
**THE IMPACT OF FINANCIAL LITERACY OF OWNERS ON THE
PERFORMANCE OF SMALL AND MEDIUM SCALE ENTERPRISES IN
SRI LANKA**

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Abstract

The developing countries' Small and Medium Scale Enterprises have stagnated instead of expanding and sophisticating. The chosen population involves the women entrepreneurs in Sri Lanka in regard to the Women Entrepreneurs Finance Initiative (We-Fi). The study aims at studying the impact of financial literacy on entrepreneurs' performance. The financial literacy and corporate performance composite index were computed, and a regression analysis was carried out to determine the effect of financial literacy on corporate performance. The study found that financial literacy in Sri Lanka has a statistically significant impact on the business performances of the selected sample. Through improved financial literacy, the SME owners along with their ventures can therefore boost their performance. The research found that financial literacy allows entrepreneurs to escape corporate failure resulting from poor financial decision-making. However, only general analysis and observational studies have examined the impact of financial literacy on entrepreneurs' business performance. Therefore, financial literacy is an essential component of knowledge in our modern society for entrepreneurial performance. Entrepreneurs with insufficient financial literacy are therefore more likely to make financial decisions with negative effects on their businesses. Nevertheless, it can be a crucial factor to improve financial literacy education both for primary and tertiary institutions.

Keywords: Financial Literacy, Performance, Small and Medium Scale Enterprises, Sri Lanka, Women Entrepreneurs Finance Initiative

1. Introduction

Small and medium-sized enterprises (SMEs), through rich distribution, job-creation, technological progress, poverty reduction, and innovation, make an enormous contribution to economic growth. A powerful SME sector is important for creating a solid industry in an economic sector, and thus good working SMEs are essential for continuous and steady economic growth. SMEs have the potential to become more competitive in domestic and foreign markets through rapid economic growth and higher profitability in emerging markets. For developing countries, having a strong SME sector is important, where there is tremendous potential for the growth of this industry, but even the full benefits of a strong SME industry must be realised. The developing countries' SME industries have stagnated instead of expanding and sophisticating. Economic instability, unpredictable exchange rates, immature knowledge facilities, higher transaction costs, political uneasiness, high inequality, and deteriorating trade policy unilateralism are some of the characteristics of a developing economy, which further threaten the market performance of SMEs.

Researchers and specifically active in the SME sector were therefore interested in seeking ways to improve the market performance of SMEs. The Knowledge-based view (KBV) of results has recently been increased in interest. The KBV proposes policies that can enhance businesses' competitiveness and performance. It states that mutual and implicit knowledge is essential to enhancing corporate performance. The KBV stresses the importance of a business's capacity to incorporate knowledge of its goods and services on the individual and corporate level. Therefore, knowledge-based firms, rather than their rivals, are likely to enjoy good returns. Knowledge can be viewed as a critical and socially nuanced resource that is difficult to emulate or transmit. The importance of SME knowledge-based tools and their role in SME sustainable performance has, however, received little attention in the growing literature about SMEs' performance. While knowledge resources are important to the business performance of SMEs, other factors such as competitive advantage, supply chain management and internationalisation have been a focus of most previous research (Samsudeen, Thelijagoda, & Sanjeetha, 2021).

However, research has found that they play an important role in enabling owners to cope with the volatile market environment by contributing to their intangible skills to business performance. SMEs. More studies have concluded that information tools like financial literacy and business experiences enable SMEs to sustain their performance. The report notes the importance of knowledge resources to the performance of SMEs. Few in-depth analyses have been made as to how unique knowledge tools such as financial literacy affect SMEs' business performance. The study, therefore, offers an in-depth overview of financial literacy and discusses how financial literacy can enhance SME's business performance. Entrepreneurs function in dynamic environments and, as competitive (online-based) financial markets become more complex and financial portfolios, entrepreneurs become vulnerable to asymmetric knowledge unless a corresponding growth of entrepreneurial financial literacy is matched to the complexity of financial markets. On the macroeconomic level, SMEs are the foundation of many economies, and the entire economy is at risk if financial knowledge among entrepreneurs is not adequate to manage effective businesses.

Recent studies have shown a strong connection between business financial literacy and entrepreneurs' business performance. Other studies indicate that financial literacy influences entrepreneurs' performance through their engagement with other factors such as financial inclusion and financial awareness. Some studies also show that entrepreneurial financial literacy improves access to the use of financial services that allow enterprises to invent and take advantage of opportunities for growth. Entrepreneurial financial literacy impacts a business's financial inclusion in the search and use of financial services. Students and policymakers recognise that financial literacy is an entrepreneurial skill that allows enterprises to succeed in a gradually unstable climate. Financial resources are considered vital to the acquisition and configuration of other resources, and entrepreneurs must be financially informed to properly manage their business, offering an adequate basis for examined the connection between financial literacy in entrepreneurs and business performance, in which this study attempts to determine whether entrepreneurs' business performance depends on their financial literacy (Damayanthi, 2016, December).

1.1 The Objectives

The primary and ultimate objectives is to understand the impact of financial literacy of owners on the performance of small and medium scale enterprises, which based on We-Fi (ADB) supported women entrepreneur in Sri Lanka.

2. Literature Review

Financial literacy gives an entrepreneur the ability to make informed financial choices in cash management and investments in their enterprises. Because of its important impact on the stability and continuity of their respective commercial enterprises, Financial literacy has become an essential skill of SMEs owners. SMEs are better able to manage their business finances in the long term by enhancing financial awareness. Knowledge, behaviour and attitude depend heavily on the quality of financial decisions. Financial knowledge is characterised by an understanding of the main budgetary conditions and ideas necessary for everyday work. The ability to handle salaries, expenditures and savings may be described as Financial literacy as a particular type of investment. Whereas financial literacy is an important determinant of whether the person is financially trained, including ideas issues, such as clear and cumulative dividends, risks and returns and inflation. It is usually claimed that improved financial knowledge leads to more prudent financial behaviour and thus to more viable monetary choices(Samsudeen, Thelijjagoda, & Sanjeetha, 2021).

Financial data shows that a higher level of knowledge is definitely used by people who take part in various monetary best practice, such as adequate cash backup, observation of credit reports, abstinence from overdrafts, abstention from debt revolving, ownership of a dedicated retirement account and insurance security. Financial literacy is defined as a process to increase the understanding of financial products in order to increase people's capacity and confidence to take safe and important decisions to improve their monetary prosperity. Surprisingly, many entrepreneurs, once the business starts operations, frequently forget the sources and the rule of financing of the capital fund. The common sources of business funding are personal investments, family and friend loans, bank lending, microfinance, and equity funds. Further funds rose in comparison to the funds generated in the sector were linked to higher profits.

Nevertheless, the intrinsic constraints of structured funds that are subject to safety or guarantee requirements, rigid policies, high loan rates, complicated strategies, and insufficient financial knowledge of the relevant schemes of business owners prevent SMEs from benefiting from the various systems aimed at assisting this community of self-employed workers at the start-up level. In economic decision-making practises, information and affirmation of money time play a critical role. The authors in the following works identified systemic factors related to uncertainty, namely inflation, as a reason for adjusting the value of the money over time. It is essentially the purchasing power of cash and the incentives to abandon present consumption, that is, the propensity to spend now or save for future use. In other words, it is theoretically dependent on the present and projected costs of the money if an SME can remain liquid, leave the operating cash on its current account or consider buying an asset. Inflation affects, amongst other things, SMEs in terms of production, supply and credit availability costs. They must also be mindful of the immediate effects of unexpected cash flow changes. If cash flow planning and risk were not

closely followed, the financial choices of businesses could reject the objective to improve the well-being of the owner (Chen, Lin, Chen, Chao, & Pandia, 2021).

Financial knowledge is measured by the diversification of inflation expectations, although firms with separate products have more than four times the profitability of single-item manufacturers. Other analysts have also found evidence to support portfolio management's effect on businesses' long-term earnings. Return is the difference in the value of an undertaking that integrates asset growth and money assets. The risk or so-called insecurity is the likelihood that an undertaking's actual returns are different from those predicted. Financially qualified entrepreneurs can reduce their investment risk by spreading cash into various types of assets and returning periods. The fundamental knowledge of the well-established, linear connection between risk and return on their business investments is highly important for SMEs. They are particularly exposed to rationed currency. Being in a position to warrant acceptance of a higher risk for an anticipated higher return allows a small business to explore new business opportunities without fear of speculation. This was the only aspect that determined their continuity for many emerging SMEs (Kamau, 2015).

Financial literacy is essential in any decision-making process, regardless of the subject, because the decision is aimed at making it more competitive. Financial knowledge-how and the ability to handle monetary problems must be developed to provide a participant in the financial market to test its financial skills. Core decisions such as borrowings, deposits, investments and pension plans would have an impact on financial literacy. Enterprises that are less financially educated suffered from high transaction costs, which made financial literacy a form of capital investment that promotes wealth growth. Others, on the other hand, conclude that the financial knowledge itself, despite its personal influence, is inadequate for-profit performance. Accountable financial behaviour, apart from financial literacy in later areas of one's life, is originally achieved through parental encouragement and self-discipline (known as psychological characteristics). Financial literacy can consistently predict the financial behaviour of individuals. Good financial conduct, as their own individual risk profiles, is the willingness to diversify assets across various investment forms (Koech, 2021).

A budget is described as the master financial document stating the estimated contribution of a firm's operations over a certain period in relation to expected cash and revenues, and expenditure. Of course, it helps to ensure the success of a business, with micro-enterprise priority given to cash flows and budgeting for surveillance purposes only. Debt management is referred to as the ability to create, implement and monitor the spectrum of company liabilities. SMEs have this knowledge poorly prepared and frequently face the danger of bankruptcy. While SME owners are aware of the implications of inadequate debt servicing, they often ignore the benefits of managing their financial responsibilities to primary providers because of their implicit cost-free view that ultimately flows backwards. Via financially informed know-how, many have not been well informed on pension schemes, but they continue to benefit from the outcome of their labour investment after retirement. They are not willing to save or to save for the future (Salfiya Ummah, Choy, & Sulaiha Beevi, 2021).

In the sense of SME owners, knowledge of their pension choices during their active activities in business enables them, particularly when they can no longer contribute to their business full time, to take into account the various social security solutions available to them. Literacy in retirement planning has a strong positive impact on income for retirees in the private sector. Recording or bookkeeping is a critical accounting method involving the recording of all business transactions for the support and expansion of a business, the collection, organisation, storage, and analysis of an entity's financial reporting activities, as well as the preparation of accounts, tax returns and internal reports. In the final analysis, it is complex for SMEs to record their transactions manually rather than manage them in the form of ledgers. The lack of interest amongst SME owners in bookkeeping issues is due to their inadequate knowledge and professional competencies in accounting (Hamawandy, Azzat, & Hamad, 2021).

SME owners often decide to embrace novice administrative workers to stop high paid skilled accountants. Another cause of bad bookkeeping practices. The financial behaviour of SME owners to operating decisions continues to be a major determinant of profits based on recent research results and the current pattern of increasingly increasing numbers of SMEs. Sound financial conduct, though the business is being shut down, has contributed to global competition. Sufficient knowledge of maximising sales, benefit and wealth are essential for financial decision-making, such as cost savings and revenue enhancement policies. Although, some recently carried out studies in various parts of the world implicitly reveal that financial literacy and SME profitability are in reverse relationships. Attitude is characterised as a psychological disposition conveyed by a few levels of favours or disadvantages in the assessment of a particular material. The psychological tendency is a financial attitude communicated in the evaluation with some accentuation or divergence in prescribed financial management activities (Matuszak, & Kabaciński, 2021).

Financial behaviour is characterised as an attitude, opinion and financial judgement. A person's attitude of risk is closely linked to the goal of understanding and anticipating his/her economic behaviour. Risk tolerance levels among SMEs represent a risky business strategy with expected returns higher than average. Risk behaviour can be broken up into pragmatics (those who think that the future is uncertain) and maximisers (those who believe the world is self-correcting). Certain studies on risk-taking by family business owners have shown that risky decisions influence family and other business partners' consumption significantly. In addition, its findings indicated that their findings affected the family business owners' age, ethnicity, net value and risk tolerance. Inherent risk-takers are successful entrepreneurs. Studies on changing savings, spending and purchaser behaviour in financial literacy conclude that, in reality, financial training enhanced cost-benefit decision-making. However, a set of studies have showed that only a small proportion of the students completed the formal training in financial literacy and suffered preventable financial losses (Damayanthi, 2016, December).

A continuous debate between sociologists is the importance of the social environment to the financial attitude of a person. It was mentioned that the family derives the ability to make economic choices, fund management, economic perspectives and future schemes. Social learning has been established as a financial knowledge-building mechanism by the results of

neighbourhood characteristics study in financial learning. SME owners who are exposed to financially skilled individuals become financially more conscious. The vital impact on individuals and business owners of Financial literacy through social growth. The financial attitude of business owners, therefore, differs according to their economic context, which inevitably influences the social conditions in which they want to take part. The results of an analysis on the impact and profitability of the financial attitudes of SME owners in found the following that most of the targeted respondents are positive about the establishment of future financial targets (Dana, Kumar, Pandey, & Sureka, 2021).

The business owners are neutral about the time and social environment in terms of management of money and conclude that there is a meaningful relationship between profitability and the financial attitude of SME owners. For this reason, the profitability prospects of the concerned businesses depend on the general position of their owners. The successful outcome would most likely result in a lasting, constructive attitude of existing business operators and decision-makers (Dayaratne, & Gunawardana, 2015).

3. Methodology

Following the descriptive nature of the research, a population, condition or phenomenon were precisely and routinely designed to address the questionnaire devised. This part of the methodology outlines measures to investigate a research issue and justify applying protocols or strategies included in the identification, selection, processing and analysis of the data used to explain the problem. However, this allows the assessment of the general validity and reliability of a sample accurately. As per the concepts or the independent variables, Finance related awareness, Management of debt, Bookkeeping, Diversification, Management of risks, Credit Access are significant areas where it is required to understand the financial literacy of owners on the performance of SMEs in the case study area. However, it is further necessary to test the hypothesis that is constructed under the above listed variables, and hence, their impact on the performance of SMEs (profits) (Godwin, et.al., 2021).

3.1 The Population

The chosen population involves the women entrepreneurs in Sri Lanka (the majority of SMEs) in regard to the Women Entrepreneurs Finance Initiative (We-Fi), where SMEs account for 52% of the country's gross domestic product (GDP), and livelihoods for almost 2 million citizens will shift the way they have access to finance and training. We-Fi supported \$12.6 million to expand upon ADB's current policy of encouraging women entrepreneurship in the country in 2018, in acknowledgment of this opportunity. The utilization of mixed funding is one of the most creative facets of the scheme. For example, in 2020, ADB combined 9.5 million dollars in wi-fi financing with a 23.3-million-dollar ADB loan line extended to ten financial institutions that participated in their women entrepreneur loan programs.

As a result, the program offered loans to 647 women-based SMEs during the first two years, which exceeded the initial objective of 616. The programme, even with two paths to business planning training, develops WSME's capability. When the training curriculum is satisfactory, female entrepreneurs are entitled, under a We-Fi award, to obtain an additional 10% of the loan

concept. The general course offers a wider variety of WSME training opportunities. It is available to all SMEs and is published in social media and local newspapers. In 2020, more than 200 SMEs attended the training, and 29 of them earned loans along with We-Fi grants. They work in several industries, including bag production, bridal services, agriculture, and horticulture. Further, the We-Fi aims to help qualifying countries and territories overcome financial and non-financial barriers to SMEs. We-Fi intends to do this by mobilizing more than \$23.3 million in line of cred for 647 entities offering entrepreneurs access to women entrepreneurs who are in the same capacity (Women Entrepreneurs Finance Initiative, 2021).

Table 3.1: The Distribution of Population

Province	Population
Northern	73
North Western	45
Western	108
North Central	48
Central	71
Sabaragamuwa	85
Eastern	48
Uva	69
Southern	100

Source: Women Entrepreneurs Finance Initiative (2021)

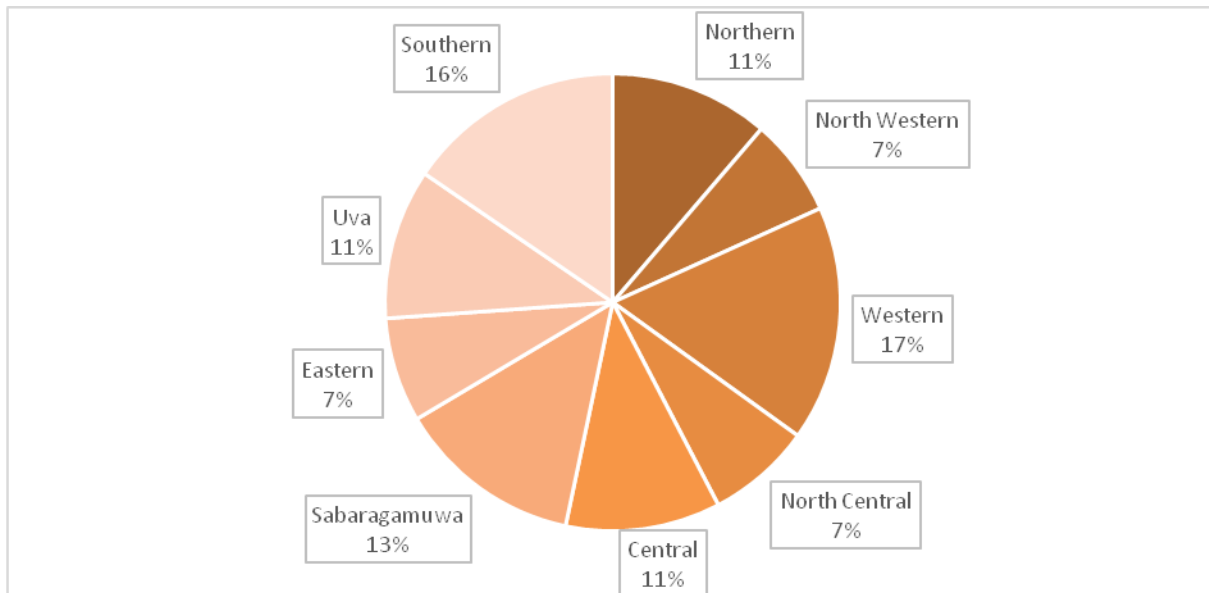


Figure 3.1: The Distribution of Population (Women Entrepreneurs Finance Initiative, 2021)

However, in order to understand the finance initiative (We-Fi) through debts, equity, risk capital, insurance products, capacity-building, networks and mentors and opportunities for connecting with domestic and global markets (Women Entrepreneurs Finance Initiative, 2021).

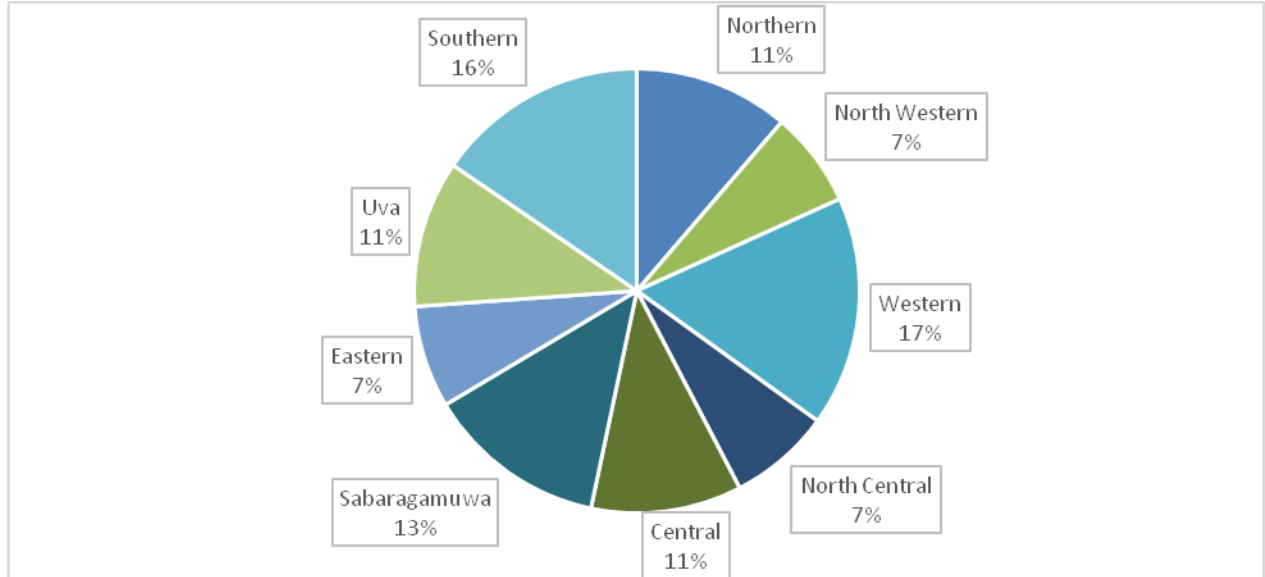


Figure 3.2: The Population as A Ratio (Women Entrepreneurs Finance Initiative, 2021)

Table 3.2: Standard Deviation of Population

Standard Deviation σ :	21.4499
Count, N:	9
Sum, Σx :	647
Mean, μ :	71.88
Variance, σ^2 :	640.09

Source: IBM SPSS (2021)

Table 3.3: The Sample Size

Confidence Level (%):	95
Margin of Error (%):	5
Population Proportion (%):	37
Population Size:	647
Sample Size:	242

Source: IBM SPSS (2021)

3.2 Sample Size and The Procedure

According to the case study area, Women Entrepreneurs Finance Initiative (We-Fi)-ADB-Sri Lanka, and 647 registered women entrepreneurs are actively involved in the women entrepreneur’s finance initiative (We-Fi) programme ADB all over the country. However, as per

the population, the appropriate sample size would be 242 women entrepreneurs' as per the 95% confidence level. As per the sampling procedure, it principally based on convenience sample approach, which is a non-probability sampling procedure (Eti., 2021) where the specific sample is considered from the population that accessibility to reach due to pandemic situation in the country.

3.3 Data Collection Procedure and Analysis

According to the data collection procedure, it is based on a semi-structured questionnaire which is structured encompassing few areas, specifically the variables of Finance related awareness, Management of debt, Bookkeeping, Diversification, Management of risks, Credit Access during the period in order to analyse the five-point Likert scale procedure through a survey questionnaire. However, during the pandemic, they were not allowed to visit each other and connected them with the help of ADB-Sri Lanka in order to collect data as per the survey procedures. According to the procedures, case processing summary, reliability statistics, ANOVA, and Kaiser-Meyer Olkin Measure of sampling adequacy (KMO) are some of the approaches that will assist in understanding the correlation between independent variables and the dependent variable in order to answer the formulated questions of the case study of financial literacy of owners on the performance of SMEs (Likert, 1932).

4. Results and Discussion

As per the descriptive and inferential approaches, it allows answering the formulated questions of the investigation area through the predictions or the inferences. Cronbach's alpha is one of the significant approaches to test the internal consistency of specific measurements that explains the reliability and the validity of data (Cronbach, 1951).

As per the literature, there is no such standardised measure of financial literacy (Cole and Fernando 2008). According to the report, 242 questionnaires were distributed to the sample group, and none were returned. The response rate was 100%. However, the independent variables of the case study area (finance-related awareness, management of debt, bookkeeping, diversification, management of risks, credit access) are significant areas for recognising the impact of financial literacy of women entrepreneurs on the performance of SMEs in Sri Lanka as per the Women Entrepreneurs Finance Initiative (We-Fi). In addition, knowledge on written financial objectives, budgeting, cash forecast and expenditure, and quarterly performance were some of the areas were questioned under the bookkeeping area. However, for the management of risks, the areas covered were business insurance, market risk, liquidity risk, credit risk, and the women entrepreneurs' operational risks. Furthermore, family support for decision making, approaches for reducing operational risk, transparency and accountability, efficiency, and productivity were questioned under the management of the debt area. Finally, market risk identification, mitigation approaches, ability to monitor, economic forecast and business policies were tested as per the risk management areas of the case study.

Table 4.1: Case-Processing Summary

		N	%
Cases	Valid	242	100.0
	Excluded ^a	0	.0
	Total	242	100.0

a. Listwise deletion based on all variables in the procedure.

Source: IBM SPSS (2021)

Nevertheless, the investigation employs an explanatory factor analysis in order to explore the communal factors that will help to understand financial literacy and business performance through the closed-ended questionnaire according to the exploratory factor analysis (EFA), where, as per the case processing summary, it has 242 samples, and the validity is 100%.

Table 4.2: Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.943	.942	20

Source: IBM SPSS (2021)

Reliability statistics will give the validity of internal consistency by Cronbach's Alpha, which is .943, an excellent aspect due to its strong consistency among the variables which are related to the case study (Cronbach, 1951). Moreover, the definition reduction approach has become another procedure where the factor loadings, KMO and Bartlett's Test that based on Communalities that extract with an initial solution of the study area other than the total variance explained and eigenvalue scree plot. Therefore, the factor loadings measure with the correlations of every single item while understanding the behaviour of Kaiser-Meyer Olkin Measure of Sampling Adequacy (KMO) to distinguishes the degree of appropriateness of manipulating exploratory factor analysis for collected data as per the survey (Miller., & Sheu, 2021). Thus, the Factor Model (Orthogonal) is the designated coefficient as per the loading factor, which is based on the principal component solution for the specific model. Furthermore, the orthogonality helps to generalise with the notion of perpendicular as per the linear algebra of bilinear forms were,

$$X1^1 - \mu1 = l11F1^2 + l12F2 + \dots + l1mFm + \epsilon1$$

Therefore, as per the factor analysis, Kaiser-Meyer-Olkin Measure of Sampling Adequacy is .8478 in regard to the KMO and Bartlett's Test and Eigen value-one criterion, which based on the Scree plot, while understanding the proportion of variance that described an eigenvalue greater than 1.00. However, it is being preserved with the rotation to interpretation for a cumulative measurement of variation explained at minimum is recommended to retain sufficient factors where the variation explained competently all factors that are explainable and adequate to clarify above 0.05 of overall variance as per the data. However, as per the following table, Kaiser-

¹ mean μ and a covariance matrix.

² common factors

Meyer-Olkin (KMO) value remain at .854 with Bartlett's Test of Sphericity Approx. Chi-Square 4136.342 are observed to be satisfactory. Consequently, the factor analysis is appropriate, and the data are strongly correct.

Table 4.3: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.854
Bartlett's Test of Sphericity	Approx. Chi-Square	4136.342
	df	190
	Sig.	.000

Source: IBM SPSS (2021)

Table 4.4: ANOVA

		Sum of Squares	df	Mean Square	F	Sig
Between People		1578.770	241	6.551		
Within People	Between Items	194.457	19	10.235	27.291	.000
	Residual	1717.193	4579	.375		
	Total	1911.650	4598	.416		
Total		3490.420	4839	.721		
Grand Mean = 4.01						

Source: IBM SPSS (2021)

When the value of Sig .000, which is statistically significant, exists, it indicates robust evidence against the null hypothesis which assumes that there is no relationship between the variables of Finance related awareness, Management of debt, Bookkeeping, Diversification, Management of risks, Credit Access on the performance of SMEs. Based on Likert scale approach, knowledge on written financial objectives, budgeting, cash forecast and expenditure, and quarterly performance were some of the areas were questioned under the bookkeeping area. However, for the management of risks, the areas covered were business insurance, market risk, liquidity risk, credit risk, and the women entrepreneurs' operational risks. Furthermore, family support for decision making, approaches for reducing operational risk, transparency and accountability, efficiency, and productivity were questioned under the management of the debt area. Finally, market risk identification, mitigation approaches, ability to monitor, economic forecast and business policies were tested as per the risk management areas of the case study.

Therefore, it is required to enhance the financial literacy of the particular owners in the expectation of improving the performance of the concerned SMEs meeting the primary objectives of the doners.

5. Conclusion

The study aims at studying the impact of financial literacy on entrepreneurs' performance. The financial literacy and corporate performance composite index were computed, and a regression analysis was carried out to determine the effect of financial literacy on corporate performance. The study found that financial literacy in Sri Lanka has a statistically significant impact on the business performances of the selected sample. Through improved financial literacy, the SME owners along with their ventures can therefore boost their performance. However, only general analysis and observational studies have examined the impact of financial literacy on entrepreneurs' business performance. The research found that financial literacy allows entrepreneurs to escape corporate failure resulting from poor financial decision-making. Recent studies also show that financial literacy influences the business's performance. The research aimed mainly at studying the effects of financial literacy on entrepreneurs' performance in the metropolitan area of Sri Lanka.

Hypotheses based on the literature review and observational research were developed to achieve the aim of the analysis. The hypotheses were tested through regression analysis. Several conclusions were subsequently drawn from the results of the report. Financial literacy, however, exposes the entrepreneur to better decision-making abilities, leading to greater corporate performance. However, the findings show that financial literacy influences the performance of enterprises significantly in terms of statistics. Indeed, financial literacy does appear to affect business performance statistically significantly. This also means that, because of their importance to economic growth, financial literacy has become necessary to entrepreneurial owners and financial institutions. Consequently, financial literacy is an essential component of knowledge in our modern society for entrepreneurial performance. Entrepreneurs with insufficient financial literacy are therefore more likely to make financial decisions with negative effects on their businesses. Nevertheless, it can be a crucial factor to improve financial literacy education both for primary and tertiary institutions.

6. Recommendations

While the study attempts to explore the impact of financial literacy of Sri Lankan SME owners (particularly women) on business performance, similar studies are further suggested in different administrations and groups, according to the results, to determine if the same variables in different administrations and groups will work in the same way. In the meantime, this study majorly includes women as they make up for most of the Sri Lankan SMEs. Research needs to include other cities throughout the country and the country. It is also suggested that research be done on the broader awareness of financial literacy among business owners. The study suggests that SME owners overall should be highly encouraged on improving their financial literacy, with the evidence that financial literacy influences the market performance of them. Additionally, future empirical studies are recommended to examine financial literacy as a configuration concept to evaluate the different levels of financial literacy and to assess causal relationships of different (but related) variables.

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