

The Impact of Financial Literacy on Financial Decision-Making in Business: Evidence from Economic Enterprises of Nuwara Eliya Dedicated Economic Center

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ABSTRACT

Purpose: The purpose of this study is to investigate the significant effect of financial literacy and its impact on financial decision making in business of vendors in Nuwara Eliya Dedicated Economic Center. Further, this study explores the impact of subjective financial literacy, financial knowledge and financial background on financial decision making in business.

Design/Methodology/Approach: The population of this study consisted of 138 vendors in Nuwara Eliya Dedicated Economic Center. A sample of 131 vendors were selected using convenience sampling technique and primary data was collected through a structured questionnaire. The independent variable of the research is financial literacy with the dependent variable being financial decisions. Financial Literacy consists of three dimensions namely, subjective financial literacy, financial knowledge, and financial background whereas the financial decisions are measured by financing decisions, investment decisions and working capital decisions Data was analyzed using the techniques of correlation, regression and ANOVA by using the IBM SPSS Statistics Version 23 Software.

Findings: The results revealed that financial literacy significantly positively impacts on financial decision making of vendors in Nuwara Eliya Dedicated Economic Center. It was further revealed that the vendors who are having a sound financial background or experience in business more than 10 years were successfully managing their business, though they don't have a sound educational background.

Originality: It was revealed that their knowledge on financial matters based on experience has a significant impact on making sound financial decisions. The findings recommend the necessity for effective financial literacy programs focusing especially on financial knowledge to facilitate informed financial decisions of these vendors.

Keywords: *Financial Background, Financial Decisions, Financial Knowledge, Financial Literacy, Subjective Financial Literacy, Vendors*