

The moderating effect of financial literacy on the relationship between cashless banking and the financial performance of SMEs in Sri Lanka

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ABSTRACT

The practice of conducting financial and banking transactions without using cash, banknotes, or coins is known as "cashless banking." This study aims to examine how financial literacy moderates the relationship between cashless banking and the financial performance of small and medium-sized businesses (SMEs) in Sri Lanka. The study employed a deductive approach and gathered data from 380 SMEs spread across Sri Lanka's nine provinces. As SPSS-based analysis, results show financial literacy has a positive and significant moderating effect on the relationship between Sri Lankan cashless banking and SMEs' financial performance. Additionally, the development of SMEs in Sri Lanka is significantly and positively impacted by cashless banking and financial performance. Owners of SMEs may enroll in financial literacy programs offered by organizations that support entrepreneurship to gain the knowledge and skills necessary to make informed financial decisions. The study demonstrates that financial literacy and cashless banking, which encourage effective and efficient utilization of their business operations, are necessary for SMEs to achieve financial performance. Besides, the study highlights the importance of financial literacy in promoting cashless banking, which is necessary for the growth of SMEs in developing economies.

Keywords: Cashless Banking, Financial literacy, Financial Performance, Small and Medium Scale Enterprises, Sri Lanka