



## AN EMPIRICAL STUDY ON IMPACT FINANCIAL LITERACY ON STUDENT ENTREPRENEURSHIP

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### ABSTRACT

In the current economy, the prospects of being an entrepreneur are considered to play a vital role when deciding on an occupation by the students. However, the success of the entrepreneurial venture will depend on the way that; the business will make its decision in the aspect of finance. The aim of this paper is to analyse the role of financial literacy on student entrepreneur using factors that explain how financial knowledge affects intentions, creations, and feasibility of entrepreneurship through empirical analysis. Self-constructed structured questionnaires were distributed among a sample of the undergraduate and postgraduate students from various fields of studies in some institutions. Statistics was used to analyze the data to find out correlation of financial literacy levels with characteristics such as risk-taking capacity, budgeting and preparing for investment and mobilization of resources. In other words; the research findings establish a significant relationship b/w financial literacy & student entrepreneurship. Banking literacy significantly enhances the student's competence in managing business finances, and increases their inclination towards business ownership. The outcomes of the study also emphasize that there is a need to ensure that students should be taken through compulsory financial education in their college education. Based on the findings, it is suggested that the policymakers and relevant educational institutions should incorporate and upscale specific ECHO financial literacy programs to foster students' entrepreneurship.

**Keywords:** Financial Literacy, Student Entrepreneurship, Financial Knowledge, Entrepreneurial Intentions, Higher Education, Empirical Study.

### Introduction

Business ownership operates as a fundamental force for creating innovation and generating employment and expanding economies especially in developing countries. Young people and higher education students view entrepreneurship through two perspectives by embracing it as a path to self-empowerment while also using it for economic independence according to Galloway et al. (2005). The primary factor for attaining entrepreneurship success centers on making enlightened financial choices and financial literacy functions as a vital key to achieving this outcome.

According to Lusardi & Mitchell (2014) financial literacy represents the ability to operate and employ financial abilities effectively for personal management and budgeting and financial investments. Training

in finance increases student entrepreneur success when initiating and running business ventures. Research indicates that student entrepreneurial interest has increased yet financial illiteracy continues to prevent students from taking entrepreneurial action (Fatoki, 2014).

The marketplace assessment along with operational cost and startup funding management requires financial literacy skills for student entrepreneurs. Higher financial knowledge among students creates business decision-making confidence which enhances their startup intentions and makes them less prone to business failure (Potrich, Vieira, & Kirch, 2015).

This Paper aims to empirically investigate the relationship b/w financial literacy & student entrepreneurship, particularly how financial knowledge influences students' entrepreneurial intentions, behaviour, and success rates.

## **Nature and Scope of the Study**

### **Nature of the Study**

The research has exploratory and analytical characteristics and studies the financial literacy-student entrepreneurship linkage together with student entrepreneur funding challenges. The examination reflects on how well students with financial literacy skills perform in business creation and sustainment activities. The research studies different financial obstacles to determine how financial education helps undergraduate entrepreneurs obtain funding and gain business empowerment. The study implements quantitative research methods which combine surveys with case studies and secondary data examinations to develop extensive knowledge about this topic.

### **Scope of the Study**

The main subjects for this research include students who own businesses while attending higher education because these individuals make up the majority of young business owners seeking to establish themselves. The study analyzes student entrepreneurs through their knowledge about funding sources as well as their challenges in obtaining capital and their basic financial capabilities. Student entrepreneurship receives analysis alongside the responsibilities of academic institutions together with government policy changes and financial institutions and alternative funding models like crowdfunding and angel investors and venture capital.

Within the context of the study, the geographical scope will be narrowed down to specific regions or countries on account of available relevant data. The results from the study pertain to three different business sectors which include technology startups, social enterprise and small scale businesses started by students. The key breakthrough this research brings is that it will direct educators, policymakers and financial institutions toward better funding resources to teach better financial education thus setting up an environment that fosters student entrepreneurship.

### **Significance of the Study**

Modern finance demands that individuals obtain vital financial competence because it has become recognized as fundamental knowledge for daily life. The population that demonstrates financial literacy uses accurate information for budgeting and saving funds and investing money and borrowing from banks while managing financial risks effectively. Knowledge of finance creates better well-being for individual persons while simultaneously strengthening economic stability and development at the national level.

The Indian population's scarcity of financial knowledge pertains to deficient financial habits as well as

extreme debt levels together with formal financial service underutilization rates. Financial education programs enable people to manage their money wisely so they become more resistant to money scams and gain access to banking services and products.

This research holds importance because it evaluates financial literacy levels among current populations to highlight knowledge deficiencies which will help managers at all levels create specific financial education programs.

## **Thematic Literature Review**

### **1. Understanding Financial Literacy**

To develop sound financial choices people need both knowledge about finance as well as practical abilities in handling financial matters. Researcher Huston (2010) conceives financial literacy as an effective way to comprehend and implement financial information regarding personal affairs. A study by Rani et al. (2023) in the Indian context shows that financial knowledge among different population groups remains insufficient because specific educational programs must target these segments.

Atkinson and Messy (2012) demonstrate that financial literacy incorporates establishing personal financial skills for everyday application together with confidence to do so. People need to understand how banking works online as well as digital transactions and digital security safeguards in the present day digital economy.

### **2. Student Entrepreneurship: A Growing Trend**

The initiation of student entrepreneurship comes from both spotting business opportunities and personal autonomy-seeking activities and meeting successful entrepreneurs. The research by Galloway et al. (2005) indicates that universities strongly influence their students to pursue entrepreneurship as their future path. Students display better entrepreneurial mindsets and entrepreneurial goal formation through the delivery of entrepreneurship education according to Fayolle and Gailly (2015).

Kuratko (2005) stated that the worldwide transformation towards innovation-centered economies provides students with various startup possibilities through institutional backing. The present generation of students shows better understanding of worldwide markets and digital networking infrastructure which enables them to establish new businesses more easily than their predecessors did.

### **3. The Link Between Financial Literacy and Entrepreneurship**

Business activities depend heavily on financial understanding among the population. Participants in the studies of Ghimire et al. (2023) proved that students benefit from entrepreneurship education and financial literacy training to develop goals toward becoming entrepreneurs. According to Harjanah et al. (2024) student interest in entrepreneurship depends on financial literacy levels combined with their money attitudes and knowledge of financial technology development.

Multiple research investigations demonstrate financial literacy acts as a strong determinant for entrepreneurial conduct. “Drexler, Fischer, and Schoar” (2014) demonstrated that entrepreneurs who are financially literate run their capital management better and tend to return firm profits toward growing their business activities. Van Rooij, Lusardi, and Alessie (2011) demonstrated that financial

literate people choose to participate in stock markets which reveals a direct connection between education and risk-based investing practices.

A study conducted by Adomako and Danso (2014) showed financial literacy creates beneficial direct effects which enhance micro-enterprise performance in Ghana thus proving that business planning and sustainability need financial expertise.

#### **4. Financial Literacy among Students**

Students show missing financial awareness which affects their money management methods. Students from low-income socioeconomic settings score badly in financial literacy assessment tests according to the OECD (2024). Those students who discuss financial matters with parents alongside taking independent financial choices display superior understanding of finances.

Xiao, Tang and Shim (2009) showed that educational programs focused on finance create positive effects on student financial management practices including budgeting and saving skills. The study from Robb and Sharpe (2009) showed that financial literacy serves as an essential predictor for understanding student credit card use while managing debt amounts

#### **5) The Role of Financial Education in Promoting Student Entrepreneurship**

When integrated into the academic curriculum, financial education has been found to enhance entrepreneurial intentions and confidence in handling business finances. Karakaya, Yilmaz, and Aydin (2016) found that financial education programs lead to improved entrepreneurial decision-making among university students.

Moreover, OECD (2014) emphasized that early exposure to financial education improves long-term outcomes in financial behavior and career planning. Financial education empowers students to prepare viable business plans, evaluate risks, and secure funding more confidently.

### **Research Gap**

The importance of financial literacy recognition for start-up owners continues to grow yet researchers have not established clear understanding regarding its effects on students building their entrepreneurial ventures. Research on financial literacy trends in the general student population exists but minimal attention has been given to understanding its effects on active student entrepreneurs. The current research material usually applies standardized financial knowledge analysis to various demographic groups even though it fails to recognize student entrepreneur-specific financial hurdles and decision patterns. We cannot determine which financial competencies new entrepreneurs need to manage their businesses because focused research on this topic remains limited.

The relationship between business performance enhancement from financial literacy training and student entrepreneurs has not been sufficiently studied through empirical evidence. Studies mostly explore financial literacy's effects on personal finance management together with investment choices yet find fewer evidence showing its direct relations to critical business metrics including revenue development and profitability alongside organizational sustainment status. Such proof-based confirmation is lacking for this topic which impedes our ability to verify the effects of student business success between those who learn finance and those who do not. Analysts need to understand this connection when developing financial education programming aimed at improving student entrepreneurial achievements.

Financial literacy research remains incomplete because there is not enough study about student entrepreneurs' ability to access funding. The existing research demonstrates how financial acumen improves business fundraising success but concentrates its findings on conventional entrepreneurial ventures rather than ventures led by students. Insufficient research exists to measure the relationship between student venture capital success and bank loan success as well as student access to government grants and other alternative funding sources. Current knowledge about how university-based financial education impacts student access to funding remains poorly documented.

The current state of research examines how well financial education programs introduced by universities teach their students to make entrepreneurial decisions. No empirical evidence exists to show how theoretical financial literacy classes influence student capability in business decision-making and risk assessment along with financial strategy implementation. Studies have overlooked the examination of entrepreneurial decision-making differences between students who received financial training and students who did not get such instruction. The identification of financial education effects on young entrepreneurs enables educational institutions to create relevant hands-on educational approaches which correspond to actual entrepreneurial problems.

Student entrepreneur financial literacy research demands extensive numerical evaluation to resolve the existing missing data. The assessment of these information voids will reveal scientific evidence about how financial literacy affects students who become entrepreneurs to achieve success. This research initiative aims to tackle the existing knowledge voids by assessing financial literacy standards while investigating its business performance effects and funding success together with financial training effectiveness so it delivers meaningful advice to academic institutions and policy coaches and financial establishments.

### **Objectives**

- To analyse the effect of financial knowledge on students' entrepreneurial intentions.
- To examine the role of financial attitude and financial behaviour in student entrepreneurship.
- To evaluate the impact of financial decision-making skills on the sustainability of student startups.
- To examine the relationship between access to financial education & entrepreneurial confidence among students.

### **Hypotheses of the Study**

- H1: Financial knowledge has a substantial impact on students' entrepreneurial intentions.
- H2: Financial decision-making skills have a substantial effect on the sustainability of student startups
- H3: There is a Considerable relationship b/w access to financial education and entrepreneurial confidence of students.
- H4: Financial attitude & financial behaviour play a significant role in student entrepreneurship.
- .H5: Financial literacy significantly improves risk-taking ability and financial management among student entrepreneurs

### **Research Methodology**

The research method combines quantitative techniques to deeply investigate how financial literacy influences student entrepreneurship as well as business performance and funding accessibility and entrepreneurial choice-making activities. As an approach to study the complex aspects of this topic the

research uses quantitative methods. The research design incorporates structured surveys which researchers will distribute to 200 student entrepreneurs studying at numerous academic institutions. The research instrument contains questions that measure financial literacy abilities and business outcome components (e.g. revenue and profitability measures) combined with funding opportunities and program effectiveness assessment.

The research data collection methods combine survey-based information with interview-based for selected participants

The research will utilize statistical techniques as its analytical methods. The data analysis will start with descriptive statistics that present demographic details and initial financial literacy assessment results of study participants. The proposed research uses both ANOVA and regression analysis to carry out statistical tests which measure connections between financial literacy along with business performance and funding access and financial education programs effectiveness. ANOVA will identify financial literacy variations between different student entrepreneur groups and linear regression will determine financial literacy's effects on business performance levels. Pearson correlation analysis will evaluate the relationship that exists b/w financial literacy and the ability to access funding.

The developed research methodology creates a thorough data-based study of how financial literacy affects student entrepreneurship principles. The research method uses quantitative approaches to generate applicable suggestions beneficial for educators and policymakers as well as financial institutions which lead to enhanced financial literacy programs for student entrepreneurs.

**Data analysis and interpretation**

**H1: Financial knowledge has a substantial impact on students' entrepreneurial intentions.**

Model	Unstandardized Coefficients (B)	Standardized Coefficients (Beta)	t-value	p-value	R <sup>2</sup>	Adjusted R <sup>2</sup>	F-value	Significance (p)
Constant (Intercept)	1.25	-	5.8	0	0.45	0.44	160.25	0.000 (***)
Financial Knowledge	0.65	0.67	12.66	0	-	-	-	-

**Table no1: Regression Analysis**

**Interpretation:**

The results of the regression analysis indicate a substantial relationship b/w financial knowledge and students' entrepreneurial intentions. The coefficient of determination (R<sup>2</sup>) was found to be 0.45, suggesting that financial knowledge explains 45% of the variance in entrepreneurial intentions. The Adjusted R<sup>2</sup> value of 0.44 confirms the model's robustness even after adjusting for the sample size, indicating strong predictive power. The overall model is statistically significant, as evidenced by an F-value of 160.25 with a significance level of p < 0.001. Furthermore, the regression coefficient (β<sub>1</sub>) for financial knowledge is 0.67, which means that for every one-unit increase in financial knowledge, entrepreneurial intentions increase by 0.67 units. This relationship is Substantiated by statistical analysis, as demonstrated by a high

t-value of 12.66 and a p-value < 0.001. Since the p-value is below the 0.05 threshold, the (H1) is accepted, confirming that financial knowledge has a significant and positive influence on students' entrepreneurial intentions.

**H2: Financial decision-making skills have a substantial effect on the sustainability of student startups**

**ANOVA Table**

Source of Variation	SS	df	Mean Square (MS)	F-value	p-value
Between Groups	250.85	2	125.43	18.75	0.000 (***)
Within Groups	1325.3	197	6.73	-	-
Total	1576.15	199	-	-	-

**Table 2: ANOVA**

**Interpretation:**

The results of the analysis demonstrate a Positive relationship between financial decision-making skills and startup sustainability. The F-value of 18.75 with a p-value < 0.001 indicates Substantiated by statistical analysis, suggesting that financial decision-making skills have a positive impact on the sustainability of startups. The Between Groups Sum of Squares (SS) value of 250.85 represents the variance in startup sustainability explained by financial decision-making skills, while the Within Groups Sum of Squares (SS) value of 1325.30 accounts for the variance due to other factors that Were unaccounted for by the model. Given that the p-value < 0.05 threshold, we confirm that financial decision-making skills significantly contribute to startup sustainability.

**H3: There is a Considerable relationship b/w access to financial education and entrepreneurial confidence of students.**

**Pearson’s Correlation Table**

Variables	Mean	SD	Pearson’s Correlation (r)	p-value	Significance
Access to Financial Education	3.85	0.92	0.68	0.000*	Significant
Entrepreneurial Confidence	4.1	0.85	-	-	-

**Table 3: Pearson’s Correlation Table**

**Interpretation:**

The analysis reveals a positive relationship b/w financial education and entrepreneurial confidence, with a Pearson’s correlation coefficient (r) of 0.68. it shows a significant and positive correlation b/w the 2 variables. The p-value of less than 0.001 further supports the statistical significance of this relationship, confirming that financial education positively influences entrepreneurial confidence. Additionally, the mean & SD values provide insights into the central tendency and variability of both financial education and entrepreneurial confidence data, contributing to a better understanding of the distribution of these variables. Given that the p-value is below the 0.05 threshold, we accept the (H3) and conclude that access to financial education has a significant positive relationship with entrepreneurial confidence among students

**H4: Financial attitude & financial behaviour play a significant role in student entrepreneurship.**

Model	“Unstandardized Coefficients” (B)	“Standardized Coefficients” (Beta)	t-value	p-value	R <sup>2</sup>	Adjusted R <sup>2</sup>	F-value	Significance (p)
Constant (Intercept)	1.5	-	6.25	0	0.55	0.54	120.75	0.000 (***)
Financial Attitude	0.58	0.55	10.8	0	-	-	-	-
Financial Behavior	0.45	0.5	9.75	0	-	-	-	-

**Table 4: Multiple Regression Analysis Table**

- **Interpretation:**

The regression analysis reveals that financial attitude and financial behavior collectively explain 55% of the variance in student entrepreneurship, as indicated by an R<sup>2</sup> value of 0.55. The F-value of 120.75 with a p-value < 0.001 confirms that the regression model is Supported by statistical evidence. Further analysis of the regression coefficients shows that both financial attitude & financial behaviour have a positive impact on student entrepreneurship. Specifically, the beta coefficient for financial attitude ( $\beta = 0.55$ ,  $p < 0.001$ ) suggests that a one-unit increase in financial attitude is associated with a 0.55-unit increase in student entrepreneurship. Similarly, the beta coefficient for financial behaviour ( $\beta = 0.50$ ,  $p < 0.001$ ) indicates that improvements in financial behaviour are also positively linked to student entrepreneurship. Given that the p-values for both predictors are less than the 0.05 threshold, conclude that financial attitude & financial behaviour influence student entrepreneurship.

**H5: Financial literacy significantly improves risk-taking ability and financial management among student entrepreneurs**

**Independent Samples t-Test**

Groups	N	Mean	SD	t-value	p-value	Significance
High Financial Literacy	100	4.25	0.85	5.8	0.000*	Significant
Low Financial Literacy	100	3.7	0.9	-	-	-

**Table 5: Independent Samples t-Test**

**Inference:**

The analysis shows a notable mean difference b/w two groups based on financial literacy. The high financial literacy group has a mean score of 4.25, indicating higher risk-taking ability and financial management skills compared to the low financial literacy group, which has a mean score of 3.70. The t-value of 5.80 with a p-value < 0.001 confirms that this difference is Supported by statistical evidence. Given that the p-value is less than the 0.05 threshold, we accept the hypothesis (H5) and conclude that financial literacy significantly enhances both risk-taking ability & financial management among student entrepreneurs.

**Conclusion**

In conclusion, financial literacy plays a vital role in making entrepreneurial intentions & the overall success of new ventures. A clear understanding of financial concepts, such as budgeting, financial planning, and investment strategies, enables entrepreneurs to make informed decisions, manage resources effectively, and navigate financial challenges. Studies shown that individuals with Amplified levels of financial literacy tend to exhibit more confident and competent behaviours in managing their finances, which can directly influence the Long-term viability and expansion of their enterprise. Additionally, the increasing emphasis on financial education at various levels, including schools, universities, and workshops, is helping bridge the knowledge gap and fostering a culture of informed entrepreneurship. Ultimately, the combination of financial literacy into entrepreneurial education programs is vital for enhancing the success rates of startups and contributing to the broader economic development.

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