



International Journal of Advanced Academic Studies

E-ISSN: 2706-8927

P-ISSN: 2706-8919

www.allstudyjournal.com

IJAAS 2020; 2(4): 469-473

Received: 07-09-2020

Accepted: 11-10-2020

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Financial literacy as a driver of growth for women entrepreneurs in India

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Abstract

Women entrepreneurs in India contribute significantly to economic growth, employment generation, and social transformation. However, their ability to sustain and expand business ventures is closely linked to the level of financial literacy they possess. Financial literacy, encompassing knowledge of budgeting, credit management, savings, investments, taxation, and digital finance, plays a pivotal role in enabling women entrepreneurs to make informed decisions, access credit, and manage risks effectively. This study adopts the Systematic Literature Review (SLR) method to critically examine the relationship between financial literacy and the growth of women entrepreneurs in India, drawing on peer reviewed journals, policy reports, and empirical studies published.

The review highlights that, while government programmes such as the Pradhan Mantri MUDRA Yojana, Stand-Up India Scheme, and financial inclusion initiatives under Jan Dhan Yojana have created opportunities, significant gaps persist in awareness, accessibility, and utilisation of financial services by women entrepreneurs, especially in rural and semi urban regions. Case studies, including SEWA's microfinance model and capacity building efforts by NGOs, illustrate how targeted financial literacy interventions have improved business outcomes. The analysis reveals that women with higher financial knowledge demonstrate better cash flow management, greater adoption of formal credit, and stronger resilience to market fluctuations.

The paper concludes that enhancing financial literacy through coordinated public sector, private sector, and academic interventions can serve as a catalyst for scaling women led enterprises in India. Strategic recommendations are proposed to integrate financial education into skill development programmes, leverage digital platforms for outreach, and foster peer led learning networks, thereby bridging gendered gaps in entrepreneurial growth.

Keywords: Financial literacy, women entrepreneurs, business growth, India, digital finance, financial inclusion, entrepreneurship development

1. Introductions

Women entrepreneurs in India are increasingly recognised as key contributors to economic growth and social progress. Their participation in the entrepreneurial ecosystem has expanded in sectors ranging from manufacturing and handicrafts to technology and services. However, the growth of women led businesses is influenced not only by market opportunities but also by the financial knowledge and skills that these entrepreneurs possess. Financial literacy, which refers to the ability to understand, evaluate and use financial information to make effective decisions, has emerged as an important driver for enterprise success (Lusardi & Mitchell, 2014) ^[9].

In India, the importance of financial literacy has gained attention due to the government's focus on financial inclusion, the expansion of microfinance institutions, and the spread of digital payment systems. Programmes like the Pradhan Mantri Jan Dhan Yojana launched in 2014, have allowed millions of women to open bank accounts providing a basis for greater access to credit and savings instruments (Reserve Bank of India, 2019) ^[13]. Programs like the StandUp India Scheme, and the Pradhan Mantri MUDRA Yojana, have provided financial assistance to women entrepreneurs. However, the way in which these programs are utilized is determined by women entrepreneurs' understanding of process, benefits, and obligations (Ministry of Finance, 2020) ^[11].

While these developments are substantial, there are also major variations in financial literacy in urban, semi urban, and rural settings. Research has shown that many women entrepreneurs have difficulties in understanding credit terms, managing cash flows, filing taxes, and succeeding at utilizing digital finance (OECD, 2019) ^[12]. These discrepancies in knowledge prevent women entrepreneurs from making informed business decisions to grow their

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business, understanding their funding sources and being able to take risks. Therefore, financial literacy is not just a prerequisite for personal development, but a critical requirement for the sustainable growth of women led enterprises in India.

The overall aim of this paper is to discuss financial literacy as a contributor to the growth of women entrepreneurs in India, using a Systematic Literature Review (SLR) method. The literature reviewed included empirical research, government reports, and policy analysis that were available prior to September 2020, with the intention of identifying gaps and other successful interventions, and to formulate practical proposals as prompted by the literature that offers operational recommendations to help enhance the financial capability of women entrepreneurs.

2. Literature review

Financial literacy has been widely recognized as a critical variable in entrepreneurial performance. It includes a range of skills, such as budgeting, savings, investments, credit, risks, and knowledge of regulations (Hung *et al.*, 2009) ^[5]. Lusardi and Mitchell (2014) ^[9] illustrate that individuals with greater financial literacy are better at future planning, resource allocation, and coping with changing market conditions.

In India, financial literacy for women entrepreneurs has been a focus of policy improvement initiatives, in sync with the government's mission of financial inclusion. The Reserve Bank of India (2019) ^[13] defines financial literacy as the process of enhancing individuals' understanding of financial products, concepts, and risks, which leads to informed input to the decision-making process. Sinha (2015) ^[14], and Goyal and Kumar (2017) ^[3] showed that women entrepreneurs can access formal credit with stronger financial skills, as well as keep better records in sustainable firm viability. Several government programs were developed to improve financial literacy among women entrepreneurs. The Pradhan Mantri Jan Dhan Yojana (PMJDY) offered basic access to banking, and the Pradhan Mantri MUDRA Yojana provided collateral free loans for micro and small enterprises (Ministry of Finance, 2020) ^[11]. Kapoor (2019) ^[8] observed that awareness of these schemes is low, and women lack the procedural knowledge to access benefits.

Micro Finance Institutions and Self-Help Groups (SHGs) have contributed significantly to financial literacy. For example, case studies of organizations such as the Self-Employed Women's Association (SEWA), show that capacity building with a combination of credit and record keeping and digital payments training led to women earning higher incomes and improved viability in their businesses (Karmakar, 2017) ^[7]. Conversely, the OECD (2019) ^[12] reported that women are still lagging in financial literacy scores by gender, and rural women are significantly behind urban women.

International studies have also made a connection between financial literacy and the growth of entrepreneurs. For example, in Bangladesh Grameen Bank has integrated micro credit with financial training to assist women grow from subsistence-based businesses to more profitable businesses that create jobs and/or an opportunity to make savings (Armendáriz & Morduch, 2010) ^[1]. In the case of Kenya, the introduction of digital finance tools such as M-Pesa, combined with literacy training provided women with

improved access to working capital for their microbusinesses (Jack & Suri, 2014) ^[6].

The literature indicates that while financial literacy is established as a major driver of business growth, targeted interventions that remove gender specific barriers to women's access are necessary to create meaningful change in India. As policies and outreach measures improve, the gap in enhanced digital financial skills, lack of familiarity with formal banking, combined with social and culture constraints continue to deny women entrepreneurs the opportunity to achieve their potential for viable micro businesses.

3. Research methodology

This study is based on a review of literature identified by previous research on financial literacy and its impact on the development of women entrepreneurs in India. The review included academic research, reports from the government, and case studies published prior to September 2020. Identifying sources involved a review of literature from libraries, academic databases, and the official publications of the Reserve Bank of India, the Ministry of Finance, and other relevant institutions.

The review of literature was used to explore the impact of financial literacy on women's entrepreneurship in many aspects related to access to credit, accessing and managing businesses, employing digital tools, and growth beyond initial stages for the long term. The review of literature included literature on both India and any applicable international examples.

The purpose of this method is to establish that the findings are based on authenticated fact and a variety of experience, establishing balance in the perspective on the topic being reviewed.

4. Objectives of the study

The purpose of this study is to identify the potential impact financial literacy can have on helping women entrepreneurs in India grow their businesses sustainably. In accordance with the purpose, the objectives are:

- To examine the level of financial literacy among women entrepreneurs in India
- To study the link between financial literacy and important aspects of business such as access to credit, cash flow management, and business expansion.
- To identify the challenges faced by women entrepreneurs in improving their financial knowledge and skills.
- To highlight successful examples and best practices that have improved financial literacy among women entrepreneurs in India.
- To suggest practical recommendations for government, private sector, and educational institutions to strengthen financial literacy and thereby support women led enterprises.

5. Financial literacy and its influence on the growth of women entrepreneurs in India

5.1 Understanding financial literacy in the entrepreneurial context

Having financial literacy for entrepreneurs involves more than just knowing how to open a bank account or make a deposit. For women entrepreneurs, this means being able to prepare and manage budgets; calculate the costs of

borrowing; assess loan products; keep accurate records; gain an understanding of taxation; and address technology-based changes in transactions (Hung *et al.*, 2009) ^[5].

In India, women entrepreneurs engage in manufacturing, services, trade, handicrafts, and agriculture-based businesses. However, while women owned 14 percent of establishments according to the Sixth Economic Census (2013-14), most women operated small scale enterprises, in some cases without formal accounts. Research indicated that women who showed resilience in entrepreneurship, had financial literacy, and approached banks with confidence, also developed the capacity to enter new markets (Goyal & Kumar, 2017) ^[3].

5.2 Traditional financial literacy and women entrepreneurs

5.2.1 Why traditional financial skills matter

Budgeting, costs, maintaining savings, and understanding debt are fundamental for business survival. Before large scale digitalisation, many women entrepreneurs relied on informal lending or family savings. This often-meant high borrowing costs and limited growth potential.

Government schemes such as Pradhan Mantri MUDRA Yojana and Stand-Up India aimed to change this by providing collateral free loans to micro and small entrepreneurs, with specific targets for women (Ministry of Finance, 2020) ^[11]. But the capacity to benefit from such schemes depended on understanding repayment schedules, interest calculations, and documentation processes, areas in which many lacked trainings.

5.2.2 Case study: SEWA in Gujarat

The Self-Employed Women's Association (SEWA), operating since 1972, has developed a structured financial literacy approach that goes together with microcredit. Its training modules cover basic bookkeeping, profit calculation, repayment planning, and savings discipline.

In 2018, SEWA introduced a series of "business clinics" in Ahmedabad for women running small garment and food processing units. Participants learned to price products more effectively and negotiate with suppliers. One tailoring group that earned around ₹8,000 per month per member increased its average earnings by 35 percent within a year by introducing uniform pricing and bulk procurement. Loan repayment rates in the trained group reached 98 percent, compared to 85 percent among those without training (Karmakar, 2017) ^[7].

5.2.3 Case study: Kudumbashree in Kerala

Kudumbashree, Kerala's poverty eradication and women empowerment programme, integrates financial literacy into its microenterprise model. By 2019, over 4.3 million women were members, organised into neighbourhood groups. Kudumbashree trained its members in preparing business plans, record keeping, and maintaining credit discipline.

The Kudumbashree Café initiative is a strong example. Women's groups trained in cash flow management and cost analysis ran catering units for government offices and schools. By monitoring expenses and setting aside working capital, these cafés became self-sustaining, generating net profits that were reinvested into expanding menus and hiring more women. Between 2015 and 2019, café units collectively accessed bank linkages worth over ₹1,000 crore (Government of Kerala, 2019) ^[4].

5.2.4 Case study: Mann deshi foundation in Maharashtra

The Mann Deshi Foundation, founded in Satara, Maharashtra, operates a women's cooperative bank and a Business School on Wheels. Its curriculum included financial planning, interest calculation, savings products, and working capital management.

One example is of women vendors in Satara's vegetable markets who received training on keeping daily sales records and calculating profit margins. Within a year, trained vendors increased their daily savings by an average of ₹50, enabling them to fund stall expansions without high interest informal loans. The Foundation's data from 2018 showed that 74 percent of its trained women entrepreneurs increased business turnover within a year of training.

5.3 Digital financial literacy and its growing relevance

By 2019, India had over 100 million UPI users, and mobile wallet transactions were becoming common in both urban and semi urban markets. For women entrepreneurs, digital literacy offered a pathway to larger markets, faster payments, and reduced dependency on cash but only if they had the skills and confidence to use these tools.

5.3.1 Case study: Amazon Saheli

Launched in 2017, Amazon Saheli worked with NGOs and government partners to bring women entrepreneurs onto its e-commerce platform. Training included creating product listings, managing inventory, using digital payment systems, and handling customer service.

By late 2019, over 80,000 women were part of Saheli, selling handicrafts, textiles, and home décor. One artisan cluster in Rajasthan that joined in 2018 saw orders grow by 40 percent year-on-year, largely due to improved online visibility and digital payment integration (Mehta, 2019) ^[10]. Women also reported increased confidence in handling returns and disputes online, skills they previously relied on male relatives to manage.

5.3.2 Case study: Flipkart samarth

Flipkart Samarth, launched in 2019, supported rural artisans, weavers, and small entrepreneurs. Training covered product photography, digital catalogue creation, secure payment handling, and packaging standards.

A women's weaving collective from Odisha joined in mid-2019 and, within six months, doubled their monthly income. Digital transactions meant quicker payments and better tracking of receivables, enabling them to reinvest in raw materials without delays (Flipkart, 2019) ^[2].

5.3.3 Case study: Digital Saksharta Abhiyan (DISHA)

The DISHA programme, launched by the Government of India in 2014, aimed to make at least one person per household digitally literate. In states like Andhra Pradesh and Bihar, NGOs partnered with DISHA to tailor modules for women entrepreneurs. Training covered BHIM app usage, online banking, and digital record keeping. Reports from 2019 indicated that women who completed DISHA's entrepreneurial modules were more likely to use formal banking for their business transactions rather than relying solely on cash.

5.3.4 Barriers to financial literacy

Despite these programmes, women entrepreneurs continued to face several obstacles:

- **Socio-cultural barriers:** In many regions, male relatives-controlled business finances, limiting women's hands-on experience (Sinha, 2015) ^[14].
- **Educational constraints:** Lower literacy rates reduced confidence in reading loan documents or using banking apps.
- **Infrastructure gaps:** Rural areas often lacked reliable internet access, affecting digital adoption.
- **Information gaps:** Many women were unaware of available schemes or lacked guidance to complete applications (OECD, 2019) ^[12].

5.4 Evidence of positive impact

5.4.1 Indian evidence

A Karnataka study in 2017 found that women led enterprises whose owners had received structured financial literacy training recorded a 22 percent higher survival rate over five years compared to those without such training (Goyal & Kumar, 2017) ^[3]. These entrepreneurs were also more likely to expand into new product lines and secure repeat orders from institutional clients.

5.4.2 Global parallels

In Bangladesh, the Grameen Bank model, combining microcredit with financial education, transformed women's enterprises from small subsistence activities into profitable ventures (Armendáriz & Morduch, 2010) ^[1].

In Kenya, the mobile-based M-Pesa platform gave women traders in rural markets a secure and instant payment method, reducing theft risks and improving working capital cycles (Jack & Suri, 2014) ^[6].

5.5 Lessons learned

- **Pair financial literacy with access to capital:** Training alone is not enough; women need credit products they can actually use.
- **Leverage peer learning:** SHGs and cooperatives are effective in spreading financial skills.
- **Customise content:** Literacy modules should be in local languages and suited to the scale of the enterprise.
- **Integrate digital and traditional literacy:** Both are essential for competitiveness in the 2020s.
- **Sustain support:** One-time workshops are less effective than ongoing mentoring and followup.

6. Conclusion and recommendations

6.1 Conclusion

The evidence from India and other countries clearly shows that financial literacy plays a central role in shaping the growth journey of women entrepreneurs. Women with strong financial knowledge are better equipped to manage resources, secure loans, expand markets, and withstand market fluctuations. In the Indian context, the combination of government led financial inclusion drives, microfinance institutions, and emerging digital tools created a fertile ground for improving women's financial capabilities.

However, challenges remain. Rural and semi urban women continue to face a mix of socio-cultural constraints, information gaps, and infrastructure barriers. While many well-meaning initiatives have the potential for positive impact, they fail to achieve their intended purpose because women are either unaware of the initiatives or do not have the means of adhering to the procedural requirements.

Digital finance presents one of the best opportunities for overcoming these disparities, but digital finance will not achieve its potential without consistent digital literacy training.

The cases derived from SEWA, Kudumbashree, Mann Deshi Foundation, Amazon Saheli, Flipkart Samarth and Digital Saksharta Abhiyan indicate that financial literacy coupled with practical training, mentorship, and access to market do achieve sustainable business outcomes. The key message is that financial literacy interventions should not be undertaken as standalone interventions but have all aspects geared towards an integrated approach to enterprise development.

6.2 Recommendations

6.2.1 Public sector interventions

- **Financial literacy in entrepreneurship schemes:** Offer compulsory financial training modules before and after loans from programmes like MUDRA Yojana, Stand Up India, and PMEGP.
- **Training materials in local languages:** Produce user friendly guides and videos in local languages explaining interest rates, loan repayment schedules, the manner and forms of digital payments, and related tax filing.
- **Strengthening SHG bank linkages:** Use self-help groups for delivery of traditional and digital financial literacy, where rural women will have consistent exposure to banking systems.
- **Outreach to women in rural areas through digital access:** Expand access to initiatives such as Digital Saksharta Abhiyan and focus on women entrepreneurs, along with the role of Panchayats, Anganwadis, and Common Service Centres, as the means to deliver training to access digital content on financial literacy.
- **Monitoring and evaluation:** Establish benchmarks to track improvements in women's financial literacy and check their influence on business performance.

6.2.2 Private sector and CSR role

- **E-commerce training partnerships:** Collaborate with platforms like Amazon Saheli and Flipkart Samarth to provide ongoing financial management support for women sellers.
- **Digital security awareness:** Banks and fintech companies should invest in teaching women entrepreneurs about cyber safety, fraud prevention, and secure payment systems.
- **Mentorship networks:** Corporate CSR projects can create mentorship circles where financially literate women entrepreneurs guide newer entrants.
- **Micro-insurance awareness:** Promote affordable insurance products for women led businesses to mitigate risks from illness, disaster, or market disruptions.

6.2.3 Academic and community-based efforts

- **Financial literacy in vocational and business education:** Polytechnics, universities, and business schools need to offer modules on business accounting, credit management, and digital finance in women's entrepreneurship courses.

- **Train-the-trainer approaches:** Collaborate with NGOs for the purpose of training local women leaders who will train their peers.
- **Peer learning groups:** Promote informal clusters, where women meet once a month to share their experiences, figure out problems together and learn from each other about financial issues.
- **Use of success stories:** Share women's success stories to tell how financial literacy has improved their businesses. Use local media to create role models in the community.

6.3 Final reflections

It is not only about increasing knowledge; the aim for women entrepreneurs in India regarding financial literacy and stability is about building confidence, access, and enabling sustainable tools for deployment. The most effective examples demonstrate that when knowledge is accompanied by access to markets, access to credit, and mentorship; women can unlock barriers, generate jobs, and meaningfully contribute to inclusive growth. The way forward will require a coordinated effort by governments, private enterprises, academia, and communities to ensure every woman entrepreneur can make informed decisions about her finances that benefit herself and the economy.

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