair access to capital has a favourable impact on the intention to start a business. The research highlights the ability of business intention to forecast actual decisions made by entrepreneurs.

The study's recommendations emphasize how critical it is to improve financial literacy campaigns, support financial inclusion programs, and foster entrepreneurial education. Encouraging a varied and vibrant entrepreneurial environment requires addressing gender gaps in entrepreneurship and building an enabling ecosystem. Policymakers, teachers, and other stakeholders may use these results to help develop measures that support new business owners and help create a more dynamic and diverse entrepreneurial environment.

INTRODUCTION

The profitability and longevity of firms can be significantly and profoundly impacted by gender differences in financial understanding among founders. To efficiently manage resources, make well-informed decisions, and navigate the intricacies of the corporate world, financial literacy is essential. Inequitable gender distribution of this kind of literacy can have a number of negative effects (Oggero et al, 2020). First off, female entrepreneurs may find it more difficult to get and use financing if they lack sufficient financial knowledge. This might make it difficult to get funding since lenders and investors could view entrepreneurs who lack financial literacy as carrying a higher risk. The development and growth of women-led firms may be hampered by this gender gap in financial access, which would keep them stuck in a loop of few chances and resources. Risk management and strategic planning are strongly related to financial literacy. It may be difficult for female business owners with less financial literacy to evaluate market risks, write strong business plans, and put efficient risk-reduction techniques into action. This may increase the chance of company failures, lower the earnings rate of female-owned businesses overall and maybe feed the myth that women are less competent in the commercial world.

Furthermore, disparities in wealth and income that already exist may be made worse by the gender difference in financial literacy. Relative to their male counterparts, firms run by women may encounter more difficulties managing their finances, which might hinder their growth and profitability (Struckell et al., 2022). This limits the total economic impact of female entrepreneurs and maintains gender-specific economic inequities. Furthermore, women entrepreneurs' incapacity to effectively manage cash flow, negotiate contracts, and handle taxation may be impacted by their lack of financial literacy. These abilities are necessary for both regulatory compliance and long-term company operations. Insufficient financial understanding might put female entrepreneurs at a disadvantage during negotiations, making it more difficult for them to get advantageous terms and collaborations.

It is critical to put in place focused measures that support financial inclusion and education for female entrepreneurs in order to solve these problems. Facilitating access to peer mentoring, training programs, and resources that are tailored to understanding finances can aid in closing the gender gap. Offering female entrepreneurs the financial skills they need will help us build a more equal business environment that will promote creativity and economic expansion, and social advancement (Brixiová et al, 2020). In conclusion, there are several ways that gender differences in financial understanding among entrepreneurship effect women's opportunities in the business world, including access to finance, success rates of businesses, and financial equality.

AIM OF THE STUDY: This study looks into how gender differences in knowledge of finances amongst businessmen affect their ability to run successful businesses and promote economic equality. Assessing the level of financial literacy amongst male and female entrepreneurs and examining its effect on capital access, strategic choice-making and overall firm success are the main goals.

NEED FOR THE STUDY: The ongoing gender disparities in this industry and the increased awareness of the critical role entrepreneurs plays in the growth of the economy are the driving forces behind the necessity for this research. It is important to comprehend the unique obstacles to financial awareness encountered by female entrepreneurs so as to develop focused interventions that foster equity, diversity, and long-term growth of companies.

STATEMENT OF THE PROBLEM: The problem statement draws attention to the disparity in the financial literacy of entrepreneurs based on gender and emphasizes the possible ramifications for women-owned enterprises (Riepe et al, 2022). Women who lack sufficient financial understanding may find it more difficult to get capital, formulate wise strategic choices, and negotiate the complexity of the commercial world. In order to address the gaps, this study identifies important areas of concern, suggests remedies, and offers insightful information to help with the creation of laws and initiatives that promote gender equality in the success of entrepreneurship.

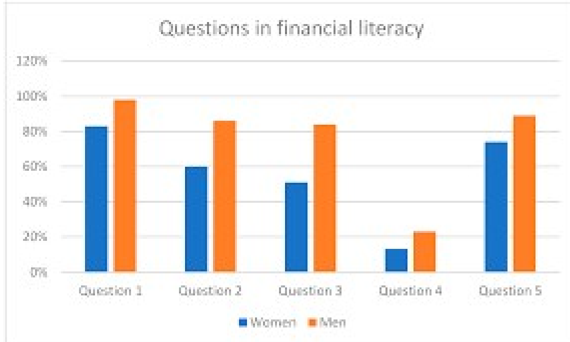

Figure 1: Financial Literacy and Gender Differences: Women Choose People While Men Choose Things?

Source: Gudjonsson, S., 2022

Key words: Financial Literacy, Financial Inclusion, Entrepreneurial Intention, Decision-Making, Gender Disparities, Access to Financial Resources, Inclusive Entrepreneurial Ecosystem, Policy Recommendations

OBJECTIVES OF THE STUDY

1. Assessing and contrasting the financial literacy of male and female entrepreneurs is the main goal of this study.

2. Examine how variations in financial literacy between genders affect entrepreneurs' (especially women's) capacity to get funding (Klapper and Lusardi, 2020).

3. Establish the relationship between financial literacy and the performance of enterprises run by both sexes.

4. Make specific intervention suggestions and techniques to address the gender differences in financial literacy that have been found.

Key words: Financial Literacy, Financial Inclusion, Entrepreneurial Intention, Decision-Making, Gender Disparities, Access to Financial Resources, Inclusive Entrepreneurial Ecosystem, Policy Recommendations

PATTERN OF GENDER DISPARITIES IN FINANCIAL LITERACY AMONG IN INDIA

Introduction

The entrepreneurial scene in India, which is well-known for its variety, is confronted with a problem: gender differences in financial literacy have a significant impact on the performance of businesses. A vital component of understanding and using financial abilities, financial literacy is crucial to the entrepreneurial process. This paper looks at trends of gender differences in financial understanding among Indian business owners, looking at the underlying reasons, effects, and possible solutions. This gap is exacerbated by unequal educational opportunities, which are more prevalent in rural regions and restrict women's access to financial literacy. Women's access to financial education and active engagement in business are further impeded by deeply ingrained cultural norms that limit them to household responsibilities (Li and Qian, 2020). In addition, biased banking policies and restricted access to financial resources hinder female entrepreneurs, so extending the cycle of monetary exclusion.

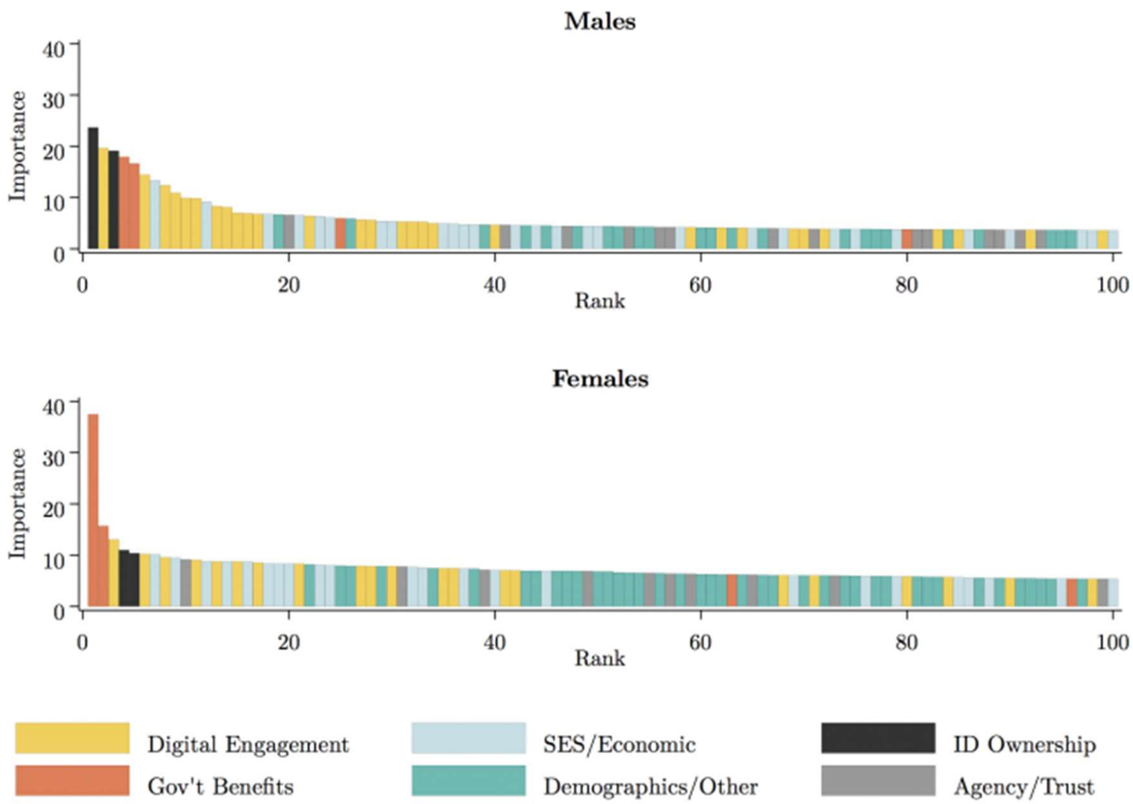

Figure 2: Understanding determinants of women’s financial inclusion

Source: Moorena, L., 2020

The ramifications encompass restricted financial accessibility, inadequate corporate decision-making, and the perpetuation of economic disparities. It will need focused initiatives to close this gap, such supporting inclusive legislation, mentorship programs, and financial education (Mndolwa and Alhassan, 2020). Unlocking the complete potential of female entrepreneurs on India, promoting economic empowerment, and guaranteeing sustainable company success all depend on addressing gender gaps in financial literacy.

Current State of Entrepreneurship in India:

India has seen a significant increase in entrepreneurial activity in recent years, as seen by more people branching out into various industries. Even with this encouraging development, a more thorough examination reveals a clear gender gap in the business community. Even though there are more women becoming entrepreneurs, they face unique obstacles, especially when it comes to financial literacy. The rise in entrepreneurship represents a dynamic change in India's economic environment by demonstrating people's desire to experiment and make contributions in a variety of fields. Beneath this optimistic façade, there remains a significant gender gap (Baporikar and Akino, 2020). Despite being more prevalent, financial literacy barriers prevent women entrepreneurs from fully participating in and succeeding in their company ventures. These difficulties highlight the need for focused initiatives to improve financial literacy and available resources for female entrepreneurs, both prospective and current. In addition to creating a more welcoming business environment, closing the gender gap in financial literacy is crucial to maximize the potential and economic contributions of women entrepreneurs in India.

Pattern of Gender Disparities:

1. Access to Education: Unequal access to education is one of the main causes of gender differences in financial literacy. Compared to their male counterparts, females sometimes have less access to high-quality education in many parts of India, particularly in rural areas. This gap in schooling creates the groundwork for differences in financial literacy, which impacts women's self-assurance and capacity to handle the financial complexities of business.

2. Cultural and Societal Norms: Gender differences in financial literacy are made worse by ingrained cultural and societal norms (Naiwen et al, 2021). Women are frequently restricted by traditional gender roles to household duties, which reduce their exposure to financial issues. Women who want to become more financially literate and actively engage in entrepreneurship face obstacles due to the prevalent belief that links financial decision-making to masculinity.

3. Limited Financial Resource access: Indian women business owners usually face obstacles while trying to get financial resources. The absence of collateral and discrimination in banks and financial institutions make it difficult for women to get financing and loans for their businesses. Women entrepreneurs have less opportunity to acquire and use knowledge of finance in their firms as a result of this financial exclusion, which feeds the cycle.

Consequences of Gender Disparities:

1. Limited finance Access: The inability of Indian women entrepreneurs to obtain finance is directly related to their low level of financial knowledge. Businesses run by women may be viewed as riskier by investors and financial institutions, which might result in higher loan and investment refusal rates (Hebert, 2023). The limited availability of finance limits the ability of female entrepreneurs to expand and feeds the ongoing gender disparity in company development.

2. Making Less-than-Optimal Business Decisions: Making wise and well-informed business decisions requires financial literacy (Shaikh et al, 2021). Inadequate financial understanding can make it difficult for entrepreneurs to allocate resources effectively, set a budget, and set prices. This can result in less-than-ideal decisions being made by Indian women company owners, which would hurt their companies' overall performance and long-term viability.

3. Reinforcement of Economic Disparity: The issue with economic inequality among men and women is exacerbated by gender differences in financial literacy (Bottazzi and Lusardi, 2021). Businesses run by women frequently have slower development, poorer profitability, and a smaller overall economic effect because they struggle with financial management. This reduces the total contribution made by female entrepreneurs to the nation's economic growth and maintains the country's gender-based economic inequities.

Addressing the Challenges:

1. Promoting Financial Education: Women's financial education has to be specifically addressed in order to close the disparity between men and women in financial literacy. By establishing learning initiatives at several levels—from schools to vocational training—female entrepreneurs might be better prepared to manage the difficulties of entrepreneurship by gaining the financial information and skills they need.

2. Empowering through mentoring: One of the most important ways to address gender inequality is to set up mentoring programs that pair seasoned business owners with inspirational women (Fauzi et al, 2021). Mentors may offer advice on money-related issues, impart useful knowledge, and function as role models, boosting women's confidence and enabling them to assume leadership positions in the workplace.

3. Promoting Inclusive Policies: It's critical to advocate for laws that support equal chances for women in business and financial inclusion. Government agencies and financial institutions have to make a concerted effort to eradicate gender prejudice in order to provide women-owned enterprises with equitable access to grants, loans, and other financial resources.

Understanding and addressing gender differences in financial literacy is critical to developing an inclusive and thriving business ecosystem in India (Malmström et al, 2020). Through removing obstacles related to education, cultural standards, and financial availability, the country may fully realize the enormous potential of its female entrepreneurs. This shift is essential for both long-term corporate success and increased economic empowerment for women.

The goal should be to remove obstacles that prevent women from receiving high-quality education so that prospective business owners have an even playing field. In order to promote a mentality shift, it is imperative that cultural conventions that restrict women's financial responsibilities and prospects be challenged (Singla and Mallik, 2021). Furthermore, granting female entrepreneurs equal access to financial resources and eliminating discriminatory practices in financial institutions will increase their possibilities.

It is imperative that legislators, academic institutions, and the business community work together in a cooperative manner. The business community should actively support efforts that encourage women entrepreneurs, educational institutions may include financial literacy into their curricula, and legislators can propose changes to support gender-inclusive entrepreneurship regulations (Tuffour et al, 2022). When combined, these coordinated initiatives may provide a more equitable environment that will stimulate economic growth and promote a flourishing entrepreneurial climate for all people, regardless of gender.

GENDER DISPARITIES IN FINANCIAL LITERACY AND ENTREPRENEURIAL INTENTION

The goals and success paths of individuals are shaped by gender differences in financial literacy, which has a substantial impact on entrepreneurial intention. A crucial factor in the entrepreneurial path is financial literacy, which includes understanding of financial ideas and abilities (Vracheva and Stoyneva, 2020). These differences have a complex effect on entrepreneurial desire, reflecting both institutional issues and larger society norms.

First off, women frequently have less access to financial education than males, which limits their comprehension of important ideas that are essential for starting their own businesses. Women's intentions to start their own businesses are inversely correlated with this educational disparity. Aspiring female entrepreneurs may be reluctant to start their own firm if they lack a strong foundation in financial literacy since they may believe that they are unprepared and unconfident (Cowling et al, 2020). Gender inequality is further exacerbated by societal standards, which assign women main responsibility for household economics in conventional roles. This may lead to a more limited outlook on money, which makes it more difficult for women to identify and seize business possibilities. In order to promote a mentality where women feel empowered to engage in entrepreneurial activities, supported by sufficient financial knowledge, it is imperative that these cultural restrictions be overcome.

Furthermore, unequal access to financial resources exacerbates discrepancies in entrepreneurial ambition. Due to prejudices and preconceived notions about their financial literacy, women may have difficulty obtaining finance or investments. This lack of funding makes it more difficult for entrepreneurial goals to become successful company endeavors, which perpetuates gender differences in entrepreneurship. To address these discrepancies, all-encompassing measures are needed (Balachandra, 2020). By implementing focused financial education programs, women might feel more confident to follow entrepreneurial pathways and close the knowledge gap. Promoting a cultural revolution that challenges gender norms related to financial duties is crucial in creating an atmosphere that encourages women to take on business.

Furthermore, it is critical to establish fair pathways for women to get financial resources like scholarships and loans. In order to foster financial literacy and entrepreneurial drive among women and eventually contribute to a more inclusive and diversified entrepreneurial landscape, policymakers, educational institutions, and the business sector must work together to implement programs (Molina-Garcia et al, 2023). Societies can unleash the unrealized potential of ambitious female entrepreneurs and promote innovation, economic growth, and social progress by addressing gender gaps in financial literacy.

FACTORS INFLUENCING SUCCESS OF GENDER DISPARITIES IN ENTREPRENEURS

Numerous variables affect the achievement of gender differences in entrepreneurship. Financial resources are crucial, and funding options for women-led enterprises are impacted by gender prejudices. The hard environment faced by female entrepreneurs is influenced by societal views and cultural standards, which can negatively affect their confidence and potential (Ughetto et al, 2020). Success is also influenced by educational possibilities and understanding of entrepreneurship; inequalities in education make it more difficult for women to engage and succeed in the entrepreneurial field. Success is also impacted by professional networks, mentorship, and support systems, all of which are difficult for women to establish because of added obstacles. In order to support the success of enterprises and lessen gender gaps in the business sector, it is imperative that these variables be addressed through legislative changes, educational programs, and the development of gender-inclusive corporate settings.

Table 1.1 Mean & Standard Deviation of Impact of Financial Literacy on Entrepreneur Willingness

Measures	Mean	Standard Deviation
Financial Literacy Score 1	4.5	0.8
Financial Literacy Score 2	3.9	1.2
Entrepreneurial Willingness Score 1	4.2	0.5
Overall Impact Score	4.4	0.7

Table 1.2 Mean & Standard Deviation of Impact of Financial Inclusion on Entrepreneur Intention

Measures	Mean	Standard Deviation
Financial Inclusion Score 1	4.2	0.6

Financial Inclusion Score 2	3.8	0.9
Entrepreneurial Intention Score 1	4.5	0.7
Entrepreneurial Intention Score 2	4.0	1.0
Overall Impact Score	4.1	0.8

Table 1.3 Mean & Standard Deviation of Intention of Entrepreneurship Decision.

Measures	Mean	Standard Deviation
Entrepreneurship Intention Score 1	4.7	0.5
Entrepreneurship Intention Score 2	4.3	0.6
Entrepreneurship Decision Score 1	4.5	0.7
Entrepreneurship Decision Score 2	4.2	0.8
Overall Intention & Decision Score	4.4	0.6

CONCLUSION AND RECOMMENDATIONS

Conclusion:

Critical insights into the intricate interactions between these variables are revealed by analyzing the effects of financial literacy, monetary inclusion, and entrepreneurship purpose on decision-making among businesses. There is a strong positive association between motivation and intention to participate in business ventures and financial literacy, which is a critical factor in determining entrepreneurial success. This emphasizes how crucial it is to educate entrepreneurs about finance as it improves their ability to make decisions and increases their readiness to take chances and pursue business endeavours. Entrepreneurial intention is significantly influenced by financial inclusion, which is determined by one's ability to access financial resources and opportunities. The relationship among financial stability and the desire to start a business emphasizes the necessity of laws and programs that support equitable access to financial goods and services, especially for underrepresented communities. An entrepreneurial environment that is more varied and inclusive may be achieved by bridging cultural and economic divides in monetary inclusion. The robust correlation shown between the intention of entrepreneurs and their actual decision-making highlights the ability of intention to forecast the trajectory of the entrepreneurial environment. Higher intention score entrepreneurs are more likely to turn their goals into actual decisions and deeds. This highlights how crucial it is to create a welcoming atmosphere that promotes and supports entrepreneurial ambition, creating an ecosystem that gives people the confidence to follow their entrepreneurial dreams.

Recommendations:

1. Improving Financial Literacy Programs: To improve financial literacy programs aimed at entrepreneurs, policymakers, academic institutions, and industry stakeholders should work together. In addition to emphasizing fundamental financial ideas, these programs ought to incorporate useful talents pertinent to business endeavours.

2. Encouraging Financial Inclusion activities: With a focus on underprivileged populations, governments and financial institutions have to give priority to and carry out activities that encourage financial inclusion. This may entail establishing mentorship programs, developing accessible financial services, and addressing discriminatory behaviours that impede equitable access to financial resources.

3. Promoting Entrepreneurial Education: Academic institutions have to incorporate entrepreneurial training into their educational programs, stressing the growth of entrepreneurial abilities and cultivating an innovative, risk-taking mentality. This could assist to ensure that the next generation of business owners is prepared to handle the challenges of running a successful company.

4. Empowering Women Entrepreneurs: Given the gender differences in entrepreneurial endeavours, special focus should be paid to empowering and assisting women entrepreneurs. This includes legislation that addresses the particular difficulties encountered by women in business, networking opportunities, and focused mentoring programs.

5. Establishing an Encouraging Ecosystem: To foster entrepreneurial intention, governments and industry stakeholders should work together to establish an enabling ecosystem. This entails removing bureaucratic impediments, giving financial incentives, and establishing a culture that encourages and promotes entrepreneurial initiatives.

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