



MODERATING ROLE OF FINANCIAL LITERACY ON THE RELATIONSHIP
BETWEEN RELIGIOSITY, MICROFINANCE ACCESS AND POVERTY
REDUCTION AMONG MUSLIM WOMEN ENTREPRENEURS IN BAUCHI CITY-
NIGERIA

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Abstract

The level of poverty among Muslim women in northern Nigeria presents a recipe for societal downgrade. While studies have investigated the nexus between religiosity, access to finance and poverty reduction, the findings have been mixed and inconclusive. The main objective of this study is to examine the moderating role of financial literacy on the relationship between access to Islamic micro finance, religiosity and poverty reduction among Muslim women in Bauchi State, Nigeria. A stratified sample of 164 women made up from 4 stratum involved in soya bean, ground nut, rice and other micro processing vocations were randomly selected to participate in the study. Using PLS-SEM, with the utility of Smart PLS 2.0, the study revealed that access to microfinance and financial literacy have positive and significant influence on the poverty reduction of Muslim Women Entrepreneurs in Bauchi state metropolis. Similarly, the study established that the relationship between religiosity and poverty reduction is conditional on financial literacy of Muslim Women Entrepreneurs. On the contrary, the study neither establishes the effect of religiosity on poverty reduction nor establishes the moderating effect of financial literacy on the nexus between access to microfinance and poverty reduction. The study recommends that government and financial institutions should pay special attention to boosting the financial literacy level of Muslim women entrepreneurs in Nigeria.

Keywords: Financial Literacy, Religiosity, Micro Finance Access, Muslim Women, Poverty

1. Introduction

While the intensity of poverty has reduced to more than half, falling from 1.9 billion in 1990 to 836 million in 2015, yet, 12.7% of world's population continues to live below US\$1.9 a day (Islamic Solidarity Fund for Development [ISFD] Strategic Framework, 2016-2025). Multidimensional poverty is even more prevalent as 1.6 billion people continue to suffer different forms of deprivations. In the context of Nigeria, a World Bank report indicated a high distribution of inequality along regional lines, with poverty gravely concentrated in the Northern part of the country (Alechenu, Chiedozie, Nwogu & Isenyo, 2020). The report attributed poor quality of education as among the main reasons for the high level of poverty in Nigeria. Recent statistics released by the World Bank indicated that about 46.5 percent of Nigeria's populations live below poverty line (Sahara Reporters, 2019).



Exterminating poverty is one of the prime global concerns and a critical requirement for sustainable development in developing economies. In the light of this, countries throughout the globe have undertaken various efforts to reduce the incidence of poverty and improve the economic well-being of the people, especially the low income group. Among these efforts include improving access to finance, raising educational levels of the populace, improving the medical care, improving socio-economic standard of the poor and strengthening entrepreneurship awareness and skills.

In all these efforts, availability of capital has become an indispensable factor that facilitates national economic growth in general and the microfinance sector in particular, and as suggested extensively in the literature, it plays a pivotal role to overcoming adverse economic situations. Evidence from the literature suggests that microfinance is an effective tool to poverty reduction (Khandker, 2003). Through microfinance facilities, financial assistance is being offered to the poor to boost self-employment, thereby improving asset ownership and family income, and simultaneously promoting higher standards of living. In this context, microfinance access plays an important role in poverty reduction and in improving the quality of life of the poor.

Studies have shown that women entrepreneurs in developing economies face serious challenges in establishing and maintaining business enterprises. Although men entrepreneurs face some difficulties, in many instances these difficulties tend to be more pronounced for female entrepreneurs. This could be related to factors such as a poor business environment, the choice of business types, poor knowledge of finance and, access to networking, as well as differences in the business approach. Despite this position, it has been argued that Muslim women entrepreneurs are more likely to have business growth when they have access to resources and social capital (Roomi, 2011). In the context of Nigeria, women are generally put at the bottom of the poverty ladder and particularly in the northern region due to lack of financial literacy and cultural tendencies. In spite of these challenges, women entrepreneurship is widely acknowledged to contribute to the economic development, and thus neglecting women in the development process constitutes a human waste.

An important factor that merits attention and discussion remains not only the availability but also regular access to formal credit for a deserving viable business conducts. Indisputably, access to finance is considered important to poverty alleviation in any society. Access to credit not only helps to improve the productivity of entrepreneurs, but also helps in creating sustainable growth in the long run. Thus any significant absence of this condition will dwarf efforts and subsequent outcomes from what would have been landmark interventions for poverty reduction goals in societies.

Again, it is pertinent to note that academic discourse on religiosity as it influences outcomes from human activities are rarely given attention in many literatures in spite of its strategic relevance. This is happening in the face of the fact that Muslims activities are expected to be guided by Islamic code of conduct contained in the Quran and Hadeeth of the holy prophet. As Hallaq (2012) argued, the central domain of Islam is morality through which secondary domains are determined. As Allah mentioned, “--- and whosoever fears Allah and keeps his duty to Him, He will make a way for him to get out from every difficulty” (65; 2). Considering the role of religious societies in women empowerment, it is thus instructive to recall here that, in the pre-



modern period, religion being one of the dominant institutional logics in the society was significant in determining the everyday practice of people. As such, the need to examine the influence of religion on poverty reduction has become imperative. A review of both conceptual and empirical studies indicated that the level of financial literacy is low in developing economies (Refera, Dhaliwal & Kaur, 2016). Further, the results of the study (Refera, *et al.*, 2016) have shown that financial literacy has positive and significant influence on poverty reduction. It can be deduced that enhancing financial education within African countries will not only boost the economic status of people living below poverty line but will also help the financial service providers and the Nigerian economy in general. Financial literacy is simply an indicator that measures how well an individual can understand and use personal finance-related information.

Moreover, recent efforts by various governments around the world to boost financial knowledge, increase financial inclusion and improve the living status of their citizens affirm the importance of financial education to poverty reduction in any country. This is based on the absence of financial knowledge which may lead to poor financial decisions with huge economic consequences. Hence, the importance of improving financial knowledge among the populace becomes imperative. Also, considering the 2018 survey conducted by Enhancing Financial Innovation and Access (EFInA) regarding financial inclusion, the report indicates that financial inclusion rate stood at 63.6% in 2018, a significant improvement from 45.4% records in 2016 (EFInA, 2018). The report indicated a financial exclusion rate of about 36.4%. Considering Nigeria's population this number is still worrisome.

In the light of the foregoing, this study seeks to examine the nature of relationship subsisting between access to Islamic micro finance, religiosity and poverty reduction as moderated by financial literacy. The rest of the paper proceeds as follows: Section two reviews the literature; section three discussed the methodology for probing the relationships amongst the variables for this study. Findings were reported in section four, while section five concludes the paper.

2. Literature Review

Conceptual Issues

Poverty - Poverty is perceived to be a state of material and financial deprivation of significant magnitude that could negatively affect the economic as well as spiritual wellbeing of the deprived. The Islamic development bank considers poverty as a multifaceted phenomenon spanning beyond income level deprivation. Thus poverty is classified into opportunities, capabilities, security and empowerment dimensions (IDB Policy Paper on Poverty Reduction, 2007). The specifics in the opportunities dimension relate to lacking access to labour market, mobility and time burden issues, as well as limited employment opportunities. For the capabilities, it relates to poor access to public utility facilities (health, education, etc.). On the security aspect, the elements are susceptibility to domestic violence and risk of economic malfunction. For the empowerment dimension, the issues are concerned with lacking influence in community and other levels of engagement occasioned by loss of power to voice.

It is imperative here to carefully note that in Islam, a clear indication is seen suggesting that poverty is detestable, and thus Islam strives towards its elimination from societies. This is evident in both Qur'an and Sunnah, Hence, Islam encourages looking after the vulnerable



amongst members of the society that are genuinely handicapped but pursue self-employment. In the tradition of the prophet, recounted by Qubaysah al-Hilaaly, the Prophet (Peace be upon him) scowled begging except for people in severe economic situations and those in need of financial succor (Abu Daud, hadith no: 1640). Thus in Islam, tools of Zakah, Waqf and Sadaqah are well entrenched and are aimed at moving the less privileged from bondage of poverty. As such, from the position of Islam, there is a causal relationship between religiosity and economic empowerment. In this regards, it means economic success is highly correlated societal religious practice generally. This is clearly captured in the Holy Qur'an. Allah Says:

“If the people of the towns had but believed and feared Allah, We should indeed have opened out to them (all kinds of) blessing from heaven and earth; but they rejected (the truth), and We brought them to book for their misdeeds (Qur'an, 7:96)”.

According to Yusof, Budiman, and Amin (2018), this verse brought clearly that correct religious exposition would bring about economic progress in the society. Although poverty has been a major concern in Nigeria as a whole, it is arguable to conclude that many recurring noticeable incidences of frightening poverty levels and near absence of sustained economic empowerment stands preponderantly in the northern part of Nigeria. Adeniran (2013) argued that on the average, poverty rate in the North-Western states remained at 71.4 percent, North-East 69.1 percent, North Central, 60.7 percent as against the South-South with 55.5 percent and South-East, 59.5 percent.

Poverty is classified differently by different authors. However, a common scenario seen in the classifications is as indicated by Iqbal (2015) where levels of poverty were classified into extreme poverty (i.e. below the poverty line), moderate poverty (i.e. relatively above poverty line), and low income groups. Hence, in this study, poverty is conceptualised at a moderate poverty level. To measure levels of poverty reduction, measures used for this study are akin to measures of socio economic development since where socio economic development is achieved, it is usually, a function of some level of poverty reduction. The measures thus indicate current status of income, access and ability to saving, current extent of participation in economic activities, and current ability to practice charity.

Religiosity - Enquiry into the role of religion in economic activity can be traced back Weber's seminal work on the effect of Protestant belief to the capitalism. Since then, several studies have produced mixed results about the effect of religion on individual economic action. Informally, Lewis (1978) related religiosity to terms such as faith, piety, orthodoxy and holiness. Holdcroft (2006) considered these terms as dimensions of religiosity rather than synonyms of religiosity. While several authors have attempted to provide a comprehensive view about the concept of religiosity, Glock and Stark (1965) were among the leading authors to trace the origin and dimensions of religiosity. Glock and Stark argued that religiosity is a multidimensional construct with five major dimensions; experiential, ritualistic, ideological, intellectual and consequential. The experiential pays attention to individual faith experience, the ritualistic dimension focuses on religious practice; the ideological dimension is predicated on certain expectations and beliefs. The intellectual dimension relates to the expectation that religious people are always informed and knowledgeable about the basic principles of religion. The



consequential dimension focuses on the effects of religious basic principles such as belief, experience, practice and religious knowledge on individuals (Hassan, 2007). In the context of this study, religiosity is conceptualised as latent construct that reflects different facets of religion that include belief and practice. It is believed that the effect of these dimensions will influence economic action and decisions of Muslim entrepreneur.

Access to Microfinance - Access to finance simply refers to the ability of individual entrepreneur to obtain financial resources in order to boost their business capabilities (Adam, 2010). Lack of financial access has been described as one of the major factors that increase poverty level in the society (Akpalu, Alnaa, & Aglobitse, 2012). Access to microfinance helps entrepreneurs diversify their businesses and provide additional sources of finance. In Nigeria, several factors have been cited as among the barriers to women financial accessibility. These barriers include lack of seed capital, lack of knowledge about credit schemes due to poor financial literacy, high interest rate and high collateral as security for loan provision. Consequently, poor access to finance has affected the capacity of women entrepreneurs to expand their business activities. This problem has continued to undermine entrepreneurship Development in developing economies (Annim & Alnaa, 2013). Despite the importance of access to microfinance in poverty reduction, existing literature has remained inconclusive (Annim & Alnaa, 2013).

Religiosity and Poverty Reduction - For too long as typical of average human beings, a degree of ambivalence and neglect greeted religiosity as a focal point for studies. However, be it as it may, current research efforts have shown a progressively growing concern in religiosity. It is usually believed that religiosity has a significant influence on the attitudes and behaviours of individuals. Weber (1947) asserted that religion is an important driver of entrepreneurship and free market economy because of its emphasis on private enterprise. While Weber believed that modern capitalism rose from some theological values of Christianity, Karl Marx argued that religion antagonises the poor; hence his famous phrase, that religion is the opium of the people (Marx & Engels, 1964).

Religiosity means different things to different people. In the perspective of Perveen and Mqbool (2007) religiosity is made up of 3 domains which are concrete, abstract and metaphysical. Religiosity becomes concrete if seen from the perspective of practices done by those who profess to a faith. It is seen as an abstract if it means unexplainable and unreasonable activities that rely on spiritual experiences. From metaphysical line, it is seen to reflect the existence of creator. Religiosity is further found to have strong connection with spirituality. In Islamic sphere, spirituality derives from spirit meaning 'ruh' and by extension ruhiyyah and which entails state of feeling of presence of relationship between human being and Allah (SWT). There are different measures of religiosity such as Tzounis et al, (2016) and Rulindo (2012). Measures for religiosity include but not limited to religious life such as observance of five daily prayers, attending and listening to Islamic programs, avoiding cheating in scales, wearing of hijab (Purdah), etc.

Guiso, Sapienza, and Zingales (2003) stated that religion is a good catalyst for good attitude development that are conducive to economic progress. However, they argued that among the adherents to the world's major religions, Muslims are regarded as people averse to the concept



of free market economy. It should be emphasized that there position is at variance with a number of recent studies and above all contradicted the position of the Qur'an (Islamic Holy Book). In a study conducted by Bettendorf and Dijkgraaf (2008) from the perspective of 25 Western countries, their findings indicated that religiosity has a positive consequence on income for people of high-income countries, but negative consequence for people of low-income countries. Yusof, Budiman, and Amin (2018) investigated the outcome of religiosity on economic empowerment of Muslim community in Southern part of Indonesia. The results established a significant positive relationship between a high level religiosity and economic empowerment. The study also discovered that education is a significant determinant of individual economic achievement. It can be argued from the above submissions that religiosity play a significant role to economic empowerment is relative. There are certain contextual issues that need to be taken into view. As such, the relationship between religiosity and economic empowerment is contingent on religious educational development of societies.

While a number of studies have examined the link between religiosity and some outcome variables such as entrepreneurial intention, economic development, etc. (Crabtree, 2010; Herzer & Strulik, 2017; Yusof, Buc-diman, & Amin, 2018; Ruck, Bentley, & Lawson, 2018), little is known about the nexus between religion and poverty, though Syed and Hassan (2019) reported a positive relationship between religiosity and poverty reduction.

Micro Finance Access and Poverty Reduction

Micro-finance institutions (MFIs) are financial institutions that provide both financial and technical assistance to low-income communities in emerging economies. Therefore, MFI is a major developmental agent for poverty reduction in those societies. MFI is viewed as an important institution for women empowerment as they play important role in economic development (Chatterjee, Gupta & Upadhyay, 2018). Economies develop faster if there is uniformity between men and women in terms of economic opportunities. Women spend large chunk of their on the welfare and wellbeing of their children (Doepke & Terlilt, 2011). Therefore, access to financial resources is necessary to poverty reduction in the society. Access to finance not only improves the productivity of entrepreneurs, but help in creating long term economic growth and development (Kaleem & Ahmad, 2016). Accessibility is achieved, according to Prahalad (2012) when consumers in remote and sub urban areas are able to gain access to services offered by these microfinance institutions. According to Anderson and Billou (2007), the major obstructions facing emerging markets are caused by poor infrastructure, thus hampering distribution channels. In the context of accessibility to finance however, accessibility entails simplified application procedure, affordable collateral requirements, liberal guarantor requirements, affordable and flexible repayment method, as well as efficiency of services provided by the micro finance banks. Samuel, Jagongo, Job and Siaw (2017) studied the influence of access to finance and financial services on poverty reduction from the perspectives of Micro, Small and Medium Enterprise in Ghana. The study indicated that access to finance and technical services fairly increases the in income of an entrepreneur, consumption expenditure and acquisition of business access to infrastructure. Further, the study established that access to finance enhance the ability of SMEs owners to provide quality education totheir children as they experience reduction in poverty level. Similarly, Tafamel (2019) conducted a study that examined the role of microfinance banks on poverty reduction in Nigeria. The study revealed



that access to finance has significant and positive impact on poverty alleviation. Also, in a meta-analysis, Awarwoyi (2014) reported that access to credit play a significant role in improving the income level of an entrepreneur.

Financial Literacy as a Moderating Variable

Financial literacy refers to the ability of individuals to process economic data and formulate informed decisions about financial planning with a view to increasing their economic viability (Lusardi & Mitchell, 2014). According to resource based view, that there is always an asymmetrical distribution of bundle of resources among business owners and that for businesses to accomplish competitive advantage, they require resources that are valuable, rare, inimitable and non-substitutable (Barney 1991; Penrose 1959). Access to finance alone may not effectively materialize into the required outcome. In fact, access to finance necessitates additional skills to materialize into proper outcome. This creates the motivation for this study to investigate the moderating effects of financial literacy on poverty reduction among women entrepreneurs with good access to finance. Drawing from resource based view, the study argued financial knowledge capability will allow entrepreneurs to fully take advantage of access to microfinance and reduce poverty. The present study argues that women entrepreneurs with sufficient financial management skills could take strategic decisions that will enhance their welfare, thereby reducing their poverty level.

Financial education is the process by which financial consumers improve their understanding of financial products through information, instruction and/or objective advice. It also enables entrepreneurs to develop the skills that assist in the identification of business opportunities. Financial capability simply means the ability to manage finances, design an effective planning strategy and select financial instruments that will increase your financial status. In the context of emerging economies, lack of access to finance is considered a major constraint to the growth of entrepreneurship (Coad & Tamvada, 2012). This is exacerbated by poor financial management capabilities which severely limit the prospects of SMEs in emerging economies.

Figure 1 Conceptual Framework

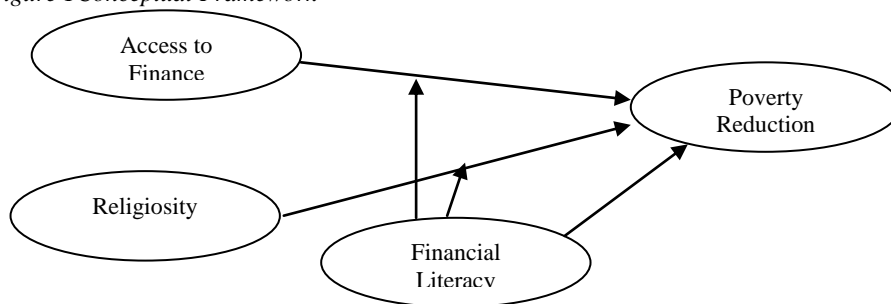


Figure 1: Conceptual Model with Hypotheses

Centered on the theoretical argument presented, the study developed the following hypotheses (as shown in Figure 1):

H1: Religiosity has a positive influence on poverty reduction among Muslim women entrepreneurs in northern Nigeria.



- H2: Access to Islamic micro finance has a positive influence on poverty reduction among Muslim women entrepreneurs in northern Nigeria.
- H3: Financial literacy has a positive influence on poverty reduction among Muslim women entrepreneurs in northern Nigeria
- H4a: Financial literacy has a positive influence on the relationship between access to Islamic micro finance and poverty reduction among Muslim women entrepreneurs in northern Nigeria.
- H4b: Financial literacy has a positive influence on the relationship between religiosity and poverty reduction among Muslim women entrepreneurs in northern Nigeria.

3. Methodology

In line with the research objective, the data for this study was collected using research assistants who administered the questionnaires to all the 223 clients in the city of Bauchi in northern Nigeria where the bank operates. The clients were randomly selected from each stratum and served with the questionnaire. The questionnaire was structured to measure client's financial literacy as a moderating variable, religiosity, access to Islamic micro finance as the independent variables, while client's poverty reduction as the dependent variable. The advantage of this method was that the respondents were properly guided while answering questions. Out of the total number of 223 questionnaires administered, 57 were not returned suggesting 74.43 % response rate while 2 were found not suitable for inclusion in the analysis on account of insufficient responses to questions. One hundred and sixty four (164) questionnaires were used in the analysis. The response rate is sufficient for reliable and generalised statistic (Stevens, 2002; Tabachnick & Fidell, 2007). According to Sekaran (2003), a response rate of 30% is acceptable for surveys. Considering the fact that study deals with variables that are latent, Partial Least Square Structural Model was used to test the hypotheses. One key advantage of this technique is it allows researchers to estimate complete causal model simultaneously (Lawry & Gaskin, 2014). The study used measures developed by previous researchers. The study adapted measures of financial literacy from Dahmen and Rodríguez (2014) to gauge the financial literacy of Muslim women entrepreneurs. In total, four items were used to measure financial literacy construct. A five-point Likert scale was used to evaluate the extent to which respondents agree with the items measuring entrepreneurs' financial literacy. Also, measures for poverty and access to finance were adapted from Hassan (2014), while measures for religiosity were adapted from Rulindo (2012).

4. Result

Estimation Result

In a structural equation modeling procedure, a measurement model is assessed on two important criteria (Hair, Marko, Ringle, and Jeannette, 2012). Firstly, average variance extracted (AVE), composite reliability (CR) and Cronbach Alpha (CA) were used to measure the internal consistency of the study instruments. The item loadings fall between 0.883 and 0.698 (see Table 1). The AVE for individual constructs is larger than 0.5 while CR and CA surpassed the standard limit of 0.7 (Henseler, Ringle, & Sinkovics, 2009). Also, the discriminant validity test (see Table 2) indicated that all the variables are distinct (Fornell & Larcker, 1981). As indicated in Table, the square root of AVE for each construct is greater than the correlation of a related construct. This indicates that the variables achieve discriminant validity assessment. Hence, the



measurement model meets all the important assessment criteria of reliability, consistency, and validity.

Table 1: Convergent Validity

Constructs	Items	Loadings	AVE	Composite Reliability	Cronbachs Alpha
Access to Finance	WACCS3	0.699	0.614	0.826	0.701
	WACCS4	0.883			
	WACCS5	0.759			
Women Religiosity	WRLG1	0.727	0.664	0.887	0.841
	WRLG2	0.756			
	WRLG3	0.910			
	WRLG4	0.853			
Poverty Reduction	WPR1	0.787	0.628	0.835	0.711
	WPR2	0.847			
	WPR4	0.740			
Financial Literacy	FL01	0.803	0.576	0.844	0.764
	FL02	0.776			
	FL03	0.698			
	FL04	0.754			

Source: Smart PLS 2.0 Result output

Table 2: Discriminant Analysis: Latent Variable Correlations

Construct	Women Access	Financial Literacy	Women Poverty Reduction	Religiosity
Access to Finance	0.784			
Financial Literacy	0.178	0.759		
Poverty Reduction	0.199	0.265	0.792	
Religiosity	0.010	-0.053	-0.090	0.815

Source: Smart PLS 2.0 Result output

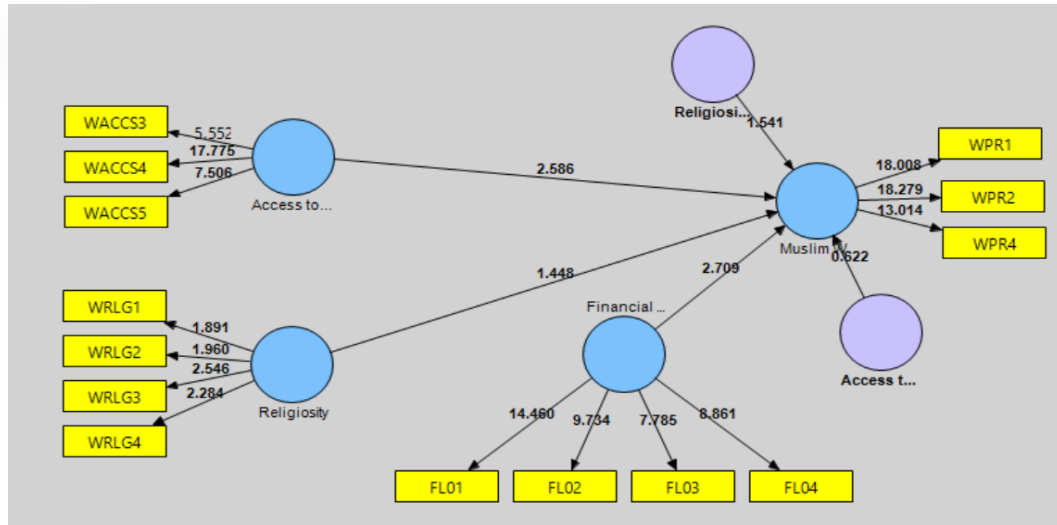


Figure 2: Structural Model

Table 3: Results of Hypotheses Testing

Hypothesis	Beta Value	Standard Error	T Statistics (O/STERR)	P Value	Decision
Religiosity -> Poverty Reduction	-0.096	0.066	1.448	0.075	Not Supported
Access to Finance -> Poverty Reduction	0.136	0.052	2.586***	0.005	Supported
Financial Literacy -> Poverty Reduction	0.185	0.068	2.709***	0.004	Supported
Access to Finance * Financial Literacy -> Poverty Reduction	-0.083	0.133	0.622	0.267	Not Supported
Religiosity * Financial Literacy -> Poverty Reduction	0.226	0.147	1.541*	0.063	Supported

Note: ***Significant at 0.01 (1-tailed), **significant at 0.05 (1-tailed), *significant at 0.1 (1-tailed)
 Source: SmartPLS 2.0 Result output

Assessment of Structural Model

After ensuring that the measures are reliable and valid, we then assessed the structural model. The structural model assessment explains how best the data connect the variables empirically. As such, we examined the path coefficients, the coefficient of determination as part of the structural model assessment. Based on the result indicated in Table 3 above, the first hypothesis that examines the relationship between religiosity and poverty reduction was not supported as shown in the table ($\beta=-0.096$, $t=1.448$ and $p=0.075$). However, the second hypothesis on the



relationship between Muslim women access to Islamic micro finance and their poverty reduction is significant ($\beta=0.136$, $t=2.586$ and $p=.005$). Similarly, the third hypothesis that examines the relationship between financial literacy and poverty reduction is positive and significant ($\beta=0.185$, $t=2.709$ and $p=.004$). On the contrary, the moderating role of financial literacy on the relationship between access to micro finance and poverty reduction was also not supported ($\beta=-0.083$, $t=0.622$ and $p=0.267$). However, the study established the moderating role of financial literacy on the relationship between religiosity and poverty reduction at 10 percent level of significance ($\beta=0.226$, $t=1.541$ and $p=0.063$) as shown in Table 3.

Another parameter for assessing the structural model is the coefficient of determination (R^2). The R^2 value represents the proportion of variation in the dependent variable(s) that is explained by one or more predictor variable. According to Murphy, Myers, and Wolach (2014), R-square values of 0.01, 0.10 and 0.25 were considered as small, medium and substantial respectively. The R^2 value for this present study is 16.0% after moderation and as such it falls into the medium category (see Table 4).

Table 4: R-squared before and after Moderation

Endogenous Variable	R ² Before Moderation	R ² After Moderation
Women Poverty Reduction	0.10	0.16

Source: *SmartPLS 2.0 Result output*

Discussion

Findings from this study indicate that three out of five hypotheses were supported. Access to microfinance has positive significant effect on poverty reduction. The result is in agreement with previous studies that reported positive significant relationship between access to finance and poverty reduction of SMEs owners (Samuel, *et al.*, 2017; Tafamel, 2019). Similarly, the study indicated that financial literacy has significant positive effect on poverty reduction. This is in line with the position of Yusof, *et al.* (2018), who asserted that literacy is an important determinant of economic empowerment. However, the study fails to support the hypothesis that religiosity has positive significant effect on poverty reduction. This finding is in agreement with the position of Bettendorf and Dijkgraaf (2008), who reported that religiosity does not lead to poverty reduction particularly in developing economies. However, looking at the findings from the contextual view point, the result could be related to the perspective upon which religiosity is conceptualised and measured. Though the study measures religiosity from both religious and economic dimensions, incorporating various dimensions (such as social dimension) could make the analysis to better reflect the association between religiosity and economic outcomes.

While the study fails to establish the moderating effect of financial literacy on the relationship between access to microfinance and poverty reduction, it has established the moderating role of financial literacy on the connection between religiosity and poverty reduction. This indicates that entrepreneur's ability to process economic data and formulate financial decisions are important to economic empowerment of entrepreneurs (Lusardi & Mitchell, 2014). As such, borrowing from Yusof, *et al.* (2018), it can be argued that the relationship between religiosity and poverty reduction is contingent on financial literacy.



5. Conclusion and Recommendation

The results obtained from this study indicate that although religiosity does not lead to improved economic status, financial literacy is a significant factor either as a predictor variable or as a moderator in reducing poverty status of Muslim woman entrepreneur. Therefore, it is clear that financial education will allow entrepreneurs to not only manage financial resources efficiently but identify the best financial products they should consider when it comes to credit accessibility. While government should pay considerable attention to financial education of women entrepreneurs, future studies should further explore the dimensionality of religiosity as a latent construct.

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