

7.2 Women Entrepreneurs and Financial Literacy



2 MIN READ

There is still a significant gender gap when it comes to financial literacy in Canada¹ — studies confirm that women generally don't do as well as men in terms of financial knowledge and confidence.² This can have major consequences on the success of women-owned businesses.

Women's financial knowledge

Research suggests that women entrepreneurs typically do not do as well on financial literacy tests.³ According to a Scotiabank report, women are 56% more likely than men to have low financial knowledge.⁴

Consequences of low financial knowledge:⁵

- Challenges during the start-up phase
- Ineffective business practices
- Poor financial decisions

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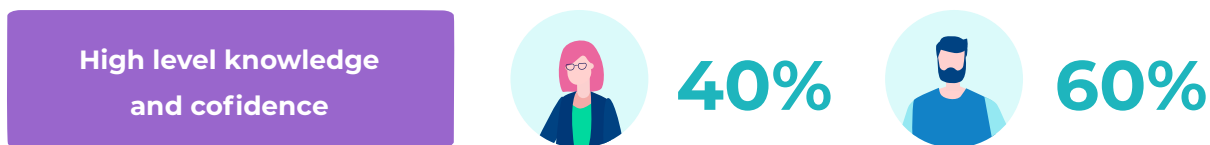
Women's financial confidence

Women entrepreneurs also tend to have a lower financial confidence level. According to the same Scotiabank report, only 45% of women say they feel financially confident, as opposed to 58% of men.⁶

Consequences of low financial confidence:⁷

- Fear of failure
- Less motivated to start a business
- Less inclined to make external financing requests
- Limited access to capital
- Slower business growth

Financial literacy levels and their significance, according to a Scotiabank report⁸



- Business owners have good financial knowledge and confidence.
- More likely to make external financing requests.
- Optimal level that entrepreneurs should aim for.



- Business owners who are overconfident, meaning that they think that they have the knowledge to financially manage a business, actually do not have all the knowledge they should.
- Will not hesitate to apply for financing, even from expensive sources that could jeopardize the future viability of their business.
- Rarely seek the advice of professionals when making business decisions.

**High level of knowledge
and low level of confidence
(under-confident)**



48%



52%

- Business owners who lack confidence, meaning they have the financial knowledge to manage a business, are actually not confident enough.
- These entrepreneurs are more reluctant to apply for financing.
- They tend to seek out the advice of professionals when making business decisions.

**Low level of knowledge and
confidence**



62%



38%

- Business owners have low levels of financial knowledge and confidence.
- Less likely to be successful entrepreneurs.
- Less likely to apply for financing.

As seen in the Scotiabank report, there is a pressing need to increase women entrepreneurs' level of financial confidence and knowledge. While knowledge can be increased (see **Tool 7.1**), confidence is more difficult to change as it depends on the entrepreneur's personal perceptions. Tools **7.3** and **7.4** provide a number of potential solutions to help women become more confident entrepreneurs.

References

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- 5 Sanjib Chowdhury, Megan Lee Endres and Crissie Frye (2019). "The influence of knowledge, experience and education on gender disparity in entrepreneurial self-efficacy", Journal of Small Business & Entrepreneurship, vol. 31, n° 5, p. 371-389.; Jill Kickul, Fiona Wilson, Deborah Marlino and Saulo Dubard Barbosa (2008). "Are misalignments of perceptions and self-efficacy causing gender gaps in entrepreneurial intentions among our nation's teens? ", Journal of Small Business and Enterprise Development, vol. 15, n° 2, p. 321-335.; Barbara Orser, Marzena Cedzynski and Roland Thomas (Mars 2007). "Modelling owner experience: Linking theory and practice", Journal of Small Business & Entrepreneurship, 20(4): 387-408.; Scotiabank Women Initiative (2020). Financial Knowledge & Financial Confidence: Closing Gender Gaps in Financing Canadian Small Businesses, p. 2, 6.; Fiona Wilson, Jill Kickul and Deborah Marlino (2007). "Gender, entrepreneurial self-efficacy and entrepreneurial career intentions: Implications for entrepreneurship education", Entrepreneurship Theory and Practice, vol. 31, n° 3, p. 387-406.; Women Entrepreneurship Knowledge Hub (2020). The State of Women's Entrepreneurship in Canada 2020, Toronto, Diversity Institute, Toronto Metropolitan University, p. 34.
- 6 Scotiabank Women Initiative (2020). Financial Knowledge & Financial Confidence: Closing Gender Gaps in Financing Canadian Small Businesses, p. 15.
- 7 Business Development Bank of Canada (December 2017). Financial literacy among Canadian entrepreneurs and business owners, Joint project: BDC Research and Market Intelligence, and the Telfer School of Business at the University of Ottawa, https://www.bdc.ca/en/documents/analysis_research/financial-literacy-among-canadian-entrepreneurs-business-owners.pdf (page consulted December 22nd 2020), p. 38.; Philipp Koellinger, Maria Minniti and Christian Schade (2013). "Gender differences in entrepreneurial propensity", Oxford Bulletin of Economics and Statistics, vol. 75, n° 2, p. 213-234.; OCDE (2016). Women Entrepreneurship Key Findings: Canada, <http://www.oecd.org/sdd/business-stats/EaCCanada-Eng.pdf> (page consulted November 23rd 2020); Scotiabank Women Initiative (2020). Financial Knowledge & Financial Confidence: Closing Gender Gaps in Financing Canadian Small Businesses, p. 2.; Women Entrepreneurship Knowledge Hub (2020). The State of Women's Entrepreneurship in Canada 2020, Toronto, Diversity Institute, Toronto Metropolitan University, p. 34.
- 8 Scotiabank Women Initiative (2020). Financial Knowledge & Financial Confidence: Closing Gender Gaps in Financing Canadian Small Businesses, p. 16-17.

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