

Investigating the Impact of Financial Literacy on the Performance of Micro Enterprises in Gampaha district, Sri Lanka

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ABSTRACT

Purpose: The micro-enterprise sector continues to be a fundamental inducement for job creation and economic growth in Sri Lanka. About 80 per cent of the economy is provided by the small-scale sector, which shows the importance of harnessing its potential in developing the Sri Lankan economy. It has been established that financial literacy significantly influences whether or not small-scale enterprises succeed. Yet, the exact effect of financial literacy on small-scale enterprise performance has to be fully identified in Sri Lanka, hence the need for the present study. This research study examines the effect of financial literacy (awareness, attitude and knowledge) of managers on the performance of micro-enterprises in the Gampaha District, Sri Lanka.

Design/Methodology/Approach: Primary data were obtained from micro scale-enterprise managers through structured questionnaires. The data were analysed using Multiple Regression Analysis.

Findings: The results revealed a significant effect of financial literacy on firm performance (both financial and non-financial performance). Also, all four financial literacy components (knowledge, behaviour, attitude, and skill) significantly positively affect financial and non-financial performance.

Originality: This study fills empirical and practice gaps.

Keywords: *Financial Literacy, Micro-Enterprises, Gampaha, Firm Performance*