

THE IMPACT OF FINANCIAL LITERACY ON FINTECH ADOPTION OF SMEs IN SRI LANKA

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1. Introduction

This study examines the impact of financial literacy on adopting fintech by small and medium enterprises in Sri Lanka. Financial literacy, essential for informed financial decision-making, is critical for SME growth, while fintech adoption transforms traditional business operations through technology-based financial services. However, financial Literacy and fintech adoption ratios are challenging for SMEs globally. This study addresses this gap by examining how financial literacy affects fintech adoption among SMEs in this region.

2. Research Methodology

This study used a positivist research philosophy and a quantitative approach. Data was collected using a survey from 63 SMEs in the Western Province through the convenience sampling technique, and a simple linear regression model was used to test the hypotheses. Validity and reliability were assured, and SPSS software was used.

3. Findings and Discussion

The findings indicate that among SMEs in Western provinces, financial literacy substantially impacts the adoption of fintech. The importance of financial literacy on fintech adoption is further supported by the KMO value of 0.845 and Cronbach's Alpha of 0.878, which show appropriate sampling adequacy and strong dependability. Based on these results, the findings proved that enhancing financial literacy among SMEs can boost fintech usage among them.

4. Conclusion and Implications

The findings highlight the critical role of enhancing financial literacy in overcoming barriers to technological innovation in SMEs. These insights guide policymakers in formulating targeted strategies to promote digital financial services and empower businessmen to make informed financial decisions.

Keywords: Financial literacy, Fintech adoption, SME, Sri Lanka, Western province