

Financial Literacy and Success of Micro Business: Evidence from Small Enterprises in Sri Lanka

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The purpose of this study is to evaluate the level of success of micro business in Sri Lanka through five different dimensions of financial literacy of business owners. Apart from that, relationship was built-up between financial literacy of business owners and financial well-being of their business. A Likert scale questionnaire was administered among 183 micro business owners whom were randomly selected from the Western Province in Sri Lanka. The results show that the variables used to measure the business success have strong correlation with the financial literacy. However, Money, Credit and Debt Management did not have significant correlation with financial strengths. The results also revealed that 53.6% of micro businesses are financially strong and 63.4% of them have a sufficient required rate of return (ROI). In addition to that, 52.5% of the businesses have sufficient short term assets against short term liabilities. Overall mean value of business success is 3.68. Interestingly 94.5% of business owners forecasted that their business will survive for more than the next five years. Mean values which measure the level of financial literacy are recorded as money 3.96, Debt 4.01, Credit 3.97, Risk 3.76 and Investment 3.70. These indicators demonstrate that micro businesses have the potentiality to be success in the future. However the existing level of financial literacy of micro business owners should be improved to achieve sustainable business development.

Keywords: Business Success; Financial Literacy; Micro Business