

Impact of Owner's and Manager's Financial Literacy on the Firm Performance: Reference to SMEs in Anuradhapura District

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Abstract

Financial literacy can be identified as a valuable concept for every economy. This concept has been used by persons who were handling most successful businesses. In recent times, developing and developed nations have become more and more concerned about the level of financial literacy of the entrepreneur. Thus, this study aims to examine the impact of owner's and managers' financial literacy on the firm performance of SMEs in the Anuradhapura district. A positivist approach was adopted with a structured questionnaire survey which was performed involving owners and managers of SMEs with a sample size of 100 respondents. Financial literacy was measured by using variables of financial knowledge, attitude towards money, financial behaviour, and use of e-finance with consisting extent studies. Return on Assets was used to measure financial performance. The results of regression analysis revealed that there was a significant and positive impact of financial knowledge and use of e-finance on firm performance. But, attitude towards money and financial behaviour have not shown any significant impact on financial performance in the Anuradhapura district. The results revealed that successful SMEs are run by financially knowledgeable entrepreneurs and use of electronic tools and technology in financial services. Further, use of e-finance helps to achieve greater success in SMEs performance. The findings will help future researchers as well as favorable parties to understand the importance of enhancing the proxy of financial knowledge, use of E-finance of financial literacy of SMEs sector in Sri Lanka.

Keywords: Financial literacy, firm performance, SMEs