

Factors Influencing Financial Literacy among Small and Medium Enterprises

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Abstract: Small and Medium Enterprises (SMEs) become vital to economic development by contributing significantly to employment, trade, and productivity, especially in developing countries like India. As they play an important role, SMEs also face numerous challenges, such as limited access to finance, a lack of capital, and inadequate financial management skills. To overcome these challenges, financial literacy plays an important role that can help overcome these challenges. It can be achieved by enabling entrepreneurs to make well-informed decisions, effectively manage risks, and efficiently utilize financial resources. This study aims to assess the financial literacy levels of SME entrepreneurs in Jaipur, Rajasthan. A structured questionnaire is used to examine how factors such as age, qualification, gender, and profitability influence financial literacy. The findings show a positive relationship between financial literacy and education, age and profitability, suggesting that entrepreneurs with higher educational qualifications and more profitable businesses tend to be more financially literate. Additionally, older entrepreneurs demonstrated better financial literacy, indicating that experience plays a role in financial decision-making. The results highlight the need for targeted financial literacy programs, particularly for younger, less educated entrepreneurs, and for businesses struggling with profitability. Improving financial literacy among SMEs can enhance their ability to secure funding, manage their finances more effectively, and contribute to the sector's overall sustainability and growth. Enhanced financial capabilities on the part of the entrepreneurs of SMEs can enhance financial inclusion and business sustainability. The study emphasizes that financial literacy is essential for promoting SME success, enabling these enterprises to thrive in competitive markets and contribute to long-term economic development.

Keywords: Financial Literacy, SMEs, Entrepreneurs, Access to Finance, Profitability

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