

Exploring the Relationship Between Financial Literacy and Women Entrepreneurship in Uttarakhand

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Abstract

Entrepreneurs must be financially literate since it affects their ability to make decisions, obtain resources, and eventually run a successful business. Women entrepreneurs contribute significantly to local economies, and they run a significant portion of small businesses in emerging nations. A new business is established as a result of the creative and dynamic process of entrepreneurship. An entrepreneur can create jobs for others by acting as a catalyst for change. Women entrepreneurs are vital to the economic growth of a nation. The purpose of this study is to find out how financially literate Dehradun's female entrepreneurs are. A person's financial health may suffer if they make bad financial decisions as a result of lacking financial literacy. This study uses survey data from all throughout the state to look at how women entrepreneurs behave and feel about financial literacy. According to the study's findings, most respondents had a reasonable level of trust in their financial literacy, although their knowledge of financial sources was mediocre. The study will clarify the impact of schooling on the degree of financial literacy, the necessity of financial literacy in order to obtain business funding, and the absence of government initiatives to raise financial literacy among female entrepreneurs. The study's findings will help financial institutions, educators, and legislators create financial education initiatives and regulations that will benefit India's female entrepreneurs.

Key Words: Financial Literacy, Women Entrepreneurs, Financial Decisions

Introduction

Among a few, literacies like cyber literacy, social literacy, ecological Literacy, health literacy, financial literacy, emotional literacy, media literacy, computer literacy and so on, financial literacy is one the most important but underrated and neglected one.

Financial literacy refers to the capacity of an individual to understand and apply different financial skills and knowledge effectively, including personal financial management, budgeting, and savings. Financial literacy helps in making individuals to become self-sufficient, so that financial stability can be attained. Financial literacy is the cognitive understanding of financial components and skills such as budgeting, investing, borrowing, taxation, and personal financial management. Possessing financial literacy allows an individual to be better prepared for specific financial roadblocks, which, in turn, decreases the chances of personal economic distress.

Uttarakhand's women are crucial to the state's entrepreneurial scene. The significance of women in the state and the challenges they face in this field have been the subject of numerous studies. Despite the underutilization of government programs intended to assist women entrepreneurs, a recent study projects that the number of businesses in India controlled by these entrepreneurs will increase by up to 90% over the next five years.

Approximately 3300 female entrepreneurs who were categorized as manufacturing, retail, and service delivery were found as a result of the mapping of these areas. 1235 female entrepreneurs were interviewed and sampled for the study. Family members, coworkers, and customers of these companies were interviewed, in addition to 20 non-governmental organizations (NGOs) that provide direct support to female entrepreneurs.

The **Reserve Bank of India (RBI)** has selected “**Good behaviour, your saviour**” as this year’s theme for **Financial Literacy Week**

Becoming a financial literate will help in building wealth, protecting oneself in emergencies ,achieving goals, securing one’s family future, retirement planning and live a life devoid of worry.

According to the U.S. Financial Literacy and Education Commission, every person should understand that there are five major financial literacy principles. These principles are:

- a. Earn
- b. Save
- c. Invest
- d. Protect
- e. Spend and Borrow.

An “Entrepreneur” is one who undertakes innovations, finance and business acumen in an effort to transform innovations into economic goods”, (Kumar D. N., 2011).

Entrepreneurship is considered to be a vital component in the process of economic growth and development for many reasons. It is a mechanism by which society converts technological information into products and services (Shane &Venkataraman.) The government of India has defined women entrepreneurship based on women participation in equity and employment of business enterprises.

The role of women in entrepreneurship may be seen as one of the main component of economic growth. Women make up nearly 50 % of the world’s population. As per the data released by Reserve Bank of India*1 only 27% of Indian adults and 24% of Women in India meet the minimum level of financial literacy. There here has been a notable increase of 25 per cent in the number of female students enrolling in courses related to finance and accounting, according to a recent study conducted by Zell Education, a finance and accounts ed-tech platform.

According to the study, this change is the result of women's financial literacy becoming increasingly valued. They are being urged to seek for chances to improve their expertise in the same field. Second, the concerted efforts to close the gender gap in industries that have historically been dominated by males, which have also resulted in a number of campaigns and programs to encourage women to pursue jobs in these fields.

With an ever-greater openness towards the position and economic standing in society, the latent entrepreneurship capacity of women has steadily shifted. Women's socio-economic presence at multinational, federal, state and local levels ensures that valuable available tools are utilized more efficiently.

*1 Asian Development Bank, <https://www.adb.org> › results › India-financial-literacy March, 8th, 2022.

*2 Reserve Bank of India,<https://www.rbi.org.in>

Literature Review

While there are several definitions of financial literacy exist, they all concentrated on the knowledge and awareness of the financial concepts and then implementing these concepts in real life events thus making right decisions, which promotes financial wellness.

Sakthi Dasgupta (2003) explored that the organised women workers of SEWA are performing much better than the non-organised women workers in areas of access to credit, training and loans for housing and health insurance. This paper states the poor working condition of women which stops them to reach their objectives, credit problems and lack of awareness. The author has concluded that organised and well-educated women workers could have beneficial impact on their work and life.

OECD 2004. This paper looks at women's demand (number and essence of the position of entrepreneurship) and supply (processes why men and women shift different into various entrepreneurial activities).

The OECD INFE, 2011 has defined financial literacy as follows: 'A combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial wellbeing.

Being financially literate doesn't mean only awareness about few financial concepts, rather it compose of financial behaviour, attitude and knowledge (INFE OECD, 2011). Studies revealed that there are a few datasets available which delivers the information about financial literacy (Lusardi, A., 2009). Yadav, 2013) "Uttarakhand's economy is primarily agrarian. It is very apparently from the micro-level image that the majority of agricultural operations include women in their broadest context, including subsidiary companies such as milk, poultry, sericulture, silviculture, fisheries and so on.

In the 1991 census, women were highly employed in the hill districts. Women's entrepreneurship in Uttarakhand has come a long way. However, the share of women entrepreneurs in small businesses shows that at 10 percent is abominably poor. As Uttarakhand has a very strong potential for business grow.

According to Bhushan & Medury (2013) advocated less overall financial literacy level among respondents by getting affected by gender, education, income, nature of employment and place of work and several sociodemographic variables in Indian context.

Lokhande M (2015) has conducted research on "A Study of Investment Awareness and Patterns of Savings and Investments by Rural Investors". The aim of the research were to understand the investment considerations of rural investors, to examine awareness level and their preferences of investment and to compare the investment behaviour of rural male and female investor. Total 300 respondents were selected based on convenient sampling. The data analysis tools used were simple percentage, ANOVA and Garrett Ranking method. The study reveals that the awareness level of rural male and female investors, having different educational qualifications, is similar. As per the result of Garrett score Bank is deposit is at top most priority followed by Gold jewellery, Real estate and postal scheme.

A study on the degree of financial literacy among rural women in the Virudhunagar area was carried out by Dr. S. Amutha Rani (2017). Analyzing the respondents' socioeconomic backgrounds and the financial literacy gap among rural women was the study's main goal. Using a practical sampling technique, a total of 360 sample respondents were used in the study. For the study, statistical approaches such as percentages and gap analyses were employed. Variables' literacy gap Knowledge of online banking and bank credit

facilities both require significant development. Variables' literacy gap understanding of the various kinds of bank accounts, knowledge of how to deposit and withdraw funds from a bank account, Recognize how long it takes to enhance the value of various investments. There is need for improvement in the knowledge of how ATMs work and the KYC process for opening bank accounts.

Gopeekrishna, S., & Geetha, K. T. (2018) have done research on “Status of Financial Literacy on Economic Empowerment of Working Women of Kerala”. The main aim of the study was to examine the determinants of Monthly savings of working women and correlation between Economic empowerment and financial literacy among women. Statistical tools like Multiple Regression Analysis, Economic Empowerment Index, Correlation and simple graphs were applied to satisfy the objectives considered. The study revealed that regression coefficients of the predictor variables namely financial decision making and Monthly expenditure have significant effect on the monthly savings of the respondents of Kerala at high level of significance. The rest of the factors like Age, caste, financial literacy, Family pattern, and Occupational status are not found to have significant effect on the monthly savings of the respondents and there is a negative correlation between financial literacy and economic empowerment.

Binod A. (2019) has conducted study on “Financial Literacy among Women in Kerala: a Rural – Urban Comparison”. The aim of the study was to analyse the level of financial literacy among women in Kerala and the influence of socio-demographic variables on financial literacy of women. Data were collected from 150 respondents with structured questionnaire. Factors considered for the research were residential location, age, marital status, family size, monthly income, educational qualification, and occupation. Pearson’s chi-square test was applied to check for any association between financial literacy and socio - demographic characteristics of the respondents. It has been found that Women who are highly educated, well employed with a high monthly income and are living in the urban areas were found to have higher levels of financial literacy than others

Bhosale. T, Padad. S, and Kakad. S, (2020) India is the fastest growing economies of the world, and finance is the primary requirement of development of an economy. The study is focus on understanding the effect of financial inclusive in the growth of Indian economy and the steps taken by government and RBI in India to full fill the inclusive growth It was observed from the study period the bank focused more on rural and semi-urban area. The bank introduces inclusive banking measures in the country, such as corporative movement, bank nationalisation, and the establishment of regional rural banks, among others.

Recent Initiatives Towards Financial Literacy

- **National Strategy for Financial Education Report 2020-2025:** The Reserve Bank of India has released a document titled “**National Strategy for Financial Education Report 2020-2025.**” **The prime strategy includes a “5 C’s”** approach for increasing financial education in the country. The approach focuses on Content, Capacity, Community, Communication and Collaboration. The report focuses on creating financially aware and empowered Indians. The **Technical Group of Financial Inclusion and Financial Literacy (TGFIPL)** and **Financial Stability and Development Council (FSDC)** work in coordination to ensure the implementation of the same. These policies are in the right direction to make India: a financially literate country.
- The Reserve Bank of India has undertaken a project titled “**Project Financial Literacy**”, the objective of which is to disseminate information regarding the central bank and general banking concepts to various target groups, including school and college students, women, rural and urban poor, defence personnel and senior citizens.
- In 2012, **FSDC (Financial Stability and Development Council)** had formulated a **National Strategy on Financial Education (NSFE)** to spread awareness among masses about basic questions such as – why one

should invest?, why one should borrow from bank? Under this, **FSDC** had proposed to make financial literacy an official responsibility of the industry stakeholders such as financial institutions, banks and regulators including **RBI, SEBI, IrDA and PFRDA**.

Why do Women need financial literacy?

- This is due to the following reasons:
- It prepares them for emergencies and unforeseen costs.
- Women can help addressing growing expenses of living and inflation if they are financially literate.
- Children tend to be more influenced by their mothers than their fathers. As financially literate sets a good example for their children as well.
- In most households, women are responsible for the day-to-day expenses. Thus, it is helpful for them to know how best to use the money.
- Women tend to live longer than men, and thus they should have the knowledge to carry on their day-to-day affairs and manage finances.
- Women who are financially literate gain more confidence in their own decision-making.

Objective of study

- To assess the current level of financial literacy among women entrepreneurs.

Research Methodology

Research methodology is a means to address the research dilemma systematically. It can be interpreted as a science of learning how experimental analysis is carried out. This outlines different actions that a researcher normally takes to study the issue of analysis and discusses the reasoning behind it. A researcher must create or plan a particular technique since it may vary for numerous problems. It takes extreme effort, care and consideration, because the success and precision of the findings depend entirely on this method.

- Method of Sampling:** Simple random sampling along with a standard questionnaire was used to collect the data. The target population included women entrepreneurs belonging to the age group of 18 and above. The region of study is Uttarakhand
- Tools Used:** The questionnaire consisted of a confidentiality note, a disclaimer that the survey was meant for only those belonging to the age group of 18 and above residing in Uttarakhand and a subject matter section. The subject section consisted of generic multiple choices, checkbox and situation specific scale development questions pertaining to the topic of study.
- Data Collection Method:** An online survey was conducted using Google Forms.
- Analysis of Data:** The survey responses were analysed using graphical representation.

Data Analysis and Interpretation

On the basis of the data collected by the help of the questionnaire, the data has been interpreted as follows:

Q1 Age of the women entrepreneurs

Interpretation:

The figure shows the age of women entrepreneurs of Uttarakhand. This chart depicts that 45% of total females are of age group of 26 to 35 years while 45% of women are of 36 to 45 and 5% shows age of 46 to 55 ages while remaining 5% are of 55 and above.

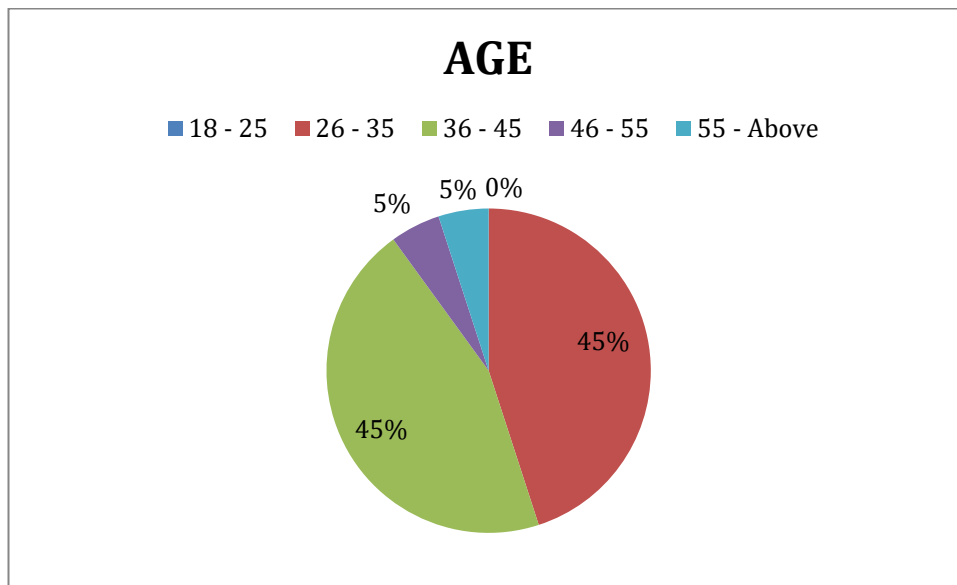


Fig: 5.1 showing age of women entrepreneurs

Q2. Educational Background of women entrepreneurs

Interpretation:

The figure below show educational background of Women entrepreneurs. 55% Women are having master degree and higher education, 35% of women are graduate while 10% women are high school.

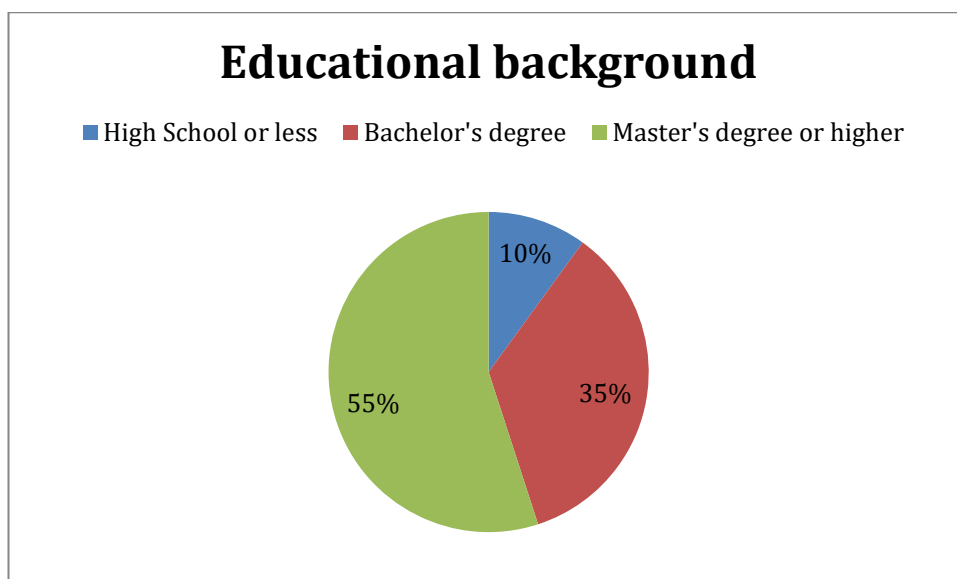


Fig: 5.2 showing educational background of women entrepreneurs

Q3. How confident women entrepreneurs are in financial literacy?

Interpretation:

The figure below shows level of confidence of women entrepreneurs in their financial literacy. 65% women shows moderate confidence, 20% women are very confident while 10% women are extremely confident and 5% women are not confident.

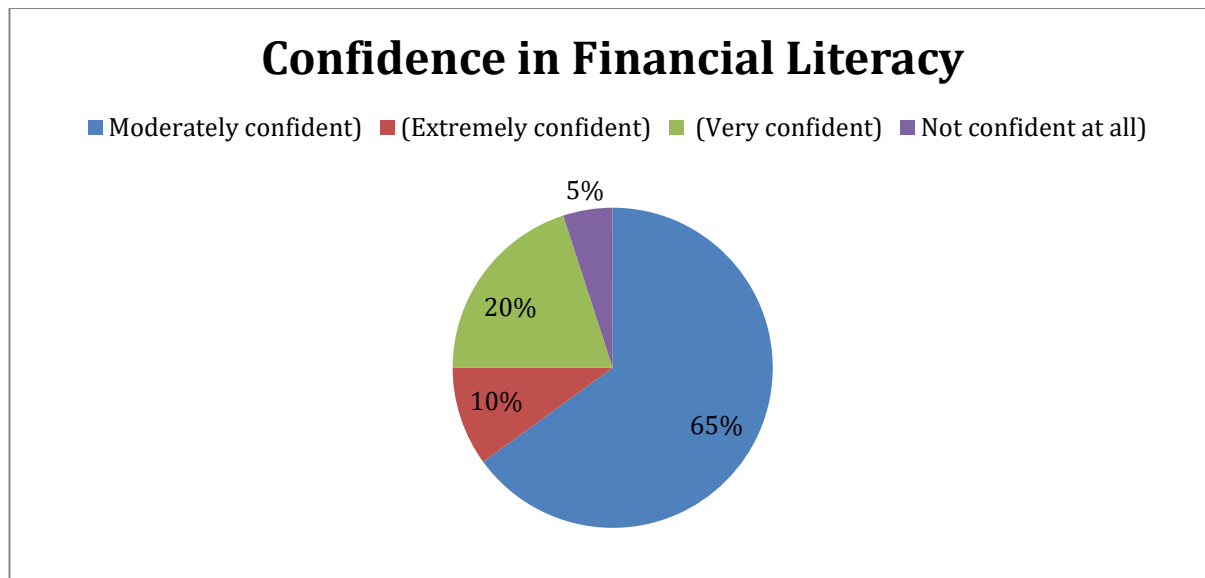


Fig: 5.3 showing confidence in financial literacy among women entrepreneurs

Q4. Has level of financial literacy impacted ability to make effective financial decisions for business?

Interpretation:

The figure below shows impact of financial literacy on financial decisions of business. It shows influence of financial literacy on business decisions of women entrepreneurs. 50% females agree that their financial literacy affect business decisions, 30% females strongly agree, 15% females are neutral and 5% females disagree with this statement.

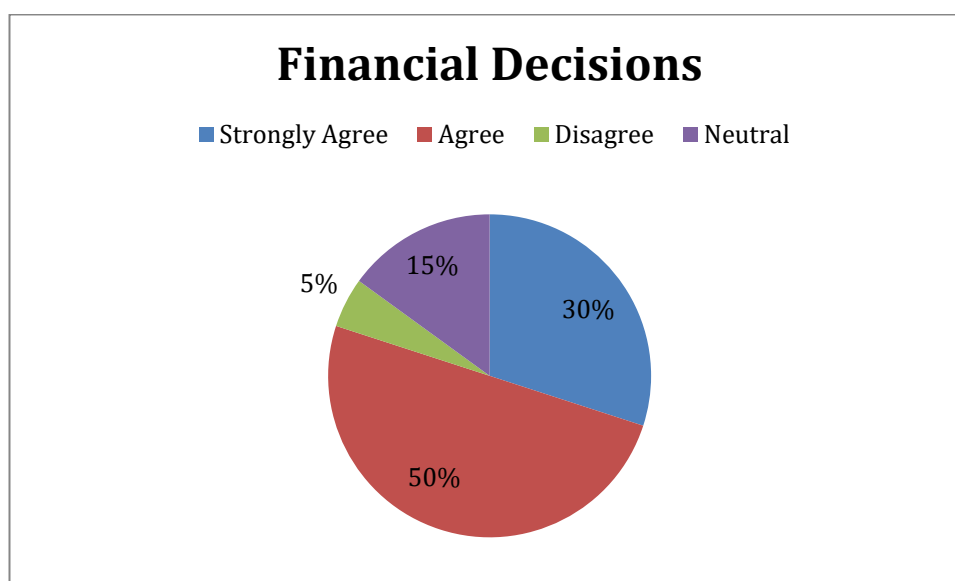


Fig: 5.4 showing impact of financial literacy on financial decisions among women entrepreneurs

Q5. Has financial literacy influenced ability to secure funding for business?

Interpretation:

The figure below shows influence of financial literacy to secure funding for business. 75% women entrepreneurs agree that financial literacy makes funding accessible while 25% women entrepreneurs feel not much effect on funding.

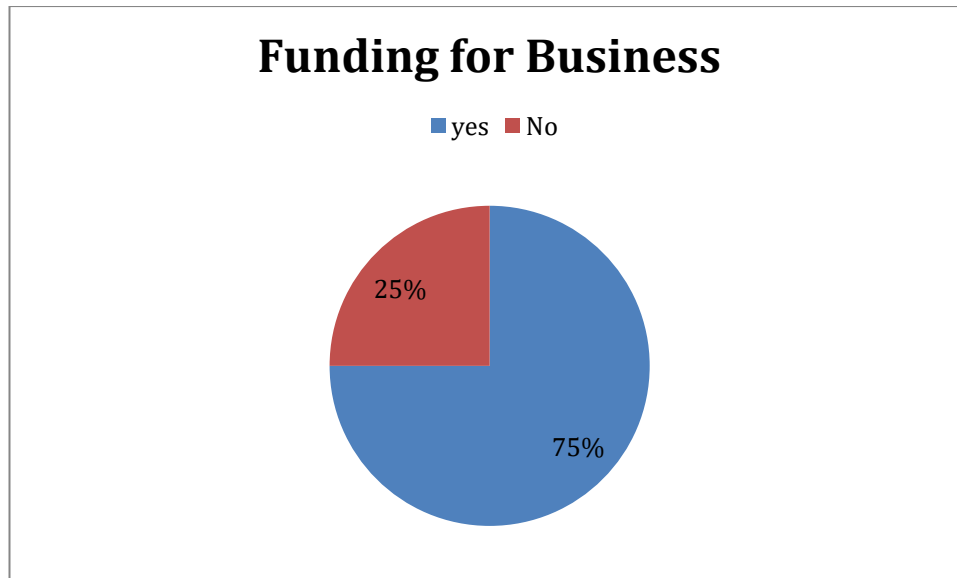


Fig: 5.5 showing ability of funding of business among women entrepreneurs.

Conclusion

Women's business is not just a means of generating income, but also a means of achieving financial independence. Recognizing the importance of women's businesses, the Indian government has launched several initiatives to encourage women to pursue various micro, small, and medium-sized businesses. Nowadays, women are aware of their socio-financial advantages and have the courage to take advantage of the opportunities that have been created for them. Without women's participation in the mainstream economy, the goal of a society free from poverty is hard to achieve. This paper focused on impact of financial literacy on women entrepreneurs of Uttarakhand. Many of the city's urban residents are female entrepreneurs with sufficient education to comprehend financial literacy. In their field, 55% of female entrepreneurs hold a master's degree. Sixty-five percent of female entrepreneurs are financially literate, indicating that they are relatively confident, and ten percent are extremely confident. Since half of women are able to organize funds, a financially savvy woman finds it easy to set up funds for her firm. Financial literacy helps set clear financial goals, which leads to increasing business growth. This demonstrates the value of encouraging financial literacy among female business owners since it not only increases self-assurance but is also essential for influencing business choices and obtaining capital.

This study also emphasizes how important it is for the government to train female entrepreneurs. The government introduced a number of programs targeting female entrepreneurs, including Uttarakhand's Udyam Shakti Portal, Mahila Vikas Nidhi Yojana, and Stand Up India. Pradhan Mantra Mudra Yojana (PMMY) and Mahila Samekit Vikas Yojana are programs designed to make conducting business easier. It is true that urban women's access to formal financial services is not necessarily ensured by their level of financial literacy. Increasing financial literacy programs and raising awareness of the advantages of formal financial training can assist close the gap caused by a number of obstacles and issues.

Suggestions

- Government needs to spread more awareness for financial literacy scheme in rural areas of district, especially among women.
- A very clear record of the financial stability of women, their economic activities and the income generated by them.
- Banks also needs to come ahead and taking the initiative for the awareness about financial scheme.
- Identification of the areas which reflect a large amount of inequality with respect to women.
- We as a society should support and motivate women so that they can be achieve empowerment at all levels, educational as well as financial empowerment.

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