

Factors Affecting Financial Literacy of Savings Account Holders of Sri Lanka

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Abstract

Introduction: Financial literacy holds a crucial role in guiding consumer financial decisions, with financially literate individuals displaying a higher propensity for savings and future planning while being less susceptible to over-indebtedness. This study focuses on the determinants influencing the financial literacy of savings account holders, recognizing the positive impact of increased savings on the economy and serving as a safeguard against economic downturns and financial crises. Thus, the study focuses on examining the effect of technical, economic, demographic and cultural factors, assessing their impact on the financial literacy of savings account holders.

Methodology: The research methodology involves quantitative techniques, employing both descriptive and inferential statistical analyses. The data collected through questionnaires administered to eligible savings account holders in the Western Province. Data gathered from a sample of 385 respondents analyzed using descriptive statistics, correlation and multiple regression.

Findings: The study found positive impact of Technical, Cultural and Economic Factors on Financial Literacy and they are significant at 1% level. Among demographic factors, age and educational level emerge as significant determinants, while gender and marital status exhibit no discernible impact.

Conclusion: The study emphasizes the importance of financial literacy as a determinant of savings levels, advocating for the integration of financial education programs into formal education curricula. Such programs can enhance financial literacy among savings account holders with long-term and sustainable effects. The findings underscore the significance of understanding basic financial concepts for sound financial decision-making, encouraging policymakers to prioritize financial literacy initiatives.

Keywords: Financial Literacy, Technical factors, Economic factors, Cultural factors, Demographic Factors