

Effect of Financial Literacy on Firm's Performance of Micro-Enterprises in Sri Lanka (With Special Reference to Gampaha District)

J.M.N. Madhushani¹ and R. Abeysekera²

Department of Finance, University of Kelaniya, Sri Lanka^{1,2}

madhujayasekara97@gmail.com¹, ruwanab@kln.ac.lk²

ABSTRACT

Introduction: The purpose of this study is to determine the relationship between financial literacy and the firm's performance of micro-enterprises. This study focused on how financial literacy factors such as financial knowledge, financial behaviour and financial attitude affect the firm's performance of micro-enterprises in Sri Lanka.

Design/Methodology/Approach: The quantitative approach was used to carry out the research and data were collected from 150 micro-enterprises located in the Gampaha District. In this study, the main source of the data gathering approach was questionnaires. Descriptive statistics, independent sample T-test, ANOVA test, and multiple regression were used to analyze the survey data using the SPSS software.

Findings: The study findings demonstrate that financial knowledge, financial behaviour and financial attitude significantly impact the firm's performance of the micro-enterprises. The study's adjusted R square is 84.4 per cent which indicates that the financial literacy elements in this study explain 84.4 per cent of financial literacy on a firm's performance.

Conclusion: According to the research findings, financial literacy has a bigger impact on microenterprises' performance. As a result, the researcher proposes that the efforts be expanded to offer micro-entrepreneurs a higher degree of financial literacy through training and skill development.

Keywords: *Financial literacy, Financial Knowledge, Financial Behaviour, Financial Attitude Micro enterprises, Firm's Performance*