

Significance of Financial Literacy among Women Entrepreneurs on Halal Business

Raudlotul Firdaus Fatah Yasin¹, Mek Wok Mahmud², Aulia Arifatu Diniyya^{3*}¹Kulliyyah of Islamic Revealed Knowledge and Human Sciences, International Islamic University Malaysia, Kuala Lumpur, Malaysia²Kulliyyah of Islamic Revealed Knowledge and Human Sciences, International Islamic University Malaysia, Kuala Lumpur, Malaysia³IUM Institute of Islamic Banking and Finance, International Islamic University Malaysia, Kuala Lumpur, Malaysia

Abstract: Muslim women have created a unique space for them in the economy by advocating halal entrepreneurship. Islam has encouraged women to engage in business activities. However, Muslim women are struggling to gain acknowledgement from society and face multiple challenges, including limitations in running the business. Besides the gender gap that is prevalent globally, women also have limited knowledge about business. They run the business based on their informal managerial experience and little understanding of financial literacy. This study identifies the characteristics of Muslim women entrepreneurs who engage in entrepreneurship as well as their challenges in running the business.

Purpose of study: To explain the significance of financial literacy for Muslim women entrepreneurs to run their business and achieve high business performance.

Methodology: Library research was used to critically review the literature on the behavioural factors influencing women entrepreneurs in doing the halal business and the significance of financial literacy on business performance.

Findings: Women entrepreneurs are often driven by the push factors and run their business with limited skill and knowledge particularly financial and business knowledge. In the case of Malaysia, women often spend their income more on non-related business expenses which might prevent business growth. This study found that the significant problems faced by Muslim women entrepreneurs were the lack of access to capital and finance, business management skills, business operation and government regulations and policies. This study explained that financial literacy was essential for women entrepreneurs to manage finances for business well and to help them face the challenges related to finance and improve business performance.

Keywords: Halal business; financial literacy; women entrepreneurs

Received: 30th November 2019

Accepted: 27th Marc 2020

Published Online: 24th April 2020

*Correspondence:

Raudlotul Firdaus Fatah Yasin, Kulliyyah of Islamic Revealed Knowledge and Human Sciences, International Islamic University Malaysia, Kuala Lumpur, Malaysia; rawda@iiu.edu.my

Citation: Yasin RFF, Mahmud MW and Diniyya AA. Significance of financial literacy among women entrepreneurs on Halal business. J Halal Ind Serv 2020; 3(Special Issue): a0000076. <https://doi.org/10.3687/jhis.a0000076>

Introduction

Advancing women's economic empowerment through entrepreneurship is essential for sustainable development. Women's participation in economic activity could result in the additional US \$12 trillion to annual global output by 2025 (United Nations, 2018). Women's entrepreneurship supports the sustainable development agenda to reduce poverty and gender equality goals. Islam encourages Muslims to work and create a better life, regardless of gender. Islam gives freedom for women to engage in halal economic activities. Prophet Muhammad (PBUH) also encouraged women to engage in halal activities, such as trade and commerce.

Women empowerment is a cornerstone of the 2030 Agenda for Sustainable Development. The 2016 Report of the United Nations Secretary-General's High-Level Panel on Women's Economic Empowerment shows the strong evidence that women are left behind men in terms of the number of female business owners, the size of women-owned businesses, and their access to economic resources. According to Demirgüç-Kunt *et al.* (2015), women in OECD high-income economies were about 20% less likely than their male counterparts to report having borrowed from a financial institution in 2014. Most of the women are weak in understanding different financial products and operation of financial services, particularly in the area of mortgages

and investing (Melissa, 2011). Women face additional barriers than men in accessing financial services (OECD, 2013). In many countries, women display lower financial knowledge than men, which the barrier often comes from limited access to education, employment, entrepreneurship and formal financial markets.

Undeniably, women running a business have limited access to education and training, financial resources, technology and social capital. Tambunan's (2009) study of women entrepreneurs in Indonesia found that businesswomen also face motivation, family support, and access to material and labour problems. Given the role and responsibility as a woman and entrepreneur, they need to understand the financial and business managerial topics to face the challenges. Therefore, financial knowledge is essential for a business player in running his/her enterprise.

For Muslim women, the religious issue is essential in doing business. Islam teaches Muslims to conduct business ethically and implement Islamic rules into business operations. Halal entrepreneurship is linking halal development to business activities (Bustaman, 2012). Muslim women entrepreneurs are obliged to implement Islamic values into their business practices as well as engage in Shariah-compliant activities. Understanding business management and the market is also essential for entrepreneurs. As an entrepreneur, it is important to emphasise those aspects of business operations. Women need a better understanding of financial markets, products, and component functions, as well as

understanding how the financial institution operates in its transaction in order to be financially literate.

Materials and Methods

Financial Literacy

According to the President's Advisory Council on Financial Literacy (PACFL), financial literacy is the ability to use knowledge and skills to manage financial resources effectively for a lifetime of financial well-being. Utilising financial literacy, an entrepreneur could gain personal welfare. To accommodate the financial problem; female entrepreneurs need financial literacy to manage their cash-flow and money wisely to ensure the sustainability of their business and support their families.

The OECD defines the financial literacy for adults as "a combination of awareness, knowledge, skill, attitude, and behaviour necessary to make a sound financial decision and achieve financial wellbeing" (Atkinson & Messy, 2012). In the context of small-medium enterprises, financial literacy is defined as "the combination of awareness, knowledge, skill, attitude, and behaviour that an entrepreneur or an owner of micro, small, medium businesses should have for an effective financial decision making to start, run, and ensure the sustainability and growth of the business" (OECD, 2018).

Typically, financial literacy is a model for financial education and explains variations in financial outcomes. Financial knowledge and financial education are often used interchangeably in the literature and popular media. Defining and measuring financial literacy is essential to understand the educational impact and barriers to financial decision-making.

There are five standards to measure financial literacy (The Institute for Financial Literacy, 2007), namely:

1. Money Management: The utilisation of cash-flow management and analysis of net worth to achieve financial goals.
2. Credit: Understanding to obtain credit and implication of using/misusing the credit.
3. Debt Management: Understanding to use debt as a building asset tool. Knowing how to measure and solve the debt issue.
4. Risk Management: Protecting assets and life quality using risk management strategies.
5. Investing and Retirement Planning: Achieving financial goals by applying investment and retirement strategies.

Huston (2010) defines four standards to measure financial literacy:

1. Money basics: understanding personal financial accounting concepts, purchasing
2. power, and the time value of money.
3. Investing: knowing how to save present resources for future use.
4. Borrowing: knowing how to bring future resources into the present.
5. Protecting resources: understanding the strategies to secure assets.

Huston conceptualised financial literacy into understanding personal finance knowledge and use of the financial application. The first dimension is knowledge; an understanding

acquired through education and experience towards the financial product. While the other is the application dimension, the ability to apply the knowledge to personal finance decision effectively.

Financial literacy is a component of human capital that might affect the utility of consumption. Other influences such as behavioural/cognitive bias, self-control, family, social, economy and institutional environment might affect a person's financial behaviour and well-being, while financial education is defined as an input intended to increase human capital by understanding the financial knowledge and application (Huston, 2010). It is the process by which people improve their understanding of financial products, services and concepts, so they might be able to make the right decision for their financial well-being. A well-structured financial literacy plan can improve human capital and financial decisions.

Halal Business Practices

Islam encourages Muslims to engage in positive activities and benefit the universe as *Khalifah fi al-Ardh*. The Prophet (PBUH) and his wife were business people. *Al-falah* is the goal of every Muslim. To achieve this goal, we must obey Allah's command and avoid His prohibitions. Islam is a way of life that integrates material and spiritual aspects in daily life. Rafiki and Kalsom (2013) categorise Islamic business practices into religious practices and Shariah compliance. The religious practices include prayers, almsgiving (*zakah*) and charity (*sadaqah*), fasting in Ramadhan and networking. While Shariah compliance encompasses Islamic finance, permissible products and services, almsgiving (*zakah*) and implementation of Islamic values in business.

In Islamic religious-based business, the halal industry represents the religious practice of its stakeholders. From the Islamic perspective, according to Bensaid and Machouche (2013), one critical outcome of religious learning is fulfilling the *maslahah* or well-being. The halal business has the goal to fulfil the needs and desires of the community for sustainability. From an Islamic point of view, its fulfilment should comply with *Maqasid Al-Shariah* as the objectives of Islam (Rahman *et al.*, 2017).

Halal business and commerce introduce the new paradigm to stakeholders whereby the profit maximisation is not the primary objective. As a business organisation, Shariah-compliant enterprises are expected to promote Islamic values. The Islamic principle is based on the benefit of humanity and obeying God's commands (Ullah & Yousuf, 2013). In halal business practice, there is no conflict between its aim and profit-making activities.

A halal business includes the complete process of entrepreneurship including its capital, planning, process, management, marketing and profit-making. The content should be based on guidance from the divine revelation.

According to Ullah and Yousuf (2013), Islamic or halal entrepreneurship focuses on the following principles:

1. Entrepreneurship is an integral part of the Islamic transaction (*mu'amalat*).
2. Muslim entrepreneurs are essentially playing their role as a 'khalifah', and they have the responsibilities to bring prosperity to this life (*imarah al-ard*). The halal business should be seen as part of *ibadah* or performing good deeds.
3. Taqwa (God-consciousness) — it relates entrepreneurs with total recumbence to Allah and fostering good relationships with others
4. Motivation—success in Islam is not merely measured by the result but also the way and means of achieving it.
5. Noble position of entrepreneurship and halal business in Islam in which Islam encourages its ummah to venture into

business.

6. Islamic Economic System — Islamic entrepreneurship should operate within the domain of the Islamic economic system and act as the vehicle towards its acceptance globally.
7. The guiding principles of Islamic entrepreneurship are the al-Quran and al-Hadith.
8. Entrepreneurial ethics are based on the exemplary conduct of Prophet Muhammad (PBUH).

Halal is not only related to religion in terms of halal certification or halal standard but also viewed as the “best value” for economic development (Zailani *et al.*, 2015). The halal industry can increase the income and quality of people’s lives through trade, investment, service provision and employment opportunities. Thus, people’s involvement in the halal economy, halal entrepreneurship and human capital development is emphasised.

Islamic Perspective on Women Entrepreneurs in Doing Business Activities

In the Islamic perspective, entrepreneurship is doing business with innovation and risk under the guidelines of Islam that forbid dishonesty, greed, exploitation and monopoly. Muslim entrepreneurs should have a noble intention and holistic approaches compared to other entrepreneurs. The essential task of a Muslim entrepreneur is to hold on to his/her faith (*iman*) and to serve Allah SWT in seeking success (*al-falah*) (Nayeam, 2006).

Male and female Muslim entrepreneurs spread positive perceptions in promoting Islamic values through business activities. The positive correlation between women and earnings is stated clearly in the Holy al-Quran:

لِّلرِّجَالِ نَصِيبٌ مِّمَّا كَسَبُواْ وَلِلنِّسَاءِ نَصِيبٌ مِّمَّا كَسَبْنَ

“Men shall have a benefit from what they earn, and women shall have a benefit from what they earn.” (al-Quran 4: 32)

In Islam, women are treated equally to men spiritually as well as in other aspects of life with different rights and responsibilities. Women have survived by engaging in agriculture, business, trade and commerce, writing, and manufacturing, among others. The daughter of Abu Bakr, Asma’ was given land to farm when she was married to Zubair in order to farm and collect wealth. Khadijah bint Khuwailid, the wife of Prophet Muhammad (PBUH), successfully managed her father’s business and became a wealthy woman at the time. There were many well-known female traders during the Prophet’s (PBUH) time such as Umm al-Munzir binti Qays, Asmah binti Makhzemah bin Jandal. During the leadership of Saidina ‘Umar Ibn al-Khattab, a woman trader named Al-Shifa binti Muawiz was elected to be the “commandant” of the Madinah market (Abbas, 2012).

Gender is not an obstacle in Islam for female entrepreneurs. Islam has ruled and covered every aspect of rights and obligations. Women are allowed to express themselves and work in various fields as long as the work is done in an atmosphere of respect, protection and modesty where activities can be carried out while maintaining their faith and religion. They must ensure they avoid the negative impacts of work on themselves and the environment (Anggadwita *et al.*, 2015). According to Ullah and Yousof (2013), there are five guidelines that women should follow if they want to run a business. First, women must gain consent from their guardian or husband (if married), who may offer a broader perspective on how their activities may influence the

family. Second, a woman must ensure that her home and children are properly cared for. Third is choosing the proper business activities that fit their skill and do not contravene the Shariah. Fourth, any activity that prevents her from fulfilling any of her Islamic obligations, like wearing the Hijab and covering the ‘*awrah*’, performing the obligatory prayer, for example, cannot be considered. While the fifth is that the Muslim women dress code should adhere to Islamic rules.

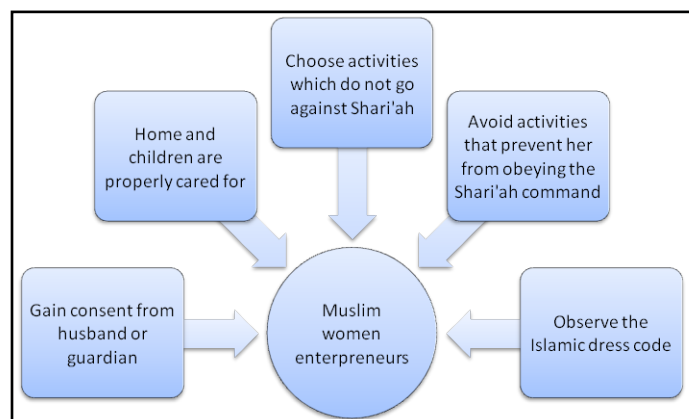


Figure 1. Guidelines for Muslim women entrepreneurs in running their activities. Adapted from Ullah and Yousof (2013).

Factors Influencing Women Entrepreneurs in Practising Halal Business

DeMartino and Barbato (2003) concluded that women choose to be entrepreneurs to achieve a better work-life balance. Some studies revealed that women with small children are likely to choose becoming an entrepreneur. In addition to the motivation behind the business, women often prefer the compatibility of family and profession as well as flexible working hours (Ebberts & Piper, 2017).

The utilisation of financial services is closely related to the income and wealth of individual consumers. Whether women work full time or part-time is a crucial factor in determining their consumption of financial services (Burton, 2015). Women entrepreneurs with high financial understanding will benefit from wise spending between organising their business and family spending.

The tendency of women to create new businesses is mainly in the service sector, such as saloon, tailor, SPA, laundry, nursery, interior designer and wedding planner. It has been argued that women have the most knowledge and experience in the service sector. Women frequently lack technical skills which discourage them from starting a business in the manufacturing and high-tech sectors (Bruni, Gherardi, & Poggio, 2004). The difficulty faced by women in obtaining financial resources has led them to choose low capital-intensive activities such as those found in the service sector.

Bruni *et al.* (2004) found that previous studies classified women entrepreneurs into seven classifications (Goffee & Scase, 1985; Cromie & Hayes, 1988; Monaci, 1997):

1. The “aimless” young women who set up a business primarily as an alternative to unemployment;
2. The “success-oriented” young women for whom entrepreneurship is not random or obligatory choice but a long-term career strategy;
3. The “strongly success-oriented” women, usually without

children, who view the entrepreneurial activity as an opportunity for greater professional fulfilment or as a means to overcome the obstacles against career advancement encountered in the organisations for which they previously worked;

4. The “dualists”, often with substantial work experience, who must reconcile work and family responsibilities and are therefore looking for a solution which gives them flexibility;
5. The “return workers”, or women (usually low-skilled) who have quit their previous jobs to look after their families and are motivated by mainly economic considerations or a desire to create space for self-fulfilment outside the family sphere;
6. The “traditionalists”, or women with family backgrounds in which the owning and running of a business is a longstanding tradition; and
7. The “radicals”, or women motivated by a culture antagonist to conventional entrepreneurial values who set up initiatives intended to promote the interests of women in society.

Dechant and Lamky (2005) and Naser and Mohammed (2009) argued that push factors are associated with low-income, dissatisfaction, strict working hours, lack of job opportunities whereas pull factors are associated with self-accomplishment, desire to help others. In other words, push factors are related to the necessary factors that force individuals to do entrepreneurial activities while pull factors draw and inspire them to pursue the opportunities in the market (Holmen *et al.*, 2011). Among developing countries and emerging economies, push factors are the dominant motivation among entrepreneurs while entrepreneurs in developed countries are mostly motivated by pull factors.

Soltanian *et al.* (2016) found that becoming halal entrepreneurs (halalpreneurs) is attractive, and many entrepreneurs regard halal entrepreneurship as a necessity. They found seven factors associated with halalpreneurs. They are; the awareness of halal entrepreneurship, intrinsic motivation, effort to seek out opportunity, perceived desirability, peer influence, perceived feasibility, and perceived governmental support. Those factors are considered important in encouraging entrepreneurs to engage in halal business.

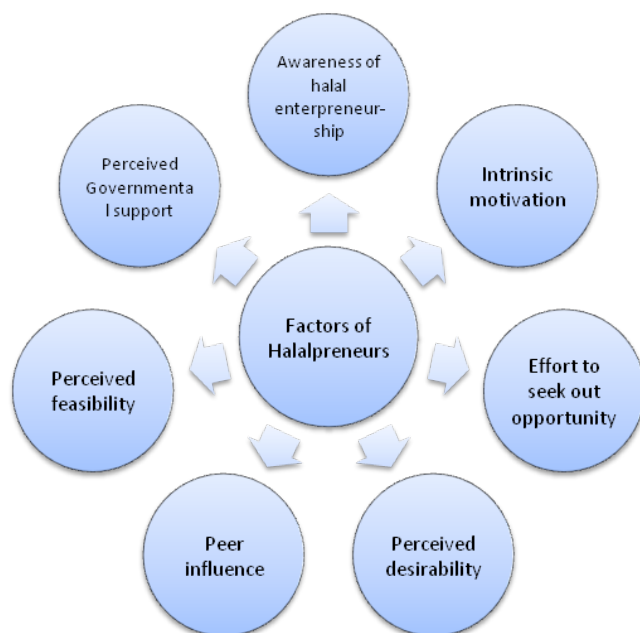


Figure 2. Factors influencing Halalpreneurs. Adapted from Soltanian *et al.* (2015).

In the Theory of Planned Behaviour by Ajzen (1991), intention can be explained as the degree of hardship and effort that people are willing to perform. It is a reliable predictor of human behaviour. Entrepreneurial motivation is the driving force behind one's behaviour and decision. It is an important factor shaping the outcomes for women-owned business. In low-income countries, most women entrepreneurs are doing business out of necessity due to lack of employment opportunities. While women-owned business in the developed countries is driven by market opportunities (Asian Development Bank, 2018). However, regardless of the motivation of being an entrepreneur, every Muslim should implement Shariah-compliant activities into their business.

Women Entrepreneurs in Malaysia

In the case of Malaysia, some of the women empowerment programmes have been conducted to promote entrepreneurship. Women of Will is a non-profit, non-governmental organisation that helps women from a disadvantaged background in Malaysia to facilitate about RM2,000 in micro-credit. SME Bank also provides Women Entrepreneur Financing Programme which provides financial assistance up to RM2.5 million. The other financing programmes such as Temanita Financing Scheme, National Entrepreneurship Institute (INSKEN), Global Accelerator Programme (Malaysian Global Innovation & Creativity Centre), and Cradle Investment Programme are providing entrepreneurial grants for Malay women.

Although some programmes offer a financial grant for women's business, surprisingly the recent study showed that financial literacy among SME players, particularly those who are still in the development phase is still low. Most of the women-owned businesses in Malaysia face some problems and challenges such as lack of capital, and skills particularly in marketing, low motivation and confidence level (Roddin, 2012; Mohamad & Bakar, 2017). Supported by the study from Loveline, Uchen-na, and Karubi (2014) that the problem related to labour burden, limited access to financial resources, limited access to markets, low education and training, and limited network to the government policies were among the problems faced by Malay women entrepreneurs.

Besides, family structure is playing another dominant role in persisting women from an entrepreneurial society. A study by Kamaruddin *et al.* (2018) found that social and cultural factors are the most factors that encourage women to do business, followed by economic factors and legal and administrative factors. Karami *et al.* (2013) also found that women entrepreneurs in Malaysia have a limited financial management skill which might prevent business growth. They also argued that women entrepreneurs in Malaysia spend a large proportion of their income for other expenses not related to business.

Financial Literacy among Women Entrepreneurs

The study by Pellegrino and Reece (1982), after interviewing 20 women small business owners in Virginia, revealed that controlling expenses, cash-flow planning, and forecasting were significant problems. These business owners expressed the belief that management was their area of weakness and indicated the necessity of training. Supported by Amatucci and Crawley (2011), successful entrepreneurs tend to have education, training or work experience in their target industry and can secure sufficient capital for start-up and ongoing operations. The typical success factors for small business include a combination of human/social and financial capital. Financial training plays a vital role in establishing a business.

The Asian Development Bank and other financial in-

stitutions and authorities recognise that financial literacy needs to be improved through financial education programmes (Farrell, Fry, & Risse, 2016). An individual needs to be motivated to pursue financial information, the ability to control emotions that can affect his/her decision-making and assurance in his/her decision-making and financial management capabilities (Atkinson & Messy, 2011). Finance behaviour is improved by first having the willingness to seek financial knowledge, understanding it, and then gaining confidence in implementing that knowledge in decision-making. Individuals who have greater confidence in their financial management capacities are more likely to approach financial difficulties as a challenge to be mastered instead of a threat to be avoided. This typical behaviour is likely to result in better accomplishments and more favourable financial outcomes.

Individuals with financial product exposure and experience determine how well they can manage their finances. Actions such as budgeting, saving and controlling overspending are indicators of forward-thinking and responsible financial behaviour which ultimately result in better financial outcomes (Farel *et al.*, 2016; Perry & Morris, 2005). Women who have higher levels of financial literacy are more likely to hold an investment or credit card, while those who are more financially risk-averse, have a higher propensity to hold a saving account to secure themselves and avoid higher risk.

Financial literacy is necessary to evaluate risk and prospects in the market accurately, such as keeping track of expenses, revenue, investment and capitalisation choices (Abubakar, 2015). Women need a better understanding of financial markets, products, and component functions, as well as understanding how the financial institution operates in its transaction in order to be financially literate. Most women possess a weak understanding of financial products and services, particularly in the area of mortgages and investing (Melissa, 2011).

Having access to capital will make women responsible for their financial behaviour. Women who have access to financing are likely to experience and understand financial instruments and the functions and products of financial institutions. Without access to capital, women's financial knowledge cannot be expanded, and decisions regarding financial behaviour are likely to be less than ideal.

Women face additional barriers than men in accessing financial services (OECD, 2013). In many countries, women display lower financial knowledge than men. The barriers are often limited access to education, employment, entrepreneurship and formal financial markets, as well as disadvantageous social norms and legal treatment. Nevertheless, the digitalisation of financial services can provide useful tools to empower women, particularly in the developing world.

The Significance of Financial Literacy on Business Performance

Performance is generally defined as how a person or groups reach a conclusion to achieve the goal. Yildiz *et al.* (2014) define business performance as the extent to which the target task of the business is accomplished compared to the final output at the end of the period. Business performance can be described as the success level of the firms in fulfilling their objectives. Performance is evaluated based on the achievement of the organisation towards its goal in terms of the effectiveness of its human resources, supplier performance, product and service quality, markets, and other financial factors (Fielden *et al.*, 2003). Mahmudova and Kovacks (2018) argue that the performance of the business is usually evaluated from financial and non-financial measures. In terms of financial success, performance measures can be based on return on profits, investment and turnover of the customer (Wood, 2006). The most frequent measures that are applied in

the business performance include efficiency, growth and profit.

Some studies observed the relationship between financial literacy and business performance. According to Adomako and Danso (2014), financial literacy was believed to improve the firm performance particularly when the resources are flexible, and entrepreneurs are able to access finance easily. Their findings imply that flexible resources and access to financial capital are resources that are valuable for enhancing the financial literacy-firm performance relationship. Fauzi *et al.* (2018) found that bookkeeping literacy can predict the performance of SMEs related to sales growth and profit growth, whereby budgeting literacy can predict the performance related to the overall business. This finding is also supported by Kimunduu *et al.* (2016) that personal saving skills are relevant in enhancing the profitability of the SMEs. Pandey and Gupta (2018) also argued that record-keeping is a very important element of financial literacy in the context of business owners. Therefore, training in financial literacy enhances the financial result, improves the survival rate and reduces the default rate of the business.

Kimunduu, Erick, and Shisia (2016) management and thriving of SMEs. However, the exact effect they have on the financial performance of SMEs hasn't been fully established by the available literature thus the need for further research in this area. This study sought to establish the influence of financial literacy on the financial performance of SMEs in Ruiru sub county, Kiambu County. A descriptive survey design was adopted in conducting the study. The study population entailed the registered SMEs in Ruiru Sub County and who have undergone some financial literacy training by Equity bank through a programme known as financial knowledge for Africa (FiKA). Kimunduu *et al.* (2016) found that entrepreneurs who are adequately equipped with personal saving skills make more profits compared to those with no knowledge of personal saving. This is because the skills help them to focus on making personal savings, thereby increasing more capital for re-investing and business expansion. This profits them in the long run. Chamwanda (2015) also argued that financial literacy is positively related to financial returns of SMEs.

Several studies also confirmed the positive relationship between financial literacy and business performance. Andoh *et al.* (2015) argued that financially literate owners were more likely to use financial services. They also highlighted that gender, secondary or technical, and financial education were statistically significant in explaining financial literacy. Fernandes (2015) added gender, education (especially economics), size of the business, and finance significantly impacted financial literacy. High levels of financial literacy correlated with higher profitability and better working capital management (Mwithiga, 2016).

Challenges of Women Entrepreneurs and Financial Literacy

Shmailan (2014) classified the challenges faced by women entrepreneurs into individual, socio-cultural, and institutional. In addition to those challenges, business phases are also considered obstacles. The three challenging business phases are start-up, operation, and expansion (Ahmad, 2011; Sadi & Ghazali, 2010). Ahmad (2011) found that women entrepreneurs in Saudi Arabia lack access to capital, respect within the community, business management skills and business operation, business and bureaucratic procedures, government regulation and policies, access to finance and spatial mobility. Women entrepreneurs in Pakistan also face lack of access to finance, education, managerial skills, governmental support and related issues, skilled labour, product marketing and promotion societal issues, cultural norms and stereotyping, immobility and heavy domestic workload (Anwar & Rashid, 2012).

Illaamie *et al.* (2014) found that the most frequent types of challenges faced by Muslim women entrepreneurs in Malaysian SMEs are lack of financial access and capital (79.2%), lack of demand (50.9%) and location problem (50.9%). Tambunan (2009) argued that in the case of Indonesia, women entrepreneurs face discrimination, which includes removal of their business places, exploitation such as illegal charges by agents such as the police or security officers, and vulnerability to price rise, particularly in raw materials. Those problems arose mainly because of weak economic players, lack of education, heavy household chores and legal, traditional, customary, cultural or religious constraints on the extent to which women can open or operate their businesses.

Besides managerial understanding, women with limited understanding of financial literacy will face many challenges in running their business in terms of accessing capital, which will lead to other problems. There are several challenges in addressing financial literacy and education. Mitchell and Abusheva (2016) found four challenges in financial literacy. First, the challenge of equality; women display lower financial knowledge than men and are also less confident in their skills and long-term investment plans. Culture and family are the main reason for this, as women have more responsibilities with the family rather than men who focus on their career in socio-economic status. Second, the challenge of preparedness. The issue of retirement planning is often neglected by the majority of the working population. For women entrepreneurs, preparation for retirement is essential for their financial sustainability. Third, the challenge of confidence; the main problem of trusting financial institutions is that they are not transparent enough. Fourth, the challenge of legislation; many governments are aware of the importance of financial literacy in order to reach financial stability within their country, but they do not know how to go about it. It is challenging to teach financial literacy at school because most financial experts engage in the industry rather than education.

How to manage a business and financial literacy should be taught to all Muslims engaged in entrepreneurial activities. Muslims engaged in business should possess the basic knowledge of business management and financial literacy to avoid prohibited activities in their transaction. Avoiding *Riba*, *Gharar*, and *Maysir* is a foundation of Islamic finance. *Riba* is any excess in amount, including interest in a commercial transaction, *Gharar* is uncertainty which the consequences are unknown by contracting parties, and *Maysir* is speculation of doing a business transaction.

Discussion & Conclusion

In Islam, women have an important role in promoting the economic growth of the country through entrepreneurial activities. Islam encourages women to engage in creating a better life as *khalifah* through various fields, including trading and commerce. In doing so, women's activities must be based on Islamic values and avoid the negative impacts of the work on themselves. They also need to implement the Shariah principles into their business.

Halal business covers every aspect of business activity and creates value to gain *maslahah* for the community. Understanding the basic principles of halal business is vital for every Muslim as a guide in running a business. Business management and financial literacy are crucial for women entrepreneurs in running their business. Lack of understanding in both areas will prevent business growth. The study found that the major problems faced by Muslim women entrepreneurs were lack of access to capital and finance, business management skills and business operation, government regulations and policies. These problems can be resolved through proper training and education in business knowledge.

Financial literacy is found to be significant for women entrepreneurs to run their business and face the challenges. Women entrepreneurs would be successful in business through a good understanding of financial literacy. Business activity is part of the Islamic way of life. Thus, successful women entrepreneurs will contribute to empower women as well as promote the development of halal business.

Recommendation

This study critically reviewed studies concerning the significance of financial literacy on business performance. Women empowerment is important in developing economies as well as achieving the SDGs (Sustainable Development Goals). However, as Muslim women, it is obligatory to implement Islamic rules in business and become successful by having proficient financial literacy.

To promote and provide financial literacy education for women entrepreneurs, government agencies and relevant financial institutions should organise financial education programmes among women entrepreneurs to create awareness on the importance of financial literacy. This could also be supported by the establishment of Muslim women entrepreneur community to create awareness and provide training of the halal business concept that should be implemented by every Muslim. This community can help in promoting halal industries and Islamic values in society.

Further study and research can be conducted to propose an in-depth theoretical and practical framework as a solution to the challenges faced by Muslim women entrepreneurs in the education of financial literacy and running halal business activities.

Conflict of Interest

The authors declare that there is no conflict of interest in this work.

Acknowledgement

Special thanks to Yayasan Al-Bukhari for funding this research under the Project "Influences of Islamic Civilization on Malay Muslim Women and Their Contributions in Malay Archipelago".

References

- Abbas, SM. Shariq. (2012)., "Women of Islamic faith in trade and commerce: An economic sociological study", *VSRD-IJB-MR International Journal of Business & Management Research*, Vol. 2(3) (3), 2012, 102--1113.
- Abubakar, H. A. (2015). Entrepreneurship development and financial literacy in Africa. *World Journal of Entrepreneurship, Management and Sustainable Development*, Vol. 11(No. 4), 2015 pp. 281--294.
- Adomako, S., & Danso, A. (2014). Financial Literacy and Firm performance: The moderating role of financial capital availability and resource flexibility. *International Journal of Management and Organizational Studies*, 3(4).

- Ahmad, S. Z., (2011)., "Evidence of the characteristics of women entrepreneurs in the Kingdom of Saudi Arabia-An empirical investigation," *International Journal of Gender and Entrepreneurship*, vol. 3(, no. 2), pp. 123--143.
- Ajzen, I. (1991)., "The theory of planned behavior", *Organizational Behavior and Human Decision Processes*, Vol. 50(2)No. 2, pp., 179--211.
- Amatucci, F. M., & Crawley, D. C. (2011). Financial self-efficacy among women entrepreneurs. *International Journal of Gender and Entrepreneurship*. Retrieved from <https://doi.org/10.1108/17566261111114962>.
- Andoh, F.K., Nunoo, J., & Darfor, K.N. (2015). Sustaining small and medium enterprises through financial service utilization: Does financial literacy matter? *Journal of Business and Enterprise Development*, 5(1).
- Anggadwita, G., Mulyaningsih, H. D., and Ramadani, V., (2015). , "Women entrepreneurship in Islamic perspective: A driver for social change", *International Journal. Business and Globalisation*, Vol. 15(3), No. 3, 2015, pp. 389--404.
- Anwar, M. U. and Rashid, A. G., (2012). "Female entrepreneurs – —A review of the literature and proposed conceptual framework," in *Proc. 2nd International Conference on Business Management*.
- Asian Development Bank, (2018). *Emerging Lessons on Women's Entrepreneurship in Asia and the Pacific*. Retrieved from DOI: <http://dx.doi.org/10.22617/TCS189585-2>
- Atkinson, A. and F. Messy (2012), "Measuring Financial Literacy: Results of the OECD / International Network on Financial Education (INFE) Pilot Study", OECD Working Papers on Finance, Insurance and Private Pensions, No. 15, OECD Publishing, Paris. Retrieved from <https://doi.org/10.1787/5k9csfs90fr4-en>. Atkinson & Messy (2012). OECD, measuring financial literacy: Results of the OECD / International Network on Financial Education (INFE) Pilot Study
- Atkinson, A., & Messy, F. A. (2011). Assessing financial literacy in 12 countries: An OECD/INFE international pilot exercise. *Journal of Pension Economics and Finance*, 10(4), 657--665.
- Bensaid, B. and Machouche, S.B.T. (2013). , "Exploring the relationship between Islamic religious learning and community special reference to 'Abdul Rahman Ibn Khaldun and Mohammad Tahir Ben Achour". *Multicultural Education & Technology Journal*, Vol. 7 No.7(4), pp., 317--332.
- Bruni, A., Gherardi, S., & Poggio, B. (2004). Entrepreneur-mentality, gender and the study of women entrepreneurs. *Journal of Organizational Change Management*, 17(3), 256--268.
- Burton, D. (2015). Women and financial services : Some directions for future research.
- Bustaman, S.S. (2012)., "Growth strategy of Malay entrepreneurs – —challenges and opportunities: a Malaysian". Retrieved from, available at: <http://ddms.usim.edu.my/bitstream/123456789/5812/3/ABMC-full%20paper.pdf>
- Chamwanda, K. (2015). The effect of financial literacy on performance of small and micro enterprises in Kibera Slums, Nairobi County. (November).
- Cromie, S. and Hayes, J. (1988)., " Toward a typology of female entrepreneurs",. *The Sociological Review*, Vol. 36(No. 1), pp. 87--113.
- Dechant, K., & Al Lamky, A. (2005). Toward understanding of Arab women entrepreneurs in Bahrain and Oman. *Journal of Developmental Entrepreneurship*, 10(2);: 123--140.
- DeMartino, R. and Barbato, R. (2003)., "Differences between women and men MBA entrepreneurs: Exploring family flexibility and wealth creation as career motivators.", *Journal of Business Venturing*, Vol. 18(No. 6), pp. 815--832.
- Demirguc-Kunt, Asli; Klapper, Leora; Singer, Dorothe; Van Oudheusden, Peter (2015). *The global index database 2014: Measuring financial inclusion around the world (English)*. Policy Research working paper; no. WPS 7255. Washington, D.C: World Bank Group. Retrieved from <http://documents.worldbank.org/curated/en/187761468179367706/The-Global-Index-Database-2014-measuring-financial-inclusion-around-the-world> Demirgüç-Kunt A, Klapper L, Singer D., Oudheusden P.V. (2015), The global index database 2014, measuring financial Inclusion around the world. World Bank Group, April 2015
- Ebberts, I., & Piper, A. (2017). Satisfaction comparisons : Women with families , full-time and part-time self-employed. Retrieved from <https://doi.org/10.1108/IJGE-11-2016-0046>
- Farrell, L., Fry, T. R. L., & Risse, L. (2016). The significance of financial self-efficacy in explaining women's personal finance behaviour. *Journal Of Economic Psychology*, 54, 85--99. Retrieved from <https://doi.org/10.1016/j.joep.2015.07.001>.
- Fauzi A.A., Wulandari, D.A, & Lutfi. (2018). "Financial literacy and business performances improvement of micro, small, medium-sized enterprises in East Java Province, Indonesia", *International Journal Education Economics and Development* Vol 99(No 4).
- Fernandes, T. I. (2015). Financial literacy levels of small business owners and its correlation with firms' operating performance. (Master in Finance Dissertation, University of Porto).
- Fielden, S. L., Davidson, M. J., Dawe, A. J., & Makin, P. J. (2003). Factors inhibiting the economic growth of female owned small businesses in North West England. *Journal of Small Business and Enterprise Development*, 10(2), 152--166.
- Goffee, R. and Scase, R. (1985), *Women in Charge. The Experience of Women Entrepreneurs*. London; Allen & Unwin., London
- Holmen, M., Thaw, T.M., & Saarelainen, E. (2011). Female entrepreneurship in Afghanistan. *Journal of Developmental Entrepreneurship*, 16(3);: 307--331.
- Huston, S. J. (2010). "Measuring Financial Literacy",. *The Journal of Consumer Affairs*, Vol. 44(2), No. 2

- Ilhaamie, A. G. A., Arni, B. S., Rosmawani, C. H., et al. Al-Banna, M. H., (2014)., "Challenges of Muslim Women Entrepreneurs in Malaysian SMEs", *International Journal of Innovation, Management and Technology*, Vol. 5(, No. 6), December 2014, pp 428- 433.
- Kamaruddin L, Arshad A.S., Osman C.A., Buyong A.Z. (2018)., "An exploratory study of Malaysian women entrepreneurs: What drives them into business". *Asean Entrepreneurship Journal*, Vol. 4(2), 8-4-96,
- Karami M., Moradi L., Mazhari M.Y., Yarkarami F., Khan S.R., (2013). "Financial management and women entrepreneurship in Malaysia". *International Journal of Management and Commerce Innovations*, Vol. 2.
- Kimunduu, G., Erick, O., & Shisia, A. (2016). aA study on the influence of financial literacy on financial performance of small and medium enterprises in Ruiru Town, Kiambu County, Kenya. *International Journal of Economics, Commerce and Management United Kingdom*, IV4(11), 416-433. Retrieved from <http://ijecm.co.uk/>
- Loveline, A. A., Uchenna, O. I., & Karubi, N. P. (2014). Women eEntrepreneurship in Malaysia : An empirical assessment of the challenges faced by micro and small business owners in Kuching-Sarawak. *International Journal of Humanities Social Sciences and Education (IJHSSE)*, 1(4), 48-58.
- Mahmudova, L. & Kovacs J.T. (2018). "Definiting the performance of small and medium enterprises. *Network Intelligence Studies*, Vol6(6 No.12).
- Melissa, D. (2011). *Financial literacy and women : aA mixed method study of challenges and needs*. a(Doctoral Dissertation, Submitted to the Graduate School of the University of Massachusetts). Retrieved from <https://scholarworks.umass.edu/dissertations/AAI3465195>
- Mitchell, J. W., & Abusheva, M. E. (2016). The actual challenges of financial literacy. *SHS Web of Conferences*, 28, 01134. Retrieved from <https://doi.org/10.1051/shsconf/20162801134>
- Mohamad, M., & Bakar, M. S. (2017). Malay women entrepreneurial success:. *International Journal of Accounting, Finance and Business*, 2(5), 76-84.
- Monaci, M. (1997), *Genere e Organizzazione*, Guerini e Associati, Milan.
- Mwithiga, E. M. (2016). *Financial Literacy and Enterprise Performance among owner managed ICT SMEs in Nairobi County (MBA Project)*. United States International University – Africa.
- Naser, K., & Mohammed, W.R. (2009). Factors that affect women entrepreneurs: Eevidence from an emerging economy. *International Journal of Organizational Analysis*, 17(3),: 225--247.
- Nayeam, R.N. (2006). *Islamic Entrepreneurship: A case study of KSA.*, (Doctoral Dissertation). PHD thesis
- OECD (2013)., *Women and financial education: Evidence, policy responses and guidance*. Paris: ,OECD Publishing,. Paris.
- Retrieved from <http://dx.doi.org/10.1787/9789264202733-en>
- OECD (2018)., OECD/INFE Core competencies framework on financial literacy for MSMEs.
- OECD,. (2013). Financial literacy framework, PISA 2012 assessment and analytical framework: Mathematics, reading, science, problem solving and financial literacy. *OECD Publishing*, 144-164.
- Pandey, A., Gupta R. (2018). Entrepreneurs performance and financial Literacy. *International Journal of Management Studies*.
- Pellegrino, E.T. and Reece, B.L. (1982)., "Perceived formative and operational problems encountered by female entrepreneurs in retail and service firms.", *Journal of Small Business Management*, Vol. 20(No. 2), pp., 15--24.
- Perry, V., & Morris, M. D. (2005). Who is in control? The role of self-perception, knowledge, and income in explaining consumer financial behaviour. *The Journal of Consumer Affairs*, 39(2), 299-313.
- President's Advisory Council on Financial Literacy (PACFL) (2008). *2008 Annual Report to the President*.
- Rafiki, A., & Kalsom, A.W. (2013). Influences of Islamic practices on small firm performance: A Study study in North Sumatera, Indonesia. *Islamic Management and Business*, 5(11),: 64--82.
- Rahman, F., Tareq, M., Yunanda, R. and Mahdzir, A. (2017). , "Maqashid Al-Shari'ah-based performance measurement for the halal industry", *Humanomics*, 33(3), 357-370. Vol. 33 No. 3, pp. 357370.
- Roddin, R. (2012). *Pendekatan model baru pembangunan usahawan wanita luar bandar bagi tujuan pembasmian keminuman*. (Universiti Tun Hussein Onn Malaysia)
- Sadi, M. A. and Al-Ghazali, B. M. (2010)., "Doing business with impudence: A focus on women entrepreneurship in Saudi Arabia.", *African Journal of Business Management*, vol. 4(, no. 1), pp. 0001--011.
- Shmailan. (2014), ". Female entrepreneurs in Saudi Arabia: A comparison of barriers and motivations: Mmoving from disenfranchisement to empowerment.", *Elite Research Journal of Education and Review*, vol. 2(, no. 2), pp. 6--21., 2014
- Soltanian, M., Zailani, S., Iranmanesh, M. and Aziz, A. (2016). , "Motivations of SME entrepreneurs to become halalpreneurs", *Journal of Science and Technology Policy Management*, Vol. 7(No. 2),, pp. 173--189.
- Tambunan, Tulus T.H. (2009). "Women Entrepreneurs entrepreneurs in Indonesia: tTheir main constraints and reasons."- *Journal of Asia Entrepreneurship and Sustainability*, V(3):3, 37--51.
- The Institute for Financial Literacy. (2007). *The national standards for adult financial literacy education* [PDF File]. The

Institute for Financial Literacy. Retrieved from <https://financiallit.org/wordpress/wp-content/uploads/2013/06/NationalStandardsBenchmarks.pdf> <https://financiallit.org/wordpress/resources/nationalstandards/>

Ullah, M., Yousuf, T.B.M., (2013). , “Women Entrepreneurship: Islamic Perspective.”, *EJBM-Special Issue: Islamic Management and Business*, 5(11), Vol.5 No.11 2013, pp. 44--52.

United Nations (2018). Fostering women’s entrepreneurship in ASEAN: Transforming prospects, transforming societies. Bangkok.

United Nations Secretary-General’s High-Level Panel. (2016). on *Women’s economic empowerment report 30 April 2016*.

Wood, E. H. (2006). The internal predictors of business performance in small firms: A logistic regression analysis. *Journal of Small Business and Enterprise Development*, 13(3), 441--453.

Yıldız, S., Baştürk, F., & Boz, İ. T. (2014). The effect of leadership and innovativeness on business performance. *Procedia-Social and Behavioral Behavioural Sciences*, 150, 785--793.

Zailani, S., Iranmanesh, M., Nikbin, D. and Beng, J.K.C. (2015b). , “Determinants of RFID adoption in malaysia’s healthcare industry: Occupational level as a moderator”. *Journal of Medical Systems*, 39, Vol. 39 No. 1, pp. 1--11.