

## The Financial Literacy of Women Owners of Small and Medium Scale Enterprises in Sri Lanka

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### Abstract

The success of the small and medium-sized enterprises depends extensively on the owner's ability to be financially literate in managing finance-related matters of the business, irrespective of his or her gender. The purpose of this study is to identify the level of financial literacy of the women owners of small and medium sized enterprises in Sri Lanka. The construct 'financial literacy' was measured based on five dimensions, which are finance related awareness, financial planning, bookkeeping and accounting, knowledge about business terminology, risk management, and diversification. The convenience sampling method was applied to select 242 women owners from the population involved in Women Entrepreneurs Finance Initiative in Sri Lanka. Data collection was conducted using a structured questionnaire, complemented by over-the-telephone and personnel interviews, to assess the level of financial literacy among the women owners of small and medium-sized enterprises in Sri Lanka. Descriptive analyses were used for the data analysis, at the end of which the study identified a moderate level financial literacy among the women owners of small and medium-sized enterprises in Sri Lanka. From the five dimensions chosen, the knowledge on bookkeeping and accounting, risk management, and diversification are the aspects that women entrepreneurs need to become experts in for the success of small and medium-sized enterprises. As the pioneer study that examines the level of financial literacy of women owners of small and medium-sized enterprises in Sri Lanka, this study would provide a significant benchmark for further research in the field. Nevertheless, the study also highlights the importance of including financial literacy education both for primary and tertiary educational institutions.

**Keywords:** Financial Literacy, Small and Medium Scale Enterprises, women owners, Sri Lanka, Women entrepreneurs finance initiatives.

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### 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. SMEs carry the potential of becoming more competitive in domestic and foreign markets through rapid economic growth and higher profitability in emerging markets. For developing countries such as Sri Lanka, possessing a strong SME sector is important where there is tremendous potential for the growth of country. However, even the full benefits of a strong SME industry must be realized. The SME of the developing countries has been stagnating instead of expanding and sophisticating, as a result of certain factors such as economic instability, unpredictable exchange rates, immature knowledge facilities, higher transaction costs, political uneasiness, high inequality, and deteriorating trade policy unilateralism. Among the factors that contribute to SME failure, poor business, and personal

financial management competencies are critical and noticeable (Naqvi, 2011, as Mehrotra, 2017).

Although 52 percent of the entire Sri Lankan population consists of women, only 38 percent of the labour force in the country consists of women partaking in enterprise (Global Gender Gap Report, 2020). As explained above, enhancing women's entrepreneurship across the country is important, as it contributes to the generation of more jobs island-wide, and thereby towards a more equitable distribution of income. The SMEs contribute about 45 percent of Sri Lanka's gross domestic product and provide about half of the country's employment opportunities; 25 percent of the entrepreneurs are women in the SME sector (Export Performance Indicator 2019). Although, Sri Lanka has achieved gender parity in terms of access to education, with the literacy level of the females at 90.8 percent, the labour force partaken by women remains stagnant at a rate of around 30 to 35 percent of working-age women, which is much lower than one would expect, given the educational accomplishments of the female population in Sri Lanka in general.

However, women play a major role in the global and local economy. It is often observed how women invest more in their families compared to men, in areas such as education, health, and nutrition, creating a secure foundation for the future of their families and communities. Women are regularly involved in decision-making activities concerning the acquisition, allocation, and utilization of resources, which have financial implications, which therefore require considerably satisfactory finance knowledge. Therefore, empowering women economically, especially through their involvement in trade, creates multiple opportunities for livelihood and economic development. Women empowerment directly influences the improvement of women's decision-making power and their financial wellbeing. The term women entrepreneurship implies the act of business ownership and business creation that empowers women economically increasing their economic strength as well as position in society.

Financial literacy is essential to every person, including women owners of SMEs, as they have to be able to manage their personal finances and business finance. Economic empowerment of women through financial literacy has become one of the areas that broadly and substantially discussed throughout the world, (Kumari, Azam & Khalidah, 2020; Kumari & Aluthge, 2018; Maheswari, & Revathy, 2016). Entrepreneurs who are financially literate can generally sustain within the market, regardless of economic conditions, (Damayanthi, 2016). Access to finance through financial institutions is highly dependent on financial literacy. (Andarsari and Ningtyas, 2019). As Menike (2019) cited, one of the challenges, affecting SMEs in Sri Lanka is financial illiteracy. People make inappropriate, inadequate, and ineffective financial decisions because of the lack of personal financial knowledge, lack of time to learn about personal financial management, complexities in financial transactions, and the extensive variety of choices in financial products/services, (Wanjohi, 2012; Joo and Grable, 2000).

Financial literacy has been measured in most of the developing countries such as India (Choudhary and Kamboj, 2017), Bangladesh (Ferdous and Polonsky, 2013) and Zimbabwe (Bonga and Mlambo, 2016). However, the attention paid to study the level of financial literacy in the Sri Lankan context is comparatively low. Heenkenda (2014) has conducted a comprehensive study to determine the degree of financial literacy among the household heads in Sri Lanka and highlighted that the majority of the respondents demonstrate a modest financial knowledge, and financial literacy has been quite diverse across respondents depending on the levels of education, income, gender, age, etc. As revealed in the study, in terms of the Sri Lankan adult population, only 35 percent are financially literate, which turns out to be a severe drawback in women's financial literacy and their wellbeing. As per the

survey report of the Department of Census and Statistics due to the large gap of print literacy (91%) and financial literacy (35%) of females, the majority of the female are financially weak (Department of Census and Statistics, 2018 ). In addition, a considerable number of researchers have studied the effect of business knowledge on entrepreneurship performance in both developed and developing countries, but no direct study on financial literacy among women owners of SMEs in the Sri Lankan context has been identified. Hence, the objective of the study is to understand the level of financial literacy of the women owners of SMEs in Sri Lanka.

## 2. Literature Review

It is difficult to find a specific acceptable standardized method to measure financial literacy (Moore, 2003; Cole and Fernando, 2008). Hence, the study employs proxy measures, such as scores or indices based on knowledge level, experience levels, positive and negative financial behaviors, among others. In general terms, literacy means the ability to read and write or competence in a specified area (Atkinson, 2017). Financial literacy is a combination of financial knowledge, skill, attitude, and behavior necessary to make sound financial decisions and ultimately achieve individual financial wellbeing, (OECD, 2013). Financial literacy refers to the financial knowledge and abilities, which enable entrepreneurs to implement effective financial management strategies for their enterprises. Financial literacy is a process to increase the understanding of the financial products to increase people's capacity and confidence to take safe and important decisions to improve their monetary prosperity. Financial literacy gives an entrepreneur the ability to make informed financial choices in cash management and investments in their enterprises. The important impact on the stability and continuity of their respective commercial enterprises have made financial literacy an essential skill of SME owners. Fatoki (2014) used financial planning, analysis and control, bookkeeping, understanding of funding sources, business terminology, finance and information skills, access to technology, and risk management to measure the financial literacy of SME entrepreneurs. Arora (2016) identified three parameters, i.e. financial knowledge, financial behavior, and financial attitude, to assess the level of financial literacy. The current study uses five dimensions, namely finance-related awareness, financial planning, bookkeeping and accounting, knowledge about business terminology, risk management, and diversification to measure the financial literacy of women owners of SMEs in Sri Lanka.

Measuring finance-related awareness of an individual includes an understanding of the consumer and personal finance, accounting and financial management systems, financial products and service options, financial risk, capital investment, and legal and tax issues (Fatoki, 2014). Financial literacy is an understanding and knowledge of the financial principles needed to make informed financial decisions, which affect one's financial wellbeing. Moreover, financial literacy includes knowledge on financial access and understanding government financial policies, (Sabana, 2014). Financial literacy is an indication as to how well one can understand and use personal finance-related information, (Huston, 2010). Financial literacy provides confidence to SME owners to use financial knowledge to make financial decisions, thereby enabling them to overcome any financial obstacles. A strong association between financial literacy, the ability to make good financial decisions, and household wellbeing and business survival is identified (Cole and Fernando, 2008). Lack of personal financial literacy makes a negative impact on the financial management of the new ventures, and can lead to possible failures of SMEs, (Kotze and Smit, 2008). Low levels of financial literacy can prevent SMEs from understanding and assessing financial products that belong to financial institutions. The significant role of the micro-

enterprises can be well harnessed and sustained through a fine and precise financial management of the entrepreneurs themselves (Sucuahi, 2013). Thus, measuring finance-related awareness is a very suitable dimension to measure the level of financial literacy of the women owners of SMEs in Sri Lanka.

SMEs consist of some form of budgeting and financial planning and control, but on an informal basis. Financial planning and control systems should be used by micro-enterprises (Berry, 2011). Financial literacy highlights the necessity of understanding essential financial concepts and processes to manage personal finances through appropriate, short-term decision-making and sound, long-range financial planning, while being mindful of life events and changing economic conditions (Remund, 2010). The ability to handle salaries, expenditures, and savings, and core decisions such as borrowings, deposits, investments, and pension plans would be affected by financial literacy. It is usually claimed that improved financial knowledge leads to more prudent financial behaviour, and thus to more viable monetary choices (Samsudeen, Thelijjagoda, and Sanjeetha, 2021). Financial literacy increases savings and business planning, and bargaining power and financial skill. Financial literacy consists of five separate components, which are keeping track of finances, planning, choosing financial products, staying informed, and financial control, (Anz, 2011). In a nutshell, Ouachani, Belhassine, and Kammoun, (2020) suggested that financial literacy enables individuals to process economic information and make informed decisions about financial planning, saving, debt management, and investment diversification which make it progressively imperative to allow individual and business to cope with the ever-rising complexity of financial products and service in the market.

Financial literacy leads to frequent production of financial statements, (Wise, 2013), and reflects the ability to read and understand fundamental financial statements, as well as, the ability with numbers, to make effective decisions regarding the use and management of money, (See Brown et al. (2006)). Financial literacy is characterized by an understanding of the main accounting and budgetary conditions and ideas necessary for everyday work. Budgeting, as an essential component, allows to control the cash flow and make provisions for larger costs, as well as giving a clue and guidelines as to when the time is right to invest in the idea further as well as to expand it, (Epstein, 2014). For SMEs, preparing a budget is very essential and crucial and it is a great responsibility that the entrepreneur takes to ensure that the business is on the track and it has a future and capable of sustaining itself in the market regardless of the economic conditions. A budget is a master financial document stating the estimated contribution of a firm's operations over a certain period in terms of expected cash and revenues and expenditure.

The lack of interest amongst SME owners in bookkeeping and accounting is due to inadequacies in their knowledge and professional competencies in accounting (Hamawandy, Azzat, and Hamad, 2021). Knowledge of written financial objectives, budgeting, cash forecast and expenditure, and quarterly performance were some of the areas that were questioned under the area of bookkeeping. Empirical literature reveals that the majority of SMEs in the informal sector are financially illiterate and with little or no basic education. Many entrepreneurs keep no books of accounts or any record at all and do not know the difference between income and profit or the basic financial concepts. An entrepreneur who produces financial statements more frequently has a higher probability of loan repayment and a lower probability to voluntarily close his/her business. 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, organization, storage, and analysis of an entity's financial reporting activities, as well as the preparation of accounts, tax returns, and internal

reports. Therefore, as Sucuahi (2013) utilized in his study, this study also uses the dimensions bookkeeping and accounting to measure financial literacy.

Business owners need a basic level understanding of the business and financial terminology such as saving, loan, investment, collateral, insurance, and interest rate. It also involves being familiar and acknowledged about the concepts like interest rates, financial planning, time value of money, borrowings and savings, profit and loss, assets and liabilities, etc. Sufficient knowledge of maximizing sales, benefit, and wealth is essential for financial decision-making, which involves activities such as cost savings and revenue enhancement policies. Financial literacy can consistently predict the financial behavior of the individuals. 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 the income of the retirees in the private sector. People with low financial literacy are more likely to have problems with debt (Lusardi, 2015), less likely to participate in the stock market (Rooij et al., 2007), less likely to choose mutual funds with lower fees, less likely to accumulate and manage wealth effectively and less likely to plan for retirement (Lusardi and Mitchell, 2014). Hence, this study uses the dimension of knowledge about business terminology in core decision making scenarios such as borrowings, deposits, interest rate, exchange rate, investments, and pension plans, are as the factors that have an impact on financial literacy.

Furthermore, according to Lusardi, (2015) financial literacy rise greater competition, innovation and quality products, market discipline, risk management, overcoming indebtedness. 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, (Koech, 2020). The fundamental knowledge of the well-established linear connection between risk and return on their business investments is highly important for SMEs. 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 the fear of speculation, which was the only aspect that determined their continuity for many emerging SMEs (Kamau, 2015). Hence, this study uses the dimension of risk monument, and items such as personal life insurance policy, business insurance and contingency planning to assess the level of financial literacy. Firms with separate products have more than four times the profitability of single-item manufacturers. Financially qualified entrepreneurs can reduce their investment risk by spreading cash into various types of assets with different returning periods (Kamau, 2015). Knowledge on diversification is one of the dimensions used by this study to measure the level of financial literacy of the respondent in the areas such as product, industry and income diversification, and portfolio management.

### **3. Methodology**

The chosen population involves women owners of the SMEs in Sri Lanka extracted from the Women Entrepreneurs Finance Initiative (We-Fi). The We-Fi is a collaborative partnership among 14 governments, eight multilateral development banks (MDBs), and other public and private sector stakeholders, hosted by the World Bank Group. The Asian Development Bank (ADB) has been supporting the Government of Sri Lanka in promoting women's entrepreneurship through Small and Medium-Sized Enterprises; 647 registered women entrepreneurs are actively involved in the We-Fi programme all over the country. They work in several industries, including bag production, bridal services, agriculture, and horticulture. (Women Entrepreneurs Finance Initiative, 2021).



A structured questionnaire was developed based on the previous studies, which captured information on the major aspects of financial literacy, including finance-related awareness, financial planning, bookkeeping and accounting, business terminology, risk management, and diversification of the women owners of the SMEs to measure the financial literacy construct. The sample of the study consists of 242 women owners selected based on a convenience sample approach. It is a non-probability sampling procedure where the specific sample is considered from the population accessible during the Covid 19 pandemic situation in the country. (Eti., 2021). Data to support the research are collected based on a semi-structured questionnaire. As per literature, no such standardized measure of financial literacy can be found (Cole and Fernando 2008).

All the items in the questionnaire were assessed based on a 5-point Likert scale with 5 strongly agreeing to 1 strongly disagreeing. Besides descriptive statistics, Cronbach's alpha was also tested for the reliability and validity of the data, using the SPSS Version 21. During the pandemic, the sample population was not allowed to visit each other and got connected with them via the telephone with the help of ADB-Sri Lanka to collect data as per the survey procedures. Respondents' demographic data were also considered and analysed in this study, at this stage. .

#### 4. Data Analyses and Discussion

The level of financial literacy of women owners of SMEs in Sri Lanka was measured using questionnaires which contained the answers of 242 women owners of the SMEs to questions on five dimensions of finance literacy construct. Finance-related awareness, financial planning knowledge, bookkeeping and accounting knowledge, knowledge about business terminology, risk management knowledge, and knowledge about diversification are the five dimensions employed to measure the financial construct. None of the respondents rejected answering the questionnaire-based survey conducted by direct interview and telephone survey. Therefore, the response rate is considered as 100%. Data on the women owners' demographic profiles are presented in Table 1.

**Table 01: Descriptive statistics of the Women Owners of the SMEs**

	Variable	Frequency	%
Age	20 to 25 years old	12	05
	26 to 30 years old	73	30
	31 to 35 years old	105	43
	35 and above	53	22
Marital Status	Single	84	35
	Married	158	62
Ethnicity	Sinhala	201	83
	Tamale	32	13
	Other	9	04
Type of business/sector	Service	32	13
	Trading	135	56
	Manufacturing	57	24
	Others	18	07
Type of the Entrepreneur	sole proprietorship	151	62
	Partnership	72	30
	Private Company	19	08
	Other	0	-
Age of the Business	Less than 2 years	98	40

	2–5 years	109	45
	6-10 years	28	12
	More than 10 years	7	03
Business annual sales	Less thanRs. 1Million	198	82
	Between Rs. 2 Million and 5 Million	41	17
	More Than Rs.5 Million	3	01

Source: author compiled based on the survey

As per Table 1, about 43 percent of the respondents are between 31 and 35 years of age, about 30 percent are in the 26-30 age category, and about 5 percent are in the 20-25 years age bracket. It can be observed, as illustrated in Table I, that out of the 135 respondents, 56 percent are actively engaged in trading activities while 24 percent are engaged in manufacturing activities. Further, the majority of the respondents, i.e. 83 percent, fall under the ethnicity group of Sinhala. In terms of how long the SMEs have been operating, 45 percent of the SMEs have run their businesses for 2 to 5 years and 40 percent of the SMEs have had been conducting businesses for a period less than two years. Among these SMEs, a fairly great number, i.e. approximately 40 percent, had just begun to run their businesses, which suggest that they might be at the start-up stage. According to Table 1, approximately 62 percent of the participants have sole proprietorship, whilst 17.4 and 7.9 percent have partnerships and private limited companies respectively. Furthermore, majority of the SMEs, i.e. 198 respondents amounting to 82% percent, were generating less than Rs 1 million in annual sales by the time of the study. Table 02 indicated reliability statistics; the Cronbach's alpha of the dimensions used in the study.

**Table 02: Cronbach's alpha**

Variable	Cronbach's alpha coefficient	No of items
Finance Related Awareness	0.652	06
Financial Planning knowledge	0.827	05
Book Keeping and accounting	0.795	08
Business terminology	0.842	05
Risk Management	0.752	03
Diversification	0.910	05
Financial literacy	0.943	32

Table 02 presents the internal consistency of the dimensions by Cronbach's Alpha, which measures whether the respondents consistently understand the dimensions and the items. As illustrated in Table 2 in reliability analysis, financial literacy indicates the highest alpha coefficient, i.e. 0.943, which is an indication of a positive strength, leading to the conclusion that the internal consistency reliability of the measure used in this study is appropriated. The item-wise highest reliability test coefficient for diversification was 0.910, while those for the other variables were 0.652 for finance-related awareness of the respondents, 0.827 for financial planning, 0.795 for bookkeeping and accounting knowledge, 0.842 for knowledge about business terminology, and 0.752 for risk management. Generally, the reliability coefficient, which is above 0.80 is considered satisfactory (Sekaran and Bougie 2010).

**Table 03 :The dimensions and items of the Financial literacy**

	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
<b>01.Finance Related Awareness of the respondents</b>					
I read to improve my financial knowledge		159	6	52	25
I know current interest rates on savings		40	124	26	52
I contribute to a savings account regularly		101	15	71	55
I compare my receipts of purchases to my monthly statement		75	25	101	41
I know how to invest in Colombo Stock Exchange	89	45	25	55	28
I have my personal current account	26				216
<b>02. Financial Planning knowledge of the respondents</b>					
The objectives of the business are in written format		143		55	44
I have prepared a business plan		85		121	36
I know the next two years' business targets well		87	58	85	12
I prepared financial budget of income and expenditure		55		89	98
I always compare financial performance of the business with the objectives	25		58	137	22
<b>03.Book Keeping and accounting Knowledge of the respondents</b>					
I used computers to record the transactions		159	58	25	
I have prepared a cash book	22	95		125	
I have prepared a Sales and Purchases books	28	105		109	
I have prepared quarterly financial reports	201			21	20
I have prepared annual financial reports	23	121		78	20
I know the purposes of preparing income statements		41	121	30	50
Business does not require to prepare formal financial statements for success	158		59	25	
I believe that maintaining recording for all business transactions are important				11	231
<b>04 Knowledge about business terminology of the respondents</b>					
Credit card and Debit Card are different			20		222
The term collateral refers to an asset that a lender accepts as security for a			88	154	



loan

The interest rate is typically noted on an annual basis known as the annual percentage rate (APR)

84 158

An exchange rate is the value of a country's currency versus that of another country

10 10 24 198

I know that a retirement plan that requires making contributions into a pool of funds set aside for a future benefit.

87 54 101

#### 05. Risk Management knowledge of the respondents

I have my life Insurance policy

211 21 10

I have Insured my Business

231 6 5

If my business bankrupts, I can survive at least six months from the savings

211 15 16

#### 06. Knowledge about the Diversification of the respondents

I deposit excess money in fixed deposits

11 221 10

I am planning to expand my business into different sectors

128 50 64

My only income is from this business

73 22 147

I have heard about the stock market portfolio diversification

211 21 10

Table 03, presents the women SME owners' responses to the items used to measure financial literacy. Consistent with the findings of Matewos et al., (2016), Table 3 indicates the low level of finance-related awareness among the women owners of SMEs. Around 65 percent of the women in the sample do not read any material to enhance their financial knowledge. However, around 89 percent of women own a personal current account. Table 03 clearly illustrates that approximately 42 percent of women owners of SMEs in Sri Lanka know interest rates. Moreover, having a personal current account has the highest positive contribution in determining the dimension of finance-related awareness of financial literacy construct, while reading for finance knowledge was the highest negative contributor.

Consistent with the findings of Abanis et al. (2013) in their study, Table 3 indicates that the majority of the women owners in SMEs do not engage in formal financial planning. Further bookkeeping and accounting knowledge dimension of the financial literacy construct indicates an inefficient use of accounting information in financial literacy measurement. According to Amoako (2013), SMEs do not maintain proper books of accounts because their owners do not appreciate the need to keep accounting records. Consistent with what Amoako (2013) suggest, the results of Table 03 indicates that apart from cash books and sales and purchase books, most of the women owners of the SMEs in Sri Lanka do not prepare quarterly and annual financial reports systematically to extract useful accounting information. In addition, the results, as presented in Table 03, indicate that the sample possesses limited knowledge about the advantages of preparing formal financial statements. These findings are somewhat consistent with the findings of Menike (2018), which reveals that SME owners are aware of the component of financial statements, and that they are more likely to follow their

parents' life experience, and that what they have learned on record-keeping are mostly for better performance of their businesses.

Similar to the findings of Fatoki (2014) in South Africa, knowledge about the business terminology dimension of financial literacy construct reveals that most of the women understand the basic business terminologies such as debit card, credit card, interest rate, exchange rates, and insurance, which is depicted in Table 04; this component records a mean value of 4.1033 for the dimension of knowledge about business terminology. However, as per the results illustrated on Table 03, on average, women owners of SMEs in Sri Lanka are weak in knowledge of risk management. Out of the majority of women owners of SMEs, 85 percent of the women are not in a position to survive at least six months if the business is bankrupted; a noticeable indication of the poor knowledge they possess about contingency planning and risk diversifications. In addition, the results indicate a poor use of stock market portfolios for risk diversification. Failure to understand the risk management practices and diversification strategies may negatively affect the ability of the women owners to make effective savings and investment decisions.

Further, approximately 91 percent of the women owners do not own either a personal insurance policy or business insurance policy as a step in reducing and managing risks. However, women owners of SMEs should understand that risk management is particularly vital to the survival of SMEs (see Ade et al., 2020). Most of the respondents, about 87 percent to be precise, have negatively contributed to the question 'I have heard about stock market portfolio diversification' under the dimension of knowledge about diversification of the financial literacy construct. It is noticed that none of the respondents has a plan to expand the business into diversified sectors or form a network of businesses. In accordance with the findings of Abanis et al. (2013) it is understood that, just as it was in most cases in the extant study, 91 percent of the women in this study are also conservative in thinking to a certain extent, as the participants often tend to deposit the excess money in fixed deposits rather than investing in the business. As depicted in Table 04, on average, the women owners of SMEs are weak when it comes to risk management aspect of the financial literacy construct, which is indicated by the lowest mean value of 1.9160. Lack of bookkeeping and accounting knowledge might be the reason for the women SMEs in the sample to not have any form of formal accounting systems in the respective SMEs. As illustrated in Table 04, the mean values of the finance-related awareness and knowledge about financial planning of the women owners of the SMEs are great than three, which implies a higher level of financial literacy among the women owners of the SMEs as far as the above mentioned two dimensions are covered. However, the application of bookkeeping and accounting knowledge of the women owners in the SMEs is at a poor and unsatisfactory level with the mean value of 2.8352. Consistent with the findings of Andarsari and Ningtyas (2019), the results depicted by Table 4 establishes that the financial literacy level of the women owners of the SMEs is at a lower level, with the overall mean value being 3.0863, in terms of the dimensions of finance related awareness, knowledge in financial planning, bookkeeping and accounting, business terminology, risk management and diversification

**Table 04: Mean values of the dimensions of Financial Literacy construct**

Variable	N	Mean	Standard Deviation
Finance Related Awareness of the Respondents		3.3368	1.02857
Financial Planning Knowledge		3.4058	0.9954
Book Keeping and Accounting Knowledge		2.8352	0.85307
Knowledge about business Terminology		4.1033	0.61603
Knowledge about Risk Management		1.9160	0.7074

Knowledge about Diversification	2.9205	0.7787
<b>Financial Literacy</b>	<b>3.0863</b>	<b>0.7607</b>

## 5. Conclusion

Business owners need to pay more attention and concern to be financially literate not only for the survival and maintenance of their business but also to enhance the quality of their personal life as well. Although about 52 percent of the Sri Lankan population are of women, only 25 percent of the women entrepreneurs are found in the SME sector, which is a condition that calls for greater attention. The present study aimed at studying the level of financial literacy of the women owners of SMEs in Sri Lanka. This study used five dimensions, which are finance-related awareness, financial planning, bookkeeping and accounting, knowledge about business terminology, risk management, and diversification to measure the financial literacy construct of the women owners of SMEs. The results of the study, with the mean value of 3.0863, suggest that a moderate level of financial literacy can be observed in terms of the women owners of SMEs. Moreover, most of the women owners of the SMEs do not engage in formal bookkeeping, accounting adequately, and they are found to be possessing poor knowledge in risk management and diversification. Most of the respondents in the present study understand the use of current accounts for daily cash management, but it is observed that they do not have fully comprehended the importance of preparing a financial reports for analyses of accounting information. More than half of the women owners of SMEs have sufficient and satisfactory knowledge of business terminology, such as credit card, debit card, exchange rate, collateral, annual interest rate, but interestingly they have either little or no knowledge about the stock market investments.

This study can be considered as the one of the pioneering studies that examines the level of financial literacy of women owners of SMEs in Sri Lanka, which thereby would set an important benchmark for further research in the area of financial literacy, financial literacy of SME owners and financial literacy of women SMEs owners in Sri Lanka. Financial literacy is an essential component of knowledge, and therefore it is important to improve the financial literacy of the people starting from primary level education. At the policy level, the government of Sri Lanka can recognize that SMEs are the key drivers of economic growth, and formulate policies focusing on the combined roles of financial literacy and financial access and transaction costs on improving the performance of SMEs. Further, the government can take steps to include basic financial education course units into curricula at school levels and implement special training programmes on financial education, having understood the significance of the business education to succeed in business endeavours, regardless of gender. The private sector, especially financial institutions, along with a favorable institutional framework can achieve a great deal into financial literacy by offering training connected to the products they offer to the markets.

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