BARRIERS TO BANK FINANCING: UNDERSTANDING WHY WOMEN ENTREPRENEURS HESITATE TO APPLY FOR BUSINESS LOANS

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Abstract

Despite an increasing international and national commitment to inclusive entrepreneurship, official bank loans continue to pose a persistent obstacle for women entrepreneurs in Georgia. The financial needs of most female businesses are compounded by individual hesitations and structural impediments to the application of loans and constitute a multidimensional barrier to accessing bank loans. One of the most common reasons for business failure is poor cash flow and lack of access to investment, which makes business expansion and development totally impossible.

This study attempts to explain the unwillingness of Georgian women to ask for loans with the help of a multi-faceted framework consisting of psychological and structural factors. Three psychological constructs are examined here: the attitude towards risk, financial orientation, and tolerance for ambiguity, which reveal how the women entrepreneurs perceive the dangers and outcomes of their formal financial relationship and how comfortable and equipped they are in dealing with complex financial systems.

These characteristics represent tangible conditions that can facilitate or hamper efficient financing, such as previous experiences with banks, a certain stability in the revenue stream, and creditworthiness as such. Structurally, the research focuses on the firm level: access to capital, business performance, and credit history.

The aim was to examine how psychological and structural barriers were interrelated and influenced the loan application decision-making process. The results of the research that accepted all hypotheses increase our understanding of the financing gap that women entrepreneurs face in Georgia. The data was collected through a questionnaire in a sample of representative Georgian women entrepreneurs from different industries using the method of structural equation modeling.

Thus, overcoming such obstacles is not only a matter of equity but also of harnessing the full economic potential of the women-led businesses of the developing world. This study, therefore offers pragmatic recommendations to agencies, policymakers, and financial institutions that want to promote financial inclusion and bridge the credit gap between men and women.

Keywords: Women Entrepreneurs, Bank Financing, Loan Application, Risk Perception, Financial Barriers, Credit History, Financial Inclusion.

1 Introduction:

Having financial resources for companies, especially start-ups, is one of the success factors, and cash flow is known to be one of the factors that lead to the failure of many entrepreneurial companies. In addition, despite the removal of many obstacles, many women entrepreneurs still face difficulties in obtaining financial resources from banks (OECD, 2022; IFC,2021). As per a recent survey report from UN Women and International Labor Organization report, women entrepreneurs, who represent one third of all entrepreneurs and where there are 66,244 women entrepreneur's reported, face both structural and psycho-social barriers to accessing finance ranging from financial poor financial literacy to lack of useful banking products developed specifically designed for women entrepreneurs; but this is not only structural, it's psychological based on women own perspectives, experiences and psychological make-up (Geostat, 2025)

These intersecting psycho-social and structural barriers generate a complicated financing gap that impedes women-led business development, and reproduces gender inequality in terms of economic participation. Studies suggest that generally women-owned businesses, including ones that are qualified, are less likely to seek external finance, in many cases due to perceived risks, lack of confidence in dealing with financial institutions, the fear of rejection and uncertainty about how to adapt and act within these institution (Coleman, 2007; Muravyev et.al., 2009). Besides these barriers, other factors such as limited collateral, weak credit records, and inconsistent business performance also diminish women's chances of borrowing money from the bank.

International research has found that women entrepreneurs in Georgia have faced both psychological barriers, such as risk perception, financial orientation, and tolerance to ambiguity, and structural impediments, such as access to capital, firm performance, and credit history (De Giglio, 2015; Yeboah, 2017). In Georgia, where SMEs play a significant role in providing jobs and consequently in economic development, it is massively important to understand these complex reasons for hesitation.

We need to achieve equality for women, not only to achieve equality, but to maximize the potential of the economy. This study attempts to examine how the perceptions of creditworthiness are influenced by the various elements of the system that have a bearing on women's access to credit. This study aims to propose a more effective financial access policy for women in Georgia by establishing the causes of the reluctance of competent women entrepreneurs to apply for business loans and by providing recommendations for policymakers, financial institutions, and entrepreneurship development agencies.

When it comes to women, underrepresentation in formal finance is a global phenomenon. In the post-Soviet economies, like Georgia, the issues are made even more complicated due to centralized banking structurally undermining the economy, there have been slow developments in reforming access for SMEs, and the financial engagement of marginalized groups in entrepreneurship is limited (World Bank 2021). Georgia, in its efforts to strengthen its private sector and attract foreign investment, must address the issue of female entrepreneurs. This must not be superficial or symbolic; there needs to be a clear understanding of the reluctance on the part of women entrepreneurs and the banking system's inability to meet their needs.

At the same time, more and more studies have shown that women tend to prefer informal sources of funding such as personal savings, family loans, and rotating savings groups, because of a combination of cultural, psychological, and experience reasons (Buvini and O' Donnell, 2020; IFC, 2017). Despite the possibility of using these sources of funding, which in many ways help them in the short term, these methods often limit business growth and innovation (Aterido et al., 2013).

It is therefore essential to analyze the decision-making process behind women's borrowing behavior. Studies drawing on behavioral economics show that biases such as loss aversion, social comparison, and fear of negative evaluation may influence the decisions of women to apply for a loan (Karlan et al., 2016). At the same time, structural financing theories such as the "Pecking Order" (Myers & Majluf, 1984) and the "Credit Rationing" (Stiglitz & Weiss, 1981) explain why companies, even though they are qualified, are often discouraged from external borrowing, especially in the presence of opaque financial systems and unequal access to information.

In short, if some women feel that loans are risky, many others have been made to feel unwelcome by the formal financial system, either by the discrimination or the lack of clarity in the operations of the banking offices; the result for both is the same, a hesitancy or a refusal to approach the formal financial system. This dual-lensed approach, integrating psychological and structural theories, allows for a more nuanced approach in the study of the obstacles faced by women entrepreneurs.This study focuses on the interplay between internal psychological factors such as risk attitude, entrepreneurship orientation, and maturity, and external structural factors such as access to credit, company history, and pre-borrowing agreements.

Based on these interrelated dimensions, the article explains why many capable women entrepreneurs in Georgia do not take out loans, although they have sound business plans with high market potential.

2 Theoretical Development and Literature Review:

To understand the significance of formal loans for women, it is necessary to analyze the mechanisms behind women's borrowing practices, which are primarily motivated not just by external financial constraints but also by internal factors such as the personal financing structure (Roper & Scott, 2009; Morsy, El-Shal, & Woldemichael, 2019; Zhao & Wibowo, 2020). Formal funding is critical to the success of women entrepreneurs, but women in developing economies such as Georgia find it difficult to use formal resources for their businesses (UN Women, 2023).

For women entrepreneurs, negative perceptions of debt, insufficient exposure to supportive, entrepreneur-based relations, and reduced confidence in navigating financial institutions can significantly reduce the intention to seek credit (Carter et al., 2017). This is consistent with research showing that financial self-efficacy, or self-esteem in one's ability to manage financial matters, is a crucial determinant of the likelihood of a person engaging in formal financial systems (Lown, 2011). Of psychological significance is the Theory of Planned Behavior of Ajzen (Ajzen, 1991): a person's intention to engage in a particular behavior in this case, applying for a loan, is influenced by three factors: subjective attitude toward the behavior, the extent to which one perceives oneself to be able to control the proposed behavior and one's subjective estimation of the importance of applying for a loan.

Meanwhile, the theory of ambiguity aversion (Ellsberg, 1961) suggests that women may be sensitive to financial losses, especially in an environment where uncertainty and negative past experiences with credit dominate, and this sensitivity outweighs the sense of benefit from the investment and causes under-financing. In addition, Prospect Theory (Kahneman and Tversky, 1979) suggests women are more loss-averse than men - especially in situations of uncertainty and with bad prior credit experience. Structurally, the Pecking Order Theory (Myers and Majluf, 1984) tells us that firms will avoid external sources of finance, even with better terms of finance, and that using internal finances instead of taking on risk is the preferred method, since it avoids loss of control and asymmetric information. The Pecking Order Theory also aligns with the Trade-Off Theory, which suggests that a firm considers the advantages of debt, such as lowered taxation, against the risks of financial distress and loss of control. Given the characteristics of women-owned enterprises, they are usually small and informally organized; they do not have sufficient capital within them, and do not have enough external finance due to the complexity, lack of collateral, and mistrust of the loaning institutions (Kraus & Litzenberger, 1973). For many women entrepreneurs in Georgia, the risks associated with indebtedness may be perceived as too high, especially in the absence of stable revenues or predictable market access.

Combined with weak signals (loan applications might be seen as signs of desperation rather than of a sense of confidence), women opt to use informal networks or personal savings to make up the gap (Connelly et al., 2011). But the inability to access financial capital is likely to limit the ability of women-owned firms to expand, to be creative, and to compete in the marketplace. From a resource-based perspective (Barney, 1991), a resource such as financial capital is regarded as a strategic asset able to confer a competitive advantage.

Today, such barriers and obstacles in various dimensions are preventing women entrepreneurs from working with formal financial institutions. Underscoring such barriers with different perspectives shows a multidimensionality of such barriers; Psychological restraints intertwine with structural constraints, resulting in a complex decisional environment that requires more than mere reforms of the financial system. Effective interventions should therefore address both internal motivations and external institutional frameworks.

2.1 Risk Perception:

Based on several studies, the experience of female entrepreneurs usually involves their perception of higher operational and financial risks, influencing their borrowing behavior. In addition, ovarian sensitivity to potential failure may lead women entrepreneurs to exhibit risk aversion and delay seeking financing for growth (Ranjan, 2019).Subjective judgments of the severity and probability of risk discourage women from applying for a loan, even when they have viable business opportunities. Moreover, the perception of entrepreneurship risk mediates the relationship between financial literacy and the orientation to entrepreneurship, thereby increasing its importance in decision making. (Kwong et al, 2012; Arafat, 2020). Increasing financial education and building up their confidence through mentorship and confidence-building training is one way of reducing these perceptions and encouraging women to seek formal sources of financing (Al-Muti, 2019).
Hypothesis (H1): A woman entrepreneur's Risk Perception significantly influences her decision to apply for business loans.

2.2 Financial Orientation:

Research has found that women have less financial literacy and confidence in dealing with the formal financial system, which has limited their financial orientation (Hasan et al., 2023; Dangcil et al., 2024; Prabha, 2024). According to this statement, financial orientation is the mindset, capabilities, and strategic approach to the management of financial resources and the making of decisions regarding capital resources.
Studies reveal that many women entrepreneurs perceive themselves as lacking the necessary financial knowledge or fear rejection, causing them to avoid applying for formal loans. This perception has a stronger influence on their financing behavior than the actual realities of the financial system (Naegels et al., 2018). Similarly, Georgian women may view the financial environment as complex and intimidating, discouraging loan applications even when they qualify.
In a recent study by Dangcil, Ruiz, Mateo and Alejo (2024) a study was found that the financial knowledge significantly increased the ability of women to manage their finances and increase their confidence in dealing with formal financial institutions. They also show that the strategic ability of entrepreneurship directly affects the likelihood of applying for loans. According to Peter et al. (2024), it is very noticeable that the greater the financial skills and confidence, the more likely it is that the loan will be applied for, because of a greater confidence, women deal better with financial challenges and better use the available capital (OECD, 2017). Finally, many feel uninformed about available funds and believe they need more skills to successfully manage and develop their businesses (OECD, 2017), thereby calling for all interventions of the mentality in the field of domestic financial habits in the country, as well as removing systemic obstacles to access, so that women, by financial literacy and confidence, deserve equal, and indeed more, with formal finance, than mere streamlining of institutions (OECD, 2017; Naegels et al., 2017).
Hypothesis (H2): A woman entrepreneur's Financial Orientation significantly influences her decision to apply for business loans.

2.3 Tolerance to Ambiguity:

Research shows that individuals with a low tolerance for ambiguity tend to perceive a higher risk attached to unfamiliar finance situations, such as vague loan terms or unfamiliar procedures, resulting in them not seeking loans from the formal financial institutions, which happens to female entrepreneurs the most (Lin, 2013). It significantly influences female entrepreneurship, particularly in terms of the context of applying for a business loan. Women often find further psychological barriers that increase their ambiguity aversion, resulting in lower participation in entrepreneurship compared to men. Research suggests that where

tolerance of ambiguity is a positively associated factor in men's entrepreneurship, it does not have the same effect on women (Tunkarimu & Hassan, 2017). Moayery Frad et al. (2020) evaluated the characteristics of entrepreneurs as a behavioral model, such as ambiguity tolerance, in international business decisions. Noor (2021) explained how such traits influence women's confidence in applying for business loans, especially when it comes to financial uncertainty. Improving women's tolerance of ambiguity through educational interventions and confidence-building financial literacy programs is essential for encouraging them to apply for business loans, thereby addressing the voluntary financial exclusion they often face. (Noor, 2021).
A dimension is added to structural ones that stresses the need for financial literacy programs and confidence-building courses. Psychological barriers are a strong determinant of the behavior of female entrepreneurs, and this provides a more comprehensive understanding of why, despite their qualifications, women-owned firms might still not take advantage of bank loans.
Hypothesis (H3): A woman entrepreneur's tolerance of ambiguity significantly influences her decision to apply for business loans.

2.4 Access to Capital:

Access to capital means that entrepreneurs can find funding to start and grow businesses. Women entrepreneurs are often financially excluded for reasons that are not voluntary acts of their own; they are often excluded based on whether a bank or other lender has used fair lending practices, whether women have "collateral," or credit products with a substantial credit history, or whether transaction costs are unreasonable (Ghosh, & Chowdhury, 2018) Financial market imperfections affecting women's access to capital have a more detrimental effect on women-led SMEs that tend to be smaller, younger, and less informative than other men (IFC, 2021).
However, in addition to these difficulties, access to finance is also limited by a voluntary exclusion that keeps women who are entitled to access financial institutions from accessing them. This exclusion may arise from cultural influences, religious beliefs, or a lack of awareness and confidence. (UN Women & ILO, 2021). As a result, many capable women entrepreneurs do not apply for loans, not because of a lack of opportunity, but due to perceived or real obstacles in the financial ecosystem.
Hypothesis (H4): A woman entrepreneur's access to capital significantly influences her decision to apply for business loans.

2.5 Business Performance:

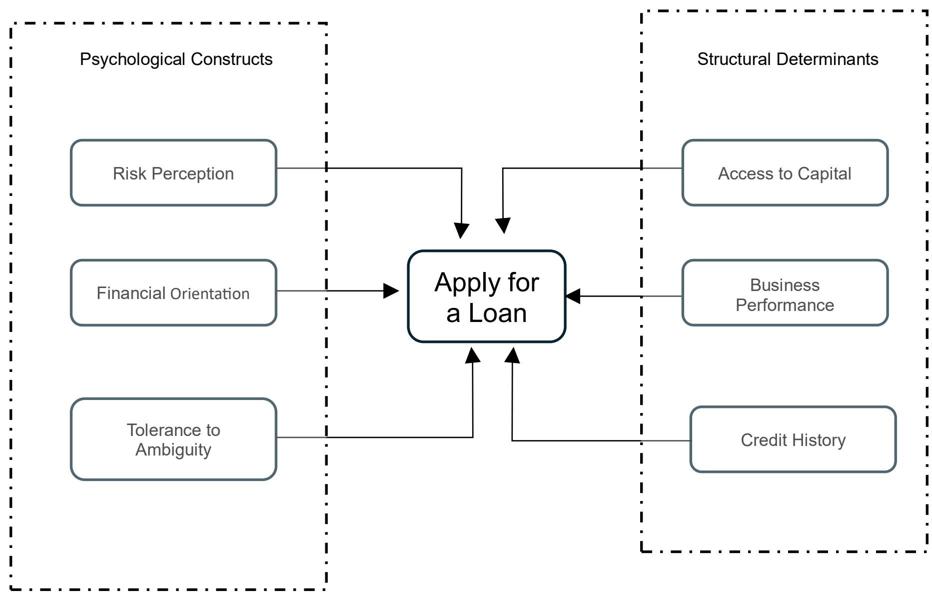
The pecking order theory claims that organizations prefer internal to external capital, mainly because of concerns about informational asymmetry (Myers & Majluf, 1984). Women entrepreneurs, whose enterprises are profitable, rely on retained earnings instead of borrowing in order to avoid the high borrowing cost or the surveillance of financial institutions (Cassar & Holmes, 2003).
However, many female entrepreneurs who are doing very well financially do not even go to the bank, a product of conservative structure and psychological hesitancy. According to trade-off theory, profitable firms can better handle debt due to tax advantages and lower debt distress (Naegels, Mori, & D'Espallier, 2018) In addition, these firms have a higher degree of confidence in their ability to pay back the loan.
Hypothesis (H5): The performance of a woman-owned business significantly influences the entrepreneur's decision to apply for bank financing.

2.6 Credit History:

Credit history is a key determinant of loan eligibility, but women entrepreneurs frequently face challenges in establishing a strong credit profile due to their limited borrowing experience, their business operations being informal, and their lack of financial education. Moreover, banks rely on credit scores, payment records, and sophisticated risk models to identify borrowers, which can disadvantage women with limited formal financial interactions (Frame et al., 2001; Thomas, 2000).

It emphasizes the vicious circle of exclusion, whereby those with the least amount of credit exposure, are the least likely to improve it as they just do not use credit (Buttner & Rosen, 1992). A more recent article found that women not only sometimes have awareness of their place in regard to credit history, but also to the point of denying themselves the chance to apply for a loan, to avoid rejection (Aristei & Gallo, 2022).

Hypothesis *(H6): The credit history of a woman entrepreneur significantly affects her willingness to apply for a business loan.*



Conceptual model

3 Research methodology:

The research utilized a quantitative research design with applied a structured questionnaire with the intention of evaluating variables of interest relating to entrepreneurship among 380 entrepreneurs from Georgia. The population of interest in this study was comprised of active (currently conducting business) entrepreneurs across a variety of sectors. The researchers utilized purposive sampling to ensure that all participants had the relevant business experience. Data were collected through online surveys over a specified period, with items adapted from previously established research. We used 5-point Likert-type scales to measure the variables. We used SPSS for analyses of descriptive statistics, reliability tests, and exploratory factor analysis. We assess the hypothesized relationships using structural equation modeling (SEM) and confirmatory factor analysis with AMOS to evaluate if the constructs were valid.

3.1. Data and results:

The current research utilizes structural equation modelling to test the conceptual model. The first stage of the analysis seeks to estimate the reliability, validity, and goodness of fit of the model.

3.2. Reliability Analysis

The reliability of the constructs was measured by testing the measurement items utilizing Cronbach`s alpha. The threshold was set at 0.7 (Matin et al., 2023).

Reliability indices

Variable	α	Ordinal α	ω_1	ω_2	ω_3	AVE
RISKPER	0.823	0.890	0.837	0.837	0.850	0.694
FINANOR	0.833	0.866	0.838	0.838	0.845	0.631
TOLAMB	0.858	0.894	0.858	0.858	0.855	0.684
BUSPER	0.848	0.897	0.866	0.866	0.877	0.609
CRED	0.810	0.886	0.806	0.806	0.803	0.721
ACCTO	0.928	0.951	0.924	0.924	0.933	0.745
LOAN	0.976	0.987	0.973	0.973	0.975	0.921

All constructs exhibit high reliability as shown in the table above. The Cronbach`s alpha numbers were all calculated above the 0.7 threshold. Moreover, the validity of the constructs was tested using Average Variance Extracted (AVE) and factor analysis. The threshold for AVE was set at 0.5 (Matin et al., 2023). As can be observed from the table, all constructs exhibit AVE above the threshold, confirming the validity of the model.

3.3. Validity test

The study employed factor analysis to estimate the discriminant and convergent validity of the data. The threshold for factor loadings was set at 0.5 (Matin et al., 2024). Convergent validity was tested through a factor loading plot to determine if any cross-loadings appeared.

Factor Loadings

	Factor							
	1	2	3	4	5	6	7	Uniqueness
RISKPER1						0.755		0.4399
RISKPER2						0.622		0.4856
RISKPER3						0.791		0.3271
RISKPER4						0.690		0.4555
FINOR1					0.599			0.5516
FINPR2					0.790			0.3204
FINPOR3					0.766			0.4027
FINOR4					0.701			0.4493
TOLAM1				0.733				0.3726
TOLAM2				0.875				0.2172
TOLAM3				0.795				0.3996
TOLAM4				0.688				0.4633
BUSPER1			0.762					0.4155
BUSPER2			0.613					0.5989
BUSPER3			0.723					0.4586
BUSPER4			0.552					0.6602
BUSPER5			0.731					0.4496
BUSPER6			0.813					0.3425

Factor Loadings

	Factor							
	1	**2**	**3**	**4**	**5**	**6**	**7**	**Uniqueness**
CRED1							0.743	0.3891
CRED2							0.791	0.3502
CRED3							0.722	0.4264
ACCTO1		0.614						0.4517
ACCTO2		0.857						0.2218
ACCTO3		0.818						0.3016
ACCTO4		0.872						0.2544
ACCTO5		0.755						0.3978
ACCTO6		0.792						0.3350
ACCTO7		0.778						0.3807
LOAN1	0.890							0.1326
LOAN2	0.920							0.1078
LOAN3	0.961							0.0901
LOAN4	0.955							0.1047
LOAN5	0.968							0.0874
LOAN6	0.927							0.1809
LOAN7	0.787							0.2770

The results indicate that all factors load above the threshold of 0.5. Moreover, the findings also determine that the measurement items are loading under their respective factors and cross-loadings are eliminated.

3.4. Model fit:

The goodness of fit was tested for the model utilizing the Root Mean Square Error of Approximation (RMSEA), Goodness of Fit Index (GFI), Comparative Fit Index (CFI), and Tucker Lewis Index (TLI). The results are presented in the tables below.

Fit indices

			95% Confidence Intervals		
Type	**SRMR**	**RMSEA**	**Lower**	**Upper**	**RMSEA p**
Classical	0.054	0.039	0.035	0.044	1.000
Robust	0.053				
Scaled	0.053	0.045	0.041	0.049	0.985

It can be observed that RMSEA is calculated below the 0.08 threshold for good fit (Kululashvili et al., 2025).

User model versus baseline model

	Model
Comparative Fit Index (CFI)	0.999

User model versus baseline model

	Model
Tucker-Lewis Index (TLI)	0.999
Bentler-Bonett Non-normed Fit Index (NNFI)	0.999
Relative Noncentrality Index (RNI)	0.999
Bentler-Bonett Normed Fit Index (NFI)	0.997
Bollen's Relative Fit Index (RFI)	0.997
Bollen's Incremental Fit Index (IFI)	0.999
Parsimony Normed Fit Index (PNFI)	0.903

As it can be seen above, the CFI is calculated at 0.99 above the threshold of 0.95 indicating a good fit.

Additional fit indices

	Model
Hoelter Critical N (CN), a=0.05	296.832
Hoelter Critical N (CN), a=0.01	308.877
Goodness of Fit Index (GFI)	0.997
Adjusted Goodness of Fit Index (AGFI)	0.997
Parsimony Goodness of Fit Index (PGFI)	0.734
McDonald Fit Index (MFI)	0.659
Expected Cross-Validation Index (ECVI)	.
Loglikelihood user model (H0)	.
Loglikelihood unrestricted model (H1)	.
Akaike (AIC)	.
Bayesian (BIC)	.
Sample-size adjusted Bayesian (SABIC)	.

Furthermore, the GFI index was calculated at 0.99 above the threshold of 0.9 for a good fit.

3.5. Hypothesis testing:

Following reliability, validity, and goodness of fit tests, the study tests the conceptual model and the hypotheses.

Variances and Covariances

				95% Confidence Intervals				
Variable 1	Variable 2	Estimate	SE	Lower	Upper	β	z	p
RISKPER	LOAN	0.2018	0.03186	0.13938	0.2643	0.3143	6.335	< .001
FINANOR	LOAN	0.2519	0.03579	0.18176	0.3221	0.3604	7.038	< .001
TOLAMB	LOAN	0.1825	0.03667	0.11066	0.2544	0.2187	4.978	< .001
BUSPER	LOAN	0.1610	0.03910	0.08433	0.2376	0.1998	4.117	< .001
CRED	LOAN	0.2565	0.04396	0.17032	0.3427	0.2974	5.834	< .001

Variances and Covariances

				95% Confidence Intervals				
Variable 1	**Variable 2**	**Estimate**	**SE**	**Lower**	**Upper**	**β**	**z**	**p**
ACCTO	LOAN	0.4712	0.02904	0.41424	0.5281	0.6106	16.224	< .001

The results indicate that all the hypotheses are supported. As can be observed, H1 theorizing the impact of risk perception on applying for a loan is accepted (β= 0.31 and p=0.001). Moreover, H2 hypothesizing the effect of financial orientation on loan application (β= 0.36 and p=0.001) is also supported, along with H3 indicating the impact of tolerance ambiguity on loan application (β= 0.21 and p=0.001). The three remaining hypotheses examining the impacts of business performance (β= 0.19 and p=0.001), access to capital (β= 0.61 and p=0.001), and credit history (β= 0.29 and p=0.001) on loan application are all supported.

4 Results and implications:

The results of the Structural Equation Modeling (SEM) analysis indicate that Financial Orientation, Access to Capital, and Business Performance have a significant and positive effect on women entrepreneurs' decisions to apply for external financing. Consequently, hypotheses H2, H4, and H5 are supported. These findings suggest that a woman's decision to seek bank financing is influenced by personal attributes and her ability to meet institutional lending requirements. These factors, in turn, affect her confidence in applying for a loan. The finding that individuals with better access to financial resources are more likely to apply for loans confirms the presence of financial market imperfections. Such deficiencies limit access and deter entrepreneurs, particularly women lacking adequate collateral or capital, or credit history, from applying for loans. The strong positive effect of Business Performance reinforces this idea: entrepreneurs with stronger indicators of performance (cash flow, liquidity, and sales) tend to seek financing more, because they have a better capacity to repay. Likewise, the significant positive influence of Financial Orientation suggests that financially literate and confident entrepreneurs prefer to access bank loans. This result is congruent with other studies that demonstrate financial knowledge and self-efficacy help women respond to financial problems and access capital (Hasan et al., 2023; Grable & Joo 2006).

Conversely, Risk Perception has a significant negative effect on whether someone will pursue outside capital, which supports hypothesis H1. This finding is consistent with the literature stating women are more sensitive to the risk of failure and losing money, which causes women to be more risk averse and less likely to consider advanced debt financing (Carina et al., 2023). Additionally, Credit History was a significant deterring factor, supporting hypothesis H6. This result emphasizes the entrepreneurs' understanding of the importance of credit history in the decision-making process of loans. In the case of women entrepreneurs with poor credit history, they may have little choice but to avoid considering loans altogether, creating a potentially self-perpetuating "cycle of exclusion."

Finally, there are several prior studies concerning the role of ambiguity tolerance in female entrepreneurship (e.g., Budner, 1962; Baron, 2000). This characteristic appears to be a deciding factor for this sample.

Overall, the results highlight the role of imperfections in financial markets that shape women entrepreneurs' financing decisions. Obstacles stemming from information asymmetries and psychological barriers, such as increased risk perception, ultimately result in adverse selection, with able women with creditworthiness stopping applying for loans when they perceive obstacles as lack of collateral, an unsatisfactory credit history, and fear of being disqualified.

5 5 Conclusion:

The purpose of this study was to explore the many factors that influence women entrepreneurs in Georgia when applying for debt financing (bank loans). Data were collected through survey questionnaires completed by a representative sample of women entrepreneurs from throughout Georgia and within different industry sectors and analyzed using structural equation modelling. The findings indicated that the entrepreneur's risk perception, financial orientation, ambiguity tolerance, access to capital, entrepreneurial business performance and credit history, all significantly and positively influenced her decision to seek loan debt. Women with low risk perception of debt (Dangcil et al., 2024) who were determined to be financially literate, they possessed confidence, were less leveraged (more structurally free), were running a profitable business-resource, and had a good credit history were most likely to pursue 'formal' loans from a bank.

These results demonstrated the effect of financial market imperfections, which frame the lending experience of women entrepreneurs (Abdul Razak et al., 2025; Shingla, 2024; Carina et al., 2023).

This study is significant in that it provides insight into the multi-dimensional nature of financing and funding gaps of woman in an emerging market (Georgia), as well as providing some manageable suggestions for financial institutions and policymakers. To effectively promote financial inclusion, interventions must address the psychological barriers of entrepreneurs as well as the systemic barriers of the financial ecosystem. Addressing psychological barriers through tailored financial products, programs to enhance financial literacy and boost confidence, and process transparency and fair and equitable lending policies can contribute to solving these barriers. Addressing these issues is not only a social equity issue, but it is economically imperative to enable women-owned businesses to achieve their full economic potential.

Nonetheless, it is important to remember that this study has some limitations. Because survey questionnaires were used, there may be opportunistic response biases that are unavoidable. This can be compounded by the fact that the study was undertaken at one point in time; it only allowed for cross-sectional analysis. The analysis could have benefited from a more in-depth analysis using panel data, which combines cross-sectional and time-series observations. This would have revealed more information about the temporal stability of the associations discovered in the study. Also, this study was limited to a small sample of psychological and structural variables. Certainly, there may have been other variables, such as the entrepreneur's business plan, available opportunities for innovation, and specific cultural norms, that were not included but with consideration could present themselves as useful.

Furthermore, qualitative studies might present more clarity about why some women entrepreneurs would not use a form of formal financing, or their experiences and attitudes about working with the banking system. Finally, comparative studies with male entrepreneurs in Georgia or women entrepreneurs in other countries could shed light on the gender- and region-specific realities of this issue.

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