

Impact of Financial Literacy on Farmers' Income: A Study in Anuradhapura District of Sri Lanka

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Abstract

Agriculture remains the primary source of livelihood in many districts of Sri Lanka, especially in Anuradhapura district; however, farmers continue to face significant challenges such as income instability, limited access to financial services, and persistent indebtedness. In this context, financial literacy plays an important role in enabling farmers to make informed financial decisions regarding budgeting, saving, investing, and credit management. This study examines the impact of financial literacy on farmers' income, focusing on five key dimensions: education level, farming experience, budgeting skills, investment knowledge, and credit management. A quantitative research design was adopted, and primary data were collected from a randomly selected sample of 384 paddy farmers using a structured questionnaire. The data were analysed using descriptive statistics, correlation analysis, and multiple regression analysis with the aid of SPSS. The results indicate that all five dimensions significantly and positively influence farmers' income. Among them, budgeting skills emerged as the strongest predictor, followed by investment knowledge and credit management, which contributed through improved financial planning, resource utilisation, and debt management. Education level and farming experience also showed significant positive effects through enhancing decision-making and practical application. Overall, higher financial literacy improves income stability, reduces dependence on informal lending, and strengthens long-term economic resilience. The study contributes to the literature by providing empirical evidence from a rural Sri Lankan context and offers practical implications for policymakers, financial institutions, and development agencies. Targeted financial literacy programs can improve farmers' financial capabilities, leading to sustainable income growth and improved economic well-being.

Keywords: Anuradhapura district, budgeting skills, credit management, farmers' income, financial literacy