FINANCIAL LITERACY, WOMEN ENTREPRENEURSHIP AND ECONOMIC EMPOWERMENT: A CROSS ROAD TO POVERTY ALLEVIATION

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Abstract: The role of women entrepreneurs is crucial in poverty alleviation, job creation and economic empowerment. While women economic empowerment is not only a strategic programme towards achieving inclusive growth in South Africa, it is also a Constitutional and human rights imperative. Given that women outnumber men in all the district/metro municipalities in KwaZulu-Natal, accounting for 51.1% within the Durban Metropolitan. The purpose of this study is to analyse the impact of financial literacy on economic empowerment amongst women entrepreneurs in Durban metropolitan.

Index Terms— Economic empowerment, entrepreneurs, Financial literacy, South Africa.

I. INTRODUCTION

The former South African president, Mr Jacob Zuma, in the prologue to the report on the status of women in the South African economy admits that although the excess of progressive legislative improvements, South African women in the last 2 decades have not advanced considerably in terms of socio-economic empowerment and gender equality (Republic of South Africa 2015). The special 2005 report of the Department of Trade and Industry (DTI) in South Africa highlighted a major problem regarding a lack of empirical studies on women entrepreneurs and the inadequate quality of statistical data. The research on women entrepreneurs' contribution to the economy was lacking and only a few studies point to a general profile of women entrepreneurs in South Africa (DTI 2005). Given that women outnumber men in all the district/metro municipalities in KwaZulu-Natal, accounting for 51.1% within the Durban Metropolitan(Isike 2016: 7442). The purpose of this study is to analyze the impact of financial literacy on economic empowerment amongst women entrepreneurs in Durban metropolitan.

II. LITERATURE REVIEW

The 2015/2016 Global Entrepreneurship Monitor (GEM) report on South Africa notices that in order to address the real concerns of poverty and inequality, entrepreneurship is widely considered to be an important mechanism driver of sustainable economic development through job creation, improvement and its wellbeing result. Therefore enterprise development and entrepreneurship must be seen as one of the key areas that can expose growth potential in South Africa (Herrington and Kew 2016).

Financial intermediaries notice that South Africa does not have a philosophy of saving; consequently they have a part to play in coaching individuals to save. For example, according to Gareth Stokes from the newsprint Mail and Guardian (2011) South Africans are not saving sufficiently, and subsequently the South African Reserve Bank Quarterly Bulletin (2011), specifies that South African families only save 1.5% of the gross domestic product (GDP). In addition, the Banking Association of South Africa (BASA) (2011) has perceived that a shortage of Financial Literacy (FL), which, according to BASA is the fundamental to saving, is one of the reasons that brought about a universal financial crisis in present years. According to BASA, supporting FL will nurture 'creative capitalism' which is required to drive market-based social change. Given women's economic empowerment is not only a strategic programme towards attaining general growth in South Africa, it is also a Constitutional and human rights authoritative (the Department of Trade and Industry (DTI) 2011:6). Women's economic empowerment is known as one means for alleviating poverty and economic development. Financial literacy advances women's management of their individual and domestic finances, and empowers them to decide and access suitable financial services and products, as well as to improve and manage entrepreneurial activities (OECD, 2005).

Financial literacy assists to grow and manage finances in a correct way. The significance of financial literacy can never be ignored as it not only contributes in the welfare of individuals but also support them to become economically empowered and relieve poverty. From last few years, the economic empowerment of women through financial literacy has been the most dynamically explored area across the world (Lusardi and Mitchell, 2008).

Financial literacy is one route to reach economic empowerment, and contains the knowledge and skills required to discern financial planning, discuss money and financial issues without distress, plan for the future, and reply competently to life proceedings that affect every day financial decisions (Vitt et al. 2000). Whereas this definition comprises financial planning,

most financial literacy definitions focus on the knowledge gained from financial education. Such knowledge comprises knowing how to plan and follow a budget, balance a check book, manage credit, and save for the future (GAO 2004).

The government of South African has been impotent to solve the socio-economic issues of high unemployment and poverty reduction because of the limitations that hamper entrepreneurship (Agbenyegah 2013). Since the rise of democracy in 1994, the South African government has been placed under pressure to correct the socio-economic inequalities resulting from many decades of apartheid (Pooe, Mafini and Makhubele 2015). In addition to this, Sibanda, Mishi and Tsegaye (2015) point out that since 1994, the South African economy has not managed to generate sufficient employment opportunities, as proved by a relatively high average unemployment rate of 25.49 percent for the period 2000-2012. It is imperative to recognize the limitations facing women entrepreneurs in developing countries and precisely within the KwaZulu-Natal province of South Africa.

III. RESEARCH METHODOLOGY

In order to analyse the impact of financial literacy on economic empowerment amidst women entrepreneurs in Durban metropolitan, a sample of 400 registered women enterprises were selected in Durban CBD. The population from which the sample was selected consist of women entrepreneurs in Durban. The target population consists of women entrepreneurs in Tourism/hospitality, manufacturing, crafting, retail trading import-export, etc. Non-Probability (Convenient Sampling) technique was applied to select the respective sample of approximately 353 respondents. Questionnaire was distributed in different ways: handed over to the respondents at their business place, a detail email containing the questionnaire was sent following a reminder after 4 days requesting for response. A semi structured interview, explaining the questions, was conducted, if needed, for those women who were incapable to understand related theories. Economic empowerment, financial literacy and factors that measure the poverty alleviation was assessed by using a questionnaire revised from OECD INFE 2011. English language was used in formulating questionnaire.

Demographics was measured through structured question comprising age, marital status, number of dependents, type of business, annual turnover, highest educational qualification. And remaining questions help in evaluating variables that measure financial literacy, poverty alleviation and economic empowerment. The draft of questionnaire was first piloted by the small group of sample consist of 55 respondents and needed modifications were framed accordingly.

IV. DISCUSSION AND RESULT

Alongside with different demographic variable like age, marital status, annual turnover etc., education is the most central variable (Guiso, Haliassos, and Campbell, 2006) that controls the level of financial knowledge of respondent. Education was used to assess the financial literacy of the respondents (Adams and Rau 2011). A set of variable were used to measure the level of poverty of the women entrepreneurs(OECD INFI, 2011). It was assumed that economic empowerment is considerably and certainly related with the financial literacy and poverty alleviation. The regression analysis was used to estimate the effect on economic empowerment of each of the following independent variables i.e. financial literacy poverty alleviation and women entrepreneurship.

The regression analysis was used to assess the effect on economic empowerment of each of the following independent variables i.e. financial literacy, poverty alleviation and women entrepreneurship. The result showed the regression analysis of financial literacy, poverty alleviation and women entrepreneurship with economic empowerment of the respondents. It is expected that the financial level is connected with the empowerment of women. Bigger the level of financial literacy, greater will be their empowerment. While F-value is 0.0006, t-statistics is 3.49 and the P-Value of regression analysis is less than 0.05 so the author rejects Ho. Therefore, there is an important positive relationship between the financial literacy and economic empowerment of the respondent. Additionally, the coefficient value is 1.3702, which shows that with every increase in level of financial literacy there will be an increase of 1.37 entities in the economic empowerment of the women.

CONCLUSION

Lack of financial literacy will be overcome by providing education, training and improvement on entrepreneurship especially for women. This concern is highly imperative as the study revealed that 73 percent of the participant lacked this skill. Though the Department of Entrepreneurship (eThekwini Municipality) has made concerted efforts, nonetheless, this government establishment has only reached a minute portion of women as none of the study participant had benefited from such governmental initiative.

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