

Impact of Financial Literacy on Investment Decisions Among Owners of Small and Medium Enterprises in the Colombo District

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Abstract

Introduction: The complexity of the global economy requires active participation in, managing the rising cost of living and investment choices from every individual. Many people are interested in investing in one way or another because they find it fascinating to make decisions and then see the results of those actions. Given the importance of the small and medium-sized businesses to the national economy and its contribution, the study aims to explore the impact of financial literacy on the investment decisions among owners of small and medium-sized businesses in the Colombo District.

Methodology: For this purpose, a structured questionnaire was distributed among 250 small and medium-sized business owners in the Colombo district. Descriptive, correlation and multiple regression analyses were used to analyze the data. To identify the level of financial literacy, financial statement analysis, financial Planning, fixed assets management, and investment evaluation were chosen. Investment decisions is the dependent variable.

Findings: The study found that financial statement analysis, financial planning, fixed assets management, and investment evaluation criteria positively impact investment decisions, and all variables are significant at 1% level. Indicating the importance of increasing financial literacy for better investment decisions.

Conclusion: The study findings suggest that the acceptability and application of financial literacy are crucial in decision-making. Therefore, organizations should be prepared to invest in developing financial literacy capacity. Findings would encourage well-considered decisions and reduce the number of adverse outcomes from investment decisions.

Keywords: Financial Literacy, Financial Statement Analysis, Financial Planning, Fixed Assets Management, Investment Evaluation Criteria, Investment Decisions, Small and Medium Enterprises