

Impact of Financial Literacy on Personal Savings Behavior: The Moderating Effect of Income Levels in Mullaitivu District of Sri Lanka

R.P.D.P.N. Jayamanna^{1,*} and R.M.N.C. Swarnapali²

*Department of Accountancy and Finance, Faculty of Management Studies,
Rajarata University of Sri Lanka, Mihintale, Sri Lanka^{1,2}*

*Corresponding author: piyuminilaksha47@gmail.com

Abstract

This study investigates moderating impact of income level on the relationship between financial literacy and personal savings behaviour among individuals in Mullaitivu District, Sri Lanka, . Mullaitivu, as a post-war and economically underdeveloped district with limited financial inclusion, provides a unique rural context for exploring financial behaviour. There is a lack of literature that has been identified across this area in local and international context. Financial literacy was the independent variable while personal savings behaviour served as the dependent variable. Income level was the moderating variable. The study adopted a quantitative approach and used questionnaire surveys to collect data. The sample was 401 respondents selected through the convenience sampling method. Data analysis applied descriptive statistics, multicollinearity test, correlation analysis, and multiple regression analysis. The results showed a significant positive impact of financial literacy on personal savings behaviour. Out of the three components of financial literacy, saving and investment knowledge were indicated as the strongest predictors. The study recommends context-specific financial education interventions tailored to rural populations. It might be useful to guide targeted interventions such as policy makers, educators, and financial institutions; despite income not moderating, regardless of income, literacy remains central. These insights provide valuable implications for policymakers, educators, and financial institutions aiming to promote financial inclusion and long-term financial well-being in underdeveloped communities.

Keywords: financial literacy, income level, personal savings behaviour