

BUILDING FINANCIAL RESILIENCE

CULTIVATING FINANCIAL
LITERACY FOR SUSTAINABLE
GROWTH

OCTOBER 2025

**MASTER YOUR
MONEY**

*Practical Tips for Personal
Finance Management*

FINANCE OUTLOOK VOLUME 5

**LITERACY
CHALLENGES**

*Determinants and
Policy Directions in
Sri Lanka*

**ESG
INVESTING
INSIGHTS**

Sustainable Wealth Growth



DEPARTMENT OF FINANCE
FACULTY OF COMMERCE AND MANAGEMENT STUDIES
UNIVERSITY OF KELANIYA

FINANCE OUTLOOK

VOLUME 05 OCTOBER 2025

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DEPARTMENT OF FINANCE
FACULTY OF COMMERCE AND MANAGEMENT STUDIES
UNIVERSITY OF KELANIYA





MESSAGE FROM THE HEAD OF THE DEPARTMENT

It is with great pleasure that I extend my warmest congratulations to the Finance Students' Association of the University of Kelaniya on the publication of the fifth edition of Finance Outlook Magazine. The chosen theme, "**Financial Literacy – Building Knowledge for a Sustainable Future,**" is both timely and profoundly relevant in today's dynamic global environment.

Financial literacy is more than understanding numbers and markets; it is a lifelong skill that empowers individuals, communities, and nations to make informed and responsible financial decisions. In an era marked by economic uncertainty, digital transformation, and sustainability challenges, cultivating sound financial knowledge is essential not only for personal well-being but also for fostering resilient and equitable economies.

At the Department of Finance, we are deeply committed to nurturing graduates who combine analytical rigor with ethical responsibility. Through academic excellence, research, and student-led initiatives such as this magazine, we aim to shape a generation of finance professionals who will contribute meaningfully to sustainable economic development locally and globally.

I commend the Finance Students' Association for their dedication, creativity, and intellectual effort in bringing this publication to life. May this magazine continue to serve as a platform for dialogue, learning, and inspiration among our students and the wider academic and professional community. Let us all continue to build financial knowledge today for a sustainable and prosperous tomorrow.

Prof. Ruwani Fernando
Head, Department of Finance
University of Kelaniya

MESSAGE FROM THE EDITOR-IN-CHIEF



We are pleased to present the fifth edition of the “Finance Outlook Magazine” focusing on the theme of “Financial Literacy: Building Knowledge for a Sustainable Future”.

In an era of rapid economic change and global uncertainty, financial literacy has emerged as a vital skill – not only for individual empowerment but also for building a more sustainable and equitable future. As we navigate complex financial landscapes shaped by technology, environmental shifts, and social transformations, understanding how to make informed financial decisions has become crucial than ever.

This edition of our magazine, themed “**Financial Literacy – Building Knowledge for a Sustainable Future,**” explores how financial awareness can drive responsible choices, sustainable investments, and inclusive growth. Through expert insights, inspiring stories, and thought-provoking analyses, we aim to highlight the transformative power of financial education in shaping resilient communities and sustainable economies.

We invite our readers to reflect, engage, and act – because a financially literate society is the foundation of a sustainable future.

Warm Regards,
Ms. P.W.G Madhushani
Editor in Chief

MESSAGE FROM **THE STUDENT EDITOR**

When we first began planning this magazine, there was one key theme that we needed to explore through this opportunity: Financial Literacy, a current and relevant topic for all of us students who are just beginning our careers and our journey toward building financial stability. There are ample stories of people warning us about the challenges caused by financial and career decisions they made in their 20s. The best way to prevent ourselves from making those same mistakes is to build our financial literacy.



With this edition, we have brought our vision to life by meeting with industry leaders and experts to bring you the knowledge needed to build a sustainable and secure financial future. It has been an incredible opportunity for all finance students to learn from the valuable insights of the leaders who shared their experiences and knowledge with us. We are extremely grateful to offer their perspectives and help us expand our understanding.

Let us pay them their due respect and take their advice to heart, because this magazine is not merely an educational project, it is a vision of growing together in our careers and contributing to our country's economy and our university's honour. This effort would not have been a success without our Chief Editor, Ms. Ganga Madhushani and the dedicated Editorial Board, who spent countless sleepless nights bringing this vision to life.

Best Regards,
MS. Methya Thotawatte
Editor





UNIVERSITY OF KELANIYA

A Journey of Excellence and Global Recognition



The University of Kelaniya (UoK) is one of Sri Lanka's leading higher education institutions, recognized for its strong academic foundation, research excellence, and contribution to national development. Guided by its vision to promote knowledge and character, the University continues to nurture students toward academic, professional, and personal success.

Under the leadership of Senior Professor Nilanthi de Silva, the Vice-Chancellor, UoK has strengthened its academic standards, research output, and global reputation. Her leadership has been instrumental in driving the University toward international recognition and educational excellence.

In 2025, the University of Kelaniya proudly celebrates another year of remarkable achievements and global recognition. According to the Times Higher Education (THE) World University Rankings 2025, the University was placed in the 1501+ band worldwide, securing the 3rd position among Sri Lankan universities.

In the Impact Rankings 2024, UoK ranked within the 601–800 global range, excelling in Quality Education (SDG 4), Gender Equality (SDG 5), and Partnerships for the Goals (SDG 17).



FACULTY OF COMMERCE AND MANAGEMENT STUDIES

Established in 1995, the Faculty of Commerce and Management Studies (FCMS) is a leading centre for business education and research in Sri Lanka. It comprises five departments: Commerce and Financial Management, Human Resource Management, Accountancy, Marketing, and Finance. The faculty's achievements, including the ISO 21001:2018 certification for the Department of Commerce and Financial Management, highlight its commitment to quality and innovation.



THE DEPARTMENT OF FINANCE

INTRODUCTION

The Department of Finance (DFin) of the University of Kelaniya stands as a center of excellence in finance education, research, and professional development. Operating under the Faculty of Commerce and Management Studies, the Department plays a vital role in shaping the future of Sri Lanka's financial sector. Since its establishment, the Department has been committed to nurturing highly skilled, ethical, and innovative finance professionals who are capable of navigating the complexities of the modern financial world.

With a strong academic team comprising around 25 lecturers and two non-academic staff members, the Department offers a dynamic learning environment that blends theory with practical exposure. It currently offers four undergraduate degree programs—B.B.Mgt. Honours in Finance, B.B.Mgt. Honours in Banking, B.B.Mgt. Honours in Insurance, and B.B.Mgt. Honours in Financial Engineering—along with postgraduate and professional programs such as the Master of Professional Finance, Diploma and Higher Diploma in Business Finance, and Financial Literacy Certificate Courses. The Department continues to evolve as a leading academic unit dedicated to academic excellence, research innovation, and industry collaboration.



FINANCE STUDENTS' ASSOCIATION

THE PULSE OF THE DEPARTMENT OF FINANCE

INTRODUCTION

The Finance Students' Association of the University of Kelaniya, fondly recognised as FinSK, stands as the beating heart of the Department of Finance within the Faculty of Commerce and Management Studies. Since its inception in 2012, FinSK has blossomed into a vibrant and pioneering student-led body, committed to shaping the academic and extracurricular journey of finance undergraduates.

Through an array of initiatives ranging from signature events and insightful webinars to impactful community projects and industry collaborations, students cultivate teamwork, resilience, and the confidence to embrace real-world challenges.

With a strong digital footprint across LinkedIn, Facebook, and YouTube, FinSK, engages with a broad audience sharing thought leadership, event highlights, and achievements. Guided by the Department of Finance's academic staff, the association ensures its members enjoy a holistic university experience enriched with both academic rigor and practical exposure.

Events and Projects of FinSK

Religious Events

FinSK continues to uphold the value of spiritual and cultural traditions through its annual religious events. The Ashirwada Pooja was gracefully conducted at Kelaniya Raja Maha Viharaya, offering blessings to the new batch of undergraduates as they embark on their academic journey. In addition, the Vesak celebrations were marked with great devotion and unity, featuring the vibrant Vesak Dansala and beautifully illuminated Vesak Lanterns.

Investment Week

“Investment Week” continues to stand as the flagship initiative of the FinSK, carrying forward a tradition established in 2013. Recognised as one of the most impactful events in the Department of Finance calendar, it serves as a platform for knowledge sharing and professional engagement by bringing together undergraduates, academics, and corporate leaders. The program for this year encompassed a range of insightful and impactful activities, including the;

- **Financial Literacy School Outreach Program**
- **The University Academic, Non-Academic, and Administrative Staff Outreach Program**
- **Personal Finance Awareness Session for Undergraduates**
- **The Inter-University Finance Quiz Competition**
- **Banking and Insurance Summit.**



Banking and Insurance Summit

The Banking and Insurance Summit 2025, held as the finale of Investment Week 2025, was organised by the Finance Students' Association, University of Kelaniya, under the theme "Harnessing Financial Literacy for a Resilient Economy". The event brought together industry leaders, regulators, and academics to discuss emerging challenges, digital transformation, and the role of financial literacy in shaping Sri Lanka's financial landscape.



Shilpa A/L Seminar Series

The "Shilpa" A/L Seminar Series, a flagship educational initiative of the FinSK, continues to play a pivotal role in empowering commerce stream students with the knowledge and guidance required to excel in their Advanced Level examinations.

This year, Shilpa '25 was successfully held at the University of Kelaniya, providing students with direct access to the expertise of distinguished lecturers from the Department of Finance.

In addition, the Shilpa Yathra '25 extended this initiative beyond the university premises, reaching out to students across the country.

Through these sessions, participants received valuable insights into subjects such as Business Studies, Economics, and Accounting, together with essential exam-focused strategies.



Fellowship Events

The FinSK continued its tradition of fostering unity and collaboration among undergraduates by organizing key fellowship events during the year. "Pinnacle" was successfully held with the participation of first- and second-year students, offering a platform to engage in interactive activities designed to strengthen relationships and enhance teamwork.

In addition, "CrickFin," the annual cricket encounter, gave an opportunity for both undergraduates and graduates of the Department of Finance to come together in a spirit of sportsmanship and camaraderie.



Talent Show

The FinSK remains committed to nurturing creativity and talent among its members through the annual talent show, “AGORA.” In the year under review, the event was designed for first-year undergraduates, offering them an exclusive platform to highlight their artistic and creative abilities.

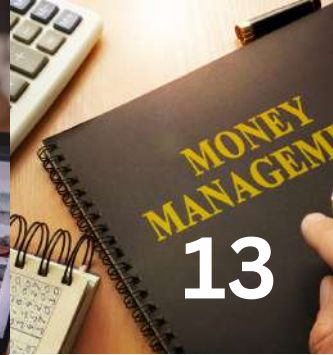


Annual Magazines

Two remarkable publications were launched this year under the banner of the Finance Students’ Association. Mulya Wimasuma 2025, the academic magazine of Shilpa’25, featured expertly reviewed model papers in Accounting, Economics, and Business Studies, prepared by undergraduates and shared widely to empower A/L students. Meanwhile, Finance Outlook 2025, stands as the Association’s flagship publication, themed “Financial Literacy – Building Knowledge for a Sustainable Future” bringing together insights from academia and industry to inspire readers and connect the gap between education and the evolving world of Finance.



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BIOGRAPHY



MR. NANDIKA BUDDHIPALA

Nandika has over 35 years post qualifying experience in the Banking, Telecommunication and Audit & Assurance industries. He is a current Council Member of the University of Sri Jayewardenepura and former Council Member of the University of Colombo. Nandika is a Board Member & Trustee of the Chartered Institute for Securities & Investment, UK and the Chairman of the CISI National Advisory Committee, Sri Lanka. He was the Chief Financial Officer of Commercial Bank of Ceylon PLC until May 2025 having worked as the CFO over 17 years. He was the Chairman of the ACCA Member Network Panel – Sri Lanka, President of the National

Chamber of Commerce (NCCSL) and a Vice President of Organization of Professional Associations of Sri Lanka (OPASL). He is a current member of Study Boards of MSc in Financial Mathematics and BSc in Financial Engineering, Mathematics Dept of the University of Colombo and a member of the ACCA Global Forum for Education. He is the current Chairman of the Banking, Finance & Insurance Committee of CMA Sri Lanka and a member of the CMA Management Accounting Standards Board. He is also a current member of the Financial Reporting Standards Interpretation & Implementation Committee (FRSII) of the CA Sri Lanka. Nandika was a Member of the Governing Council of National Institute of Business Management (NIBM) and Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB).

Mr. Nandika Buddhipala

Former CFO of Commercial Bank of Ceylon PLC

BSc, MSc, MBA, M.A., PGDip, FCA, FCCA (UK),

MCISI (UK), FCMA, CMA (Aust.), F FIN (Aust.),

IMA (USA)

Financial Literacy: The Foundation of a Resilient Banking System

Financial literacy has become a central topic in modern banking, influencing everything from customer engagement to financial stability. To start off, how would you describe its importance to the banking environment?

In the banking environment, basically, what we do is sell financial products. When dealing with financial products, financial literacy is crucial for individuals who engage in this field. It's two ways: the people who sell the product, and the people who buy and enjoy the benefits of the product need to have some understanding about financial literacy.

When it comes to financial products, it's slightly different to other products. If we consider consumables, it's not directly related to finance as a product. However, what we do in the finance industry is accept deposits and sell loans and advances, which are financial products. When you look at all the aspects, rather than any other industry, when it comes to the finance and banking sectors, it's going to be immensely important for us to have some understanding about finance, and financial literacy is going to be extremely important for the finance and banking industries to move forward in Sri Lanka, as well as the other parts of the world.



Then, when you examine the current context, most banks have more liquidity than the requested level. Under previous requirements, maintaining a liquidity ratio of 20% was mandatory, although the measurement is different at present. While banks hold nearly 30% to 40% of their assets in liquid form.

Even for banks and individuals who invest in liquid assets, it is essential to be aware of their financial literacy and the potential pitfalls as well as the benefits they can receive. Not only lending, but also sometimes investing in their portfolio.

Further, when we look at the equity side of Sri Lanka, the market capitalization as a percentage of GDP is running into around 19%. Most financial intermediate action takes place through the finance sector. When you look at the total assets of the finance sector in Sri Lanka as a percentage of GDP, it's fairly significant, likely accounting for more than 100% of the GDP during 2021.

When examining the statistics of the finance sector, specifically the banking sector, it is fairly large compared to non-banking financial institutions, which are comparatively smaller. Therefore, in the banking sector, it will be extremely important for banking personnel to understand financial literacy. However, they are also disseminating that knowledge to other customers and stakeholders in the banking sector. The quality of the credit underwriting plays a pivotal role in determining the performance of the banking sector and the economic performance of the country which required the essentials of financial literacy.

Why do you think financial literacy is essential for customers and businesses when dealing with financial institutions like a commercial bank?

The finance sector is heavily involved in creating and offering financial products, making the importance of financial literacy in this industry significantly greater than in many others.

When examining financial literacy, several key components fall under its umbrella. The first is financial knowledge, which involves both theoretical and practical understanding. The second is financial behavior, and the third is financial attitude.

Interestingly, recent research has shown that having only financial knowledge is not sufficient.

Sometimes, even when people possess the right financial knowledge, if their attitude and behaviour are not aligned, they fail to take full advantage of what they know, since these elements are closely interlinked.

If people can apply what they know in practice, they can make more rational financial decisions and avoid the mistakes seen in past crises, such as the 2008 financial meltdown. Although Sri Lanka wasn't directly affected, global markets, especially in the US and Europe, suffered due to failures in the banking sector, and those effects spilled over into the entire marketplace and other economies. Yet, similar issues continue to emerge, even in 2023, as several banks faced collapse, showing that lessons have not been fully learned.

The finance and banking sectors are vital to economic stability, and instability in these areas can have a profound impact on the entire economy. That is why financial literacy is quite important, not just for professionals but also for customers

What can be done to encourage more responsible financial behaviour among consumers, especially in the age of credit and digital finance?

Financial literacy encourages financial inclusion. In Sri Lanka, access to finance is generally good, with 86% of youth (15-24 years old) having bank accounts according to the Financial Literacy Roadmap of Sri Lanka (2024-2028). Digitalization has helped financial inclusion globally.

However, the other side is that digitalization allows people to access finance quickly and jump into decisions like taking loans or digital products. The speed of transactions can be detrimental to financial stability in addition to the poor management of interest rate risk and lack of deposit insurance. For example, during the 2023 bank failures (like Silicon Valley, Silvergate, First Republic, Signature Bank of New York, etc), the deposit run took place extremely rapidly than historically. Earlier, this process took much longer. Now, with digital platforms, you can withdraw your money in seconds without restrictions. Another concern is products offered outside the banking system by unregulated bodies. Some platforms operating illegally in Sri Lanka offer money without proper evaluation of creditworthiness, leading to trouble when they use illegal methods to recover the money. Given these pluses and minuses, it's very important to have financial literacy as part of your overall understanding.

In a rapidly changing financial world, with digital payments, AI and sustainability becoming key themes, what skills or mindsets do you think the next generation of financial professionals should develop to stay ahead?

The most important skill is going to be not only financial knowledge, but how you apply that financial knowledge when it comes to making financial decisions.

The most important skill is going to be not only financial knowledge, but how you apply that financial knowledge when it comes to making financial decisions.

In a global context, consider the scale of the S&P 500, which includes the world's largest companies. Currently, two companies, Nvidia and Microsoft, have surpassed the market capitalization of over USD 4 trillion. When we look at standard ratios, Nvidia's book-to-market ratio is about 50 45 times. Microsoft's P/E ratio is also around 37 times. The Magnificent 7 companies account for more than 1/3 of the market capitalization of S&P 500 companies now leaving only 2/3 for other 493 companies within S&P 500.

Nvidia is one of seven companies driving this growth. My understanding, as well as that of other researchers and economists, is that the massive investments flowing into companies like Nvidia, Microsoft, Amazon, Google, Meta, Apple and Tesla point to the possibility of a certain bubble. Their belief is that AI will generate a huge amount of value. These seven companies are spending trillions of dollars on AI. According to The Economist, 6 Big Techs and 3 AI Startups are expected to spend \$ 350 to \$ 425 billion in each year of 2025, 2026 and 2027.

As the former CFO of one of the leading banks in Sri Lanka, what have you personally learned about the value of financial literacy throughout your career?

The journey of financial literacy is ongoing. I had multiple formal qualifications, including a BSc, MBA, MA in Financial Economics, MSc in Financial Mathematics, and was a Chartered Accountant (FCA, FCCA, FCMA, CMA), prior to joining the bank. Yet I still found that my financial literacy needed development, and I am still pursuing my PhD in Economics.

My understanding, gained from affiliations, is that continuous lending into products that create high household indebtedness can put the bank at risk. I was involved in disseminating financial literacy, for example, as President of the National Chamber of Commerce, visiting regional chambers. During the Covid-19 pandemic, we established an SME Task Force of CA Sri Lanka comprising 100 chartered accountants who supported the sector free of charge. My frequent interactions with the global investor community attending investor conferences initiated by CTCLSA, Auerbach Grayon, Herms Investment, Credit Suisse, CSE + SEC, London Stock Exchange, Merrill Lynch, Citi NA, etc; throughout the world including New York, London, Boston, Bangkok, India, Singapore, Hong Kong, Edinburgh, etc interactions with academia, rating

agencies, multi-lateral and agencies like International Finance Corporation (IFC), Asian Development Bank (ADB), Deutsche Investitions(DEG), British International Investments (BII), PROPARCO, US International Development Financial Corporation (DFC), etc immensely enhanced my understanding of the role of a CFO of the largest private bank in Sri Lanka. I believe Financial Literacy is intertemporal subject where it's a life-long learning during our entire life-span. As a CFO of a Bank, you need to understand the evolving risks and need to get prepared for pitfalls and solutions.

All these interactions demonstrate the importance of understanding financial risk literacy and its various components in addressing numerous issues. The economic impact can be very high when big corporations do something wrong. Therefore, good understanding on emerging Sustainable Financial Literacy is absolutely important.

What message would you like to share with university students and young professionals?

You need to have some understanding of what is going on in the world.

- 1. Read the Literature:** *Be exposed to top-class world journals, such as the European or American Finance and Economic Association journals, and read as much as possible.*
- 2. Multidisciplinary Skills:** *You need a sound math knowledge; without math, it will be extremely difficult to grasp some essential subject matters. Interdisciplinary and multidisciplinary subjects are key, as some finance concepts came from physics.*
- 3. IT Skills:** *Python, machine learning, and other IT skills are going to be extremely important, but you need to use them correctly.*
- 4. Local Context:** *There is a discussion that financial literacy will be introduced to the local school syllabus in Sri Lanka, which is a very big move.*
- 5. Global Engagement:** *Attendance of forums like the Royal Economic Society, or American Economic Association conferences are important to widen your professional horizon.*



A Guide to Manage Your Personal Finances



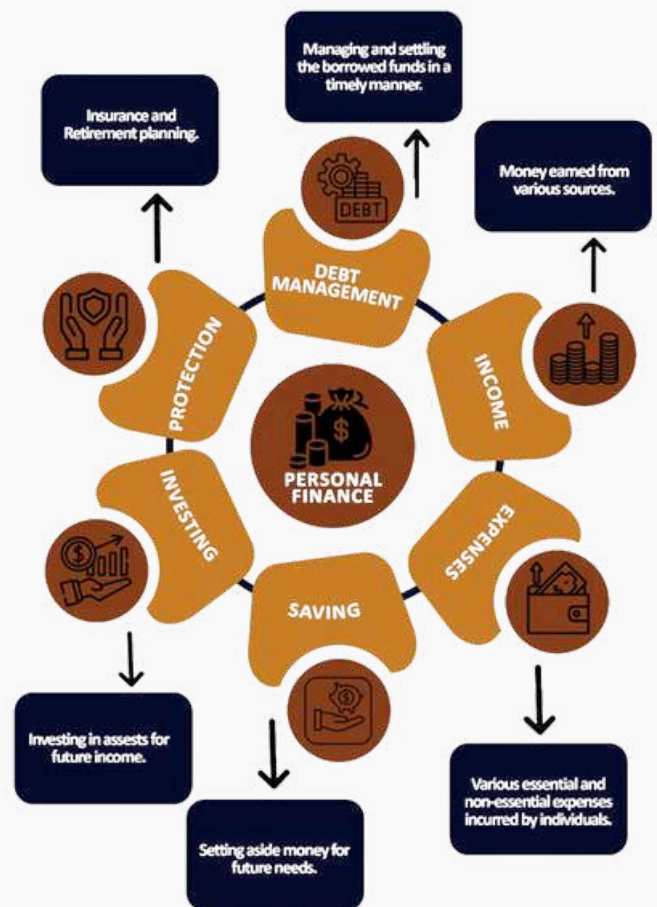
Managing personal finances is a skill that directly impacts our quality of life, future security, and peace of mind. In an age where financial products are abundant and expenses can easily outpace income, learning how to take control of your money is more important than ever. Whether you are just starting your career, raising a family, or planning for retirement, understanding the basics of personal finance helps you make informed decisions and avoid unnecessary financial stress.

This article outlines essential practical steps and strategies for managing personal finances effectively, covering budgeting, saving, investing, and preparing for emergencies.

Why does personal financial management matter?

Many people think of money management as restrictive or complicated. However, in reality, it's about having a life full of financial freedom. When you know where your money goes and how to make it work for you, your stress is reduced, you can avoid debt traps, and at the same time, you can build the ability to pursue your financial goals, such as traveling, buying a home, or retiring comfortably. Without proper planning, even a high income can vanish, leaving monetary chaos. With a well-disciplined financial management plan, even your modest earnings can grow into significant wealth over time.

The following steps showcase how to develop such a plan to manage your personal finances.



1. Start with financial awareness

The first step in managing finances is developing awareness of your current financial situation. Ask yourself the following simple questions

- How much money do I earn each month after taxes?
- What are my essential expenses such as: food, housing, transportation, and utilities?
- What debts do I have (such as credit cards, loans, mortgages)?
- Do I have savings, or do I save regularly?
- Do I have investments, or do I invest regularly?

Tracking every expense for one to two months will be eye-opening to understand your spending patterns and financial position. For this purpose, you can use a mobile app or a simple spreadsheet sheet or even a small notebook. You might notice how large daily or monthly expenses or impulse buys are being added up over time. At the end, you need to understand all your income avenues and values, expense categories in terms of essential and non-essential, and capabilities for savings and investments.

This awareness will create the foundation for change, which will lead to proper management of finances.

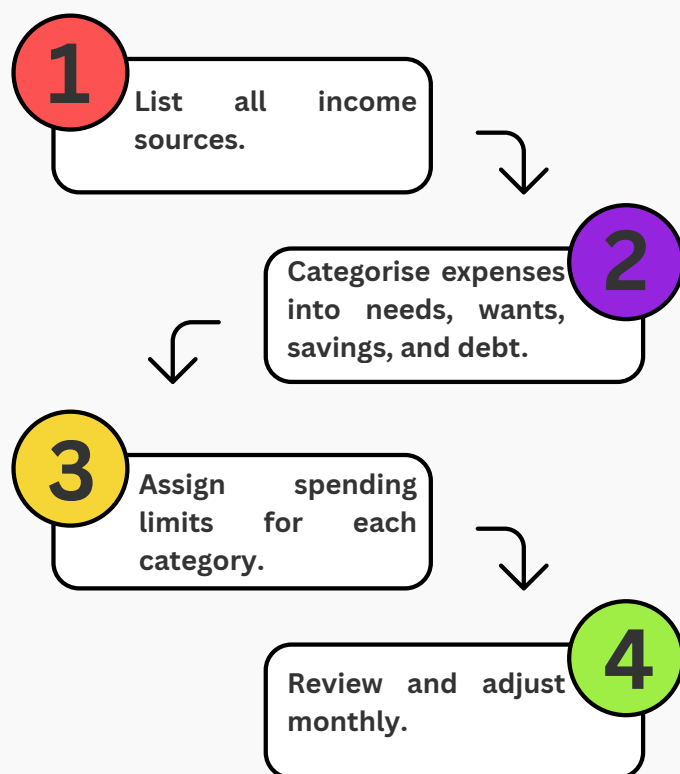
2. Build a practical budget for your personal finances

A budget is not about restricting your life, but it's about showing your money where to go instead of wondering where it went.



Ask yourself

Steps to create a budget:



Budgeting is not a one-time activity. It is an ongoing process of balancing the priorities of your life over time.

When assigning spending limits for your expense categories, you can use the **50/30/20 rule**, which is one of the most popular methods used worldwide. Accordingly you can limit your spending as follows:

50% for essential needs (rent, food, bills, minimum debt payments)

30% for other wants (dining out, entertainment, hobbies)

20% for savings and debt repayment

However, you can adjust the percentages depending on your priorities and your level of income. Someone focused on becoming debt-free might allocate 30% to debt repayment and reduce the wants category, or someone may allocate 50% to savings and investment, compromising the other two categories.

3. Create an emergency fund: your safety net



Life is unpredictable. Medical bills, car repairs, or sudden job losses can happen at any time. Without preparation, people often rely on credit cards or loans, leading to long-term financial strain.

An **emergency fund** acts as your financial shield. Ideally, aim to save **3 to 6 months of living expenses** in a separate, easily accessible savings account. Start with a small amount. Over time, when you develop your financial discipline, it will become easier to save more. Make it a need in your budget, and do necessary allocations. Even Rs. 1000 can prevent financial disaster in a crisis.

4. Manage your debt wisely



Debt is one of the biggest barriers to financial freedom. However, not all debt is bad, such as student loans or mortgages that build long-term value. Debt is a valuable source of financing in fulfilling any essential, important requirement of your life and achieving life goals. A financially literate person manages debt wisely by acquiring it at the right time and making timely repayments, which should be included in the personal budget.

On the other hand, high-interest debt like credit cards can destroy wealth quickly. If you are already having many debts, the following **strategies can be used to manage debt:**

- **Snowball method:** Pay off the smallest debt first for psychological wins, then move to larger ones.
- **Avalanche method:** Focus on paying off the highest-interest debt first to minimise total interest paid.

If you have a huge credit card bill to be settled, always make at least the minimum payment to avoid penalties. At the same time, avoid taking on new debt unless necessary.

5. Saving and investing for the future

Saving protects you in the short term, but investing grows your wealth in the long term. Inflation slowly erodes the value of cash, so investing ensures your money works for you.

Short-term savings: Establish clear savings goals and include them in your budget. For goals less than 1 year (emergency fund), use a separate savings account for each goal, which showcases the level of achievement. For goals within 1–3 years (vacation, new car), keep money in separate savings accounts and transfer them to fixed deposits time to time, like every 3 months, and then transfer to longer fixed deposits upon maturity.

Automate your savings using smart banking services where saving becomes effortless.



Investing: Investing will generate income in the future, build your wealth, help to fund your retirement, or even help to achieve your financial goals in the future. However, the risk associated with investments needs to be clearly identified and understood, with sound strategies used to manage risks. Simple examples for investments are: fixed deposits, real estate, purchase assets, investing in the stock market, treasury bills and bonds, retirement plans, or starting your own business venture.

A rule of thumb to remember is to start investing early, even with small amounts in the easiest accessible investment opportunity. The risk of investments can be minimized by diversifying your investments among different investment options rather than investing all your money in one place.



6. Retirement Planning

It may seem far away, but planning for retirement should start as early as possible. The sooner you begin, the more you benefit from compounding returns, where you earn returns on returns continuously by re-investing. If you are not eligible for a pension plan through your employer, initiate your own retirement plan without any delay. You can use diversified investments to balance risk and reward.

A general goal is to replace **70% to 80% of your pre-retirement income** for a comfortable lifestyle after you stop working for a living.

7. Use insurance to protect your valuable assets

Financial planning is not just about saving and investing. It's also about protection as well. Insurance shields you and your loved ones from financial ruin in the face of emergencies. It is a way of covering risks. The following are key types of insurance to consider:

Health insurance: Covers medical expenses, **Life insurance:** Provides for dependents if something happens to you, **Home insurance:** Covers damage or theft, **Motor insurance:** Covers the damages caused by accidents.

Paying premiums frequently may feel like an expense, but the financial security provided by insurance is invaluable.



8. Tips to manage your personal finances

- Explore more income-earning avenues and create passive income where no active work is required.

“You become financially free when your passive income exceeds your expenses.”

- **Practice smart spending habits:**
 1. Differentiate between wants and needs before making a purchase.
 2. Wait 24 hours before buying non-essential items to avoid impulse spending.
 3. Use cash or debit instead of credit cards for discretionary spending.
 4. Take advantage of discounts and loyalty programs only on true requirements; do not let discounts lead your purchase decisions. Go for second-hand options when possible.

- **Small savings, when consistent, add up over time** to meet larger financial requirements.
- **Stay with the budget** that showcases the flows of your money. Plan, review, and adjust according to the requirements and changes.
- **Debt is an enemy only when it is not used wisely.**
- **Money has a value that can be added up over time.** Invest your money in the way it works for you. Money is not your god but your slave.

Managing personal finances is not about perfection. It's about progress. Every step you take toward financial discipline, whether it's saving a small amount, paying off a debt, or creating a budget, builds momentum. Over time, these actions compound, giving you financial stability, independence, and the ability to achieve your dreams.

By developing awareness, setting priorities, and following a structured plan, anyone can achieve financial confidence. Money, when managed wisely, is not merely a tool for survival but a foundation for building the life you desire.

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03

INTEGRATING FINANCIAL EDUCATION INTO SCHOOL CURRICULA: A PATH TO ECONOMIC EMPOWERMENT



In today's complex economic environment, financial literacy has emerged as a crucial life skill that enables individuals to make informed and responsible financial decisions. Schools play a central role in equipping young learners with knowledge about budgeting, saving, investing, and managing credit, thereby preparing them to navigate real-world financial responsibilities. By integrating financial education into the school curriculum, educational institutions not only enhance personal financial well-being but also contribute to the development of financially responsible citizens and promote long-term economic stability.

In today's complex economic environment, financial literacy has emerged as a crucial life skill that enables individuals to make informed and responsible financial decisions. Schools play a central role in equipping young learners with knowledge about budgeting, saving, investing, and managing credit, thereby preparing them to navigate real-world financial responsibilities. By integrating financial education into the school curriculum, educational institutions not only enhance personal financial well-being but also contribute to the development of financially responsible citizens and promote long-term economic stability.



Developing financial literacy at a young age empowers students to exercise autonomy and gain control over their personal lives. When learners understand key financial principles, they are better positioned to set realistic objectives and pursue long-term goals, such as saving for higher education, purchasing a vehicle, or investing in home ownership.

This progression from knowledge acquisition to practical application strengthens decision-making capabilities and cultivates confidence and self-efficacy, which are essential for achieving financial independence and responsible adulthood.

Moreover, embedding financial education in schools helps address broader social and economic inequalities. By providing all students with access to essential financial skills, such as budgeting, saving, and wealth management, schools can support learners from diverse backgrounds in attaining financial stability. In this way, financial literacy serves as a tool for promoting social mobility and reducing socioeconomic disparities, linking personal empowerment with broader societal benefits.

However, despite its recognised importance, financial literacy among young people remains insufficient worldwide. Many students still struggle with poor money management, high debt burdens, and limited financial autonomy in adulthood. This shortfall is often due to the neglect of financial education within school curricula or its delivery in an unstructured and impractical manner, constrained by overcrowded programs and a lack of trained teachers. As a result, students frequently enter adulthood unprepared for the financial challenges they will inevitably face, underscoring the urgent need for comprehensive, accessible, and integrated financial education programs that connect theoretical knowledge with practical application.



Financial education, often referred to as financial literacy, encompasses the knowledge, skills, and attitudes necessary for making informed and effective decisions regarding personal finances.

It equips individuals with the ability to understand and manage various aspects of their financial lives, including budgeting, saving, investing, credit management, insurance, and taxation. By providing students with a foundational understanding of these core topics, financial education aims to foster responsible financial behavior, enhance decision-making capabilities, and promote long-term economic well-being. The scope of financial literacy extends beyond theoretical knowledge, emphasizing practical applications that enable individuals to navigate complex financial systems with confidence and independence.

The significance of financial literacy becomes evident when considering its impact on students' personal and future financial stability. Through the acquisition of essential knowledge and practical skills, students are better prepared to budget responsibly, save consistently, and make informed decisions regarding credit and investments. These individual benefits extend to the broader economy, as financially literate individuals are less likely to engage in behaviors that lead to debt accumulation or financial mismanagement.

Moreover, early exposure to financial education can reduce costly mistakes in adulthood, fostering a generation capable of navigating complex economic environments with prudence and confidence. This importance underscores the necessity of integrating financial education systematically into school curricula.





However, the integration of financial literacy within school curricula varies considerably across countries due to differences in educational priorities, resources, and policy frameworks. In some nations, such as the United States and Australia, financial literacy is offered as a standalone course, providing structured content and dedicated instructional time to develop students' understanding of personal finance. In other contexts, including Finland and Singapore, financial education is embedded within subjects such as mathematics, economics, or social studies, enabling students to apply financial concepts alongside broader academic learning. Effective programs also consider age-appropriate content, introducing foundational concepts such as saving allowances and classroom budgeting exercises in primary education, and gradually progressing to more complex topics, including investing, taxation, and credit management in secondary schooling. By aligning curriculum design with developmental stages, students can acquire foundational skills early and gradually build the sophistication required to make informed, real-world financial decisions.

To ensure these curricular goals translate into tangible skills, financial education programs combine theoretical instruction with practical learning experiences. Traditional classroom lectures provide foundational knowledge, while interactive lessons such as group discussions, debates, and case studies encourage critical thinking and real-world application. Practical activities, including classroom budgeting exercises, managing mock bank accounts, or participating in stock market simulations like the “Stock Market Game” in the United States, allow students to experience the consequences of financial decisions in a controlled environment. Furthermore, technology-based learning tools, such as mobile apps like “Bankaroo” or “PiggyBot”, online games like “Financial Football”, and interactive platforms like Singapore’s “MoneySense” program, enhance engagement and knowledge retention. By combining multiple teaching methods, schools can address diverse learning styles and create a more comprehensive financial literacy experience, thereby linking classroom knowledge to practical financial competencies.



Empirical research further reinforces the need for such integrated approaches. Studies demonstrate that financial education significantly improves students’ knowledge, though its impact on behaviour is comparatively moderate. Meta-analyses of school-based programs, such as those conducted by the ifo Institute, indicate that students’ understanding of financial concepts can increase by approximately +0.25 to +0.33 standard deviations, while actual changes in financial behaviours such as saving, budgeting, or responsible borrowing typically increase by only +0.05 to +0.07 standard deviations. This discrepancy suggests that while students acquire theoretical knowledge, translating it into consistent financial behaviour requires reinforcement and experiential learning. Case studies, such as those from Junior Achievement programs in the United States, illustrate that students often gain confidence in financial decision-making, yet still struggle to consistently apply these skills in real-life scenarios. These findings highlight the importance of connecting theoretical instruction with practical activities to foster meaningful behavioural outcomes.

Building on these insights, schools are encouraged to adopt a multi-faceted approach to financial education that emphasises both knowledge acquisition and application. Integrating financial literacy across multiple subjects, including mathematics, economics, and social studies, reinforces learning through diverse contexts. Introducing financial education in primary school ensures students develop foundational skills in budgeting, saving, and money management, which can be expanded in secondary education to include investing, credit management, and risk assessment. Beyond formal lessons, extracurricular activities such as financial clubs, competitions like the National Personal Finance Challenge in the United States, and community-based projects provide students with opportunities to apply their knowledge in authentic scenarios. Incorporating technology through interactive apps, simulations, and online platforms enhances engagement and practical understanding. Additionally, teacher training and parental involvement are critical, ensuring educators are prepared to deliver content effectively and that students receive consistent support beyond the classroom. Together, these strategies foster not only knowledge but also confidence and skills necessary for lifelong financial competence.



Looking toward the future, the evolution of financial education will increasingly depend on innovative methods and supportive policies.

Technology and digital finance tools, including mobile applications, online simulations, and interactive platforms, allow students to engage with complex financial concepts in accessible and personalised ways. Policy initiatives are also essential; countries such as Australia and the United Kingdom are moving toward making financial literacy a mandatory component of school curricula to ensure equitable access to financial knowledge. Moreover, curricula must address emerging topics, including digital currencies, online banking, sustainable investing, and responsible credit use, preparing students to navigate an increasingly complex financial environment. By combining technological integration, proactive policy measures, and forward-looking content, schools can equip students with the competencies needed to meet both current and future financial challenges with confidence and resilience.



In summary, financial education is an essential component of school curricula, providing students with the knowledge, skills, and attitudes necessary to navigate both present and future financial environments. As discussed, its integration across subjects, combined with age-appropriate content, practical exercises, and technology-based learning, fosters both theoretical understanding and the development of real-world financial competencies. Empirical research highlights that while financial education substantially increases knowledge, translating this into consistent behavioural change requires reinforcement through experiential learning, extracurricular engagement, and supportive involvement from teachers and parents. Furthermore, policy initiatives that mandate financial literacy and address emerging topics such as digital banking and sustainable investing are critical to ensuring equitable access and relevance in a rapidly evolving economic landscape. By linking foundational knowledge, practical application, and forward-looking strategies, financial education equips students not only to make informed and responsible decisions but also to contribute to broader economic stability, demonstrating its vital role in preparing the next generation for lifelong financial resilience.

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THE FUTURE OF FINANCE

INTEGRATING INVESTMENT, RISK, ESG, AND SUSTAINABILITY



The Evolving Landscape of Corporate Finance

Corporate finance has traditionally focused on the optimisation of capital structure, investment decisions, and shareholder value creation. However, in the contemporary financial landscape, investment strategy, risk management, and sustainability have become deeply intertwined. The growing influence of Environmental, Social, and Governance (ESG) considerations has redefined financial decision-making, aligning corporate strategies with global sustainability goals. For professionals, students, and policymakers alike, the intersection of finance, risk, and ESG represents both opportunities and challenges. This article explores how corporate finance, investment, risk management, ESG, and sustainability interrelate, and why their integration is critical in shaping resilient and responsible businesses.

Corporate Finance: The Traditional Core

Corporate finance encompasses decisions around capital raising, capital allocation, and dividend distribution (Brealey, Myers, & Allen, 2020). **The objective has often been to maximise shareholder wealth.**



Central to this function are three key pillars:

1. **Investment Decisions** – Determining which projects generate optimal returns relative to risks.
2. **Financing Decisions** – Choosing between equity, debt, and hybrid instruments.
3. **Dividend Policy** – Balancing reinvestment with shareholder pay-outs.

These areas remain foundational. However, financial leaders are now confronted with an expanded definition of value creation that extends beyond shareholders to include stakeholders—employees, communities, regulators, and the environment.

Investment Strategy in a Changing World

Investment strategy today requires balancing financial returns with long-term societal impacts. Investors increasingly consider ESG metrics alongside financial indicators. According to a PwC (2022) survey, over 80% of institutional investors now integrate ESG factors into their decision-making.

Key trends include:

- **Sustainable Investing:** Funds directed toward renewable energy, green bonds, and circular economy initiatives are gaining momentum.
- **Private Equity and Venture Capital:** Firms are shifting capital toward start-ups focused on climate technology, digital inclusion, and sustainable supply chains.
- **Impact Investing:** Unlike traditional investments, these seek measurable positive social or environmental outcomes alongside returns (GIIN, 2021).

Risk management remains a cornerstone of finance, but the risk universe has evolved. Classical financial risks—credit, market, liquidity, and operational—are now compounded by ESG-related risks such as climate risk, reputational damage, and regulatory noncompliance.

Risk Management: Navigating Complexity

For finance students, this represents a paradigm shift: traditional net present value (NPV) models are now being adapted to include carbon pricing, social cost assessments, and ESG premiums.

1. **Climate Risk:** The Task Force on Climate-Related Financial Disclosures (TCFD, 2017) highlights transition and physical risks—ranging from stranded assets in fossil fuels to extreme weather events disrupting operations.
2. **Regulatory Risk:** Governments globally are mandating stricter disclosure standards, as seen with the EU's Sustainable Finance Disclosure Regulation (SFDR).
3. **Reputational Risk:** Social media and stakeholder activism amplify the cost of corporate missteps.

Financial institutions increasingly adopt Enterprise Risk Management (ERM) frameworks that integrate ESG. For instance, banks now conduct climate stress tests alongside traditional credit risk assessments.





ESG: Beyond Compliance to Value Creation

Environmental, Social, and Governance (ESG) considerations were once peripheral, often viewed as compliance obligations. Today, they are central to corporate strategy. Research suggests that companies with strong ESG performance often exhibit lower cost of capital and higher long-term resilience (Friede, Busch, & Bassen, 2015).

- **Environmental:** Includes carbon emissions reduction, resource efficiency, and biodiversity protection.
- **Social:** Encompasses employee welfare, diversity, community engagement, and human rights.
- **Governance:** Relates to ethical conduct, board independence, and shareholder rights.

For professionals, ESG is not merely a risk mitigation tool but a driver of innovation. For example, firms investing in renewable technologies not only reduce environmental risk but also unlock new revenue streams.

Sustainability in Finance

Sustainability represents the long-term alignment of financial strategy with planetary and social boundaries. It moves beyond ESG metrics toward embedding sustainability at the core of value creation.



The United Nations' Sustainable Development Goals (SDGs) provide a global framework, and many corporations align their reporting and strategy with these goals (UN, 2015).

In finance, this manifests as:

- **Green Finance:** Issuance of green bonds reached \$500 billion in 2021, funding projects such as renewable infrastructure (Climate Bonds Initiative, 2022).
- **Sustainable Banking:** Financial institutions adopt principles of responsible banking, ensuring credit flows to sustainable sectors.
- **Integrated Reporting:** Companies increasingly disclose not only financial but also environmental and social performance (IIRC, 2021).

For students and academics, sustainability in finance raises critical questions: **How do we redefine return on investment in a way that incorporates ecological and social resilience?**

For practitioners, it offers a roadmap for long-term competitiveness.



Integration: The Convergence of Finance, Risk, ESG, and Sustainability

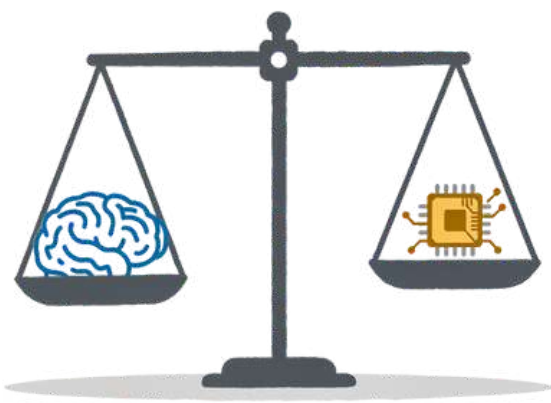
The convergence of corporate finance, investment, risk management, ESG, and sustainability reflects the evolution of financial thinking. Instead of being siloed functions, they form an integrated strategic framework:

1. Corporate Finance as the Foundation – Setting capital structure and return expectations.
2. Investment as the Engine – Directing capital toward sustainable and profitable ventures.
3. Risk Management as the Safeguard – Protecting value against both financial and non-financial risks.
4. ESG as the Compass – Guiding decisions in line with ethical, social, and environmental imperatives.
5. Sustainability as the Destination – Ensuring long-term resilience and shared value creation.

This integration is not theoretical—it is operationalised by global corporations. For example, Unilever embeds sustainability into capital allocation, linking executive pay to ESG performance metrics (Unilever, 2021).

Policy and Regulatory Implications

For policymakers, the intersection of finance and sustainability is crucial in achieving climate and development goals. Regulatory developments include:



- Carbon Pricing Mechanisms: Adoption of carbon taxes and cap-and-trade systems.
- Mandatory ESG Disclosures: The International Sustainability Standards Board (ISSB) is pushing for global reporting consistency.
- Green Taxonomies: Classifying which economic activities can be labelled as sustainable, reducing risks of greenwashing.

Policymakers and academics must collaborate to design frameworks that balance economic growth with ecological limits.

Future Outlook: Opportunities and Challenges

The future of finance will be shaped by how effectively ESG and sustainability are integrated into traditional models. Key themes include:

- **Technology Integration:** AI and big data enable ESG analytics and climate scenario modelling.
- **Stakeholder Capitalism:** A shift from shareholder primacy toward broader stakeholder engagement.
- **Global Coordination:** International cooperation is essential to avoid regulatory fragmentation.

Challenges remain, particularly around standardisation of ESG metrics, balancing short-term pressures with long-term goals, and ensuring that sustainability commitments translate into real impact.

Conclusion

Corporate finance is undergoing a profound transformation. Investment strategies, risk management frameworks, and corporate reporting are increasingly shaped by ESG and sustainability considerations. For students, this represents an opportunity to master a new financial paradigm. For professionals, it demands adaptation and innovation. For policymakers, it necessitates crafting enabling environments. Ultimately, the integration of corporate finance, investment, risk management, ESG, and sustainability is not optional— it is the pathway to long-term resilience, competitiveness, and global well-being.



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TOWARDS FINANCIAL PREPAREDNESS: DEVELOPING A "FINANCIAL LITERACY TOOLKIT" FOR STUDENTS

BACKGROUND

In today's rapidly changing financial prospect, financial literacy has never been more important. It is no longer a skill reserved for students of business or those entering the banking sector; rather, it is a necessary life skill that one must learn regardless of one's course of study. In Sri Lanka, the current socio-economic context highlights the imperative, as does the provided opportunity of making financial literacy education a part of our university system.

The recent surveys provide a mixed picture regarding the degree of financial literacy in Sri Lanka. The 2021 Financial

Literacy Survey, conducted by the Central Bank of Sri Lanka (CBSL) with global cooperation, indicates that close to 58% of the nation's adults are financially literate. Despite this modest progress, the remaining 42% of adults are lacking in important financial knowledge and hence continue to be open to making poor decisions and being exploited. However, these results may have slightly changed in the current context.

Recognising this lacuna, the CBSL has also gone out of its way to make financial education in the country more comprehensive. Importantly, in 2025, it launched a seven-module Financial Literacy Curriculum on prominent themes such as personal finance, financial management of SMEs, digital finance, consumer protection, and tax literacy. This is followed by the Certified Trainer in Financial Literacy (CTFL) Programme (in collaboration with the Department of Finance, University of Kelaniya), which tries to develop a force of trainers who could carry out financial literacy programmes all over the country. Moreover, the CBSL has declared a Financial Literacy Month, backed by media publicity, educational videos, and outreach programmes aimed at raising awareness among different segments like women, youth, and entrepreneurs. These initiatives demonstrate a clear institutional commitment to economic literacy. But the ubiquity of financial dishonesty and deception suggests that far more is needed to be done.



KNOWLEDGE GAPS AMONG THE EDUCATED CLASS

Ironically, some of the most visible examples of financial recklessness in Sri Lanka have been committed by the so-called "educated" class. Investment scams, pyramid schemes, and illegal deposit-taking schemes have cheated thousands of people over the years, with several such individuals being professionals and university graduates themselves.

For instance, recently in Kurunegala, a pyramid scheme on a grand scale conducted by names like Era Miracle (Pvt) Ltd and Genesis Business School was discovered to have cheated over 17,000 depositors of over Rs. 10 billion. A second scam in the same area, packaged as JD's Business School, allegedly cheated over 2,500 depositors. The perpetrators of these scams enticed people with the promise of out-of-this-world returns, but instead delivered nothing lasting. Astonishingly, many professionals with higher education fell victim to these assurances.

Similarly, a larger number of Sri Lankans are also being misled by online money scams propagated by social media platforms like Facebook, WhatsApp, and Telegram. Over 340 cases of online banking scams, in the majority of cases, with false promises of easy and instant gains, were recorded in 2024. The scams are not limited to rural or illiterate communities but have caught people of all sections of society.

At the individual level, the consequence of misplaced trust in such frauds might be best illustrated by the following shocking story. A college batchmate of mine lost substantially in what was marketed as an investment medium for online gaming. The temptation of easy money and sparkling returns was too appealing. Tragically, the financial loss was enormous, resulting in debilitating stress that finally killed him and his wife. This tragic incident brings out the human cost of ignorance of finance, even among formally educated people.

One common thread among such scams is the manipulation of human greed and the exploitation of ignorance. They promise unusually high returns, risk-free promises, or complex business claptrap concealing the absence of a viable business plan. These can be employed as screening tools before entering into any financial commitment:

- **Unusually high or "guaranteed" returns in very short periods.**
- **Advance payment or membership charges granting access to further future wealth.**
- **Spurious endorsements by celebrities, often in the guise of doctored pictures.**
- **Unclear or vague explanations of how returns are generated.**
- **Excessive concentration on recruitment and insufficient on providing product or service.**
- **Early small but real returns to build credibility and then demands for larger investments.**

Citizens, particularly future professionals and decision-makers among them who are students today, need to make these signs second nature.

FEW LESSONS FROM AUSTRALIA AND NEW ZEALAND

New Zealand is one of the countries that shows how systematic embedding of financial literacy can yield long-term returns. The Sorted in Schools programme makes the school curriculum include financial capability in every subject so that students are educated about the required information right from childhood. Financial literacy is also covered in the form of a certificate course/toolkit for some university students, which empowers them to acquire useful skills in budgeting, debt handling, and planning for the future. Booklets that educate on the financial literacy basics are also visible in society.

Similarly, Australia has incorporated financial literacy into its National Consumer and Financial Literacy Framework for students at several stages of study. Moneysmart in schools is a concept that integrates consumer and

financial literacy programs into its curriculum. These are not theoretical programs; they emphasise practical usage, from superannuation and taxation knowledge to managing credit cards and using the Internet.

The Sri Lankan applicability is not so much a matter of merely copying these models but of using their underlying principles. Emphasising practical, everyday financial decision-making and integrating all areas of study are approaches that would make a meaningful difference to our education system.

WHY UNIVERSITIES MUST LEAD THE WAY

Universities play a key role in advocating for financial literacy. Students who are studying medicine, engineering, or humanities will one day deal with incomes, loans, taxes, and investments as much as their business peers. But if they are not properly instructed, they risk being outsmarted by debt traps or swindles.



Adding a mandatory module of financial literacy for all undergraduates would fill this gap. The module need not be exhaustive but must include key competencies such as:

- **Personal budgeting and savings habits.**
- **Credit, loans, and interest rates.**
- **Basic investment and risk management.**
- **Online financial security (online banking, mobile wallets, fraud).**
- **Tax obligations and consumer protection.**

Delivering such content using interactive, case-based learning and attractive quizzes would ensure relevance and interest.

MOVING FORWARD: A SRI LANKAN ROADMAP

Whereas Sri Lanka could aim for the achievements of nations such as New Zealand and Australia, the local environment needs to take precedence. Some steps can be taken on a customised basis:

- **University Partnerships with CBSL: Universities can partner with the Central Bank to implement the curriculum developed into higher education so that students can gain from standardised material.**
- **Practical Exposure: Encourage student involvement in financial planning drills, such as mock budgeting drills or investment choice simulations, to gain confidence in decision-making.**
- **Campus Awareness Campaigns: Regular workshops with real-life examples of scams that have taken place in Sri Lanka will make students aware of and keep them away from committing such fraudulent activities.**

- **Digital Literacy Focus: With increasing use of mobile banking and fintech products, the university must focus on digital financial literacy so that students are protected from cybercrimes.**
- **Peer-to-Peer Learning: Educate specific students as "financial literacy ambassadors" who will instruct their peers, fostering a culture of knowledge-sharing on campuses.**

To inculcate these modules, universities can introduce a financial literacy toolkit that is enriched with the above aspects. Quizzes, puzzles, videos and knowledge sharing posters can be created and disseminated to the students at the initial steps and then to the entire society.

CONCLUSION

While national initiatives led by the CBSL must be commended, success will accrue to them marginally only if financial literacy becomes a responsibility of all members of society. Given this background, I suggest introducing an online financial literacy toolkit that comprises of basics: money, investments, savings, budgeting, taxation and principles of wealth management for the tertiary students irrespective of their discipline.

Then, as the next step, this can be included as a part of the school syllabus so that Sri Lanka can gradually create a well-informed workforce that is ready to face financial and economic challenges. Universities, as knowledge and innovation hubs, have no choice but to take the lead by ensuring that all graduating students from all disciplines emerge with the skills to face the financial world with confidence.

Financial literacy is not a luxury; it is a necessity. By integrating it within our system of higher education, Sri Lanka can equip its future human resources to avoid being exploited, make sound financial decisions, and contribute towards strengthening and making the country a more economically stable nation.

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FROM SHAREHOLDER TO STAKEHOLDER VALUE: CORPORATE FINANCE AND RISK IN THE ESG ERA – A SRI LANKAN PERSPECTIVE

Value Beyond Profit: The New Paradigm

For decades, Sri Lankan businesses, like many others globally, focused on maximising short-term shareholder returns. The conventional mantra was simple: revenue growth, cost optimisation, and dividend payouts were the ultimate markers of success. However, today's socio-economic realities demand a broader view of value. Sri Lanka has faced economic crises, currency devaluations, supply chain disruptions, and environmental challenges that underscore the vulnerability of profit-centric strategies.

The modern corporate mindset integrates two complementary perspectives:

1.Value to Business (V2B): This measures how a company's financial assets, liabilities, and operations influence long-term financial performance. For example,

apparel exporters recognise that transitioning to renewable energy and sustainable operations enhances cost-efficiency and ensures global market access, particularly in Europe and North America, where ESG compliance is increasingly non-negotiable.

2.Value to Society (V2S): This assesses how business activities impact societal well-being and environmental sustainability. Some tea exporters in Sri Lanka, for instance, invest in sustainable agricultural practices, supporting rural communities while protecting natural resources—a strategy that safeguards both social and commercial capital.



For Sri Lankan companies, V2B and V2S are interdependent rather than conflicting. Factories that implement water recycling or solar energy solutions reduce costs, ensure regulatory compliance, and build brand reputation simultaneously. Banks offering green finance products enable SMEs to adapt sustainably while diversifying their lending portfolios and reducing long-term credit risks.

The shift from shareholder to stakeholder value is not just ethical; it is strategically essential in a small, open economy like Sri Lanka's, where social license and environmental stewardship directly affect business continuity.

Core Pillars of Value Creation

True value creation is about more than profit—it is about purpose, people, and impact. It begins with delighting customers through innovation and ethics, while empowering employees to grow and thrive. When people feel inspired and engaged, they deliver experiences that build trust, loyalty, and lasting relationships, turning everyday interactions into meaningful value.

Going beyond profit is not just the right thing to do; it is the smart thing to do. Companies that embed sustainability and ESG into their DNA reduce risk, strengthen resilience, and drive long-term performance. Purpose-driven businesses attract top talent, win consumer trust, and spark innovation, turning societal challenges into opportunities for growth and differentiation.



And the most enduring value comes from the impact that lasts. By directing capital toward sustainability-linked projects—green infrastructure, energy efficiency, decarbonization—businesses create measurable outcomes that benefit communities, the environment, and the bottom line. When growth aligns with social and environmental progress, companies do not just succeed today, they leave a legacy that shapes a better world for generations to come.

In a Sri Lankan context, where recovery from economic volatility and climate risks is ongoing, these three pillars are not optional; they are foundational for resilient growth.



Strategic Risk Management: From Defensive to Strategic

Strategic risk management transforms risk from a defensive exercise into a driver of value. By providing an objective framework, it systematically identifies threats such as market shifts or regulatory changes, while uncovering opportunities aligned with organisational goals. Using metrics like economic capital and risk-adjusted return on capital (RAROC), leaders can quantify trade-offs, make data-driven choices, and align actions with a clearly defined risk appetite—ensuring calculated risks support the organisation’s vision.

This approach builds resilience and agility. By forecasting scenarios and preparing contingency plans, organisations enhance adaptability in dynamic environments. Addressing risks such as inefficiencies or supply chain gaps boosts operational efficiency and safeguards business continuity. Forward-looking metrics, or Key Risk Indicators (KRIs), further enable companies to anticipate challenges and adjust strategies before disruptions occur.



Strategic integration also creates competitive advantage. Embedding risk management into innovation allows organisations to pursue new ventures confidently, experimenting within safe boundaries. Robust practices inspire trust among investors, customers, and partners, supporting market stability and stakeholder confidence. Optimised resource allocation reduces losses and strengthens long-term performance, with mature programs often driving superior profitability compared to peers.

- Define and communicate mission, vision, and objectives to set context.
- Conduct strategic risk assessments using tools like SWOT or PESTEL, involving executives and boards.
- Establish risk appetite as a benchmark for decision-making.
- Develop aligned action plans to mitigate, accept, avoid, or transfer risks.
- Continuously monitor Key Risk Indicators and adapt to change.
- Foster a risk-aware culture where leadership champions openness and embeds risk thinking at all levels.
- When integrated effectively, risk management becomes not just protection—but a catalyst for resilience, innovation, and sustained success.

The most successful risk programs are embedded in corporate culture. Employees must feel empowered to surface vulnerabilities and propose solutions, challenging the traditional hierarchical norms prevalent in Sri Lankan workplaces.

Boards and leadership teams must champion openness, transparency, and accountability as central to resilience.

Strategic risk management, when implemented effectively, becomes a source of competitive advantage, not merely a protective measure.

Sustainable Corporate Finance: Integrating ESG

Sustainable corporate finance redefines how Sri Lankan companies allocate capital, manage risks, and report performance by integrating environmental, social, and governance (ESG) factors.

ESG-Linked Financial Instruments

The global rise of green bonds, social bonds, and sustainability-linked loans (SLLs) offers a template for Sri Lanka. Local banks and corporates can leverage these instruments to:

- **Fund renewable energy and energy-efficient infrastructure projects.**
- **Incentivise ESG compliance through reduced borrowing costs.**
- **Attract responsible investors seeking measurable environmental and social outcomes.**

While sustainable finance in Sri Lanka is in early stages, the Central Bank of Sri Lanka has signalled strong support for green financing, and regulators encourage ESG disclosure, particularly for listed companies. This creates a pathway for corporates to align financial and societal outcomes.

Balancing Short-Term and Long-Term Goals

The post-crisis reality in Sri Lanka underscores the need to balance operational stability with sustainability investments. Companies must maintain liquidity while channelling resources toward:

- **Renewable energy adoption to reduce dependency on imported fuels.**
- **Energy-efficient operations that lower costs and carbon footprints.**
- **Resilient supply chains through digital tracking and local sourcing.**
- **It ensures immediate performance and long-term competitiveness, enhancing resilience against economic shocks.**

Holistic Reporting

Holistic reporting combines financial results with ESG performance metrics to reflect true value creation. Key indicators include greenhouse gas emissions, energy and water use, workforce diversity, employee engagement, health and safety, and governance practices such as board diversity and anti-corruption measures. Frameworks like the Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB), aligned with evolving requirements such as the EU's Corporate Sustainability Reporting Directive (CSRD), provide consistency and credibility.

By embedding ESG into finance, companies not only improve stakeholder trust and attract investment but also align business success with societal and environmental progress, ensuring resilience in a rapidly changing global economy.

Responsible Investment & Capital Allocation

Responsible investment and capital allocation integrate environmental, social, and governance (ESG) considerations into financial strategies, aiming to deliver long-term value while advancing societal and environmental well-being.

Companies increasingly shape investment strategies around global frameworks. The UN Sustainable Development Goals (SDGs) guide firms to map operations against priority goals, build business models that contribute directly to them, and measure progress transparently. Similarly, the Paris Agreement encourages businesses to reduce reliance on carbon-intensive assets, invest in renewables, and adopt science-based emissions targets. Climate-related disclosures, such as those recommended by the Task Force on Climate-related Financial Disclosures (TCFD), reinforce accountability. Aligning with these frameworks enhances resilience, mitigates risks, attracts responsible investors, and fuels sustainable innovation.

Capital allocation is pivotal in advancing long-term sustainable growth in Sri Lanka. Responsible investment strategies integrate ESG considerations with financial objectives, delivering dual returns: economic and societal.

Examples of instances include the following:

- **Green Infrastructure:** Urban resilience projects addressing flooding in Colombo, drought mitigation in agricultural zones, and smart transportation networks.
- **Renewable Energy:** Solar, wind, small hydro, and energy storage projects reduce dependence on fossil fuels and enhance energy security.
- **Circular Economy:** Recycling, sustainable packaging, and waste-to-resource initiatives, especially in the apparel and FMCG sectors, reduce environmental burdens.
- **Digital Innovation:** Smart agriculture, AI-driven supply chains, and blockchain transparency solutions improve efficiency and ESG compliance.
- Apparel and tea exporters have begun piloting circular production models, transforming waste streams into usable inputs.

Measuring Impact

Integrated ROI models expand traditional financial metrics to include environmental and social outcomes:

- **Environmental Returns:** CO₂ emissions avoided, water conserved, energy saved.
- **Social Returns:** Jobs created, health improved, education supported.
- **Tools like Social Return on Investment (SROI) enable Sri Lankan companies to quantify their contribution to society while attracting impact-focused investors and development finance institutions (DFIs).**

By embedding ESG into capital allocation, financial success and societal impact reinforce each other, creating resilience and relevance in a rapidly changing economy.

ESG in Corporate Governance: Why Boards and CFOs Must Lead the Transformation

The integration of Environmental, Social, and Governance (ESG) factors into corporate governance has become one of the most significant shifts in modern business leadership. What was once considered a “nice to have” has now become a strategic imperative. Boards and C-suite executives, especially Chief Financial Officers (CFOs), are being called to rethink how value is defined, measured, and communicated. In this new era, ESG is not a peripheral agenda. It is central to long-term resilience, competitive advantage, and stakeholder trust.

Boards of directors today face an expanded fiduciary duty. It is no longer enough to safeguard shareholder value through pure financial oversight; they must also anticipate and manage material ESG risks and opportunities. From climate change and social inequality to supply chain vulnerabilities, these issues have direct consequences for financial performance. Regulations such as the EU’s Corporate Sustainability Reporting Directive (CSRD) now formalise this expectation, requiring companies to disclose their environmental and social impacts alongside financial results.

For CFOs, the shift is even more pronounced. Increasingly described as “Chief Value Officers,” CFOs are being asked to link financial outcomes with non-financial impact. Microsoft, for example, has tied executive compensation to progress on carbon emissions and diversity goals, embedding accountability directly into leadership incentives. Similarly, Unilever integrates ESG metrics into its financial strategy, reporting both financial and sustainability outcomes in a unified annual report. These moves illustrate how CFOs are leading the charge to make ESG data as robust and auditable as traditional financial data—critical in an era of growing scrutiny over greenwashing.



True ESG leadership is rooted in ethics. Boards must set the tone at the top, embedding integrity into the company's DNA through a strong code of conduct and clear accountability. Policies on anti-corruption, fair labour, and responsible lobbying are not just compliance requirements; they are proof points of credibility.

Board diversity is equally vital. A leadership team that reflects a range of perspectives is better positioned to tackle complex ESG challenges with innovation and foresight. Apple has strengthened its board diversity in recent years, recognising the importance of diverse perspectives in guiding ethical decision-making and innovation. Regulations such as Europe's Women on Boards Directive are pushing companies further, but the leaders are those who embrace diversity as a driver of business value rather than a compliance checkbox. Transparency completes the picture. For instance, BlackRock, the world's largest asset manager, publishes detailed stewardship reports and voting records to demonstrate its accountability to stakeholders. Such practices signal seriousness about ESG, reinforcing trust in an increasingly sceptical marketplace.

Embedding ESG into governance is not just about risk mitigation; it is a growth strategy. Companies with strong ESG practices enjoy easier access to capital, often at lower costs, because investors view them as more resilient and future-ready. Tesla, for instance, has been able to leverage its strong

sustainability positioning to attract massive investment flows, despite volatility in its financial performance. Meanwhile, Ørsted, once a fossil-fuel intensive utility, transformed itself into a global leader in offshore wind through bold ESG-driven capital allocation—earning investor confidence and long-term growth.

Critically, ESG integration shifts the focus from short-term profits to long-term value creation. When boards link executive compensation and strategic planning to ESG performance, as Microsoft has done, they align leadership with sustainable outcomes. This reinforces the company's "license to operate" and ensures it remains relevant in a volatile global landscape. The transformation of governance through ESG is not a passing trend—it is a redefinition of corporate leadership itself. Boards and CFOs are at the helm of this shift, shaping how organisations adapt, grow, and earn trust in the 21st century.

The message is clear: companies that treat ESG as central to governance will not only meet regulatory demands, but they will also secure resilience, unlock innovation, and deliver lasting value to both shareholders and society. Those who fail to adapt risk being left behind.



The Convergence Mindset in Corporate Finance

The Convergence Mindset integrates ESG at the core of corporate finance, redefining strategy, resilience, and value creation in Sri Lanka. ESG is central, not an add-on, driving sustainable growth and competitive advantage.

Finance leaders are adopting these mindset design strategies with sustainability at the core. Decisions are measured not just by profit but by their impact on people, planet, and governance. Companies that integrate ESG are rewarded with stronger resilience, lower costs of capital, and access to a growing pool of sustainability-focused investors. Beyond financial KPIs, finance teams are embracing broader business indicators (KBIs) to capture the full spectrum of value creation.

In a country prone to climate shocks, political volatility, and economic turbulence, the convergence mindset is not optional, but is essential.

Conclusion

The convergence mindset is more than a finance strategy—it is a leadership philosophy. It challenges companies to move beyond quarterly thinking and redefine success as lasting impact. Organisations that embrace it will not just survive disruption; they will set the pace for innovation, win the trust of society, and shape a future where sustainable growth is the only true growth.

In the Sri Lankan context, the only growth that truly matters is sustainable growth—the growth that balances profit with purpose, financial performance with societal impact, and short-term performance with long-term resilience.

The time for action is now. Sri Lankan boards, CFOs, and leadership teams can lead a new era of corporate finance, where stakeholder value drives business success and shapes a resilient, inclusive, and sustainable future.



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07

IMPACT OF FAMILY FINANCIAL SOCIALISING ON FINANCIAL LITERACY

A distinctive characteristic of Sri Lankan society, unlike in many Western contexts, is that individuals typically live and work closely within their nuclear and extended family networks from birth to death. This has been highlighted by Freeman (1997), who said that collectivism (valuing the group, such as family, community, or society, over the individual) is a strong value in Sri Lankan society. Despite globalisation and digitalisation, it is heartening to see that this value still endures in our society today.

Because of the close ties within the family, an individual's attitudes, beliefs, and values are largely shaped by the family environment (Triandis, 1995).

Against this backdrop, this article sheds light on how well family financial socialisation shapes the financial literacy level of young adults. Although there is limited empirical evidence specific to Sri Lanka, this article draws on several empirical evidence from the international context.

Thus, this synthesis offers valuable guidance to Sri Lankan communities on the importance of nurturing financial literacy among young adults by actively mentoring children from an early age and shaping their financial habits through everyday family interactions.

Family financial socialisation is the process of acquiring and developing values, attitudes, standards, norms, knowledge, and behaviours that contribute to the financial viability and individual well-being (Gudmunson & Danes, 2011). Several theories have been built regarding family financial socialisation over the past few decades.

These theories are largely grounded in the parent-child relationship since it is very influential. This is well established by Grusec and Davidov (2007), who provide the following reasons:

- 1. Parents are biologically prepared not just to have children, but also to guide and support them through the many challenges of growing up.**
- 2. Parents, driven to care for and guide their children, often find ways to foster connections that meet our basic need to belong.**
- 3. There are strong cultural expectations in all societies for parents to be primary socialisers of their children.**
- 4. Because parents typically live in close proximity to their children, an incentive exists for parents to help establish prosocial behaviour in children.**
- 5. Parents control economic and material resources that children need to grow and develop.**



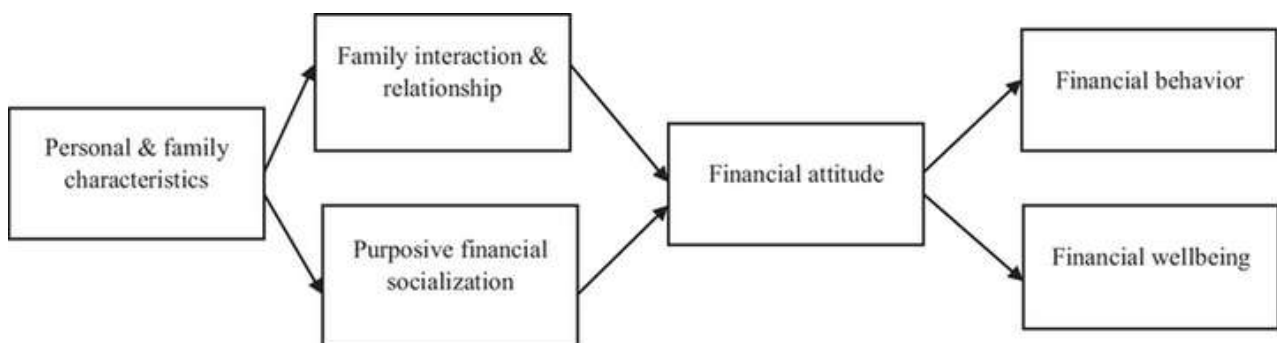
These aspects are particularly pertinent to the Sri Lankan context, where parental involvement in the care, guidance, and support of children typically extends into adolescence. Building on the theoretical insights from family socialisation and financial literacy,

Gudmunson and Danes (2011) proposed a conceptual model of family financial socialisation illustrated in Figure 1 below. The model emphasises how family interactions, relationships, and behaviours shape the financial knowledge, attitudes, capabilities, and resulting financial behaviours and financial well-being of young adults over time.



Figure 1

Conceptual model of family financial socialisation processes and outcomes



Note: adopted from Gudmunson & Danes (2011)

Personal and Family Characteristics: Demographic characteristics such as age, gender, race, and marital status are the most important personal characteristics, whereas family size and socioeconomic status are the family characteristics. These factors largely influence how young adults learn about money, develop financial habits, and make financial decisions (Xiao et al., 2014).

Family Interaction and Relationships: Interaction among family members influences financial attitude development, knowledge transfer, and financial capability development. For example, Research has shown that when mothers are actively involved in parenting, spending time with their children and setting clear rules, it is linked to children placing less importance

on owning things and being more likely to develop healthy attitudes toward money (Flouri, 2007). Gudmunson and Danes (2011) further explained that families work as a system, where each person's actions influence others and shape future interactions. Simply by participating in family life, children start learning about money. They pick up on how parents value certain things, understand family financial habits, and begin to imagine their own financial roles as they grow up.

Purposive Financial

Socialisation: Some parents intentionally take efforts in financially socialising their family members (e.g. Clarke). However, this is largely dependent on parents' educational background, their income level and occupation, as these are considered as underlying factors in the family's ability to encourage desirable financial habits. For example, parents with higher status occupations and higher income levels are more likely to offer a regular and larger allowance (Barnet-Verzat & Wolff, 2002); savings rates are higher among adolescents from higher-income families (Furnham, 1999). Additionally, cultural values and beliefs also have an impact, as in some families, parents may avoid sharing financial challenges or future financial plans with their children, which can limit children's exposure to healthy financial habits and reduce opportunities for learning money management skills.



Financial attitudes, Knowledge and capabilities: These are individual characteristics which are intermediary financial socialisation outcomes. According to Gudmunson and Danes (2011), these attributes are not innate; instead, they are shaped by social interactions and refined over time. Within the family, parents and guardians play a central role in transferring financial values and practices to children through both intentional and unintentional processes, as we discussed above. For instance, parents may intentionally teach budgeting, saving, or responsible spending (purposive socialisation), while children may also absorb financial habits indirectly by observing how parents manage household expenses or handle financial stress (observational learning). Over time, such exposure helps children develop the necessary knowledge of financial concepts, form attitudes toward money, and build financial capabilities. While skills denote specific tasks that children can perform, such as calculating change or maintaining a savings account, capabilities extend further

to reflect what children can achieve under varying circumstances, such as making informed financial decisions. These capabilities depend on a mix of internal factors, such as cognitive maturity and motivation, and external conditions, such as parental guidance, socioeconomic resources, and cultural values.

Financial Behaviours: This is the observable financial outcome of the process. Over time, with the lessons learned from family interactions and purposive financial socialisation, young adults often show a pattern of actions over time, including earning, spending, saving, gifting, etc. Another important financial behaviour that they demonstrate is the financial decision-making at their life events. For example, setting up a passive income source, an investment plan and automatic fund transfer to an investment fund, etc. So, this is the behavioural outcome of the financial socialisation process. Existing research shows that parents influence young adults' financial behaviours more than their peers, teachers, etc. (Peng et al., 2007; Pinto et al., 2005)

Financial Wellbeing: This is the ultimate outcome of the process to see whether individuals achieve security, satisfaction, and stability in their financial lives. As per Gudmunson and Danes (2011), this can be assessed through the objective and subjective indicators. Examples of objective indicators include income and saving levels, ownership of goods, financial ratios, and credit reports, which can be reliably assessed through multiple sources. Subjective indicators are based on individual perspectives and opinions and include examples such as financial satisfaction, low economic pressure, income adequacy, etc. Effective family financial socialisation not only enhances objective outcomes but also fosters subjective well-being through parental role models, open discussions of family financial situations, and experience sharing within the family. Individuals develop financial attitudes, knowledge, and behaviours that influence how they manage money, set goals, and cope with financial challenges later in life.

Recommendations for Parents to Become Effective Financial Role Models

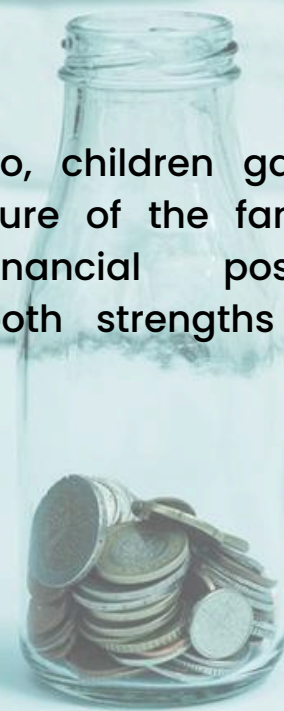
It is now evident that parents play a central role in shaping children's financial literacy and their long-term financial well-being. When considering Sri Lankan society, which largely values the collectivist cultural setting where family ties remain strong throughout their lives, parents can intentionally or unintentionally model the financial knowledge, attitudes and capabilities of their children. The following recommendations can guide parents to be more effective financial role models for their children.

1. Maintain transparent financial communication with children

Parents should openly discuss financial matters with their children in an age-appropriate manner. For instance, when preparing the family's monthly budget, parents can involve children by asking about their needs and wants, such as their plan to follow a fee-paying

course or purchasing school supplies and equipment, participating in extracurricular activities, buying clothing or electronic devices, etc. Parents may also explain the family's income and expenses, highlight any resulting surplus or deficit, and discuss their financial plan for the following month. However, in many families, parents avoid revealing financial challenges to their children and instead attempt to meet requests immediately, sometimes by relying on costly loans or leases. This practice may unintentionally limit children's exposure to responsible financial decision-making. Especially in low-income households, it is crucial for parents to engage in open conversations about income, expenditure, and financial trade-offs. Such transparency enables children to understand financial constraints, appreciate the value of money, and learn the importance of managing resources within limits. Parents can also share information about their savings and investments held in different financial institutions, along with the assets and liabilities that the family maintains as a unit.

By doing so, children gain a clearer picture of the family's overall financial position, including both strengths and obligations.



2. Demonstrate Responsible Financial Behaviour

Parents should model disciplined financial behaviours such as practising delayed gratification, saving regularly, maintaining emergency funds, and avoiding unnecessary debt. When children observe these practices, they gradually learn the importance of financial discipline in money management. For example, parents who visibly maintain a savings account or an emergency fund send powerful implicit messages about the value of financial security. Such role modelling helps children internalise the habit of saving from an early age. Over time, this practice not only teaches children about the mechanics of saving but also reinforces long-term financial responsibility.

3. Encourage Active Participation in Financial Decisions

Children learn not only by watching but also by doing. Parents can provide small allowances and encourage children to manage them, make spending choices, or set savings goals. Many of our schools operate banking units, providing an excellent opportunity for parents to encourage children to save regularly. By opening an account and asking children to deposit a fixed amount each month, parents can help instil a systematic savings habit. Studies have shown that parental provision of allowances, coupled with guidance, enhances children's financial capability development (Barnet-Verzat & Wolff, 2002). Allowing children to make minor mistakes with money also builds resilience and problem-solving skills. Furthermore, when children request valuable items, parents should avoid providing them immediately and instead link such rewards to specific achievements, such as good academic performance or positive behaviour.

This approach helps children understand that obtaining something valuable requires effort and discipline. Parents can also encourage children to save regularly toward the cost of the desired item, thereby teaching them the importance of goal setting, delayed gratification, and financial preparation for future needs.



4. Link Cultural Values with Financial Practices

Financial socialisation is not something entirely new to us, but is deeply rooted in our own heritage. Sri Lankan families have long practised simple but powerful traditions that reflect the value of thrift and saving. For instance, in the past, it was common for mothers to set aside a handful of rice before cooking, which was collected in a small basket for future use.

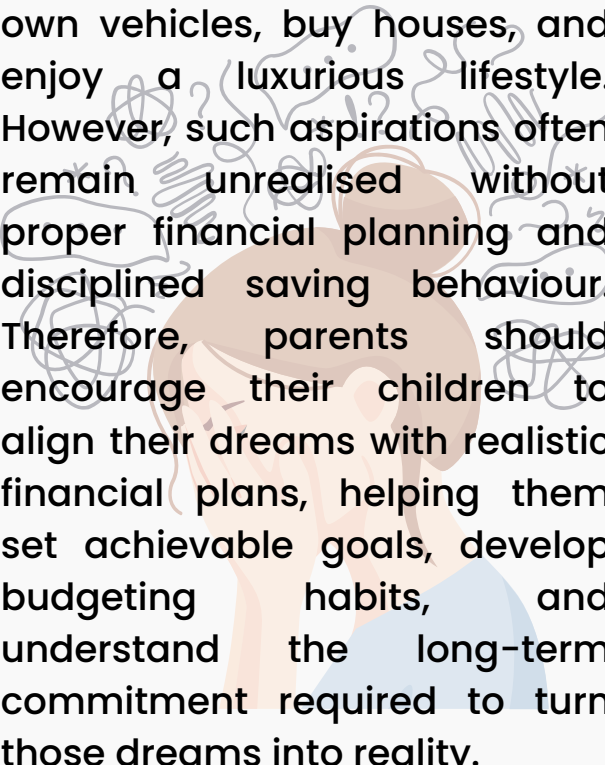
This practice symbolised the importance of saving a little from what one has, no matter how small, and reinforced the habit of setting aside resources for future needs. By linking cultural traditions with modern financial practices, parents can pass down enduring values, helping children develop lifelong financial habits that resonate with their cultural identity.



5. Manage Stress and Conflict Around Money

Children are sensitive to emotional cues in the household. When parents handle financial stress constructively and resolve conflicts calmly, they teach children that financial challenges can be addressed through planning and problem-solving rather than fear or secrecy (Grusec & Davidov, 2007). Conversely, in some households, persistent financial tension can escalate into severe conflicts or extreme emotional reactions. In rare but serious cases, financial

stress has contributed to mental health crises or even self-harm among parents, which can profoundly affect children's emotional well-being and their perceptions of money management. Such situations not only expose children to negative coping mechanisms but also risk normalising anxiety and fear around financial issues. Therefore, it is crucial for parents to develop healthy stress management strategies, seek external support when needed, and maintain open and calm communication about money. Also, for young people, stress comes when they can't achieve their dreams. Today,, many young people aspire to

A stylized illustration of a woman's head and shoulders in profile, facing right. She has brown hair and is wearing a blue top. Several thought bubbles of various shapes and colors (white, light blue, light green) are scattered around her head, containing faint, illegible text. The background is a light, textured grey.

own vehicles, buy houses, and enjoy a luxurious lifestyle. However, such aspirations often remain unrealised without proper financial planning and disciplined saving behaviour. Therefore, parents should encourage their children to align their dreams with realistic financial plans, helping them set achievable goals, develop budgeting habits, and understand the long-term commitment required to turn those dreams into reality.

6. Instil Healthy Attitudes Toward Money Without Greed

Beyond teaching technical financial skills, parents should also cultivate positive attitudes toward money, emphasising honesty, patience, and responsibility. Children must be taught that money cannot be earned quickly or easily through shortcuts, but rather through consistent effort, discipline, and ethical practices. Without such guidance, young people are at risk of being captured into fraudulent schemes that promise fast returns, such as pyramid schemes and unauthorised investment networks, which have become

increasingly visible in Sri Lanka in recent years. Parents can play a vital role by openly discussing the dangers of such scams and by modelling responsible financial choices. For example, explaining how wealth is built gradually through savings, investments, and hard work helps children understand the long-term nature of financial security. By fostering an attitude of prudence rather than greed, parents equip their children to resist unrealistic promises and make wise financial decisions in an environment where quick-profit temptations are common.

Conclusion

Family financial socialisation should be consciously promoted and built into the awareness of adults, as parents and guardians play a pivotal role in shaping the financial knowledge, attitudes, and behaviours of the next generation. By guiding children toward responsible money management, fostering ethical financial attitudes, and modelling disciplined financial behaviours, families contribute not only to the well-being of individual children but also to the development of a financially responsible and

resilient society. Encouraging such practices today will help nurture future generations who are equipped to make sound financial decisions, ultimately strengthening the economic and social future of the country.



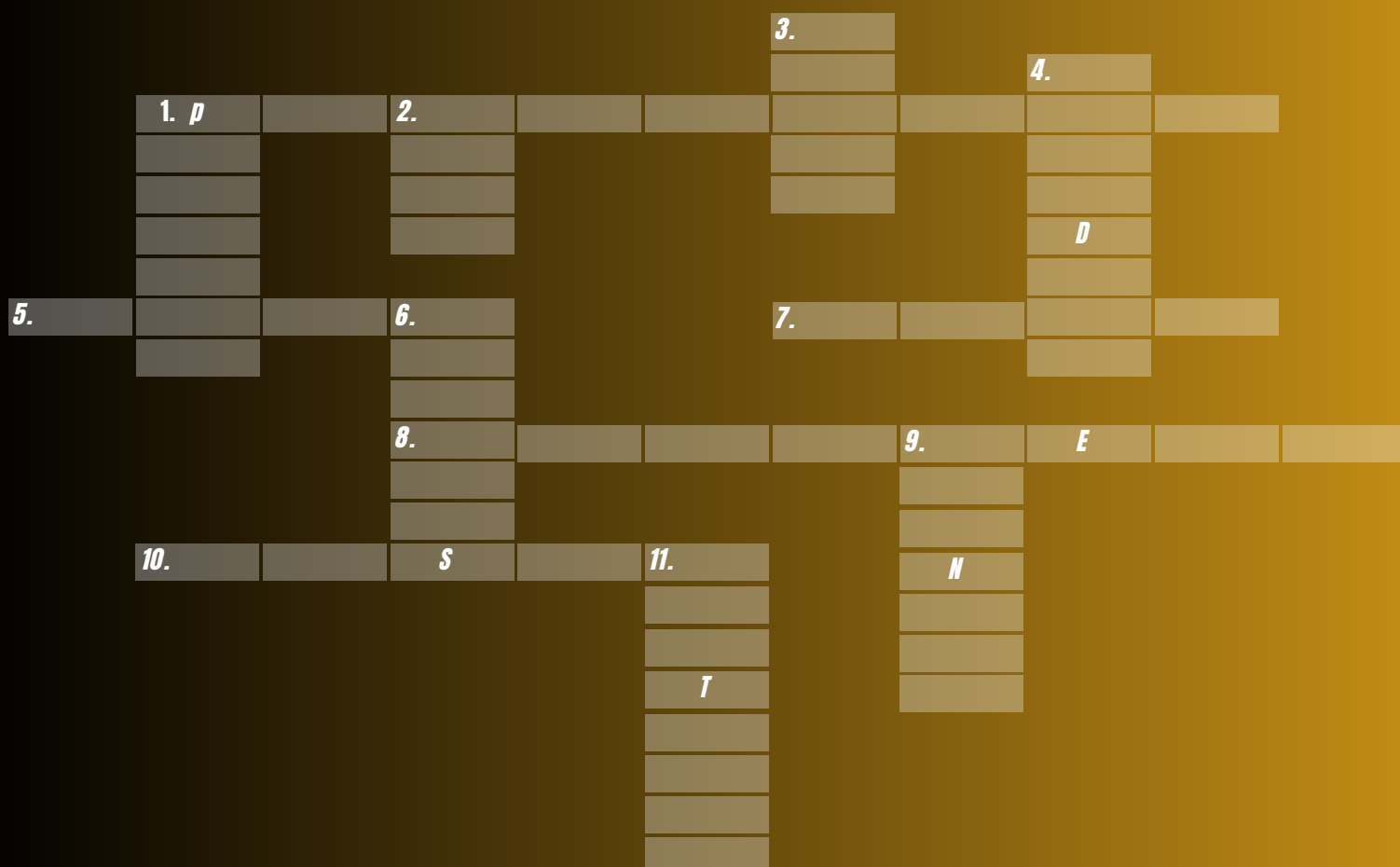
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Capital Clues: A Test of Financial Intellect

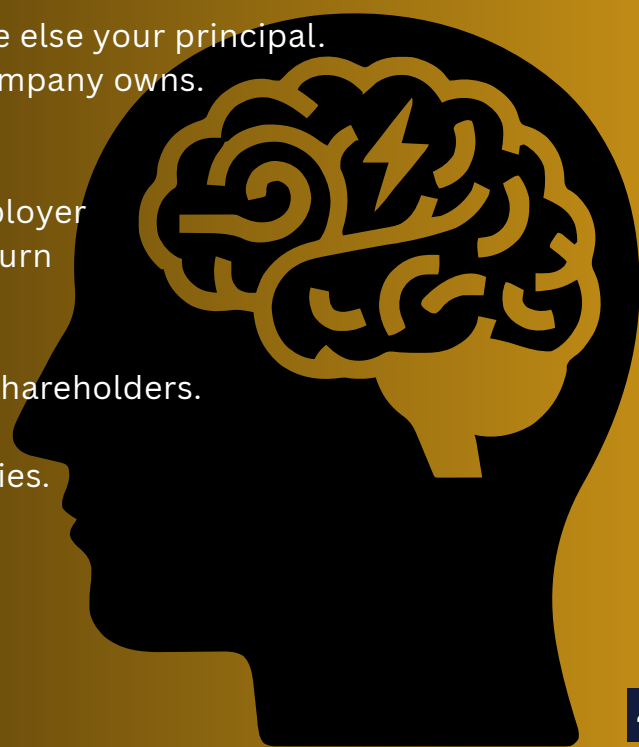


Across

1. A collection of all your financial assets and investments.
5. When expenses exceed revenue or return.
7. A debt investment where an investor loans money to an entity for a defined period at a variable or fixed interest rate.
8. The payment you receive for letting someone else your principal.
10. Something of value that an individual or company owns.

Down

1. A retirement fund, often provided by an employer.
2. The potential that an investment's actual return will be different from what was expected.
3. A share of ownership in a company.
4. A portion of a company's profits paid to its shareholders.
6. Money set aside for future use.
9. The income generated from business activities.
11. The levying of a tax.





***INDEPENDENT NON-EXECUTIVE DIRECTORS
AND TALENT OVERSIGHT: GUIDING
LEADERSHIP FOR SUSTAINABLE VALUE.***

Introduction

Independent Non-Executive Directors (INEDs) hold a crucial role in ensuring that leadership and talent are nurtured responsibly within organisations. Their oversight strengthens governance, balances short-term pressures with long-term goals, and safeguards the sustainability of enterprises.

Drawing on experience from both executive leadership in a global IT company and governance responsibilities in the finance sector, this article explores how INEDs can shape leadership, influence talent strategy, and foster sustainable value creation while remaining independent.

Why Talent Governance Matters?

Corporate boards have long been seen as guardians of financial reporting, compliance, and shareholder returns. However, in today's knowledge-driven economy, talent has become the real competitive advantage. Strategies, technologies, and capital are replicable, but leadership and human potential remain uniquely differentiating. This is why global governance frameworks,

from the OECD Principles of Corporate Governance (2023 revision) to national codes such as Sri Lanka's Code of Best Practice on Corporate Governance, emphasise the board's responsibility to oversee not just financial capital but also human capital.

Independent Non-Executive Directors, with their external perspectives and freedom from day-to-day management, play a vital role in this oversight.

INEDs and Leadership Oversight

An INED's responsibility is to guide without managing. The balance is delicate that boards must not cross into management's operational territory, but they also cannot remain passive.

From my experience, INEDs add value to leadership oversight in three key ways:

- 1. Strategic Perspective:** INEDs bring external industry experience, benchmarking company leadership against global best practices.



2. Constructive Challenge: By asking the right questions, on succession pipelines, diversity in leadership, or crisis readiness, INEDs ensure management remains accountable.

3. Red Flags Monitoring: Boards must look out for warning signs such as over-dependence on one leader, lack of succession planning, or declining employee engagement scores.

Leadership oversight is not about questioning day-to-day tasks, but about safeguarding the sustainability of leadership capacity.

Talent Management as a Governance Priority

Why should boards care about talent? **Because people strategy = business strategy.** Leaving talent solely to HR risks underestimating its strategic impact.

INEDs can ensure talent remains a boardroom agenda item by:

- Requesting KPIs on turnover rates, internal promotions, diversity, and leadership bench strength.

- Evaluating readiness for Diversity, Equity and, Inclusion as Global investors and customers increasingly demand evidence of diverse, equitable workplaces.
- Embedding talent into governance structures, for which, many boards establish a Nomination & Remuneration Committee that directly oversees succession and senior appointments.



Linking Leadership to Long-Term Value Creation

One of the greatest contributions INEDs make is linking **leadership decisions to long-term enterprise value.**



While executive teams often face quarterly pressures, boards must ask:

- **Is leadership investing in developing future-ready skills?**
- **Are we building a culture aligned with the company's values?**
- **Does talent strategy support our ESG commitments and reputation?**

Balancing short-term financial performance with long-term people development is tricky. INEDs can guide management to embed talent goals in strategic scorecards, ensuring leadership is measured not only by immediate profits but also by sustainable capability building

Challenges and Risks in Talent Oversight

Today's boards face unprecedented workforce challenges:

- **Retention Risks:** Top talent is mobile and demands purpose-driven work.
- **Generational Shifts:** Gen Z expects flexibility, transparency, and digital-first work environments.
- **Hybrid Work:** Managing culture and performance across physical and virtual spaces.
- **Skill Obsolescence:** Rapid technological change demands continuous upskilling.



INEDs must evaluate whether management is adaptive enough. Are leaders investing in hybrid work models? Do they understand the motivations of new generations? If not, the company risks losing relevance in the talent market.

Best Practices & Global Trends

Boards worldwide are strengthening talent oversight. Sri Lankan companies can learn from several global practices:

1. **Mandatory Succession Planning Reviews**, where boards annually review CEO and C-suite succession pipelines.
2. **Board-Level Human Capital Reports**, where boards increasingly receive dashboards on engagement, attrition, and workforce diversity.
3. **Integration of ESG with Talent**, where the boards align employee well-being, diversity, and climate impact within one sustainability framework.

Emerging trends in leadership development include:

- **Digital Fluency:** Boards expect leaders to understand AI, cybersecurity, and data-driven decision making.
- **Cross-Border Mobility:** Leadership talent is groomed across geographies for resilience.
- **Purpose-Driven Leadership:** Employees follow leaders who align business with societal good.



Independent Directors' Practical Role

How can INEDs engage without overstepping? The answer lies in committees and mentorship.

Sub-Committees Where INEDs Add Value:

- **Nomination & Remuneration Committee (NRC):** Oversees appointments, succession, and executive pay.
- **Risk Committee:** Assesses talent-related risks such as attrition and skills gaps.
- **Audit Committee:** Ensures disclosures on human capital meet regulatory and investor expectations.
- **Related Party Transactions (RPT) Committee:** Ensures fairness in people-linked transactions.

Through these forums, INEDs provide structure without encroaching on management.

At the same time, INEDs can act as mentors. A trusted INED often becomes a sounding board for CEOs, providing advice in confidence without diluting independence. This dual role, monitoring and mentoring, builds stronger boards and healthier leadership teams.

Conclusion

If I had to offer one piece of advice to a new INED stepping into the role of overseeing talent and leadership, it would be, “Always challenge with independence, but support with wisdom – because leadership oversight is about enabling the next generation, not just evaluating the current one.”

Independent Non-Executive Directors play a silent yet powerful role in shaping that leadership, by keeping the long view in focus, promoting diversity and accountability, and ensuring that talent is nurtured responsibly.

As industries evolve, technology transforms, and expectations of governance deepen, INEDs must continue to act as both guardians of integrity and champions of human potential.

Ultimately, it is not systems or capital that secure an organisation’s future; it is the strength, vision, and continuity of its leaders.



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FINANCIAL LITERACY IN SRI LANKA: CHALLENGES, DETERMINANTS, AND POLICY DIRECTIONS

Abstract

Financial literacy, knowledge, skills, attitudes, and behaviours that enable individuals to make effective financial decisions, is a cornerstone of household resilience and economic growth. In Sri Lanka, financial inclusion has expanded significantly in recent years, reflected in high account ownership and rapid uptake of digital financial services. Yet, gaps remain in financial capability, especially in translating access to formal financial services into effective financial behaviours such as saving, investing, and managing debt. Drawing on the Central Bank of Sri Lanka's Financial Literacy Survey (2021), the Financial Literacy Roadmap 2024–2028, and international comparative evidence from the OECD and World Bank, this paper explores the state of financial literacy in Sri Lanka. It examines determinants such as education, income stability, and digital adoption; identifies vulnerable groups including youth, women, rural households, and micro-entrepreneurs; and discusses implementation challenges such as fragmented initiatives and the knowledge–action gap. The paper concludes with evidence-based policy recommendations emphasising institutional coordination, targeted interventions, digital delivery with safeguards, behavioural design, and rigorous monitoring and evaluation. These measures are crucial for transforming financial inclusion into financial capability and enhancing long-term household resilience in Sri Lanka.



Introduction

The concept of financial literacy has gained increasing attention in the last two decades as financial markets deepen, economies digitalise, and households face growing financial choices and risks.

Financial literacy is more than a technical skill; it is a form of human capital that influences household welfare, consumer protection, and inclusive growth (Lusardi & Mitchell, 2014). Globally, studies show that higher levels of financial literacy are associated with better decision-making, including higher savings rates, better credit management, and greater preparedness for retirement (OECD, 2022).

Recognising this, the Central Bank of Sri Lanka (CBSL) launched the Financial Literacy Roadmap 2024–2028 to coordinate stakeholders, harmonise curricula, and create a systematic approach to building financial capability nationwide (CBSL, 2024).

Sri Lanka, a lower-middle-income country in South Asia, provides an important case study. On the one hand, Sri Lanka has achieved impressive progress in financial inclusion, with account ownership rates exceeding 80% (World Bank & IFC, 2021). The expansion of mobile banking and digital payment platforms has further accelerated access. On the other hand, financial literacy has lagged in inclusion. While access indicators are high, indicators of financial behaviour such as emergency savings, understanding of interest rates, and uptake of insurance products remain uneven.

This paper explores the current state of financial literacy in Sri Lanka, examines its determinants, identifies priority groups, analyses key challenges, and proposes actionable policy recommendations based on national and international evidence.

The country's recent macroeconomic turbulence, including the foreign exchange crisis and sovereign debt default in 2022, further underscored the importance of household financial capability. During periods of volatility, financially literate households are better equipped to adapt, diversify income sources, and avoid predatory practices (CBSL, 2021).

This paper explores the current state of financial literacy in Sri Lanka, examines its determinants, identifies priority groups, analyses key challenges, and proposes actionable policy recommendations based on national and international evidence.



Current State of Financial Literacy in Sri Lanka

The most comprehensive national measure of financial literacy is the CBSL's Financial Literacy Survey (2021). The survey found that 57.9% of adults were financially literate, using a composite index measuring knowledge (e.g., interest, inflation), attitudes (e.g., risk aversion), and behaviours (e.g., saving, budgeting). While this figure is relatively strong compared to some regional peers, it still implies that more than four in ten adults face deficits in managing financial decisions (CBSL, 2021).

Account ownership is widespread: 83% of Sri Lankan adults hold a bank account, reflecting a strong financial inclusion infrastructure (World Bank & IFC, 2021). However, meaningful usage lags access. For example, while most individuals use accounts for cash-in and cash-out transactions, far fewer engage in systematic savings, borrowing for investments, or purchasing insurance products. Similarly, many households lack emergency funds or fall into cycles of high-cost borrowing from informal lenders (CBSL, 2021).

Digital financial services are expanding rapidly. The use of mobile money and QR-based payments surged during and after the COVID-19 pandemic, supported by government cash transfer programs. While digital platforms enhance convenience and access, they also create new risks for financially illiterate consumers, such as exposure to fraud and over-borrowing through mobile loan apps (OECD, 2022). The launch of the Financial Literacy Roadmap 2024–2028 signals a policy commitment to address these challenges. The roadmap emphasises youth education, women's empowerment, rural outreach, digital literacy, and monitoring frameworks to measure progress (CBSL, 2024).

Determinants of Financial Literacy

- **Education and Numeracy**

Education is consistently linked to higher financial literacy. Individuals with higher levels of schooling are better able to understand financial concepts and apply them to decision-making (Lusardi & Mitchell, 2014). In Sri Lanka, education levels correlate strongly with survey-measured literacy (CBSL, 2021). Yet, financial education has not been systematically integrated into school curricula. Embedding personal finance in secondary education could help bridge this gap (CBSL, 2024).

Vulnerable and Priority Groups

- **Income Stability and Employment Type**

Income stability shapes financial behaviour. Households in the informal sector or dependent on seasonal agriculture face constraints in long-term planning. For such households, even with knowledge of saving or credit principles, irregular incomes prevent consistent application. The National Financial Inclusion Survey (2018–2019) highlighted the strong association between irregular income and lower savings rates in Sri Lanka (World Bank & IFC, 2021).

- **Product Exposure and Complexity**

Exposure to formal products can improve financial literacy through learning by doing. However, product complexity, particularly in credit and insurance, can undermine comprehension. For example, borrowers often fail to understand effective interest rates or penalties, leading to cycles of over-indebtedness (CBSL, 2021).

- **Digital Financial Adoption**

Digital finance introduces both opportunities and risks. While mobile payments increase convenience, they demand new literacy skills such as recognising phishing attempts, managing PINs, and understanding digital credit terms. The OECD (2022) advocates measuring “digital financial literacy” as a separate dimension of capability.

- **Youth and Students**

Young adults often enter the labour market without basic financial management skills. Evidence from other countries shows that school-based financial education improves savings behaviour and reduces reliance on high-cost borrowing in adulthood (OECD, 2022). In Sri Lanka, the CBSL Roadmap emphasises integrating financial literacy into school curricula (CBSL, 2024).

- **Women**

Despite educational parity in many regions, Sri Lankan women face gender gaps in financial behaviour. Women are more likely to rely on informal credit and less likely to hold insurance products. Gender-sensitive interventions, including women-focused training modules and community outreach, are therefore vital (World Bank & IFC, 2021).



Policy Recommendations



1. Institutional Coordination

Establish a multi-stakeholder Financial Literacy Council involving the CBSL, Ministry of Education, industry associations, and civil society. Such coordination would align curricula and maximise resource efficiency (CBSL, 2024).

2. School Curriculum Integration

Introduce compulsory personal finance modules in schools, supported by teacher training and interactive learning tools. Evidence shows that school-based interventions have long-lasting impacts (OECD, 2022).

3. Targeted Adult Programs

Design modular, context-specific programs for women, rural households, and MSMEs, delivered through trusted community institutions. Group-based learning combined with personalised coaching can increase effectiveness (World Bank & IFC, 2021).

4. Digital Delivery with Safeguards

Leverage mobile apps, SMS campaigns, and online courses for financial education while ensuring strong consumer protection frameworks. This dual approach balances access and safety (OECD, 2022).

5. Behavioural Interventions

Incorporate behavioural insights such as commitment savings devices, automatic transfers, and simplified disclosures to encourage positive financial behaviours (Lusardi & Mitchell, 2014).

6. Monitoring and Evaluation

Mandate impact evaluations of all major programs, using standardised instruments such as the OECD/INFE toolkit. Building a robust evidence base is essential for scaling successful initiatives (OECD, 2022).



Conclusion

Sri Lanka has made significant progress in expanding financial inclusion, yet financial literacy remains uneven across demographic groups. The 2021 survey highlights both strengths and vulnerabilities, while the Financial Literacy Roadmap 2024–2028 provides a strategic framework for action. Moving forward, the challenge is to transform access into capability, ensuring that individuals not only hold bank accounts but also manage them effectively, save regularly, and avoid predatory debt. Achieving this requires a coordinated, evidence-based approach that prioritises youth, women, rural households, and MSMEs; leverages digital delivery; integrates behavioural design; and commits to rigorous measurement. Strengthening financial literacy is not merely a policy priority but a necessity for building resilience and inclusive growth in Sri Lanka.

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"It's not how much money you make, but how much money you keep, how hard it works for you, and how many generations you keep it for."

— Robert Kiyosaki



— W.M.W.Sahanya Wijekoon

"Formal education will make you a living; self-education will make you a fortune."

— Jim Rohn

"You must gain control over your money or the lack of it will forever control you."

— Dave Ramsey

"IF WE COMMAND OUR WEALTH, WE SHALL BE RICH AND FREE. IF OUR WEALTH COMMANDS US, WE ARE POOR INDEED."

— Edmund Burke

"There is a secret psychology of money. Most people don't know about it. That's why most people never become financially successful. A lack of money is not the problem; it is merely a symptom of what's going on inside of you."

— T. Harv Eker

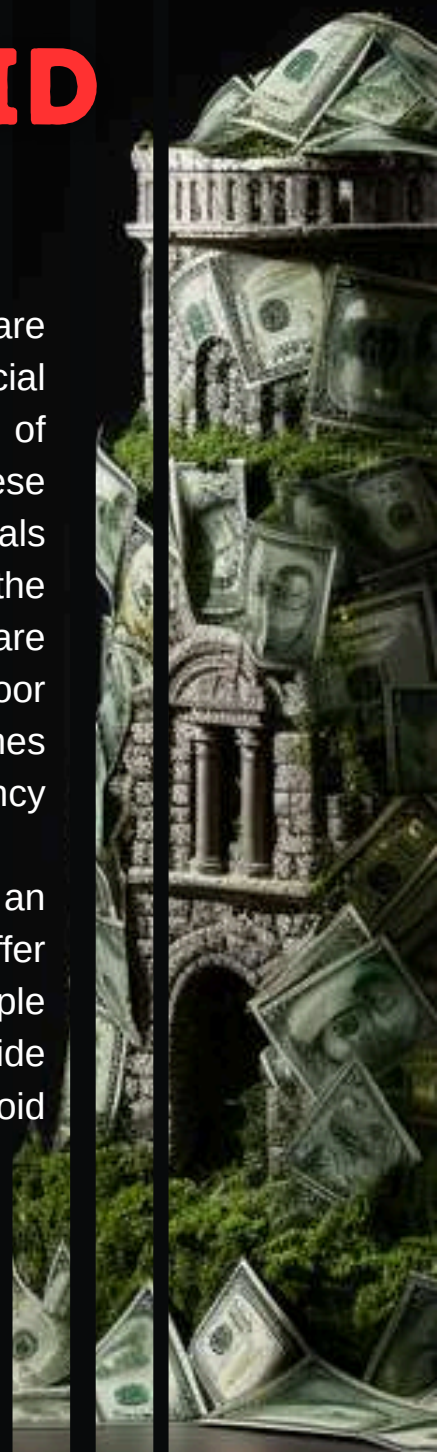
THE HIDDEN DANGERS OF PYRAMID SCHEMES AND HOW TO AVOID THEM

In the modern complex economic environment, we are constantly witnessing the spread of various fraudulent financial investment methods. One of them is the introduction of pyramid schemes as an illegal investment method, and these pyramid schemes pose a threat to both the individuals involved in the project and the entire economy. With the advancement of technology, these pyramid schemes are spreading in society in various forms. Similarly, due to the poor financial literacy and lack of awareness about illegal schemes among individuals, we have witnessed a greater tendency towards such illegal activities.

Accordingly, the primary purpose of this article is to provide an introduction to what pyramid schemes are, how they differ from proper investment, and a brief explanation of how people are attracted to such illegal scheme methods, what side effects could occur, and measures that can be taken to avoid them.

What are Pyramid Schemes

A scheme that provides benefits based on the recruitment of individuals or increases the contributions of participants can be identified as a prohibited scheme or pyramid scheme under Section 83 (C) of the Banking Act.



Accordingly, schemes that encourage the recruitment of more members into a particular scheme and benefit the recruited members, or that provide profits by increasing the amount paid by participants in the business, fall under the category of prohibited schemes.

Pyramid schemes that are run in this way can be classified under two main categories. The first is the naked pyramid scheme, which is run without selling goods and services, charging only membership fees. The second pyramid scheme is run by recruiting people, selling products and services at a price that is generally higher than the prevailing market price.

However, since such illegal schemes depend on the recruitment of members and cash flows, they collapse when recruitment ends at some point. In such a situation, the members at the top levels of these schemes make huge profits, while the money and assets of the members at the lower levels are lost due to the collapse of these schemes. Accordingly, schemes with the above characteristics can be called pyramid schemes, and it should be emphasized that initiating, offering, promoting, advertising, conducting, financing, managing, or directing such pyramid schemes is punishable by law in Sri Lanka.



SCAM

ALERT

1. Promising High Profits

Pyramid scheme operators attempt to recruit or attract people to these types of schemes by pretending that they can earn large profits with minimal effort. Here, they often use recognized individuals in society as promoters to build trust. These promoters may show off foreign trips, luxurious holidays, expensive vehicles, and high-end mobile phones as proof of success, by pretending to have joined these businesses and made such profits in a short period of time.

However, all of this is false information. Through such activities, these individuals are merely promoting the scheme. We must recognize that presenting attractive but misleading stories of instant profits is another trick used as a strategy in promoting the pyramid schemes.

2. Running Pyramid Schemes under the Pretext of Providing Jobs

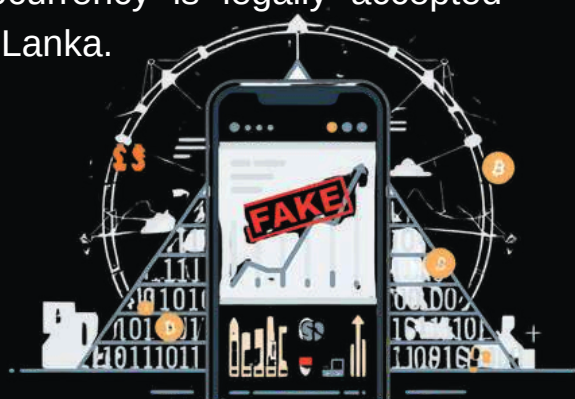
In this case, individuals are invited to participate in short-term courses with the promise of employment opportunities. However, they will have to pay a large amount of money as registration fees, and in order to secure a job, they will also have to make other members involved in the relevant course.

Accordingly, both the activities of charging high registration fees and requiring participants to recruit others are tactics used by pyramid scheme operators, under the guise of providing jobs.

3. Conducting Pyramid Schemes on the Internet

In these schemes, you are asked to download a mobile application and, through it, you are encouraged to invest in cryptocurrencies. You are then told that you will receive monthly benefits, which will be displayed on the relevant mobile application. However, you should understand that these are fake values shown through fraudulent coding methods and that you have not actually received such an amount.

Here, they obtain a large amount of your information and encourage you to recruit other people into this business. Apart from that, they point out that you can also earn money through non-productive activities such as clicking on advertisements. It should be remembered that all of these are prohibited schemes that run through fake software, and no cryptocurrency is legally accepted in Sri Lanka.



4. Submission of Misleading Documents

As mentioned above, it is prohibited to operate pyramid schemes in Sri Lanka. Accordingly, if a person is recruited into a pyramid scheme and asks for registration information of the business, the operators of these businesses will present documents related to the registration of the business obtained from the Companies Registration Office.

Essentially, these documents may be related to a company registered to sell a product or service. However, it is legal to use such registration documents to collect money using such registration documents. Therefore, when approached by a suspicious business, the relationship between the real purpose of the documents presented and the true objectives of the business should be carefully considered.

5. Pyramid Schemes as Network Marketing

Under network marketing, goods and services are sold to consumers through wholesale and retail trade, and wholesalers and retailers do not have to personally purchase the goods/services when selling. However, in pyramid schemes,



everyone who joins the business must purchase the goods before selling them to someone else. Also, the goods sold in these pyramid schemes are sold at a higher price than the market price. However, in actual trade, such as wholesale and retail trade, they are sold at the normal market price, and after-sales service is also available.

Accordingly, it is necessary to understand that network marketing, which includes wholesale and retail trade, is clearly different from pyramid schemes. Since network marketing is not illegal, pyramid scheme operators, trying to present their illegal money collection as network marketing, can be seen as one strategy used to deceive individuals.

Adverse consequences of investing in Pyramid Schemes

ADVERSE CONSEQUENCES OF INVESTING IN PYRAMID SCHEMES



Individuals should avoid pyramid schemes because they do not receive any benefit from participating in them. In other words, to avoid the adverse effects that pyramid schemes may cause, they should be avoided altogether. The personal, social, macroeconomic, and financial systemic adverse effects that pyramid schemes can have on individuals are outlined as follows:

Individuals should avoid pyramid schemes because they do not receive any benefit from participating in them. In other words, to avoid the adverse effects that pyramid schemes may cause, they should be avoided altogether. The personal, social, macroeconomic, and financial systemic adverse effects that pyramid schemes can have on individuals are outlined as follows:

Adverse Personal effects of participating in Pyramid Schemes

Pyramid Schemes are unstable business models that collapse after the recruitment is completed. Therefore, the first thing an individual might face is the loss of his or her financial assets. Apart from this, some citizens may even invest money in pyramid schemes by taking out loans or mortgaging property. Accordingly, as soon as the pyramid scheme collapses, debt default or property loss may occur. Also, pyramid schemes are often joined by groups with close relationships, such as relatives or friends. So, as soon as the pyramid scheme collapses, the entire network of relationships may also collapse. Participants may face adverse consequences such as loss of self-confidence, lack of acceptance, psychological distress, and social exclusion.

One of the most adverse consequences of this is being subject to legal problems or facing punishments. However, pyramid schemes are a legally prohibited activity in Sri Lanka. Accordingly, due to the above-mentioned adverse consequences that people who participate in pyramid schemes face, every person should ensure that they refrain from participating in such schemes.

Adverse social consequences of Pyramid Schemes

The widespread of pyramid schemes in society can lead to a crisis in social relations. In this case, a society can face many adverse consequences such as the breakdown of family relationships, damaged friendships, and the breach of trust between each other. When pyramid schemes collapse, the chain of relationships also breaks down. In such situations, the loss of assets leads to increased poverty, suicide, broken families, murders, and other crimes. It is an essential social responsibility of every citizen to take steps to avoid joining pyramid schemes to save citizens from such adverse consequences that occur in society.

Macroeconomic and Financial Systemic Adverse Consequences

Individuals may join pyramid schemes by obtaining loans from various financial institutions. In such cases, as soon as the pyramid schemes collapse, these individuals may default on their loans. As a result, non-performing loans of financial institutions may increase, assets may decrease, or even financial institutions may go bankrupt. If financial institutions go bankrupt, confidence may be lost and the financial market may become unstable. In such a situation, the entire financial system may collapse. From a macroeconomic perspective, as more people join pyramid schemes, expectations of profit may increase aggregate demand in the short term, which may lead to short-term inflation. In such a situation, investor confidence may be lost, and economic growth may also decline. Citizens joining pyramid schemes increase wasteful and illegal economic activity in the country, and as a result, unemployment may also increase. Especially if citizens are involved in pyramid schemes operating from abroad and have to pay in foreign currencies, there can

be a high demand for foreign exchange. This can also put pressure on the exchange rate. Thus, involvement in pyramid schemes can negatively impact both the balance of the financial system as well as the macro economy.

Case Study in The Albanian Experience

Albanian pyramid schemes caused devastating social and economic damage in the 1990s. After the collapse of communism, weak financial regulation allowed fraudulent schemes disguised as legitimate businesses to attract deposits from citizens, often promising returns of up to 100% within a few months.

By 1997, two-thirds of Albania's population had invested their entire life savings, and the schemes had funds worth almost half of the country's gross domestic product (GDP).

When the pyramids collapsed, millions lost their savings, which led to mass protests, riots, and violent unrest. Public trust in financial institutions eroded, poverty deepened, and Albania's economy virtually collapsed. The government lost authority, law and order collapsed, and armed groups took control of many regions. The crisis resulted in thousands of deaths, mass migration and long-term damage to Albania's political and economic stability.

What should you do to avoid Pyramid Schemes?

As explained so far, preventing citizens from resorting to pyramid schemes is an essential factor in preserving macroeconomic stability and the stability of the financial system. Accordingly, many measures can be taken to prevent citizens from falling into these, such as enacting laws and regulations and increasing awareness and financial literacy.



Primarily, citizens should take steps to increase their knowledge of financial literacy. In this regard, it is essential to obtain information from verified sources such as the Central Bank of Sri Lanka. It is of primary importance to obtain knowledge about correct income generation and expense management, as well as to obtain the necessary knowledge to avoid illegal financial businesses such as pyramid schemes. Accordingly, it is important to research and act on your money wisely, seek professional advice when necessary, and constantly be aware of the regulations and announcements issued by regulatory bodies. In particular, as discussed earlier, it is important to be aware of the various fraudulent business promotion strategies used by pyramid scheme operators. Being aware of these and educating others can help control the demand for pyramid schemes.

In addition, if you receive information about pyramid schemes, you can complain to the nearest police station or the Central Bank of Sri Lanka. To contact the Central Bank, use the email address 'fcrd@cbsl.lk', telephone number 1935 or the address:

**'Director, Financial Customer Relations
Department,
Central Bank of Sri Lanka,
No. 30, Janadhipathi Mawatha,
Colombo 01'.**

Conclusion

Pyramid schemes are fraudulent business schemes that exploit people by promising high returns without sustainable economic activity. Most pyramid schemes have direct impacts that are personal in nature; such as social breakdowns, increased impoverishment, rising debt levels and impose macroeconomic risks into the entire financial system inclusive of banks. A good example of a national economy that collapsed under a pyramid scheme is Albania and the losses that the entire financial system can incur are solid reminders. In order to avoid falling into prey to such pyramid schemes, individuals should strengthen their financial literacy, seek professional advice before investing and verify information through reliable institutions such as the Central Bank of Sri Lanka.

It is also a social duty for citizens to be aware of suspicious schemes and report them to the authorities, and to prevent the spread of pyramid schemes. It is a collective responsibility as a nation, to protect not only our personal safety but also the economic stability and the social trust.



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SUSTAINABLE FINANCE AND ESG INVESTING

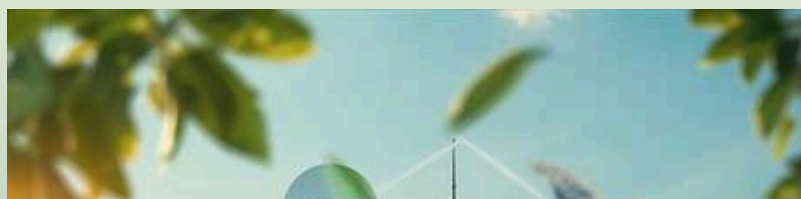


Why sustainability matters in today's financial world?

In the 21st century, financial markets do not exist in isolation from the wider social and environmentally challenging world. **Climate risks, investor awareness, and regulatory push** take a great level of priority and importance in this context. Climate change, rising inequality, demographic pressures, geopolitical risks, and evolving consumer expectations all shape how capital is raised and deployed. The notion of pursuing profit at any cost is no longer viable because risks that were once considered external, such as extreme weather events, resource scarcity, or governance failure, now directly affect financial performance. Firms that prioritize short-term gains without considering long-term sustainability face reputational damage, regulatory penalties, and even asset losses. Meanwhile, capital markets increasingly channel funds towards companies and projects that demonstrate resilience, adaptability, and responsibility. Global investors, sovereign funds, and pension funds are embedding sustainability mandates into their portfolios, and regulators across major economies are requiring firms to disclose their environmental, social, and governance practices.

Sri Lanka faces a lot of environmental and social concerns that must be addressed, which, if not addressed, will be a risk to the sustainable growth of the country. From the environmental perspective, climate change holds a major position. It's a challenge that we as an entire nation and the world together have struggled to achieve for decades. If proper funding is not allocated and if proper controlling mechanisms are not followed, the losses related to natural disasters can be triple by 2050, as per the recent volume of the Sustainable Finance Roadmap 2.0 issued by the CBSL.

This is where ESG investing takes prominence. ESG stands for Environmental, Social, and Governance, and it's a framework used to measure the ethical performance of a company beyond its financial performance.



Sri Lanka's Position – Opportunities and Constraints

Within this global landscape, Sri Lanka presents both opportunities and constraints in the field of sustainable finance. The Central Bank of Sri Lanka has already signaled its intent by publishing the Sustainable Finance Roadmap 2.0, which guides regulators and financial institutions to integrate environmental, social, and governance considerations into their operations. In addition, Sri Lanka has taken tangible steps such as introducing a Green, Social, and Sustainability Bonds regulatory framework through the Colombo Stock Exchange, which allows issuers to raise funds for climate-friendly and socially impactful projects. Development partners such as the International Finance Corporation have also supported Sri Lanka in incorporating ESG risk assessments into banking practices. Despite the encouraging moves made, Sri Lanka's ESG investing scope remains underdeveloped. It is mainly concentrated on sustainable debt instruments like social and green bonds, while equity investors, mutual funds, and portfolio managers are yet to integrate these considerations into mainstream practices.



Let's understand sustainable finance and ESG investing

Sustainability in finance means allocating and managing capital in ways that support long-term value creation while integrating environmental, social, and governance (ESG) factors, rather than focusing solely on short-term profit. It is a broad umbrella concept that covers a variety of tools and approaches, including green bonds, sustainability-linked loans, carbon markets, impact investing, and climate finance. The essential idea is to ensure that capital is allocated in a way that supports long-term economic growth while addressing urgent global challenges such as climate change, inequality, and poor governance.

Traditional finance was mainly focused on return and maximising shareholder wealth, but in the modern world, it seeks to balance the financial performance with the environmental and social considerations. Traditional finance considers financial risk only, but in the modern context, it includes non-financial risks such as climate change, resource scarcity, social inequality, and governance failures, which can impact long-term financial stability.



Success was measured using financial metrics like return on investment (ROI), return on equity (ROE), earnings per share (EPS), and price appreciation in traditional finance, but in the modern business world, evaluation includes ESG ratings, sustainability reports, and impact assessments. Rather than looking solely at profitability and risk-return ratios, ESG investors ask questions such as: Does the company manage its carbon emissions? Does it treat its workers fairly? Does it have transparent governance structures and ethical leadership? By adding these dimensions, ESG investing provides a more holistic assessment of both risks and opportunities.

ESG has attained unprecedented significance in recent years. Sustainable finance and ESG investing have emerged as critical responses for pressing global concerns such as environmental degradation, social inequality, and governance failures.

Modern-day businesses have to integrate ESG criteria into financial decision-making to promote long-term sustainable development while mitigating environmental and social risks. Sustainable finance is not an ordinary course of practice; it's a mainstream strategy aimed at achieving great financial returns and better social outcomes.

Environmental (E)-Climate change, carbon footprint, renewable energy.

Social (S)-Diversity, labour rights, community impact.

Governance (G)-Transparency, ethical leadership, anti-corruption.



When investors invest in companies, they are very interested in getting to know about their risk management processes, brand reputation, and the company's regulatory compliance status on a deeper level.

The Sri Lankan Context

In Sri Lanka, sustainable finance is beginning to take root, but ESG investing has yet to gain meaningful traction. While the country has issued green and social bonds and encouraged sustainable lending practices through its regulatory roadmap, ESG-focused equity funds or portfolios are almost non-existent. Asset managers still rely primarily on traditional financial metrics, and investor awareness of ESG considerations remains limited. Furthermore, unlike in some jurisdictions where ESG reporting is mandatory, in Sri Lanka, disclosure is mostly voluntary. Listed companies may provide sustainability reports or integrate ESG sections into their annual reports, but there is no uniform standard that compels firms to disclose such information. This lack of consistency and transparency limits the development of an ESG investing culture, as investors cannot make reliable comparisons or decisions based on incomplete data.

Benefits of ESG investing

The primary benefit of ESG investing is long-term financial resilience. Companies with good ESG performance often outperform in crises. This appeals to millennial and Gen Z investors who prioritise value. Incorporating ESG considerations often leads to better financial performance over the long run. ESG investing allows better access to capital at lower borrowing costs, since lenders consider the company's ESG performance in credit assessment.

Adopting sustainable practices can enhance reputation, brand value, and attract responsible investors, customers, and partners, while fostering loyalty and trust among stakeholders. It also builds strong relationships with stakeholders, including customers, employees, regulators, and communities.

Sustainable finance practices have driven innovation in so many industries, especially in the banking sector, allowing the introduction of various services to cater to the evolving needs. But at the initial stages of the establishment of the ESG principles, industries faced immense pressure to adapt to them.

But by slowly in doing so, on many occasions, they were able to attract responsible customers and position themselves in a higher than competitors.

Challenges and Criticisms



Despite the encouragement, sustainable finance and ESG investing are not without their challenges.

Resistance to cultural change within organizations and a lack of awareness among employees on sustainability factors can hinder the adoption of sustainable finance practices and initiatives. Pressure to meet short-term financial performance and quarterly profit targets can discourage companies from prioritizing long-term goals and investments. The risk of greenwashing and misrepresentation of sustainability practices poses challenges for companies in ensuring the integrity and credibility of such activities and initiatives. Lack of collaboration among stakeholders, including banks, employees, customers, and regulatory authorities, can hinder the efforts taken to drive systematic change in promoting sustainable finance and ESG initiatives.



Future trends in sustainable finance

Looking ahead, sustainable finance is likely to become more deeply embeddedness global and local financial systems. Many countries are moving toward mandatory ESG reporting, and Sri Lanka may eventually follow this path. The use of technology, particularly artificial intelligence and big data, is expected to improve the accuracy and availability of ESG information. Instruments such as sustainability-linked bonds and governance-linked securities are likely to grow in importance, offering new ways for investors to align financial returns with sustainability outcomes. For Sri Lanka to develop a robust ESG investing ecosystem, regulators should consider gradually mandating ESG disclosures for listed firms, beginning with larger companies. The Colombo Stock Exchange and other institutions can support this process by providing clear guidelines and training. Asset managers and investment funds should experiment with pilot ESG products, while companies should voluntarily enhance their disclosures to prepare for future requirements. Collaboration with international partners could help fill data gaps and build credibility.

There is a growing importance of climate finance and green bonds. Green bonds are debt instruments issued to finance specific projects related to the environment, a majority of which address climate change. Sustainable finance is indeed regulated, but the strictness of it dependson the region in whichthe company is located. Sustainable Finance Disclosure Regulations mandate asset managers, banks, and insurers to disclose how they integrate sustainability risks. Corporate Sustainability Reporting Directives require large companies to report on ESG matters using standardized rules. The European Union is seen as having the strictest and most comprehensive sustainable finance regulations.



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Around the world, ESG considerations are transforming investment practices, and Sri Lanka will also follow these steps through green bonds and sustainable finance roadmaps. What Sri Lanka should primarily focus on is making ESG reporting and disclosures a mandatory practice rather than a voluntary one for all companies, in collaboration with the Colombo Stock Exchange and all relevant regulatory authorities.

ESG investing and sustainable finance are reshaping global investments in unprecedented ways. While all companies try to adopt sustainable finance activities, they must ensure that transparency, accountability, and innovation are maintained. All of these practices represent a transformative shift towards a more sustainable and resilient financial system. Moving forward, further studies and development efforts are needed for advanced sustainable finance and ESG investing activities and to drive a collective approach towards a more sustainable and inclusive financial system. Sri Lanka should move from intention to implementation, which will ultimately result in greater resilience, stronger investor confidence, and improved access to capital. Sustainable finance is not just a trend but the future of long-term value creation.

Sustainable finance is not just a trend but the future of long-term value creation.



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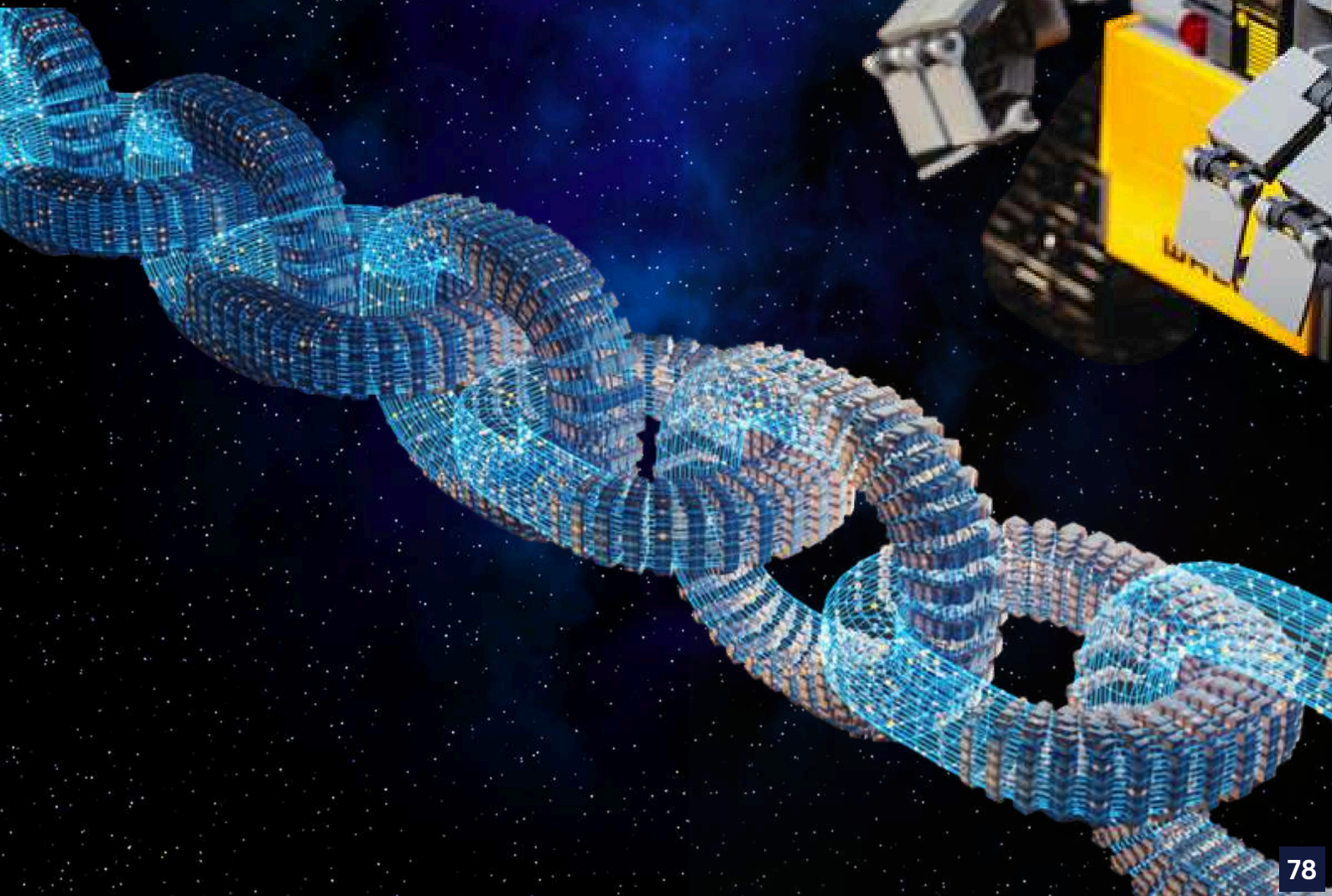


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12

AI, BLOCKCHAIN, AND FINTECH
INNOVATIONS

EMERGING TECHNOLOGIES RESHAPING FINANCE



The global financial system is undergoing a technological revolution, with innovations such as Artificial Intelligence (AI), Blockchain, and FinTech reshaping how individuals and businesses manage money. These emerging technologies are not only improving efficiency and transparency but also promoting financial literacy and inclusion on a global scale.

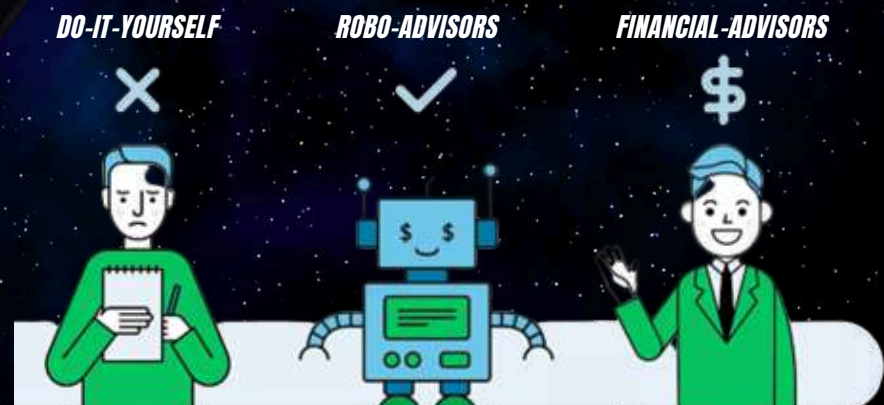
For countries like Sri Lanka and other developing economies, the adoption of such technologies offers both opportunities and challenges in building a sustainable financial future.

AI in Finance: Smart Decisions at Scale

For countries like Sri Lanka and other developing economies, the adoption of such technologies offers both opportunities and challenges in building a sustainable financial future.

- Robo-advisors provide affordable investment guidance, democratizing wealth management.
- Credit scoring models using AI expand access to credit for individuals with limited financial history.
- Algorithmic trading allows institutions to process large amounts of data in seconds, making markets more efficient.

For the public, AI-based mobile apps help track spending, save money, and plan for the future. However, the complexity of these systems underscores the need for improved financial literacy, enabling users to make informed decisions.



Blockchain and Cryptocurrencies: Building Trust through Transparency

Blockchain technology is redefining trust in financial systems. By creating decentralized, tamper-proof ledgers, it enables secure peer-to-peer transactions without intermediaries.

- Cryptocurrencies like Bitcoin and Ethereum have introduced new ways of investing and transferring value.
- Smart contracts allow automated, transparent agreements without legal intermediaries.
- Cross-border payments are faster and cheaper through blockchain-based platforms.

For developing nations, blockchain offers opportunities for financial inclusion, especially for unbanked populations. At the same time, volatility in cryptocurrencies and the lack of regulation pose risks, demanding careful policy interventions.

FinTech Applications: Everyday Banking Reinvented

FinTech solutions are revolutionizing how people interact with money. Digital wallets, mobile banking, and peer-to-peer lending platforms have created new possibilities:

- Mobile payments (like PayPal, Alipay, and local apps) simplify transactions.
- Digital wallets enable cashless economies, reducing transaction costs.
- Peer-to-peer lending supports entrepreneurs who lack access to traditional bank loans.

For youth, these innovations make financial services more accessible and engaging. But alongside convenience, cybersecurity threats and misuse of personal data remain significant challenges.

Risks and Challenges of Emerging Technologies

While emerging technologies unlock growth, they also bring risks:

1. **Cybersecurity Threats** – Increasing digitalisation creates vulnerabilities to hacking and fraud.
2. **Data Privacy** – AI and FinTech platforms handle sensitive personal data, raising concerns over misuse.
3. **Regulatory Gaps** – Many governments struggle to keep pace with fast-changing innovations.
4. **Financial Exclusion** – Without proper education, digital finance may widen the gap between financially literate and illiterate populations.

Thus, advancing financial literacy is essential to ensure individuals can safely navigate new technologies.

Opportunities for Sri Lanka and Developing Economies

For developing countries, emerging technologies can be catalysts for economic growth:

- **Financial inclusion** – Digital wallets and mobile banking extend services to rural populations.
- **Entrepreneurship** – Peer-to-peer lending platforms empower startups and SMEs.
- **Sustainable finance** – Technologies like blockchain can improve transparency in ESG reporting.
- **Youth engagement** – Integrating FinTech into education builds a generation that is financially literate and technologically skilled.

With proper policies, Sri Lanka can position itself as a regional hub for digital finance and FinTech innovation.



Key Takeaways / Recommendations

- **Promote Digital Financial Literacy** – Governments and educators should integrate digital finance training into curricula.
- **Strengthen Regulations** – Policymakers must ensure emerging technologies are transparent, ethical, and secure.

- **Encourage Innovation** – Partnerships between regulators; universities, and businesses can drive safe experimentation.
- **Inclusive Adoption** – Ensure rural and marginalized communities are not left behind in the digital shift.



Conclusion

Emerging technologies such as AI, blockchain, and FinTech are reshaping the future of finance. They hold the promise of greater efficiency, transparency, and financial inclusion. However, without strong financial literacy and robust regulation, these innovations may create new risks. By embracing innovation responsibly, countries like Sri Lanka can turn emerging technologies into a foundation for sustainable economic growth and improved financial literacy.

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CSE MANDATES IFRS S1 & S2: WHAT IT MEANS FOR SRI LANKA'S CAPITAL MARKET

The Colombo Stock Exchange (CSE) has taken a landmark decision, significantly reshaping the corporate reporting landscape in Sri Lanka. Beginning in 2026, the largest 100 companies by market capitalization will be required to adopt IFRS S1 and IFRS S2, the new sustainability disclosure standards issued by the International Sustainability Standards Board (ISSB). This move signals a strong commitment to embedding sustainability considerations into mainstream financial reporting and aligns Sri Lanka with the evolving global trend toward more comprehensive corporate disclosure frameworks. The decision to target the largest companies first is a strategic one, ensuring that firms with the greatest influence on the market and economy demonstrate leadership in transparency and accountability.

At its core, IFRS S1 is designed to provide a comprehensive framework for companies to disclose sustainability-related risks and opportunities that could reasonably be expected to affect their cash flows, access to finance, or cost of capital over the short, medium, and long term. This standard aims to establish a

baseline for sustainability-related disclosures that are comparable, consistent, and decision-useful for investors and other capital market participants. It goes beyond traditional financial statements by integrating information about a company's broader operating environment, the material issues it faces, and the governance structures in place to manage sustainability challenges. For Sri Lankan companies, many of which are increasingly exposed to environmental, social, and governance (ESG) issues, adopting IFRS S1 represents both a challenge and an opportunity to showcase how they are managing risks and seizing new opportunities in an ever-changing world.

IFRS S2, on the other hand, focuses specifically on climate-related disclosures, building on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). It requires companies to disclose information about governance, strategy, risk management, and metrics and targets related to climate change. By implementing IFRS S2, Sri Lanka's largest listed firms will be expected to

quantify and report on issues such as greenhouse gas emissions, exposure to climate transition risks, and resilience to physical climate impacts. This will bring Sri Lankan reporting practices in line with emerging international norms and help investors better understand how climate change may affect the long-term financial performance of local companies. Given Sri Lanka's vulnerability to climate-related risks such as floods, droughts, and rising sea levels, climate-related disclosures are not just about compliance, but also about resilience and business continuity.



The adoption of these standards carries profound implications for the investment community. For institutional investors, both domestic and international, the availability of reliable and comparable sustainability data will improve decision-making. Global asset managers are increasingly embedding ESG considerations into their portfolio strategies, and without standardised reporting, Sri Lankan companies' risk being overlooked in favor of peers from other markets with more transparent disclosures. By requiring the largest companies to comply, the CSE is sending a clear signal that Sri Lanka is serious about aligning with global capital market expectations.

This could enhance the country's attractiveness as an investment destination, particularly at a time when sustainable finance is gaining momentum worldwide. In practice, the enhanced disclosures will enable investors to distinguish between companies that are proactively addressing sustainability challenges and those that may be lagging, thereby enhancing the efficiency of capital allocation.

From the companies' perspective, the transition will not be without difficulties. Preparing to meet the requirements of IFRS S1 and S2 involves substantial investments in data collection, systems development, and human capital. Many Sri Lankan companies are not yet fully equipped to track and report sustainability metrics with the same rigor as financial data.



For example, calculating greenhouse gas emissions across a supply chain, or evaluating exposure to physical climate risks, requires expertise and resources that may currently be lacking. There is also the challenge of embedding sustainability reporting into broader corporate governance processes rather than treating it as a compliance exercise. This will require a cultural shift within organisations, with boards and senior executives taking ownership of sustainability strategy and disclosures. Nonetheless, while the transition may be demanding, it will ultimately strengthen corporate resilience and enhance competitiveness.

For regulators such as the Securities and Exchange Commission of Sri Lanka, the adoption of IFRS S1 and S2 provides a platform to strengthen oversight and investor protection. The regulators will need to establish robust mechanisms for monitoring compliance, ensuring the quality of disclosures, and preventing greenwashing. This will likely involve close collaboration with auditors, rating agencies, and other assurance providers to verify the accuracy and credibility of the reported data. At the same time, regulators must strike a balance between enforcing compliance and providing guidance and support to companies as they navigate the transition. Capacity-building programs,



technical assistance, and phased implementation support will be crucial in ensuring that companies view this new requirement as a value-creating exercise rather than an undue burden.

The broader economic significance of this move should not be underestimated. By requiring the largest 100 companies to disclose sustainability and climate-related information, the CSE is effectively integrating long-term environmental and social considerations into the heart of Sri Lanka's financial system. This could catalyse the development of sustainable financial products such as green bonds, ESG-linked loans, and sustainability-focused equity funds. In turn, these innovations could attract new pools of capital, particularly from global investors seeking exposure to emerging markets with credible

sustainability frameworks. Over time, this could help Sri Lanka diversify its investor base, deepen its capital markets, and reduce reliance on short-term, speculative capital flows. Moreover, by creating greater transparency around how companies are managing climate and sustainability risks, the initiative could also improve macroeconomic resilience, given the interconnectedness between corporate stability and financial system health.

For stakeholders such as employees, consumers, and civil society, the adoption of IFRS S1 and S2 also has implications. Greater transparency around sustainability practices can help build trust in companies, particularly at a time when public expectations around corporate responsibility are rising. For example, disclosures on governance and risk management can reassure stakeholders that companies are not only pursuing profit but are also attentive to the long-term impacts of their operations. Climate disclosures may create pressure for companies to reduce their carbon footprints and innovate in ways that contribute to Sri Lanka's broader climate commitments. This aligns with national goals to move toward a more sustainable, low-carbon economy and can enhance the country's reputation on the global stage.

Looking ahead, the success of this initiative will depend on effective collaboration between all stakeholders. Companies must demonstrate leadership and commitment, integrating sustainability into core business strategies rather than treating reporting as a box-ticking exercise. Investors must actively engage with the new disclosures, rewarding companies that demonstrate strong sustainability performance and holding others accountable. Civil society and media will also play a role in scrutinising disclosures and ensuring that public interest is served. If these elements come together, the adoption of IFRS S1 and S2 could mark a turning point in the evolution of Sri Lanka's corporate sector, ushering in an era of greater transparency, accountability, and sustainability.



In conclusion, the Colombo Stock Exchange's decision to mandate the adoption of IFRS S1 and S2 for the largest 100 companies starting in 2026 is a forward-looking and essential step. It aligns Sri Lanka with international best practices, enhances the quality and comparability of corporate disclosures, and positions the country's capital market to attract sustainable investment flows. While the transition will undoubtedly present challenges for companies, particularly in terms of capacity building and data management, the long-term benefits far outweigh the costs. Enhanced transparency, improved investor confidence, stronger corporate governance, and greater resilience to sustainability and climate risks are just some of the expected outcomes. More broadly, this initiative underscores Sri Lanka's commitment to integrating sustainability into its economic model and ensuring that its capital markets are future-ready.



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