

Research Article 03

Developing a Resilient Sri Lankan Economy: The Role of Digital Transformation, Sustainable Entrepreneurship, and Green Knowledge Perception

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Abstract

Digitalisation stimulates equitable development of operational efficiency, market exposure, and knowledge dissemination. Perceived green knowledge builds an ecological mindset among the entrepreneurs, and sustainable entrepreneurs imply the green consciousness to build a business framework that makes uniform advancement in balancing profit and the environment. Despite the satisfactory progress in personal and digital competencies, firm-level digital adoption of digital solutions at the enterprise level is suboptimal. Perceived eco-knowledge, fundamental sustainability values, and successful integration of digital solutions would endorse eco-friendly commercial achievements. The study aims to examine the impact of digital transformation, sustainable entrepreneurship, and green knowledge in strengthening a resilient economic framework for Sri Lanka. This quantitative-based study follows a convenience sampling technique in examining 300 entrepreneurs. Findings reveal the influence of an array of components of digital transformation, sustainable entrepreneurship, and perceived green knowledge, positively rendering sustainable economic values in Sri Lanka. The positive linear relationship in the green perception of entrepreneurs is driven by self-assessed environmental awareness, product and technical competence, and green market literacy. The application of Artificial Intelligence and Internet of Things is constructing an effective digital transformation where circular economic practices, acceptance of eco-friendly practices, and green promotion are producing substantial results on a sustainable-resilient economy in the Sri Lankan context. More attention on digital education, strategic efforts on sustainable value addition on goods and services, sustainable development initiatives, and mechanisms would help to Sri Lankan economy to grow in green.

Keywords: Circular economic practices, digital transformation, green knowledge, resilient economy, sustainable entrepreneurship

Introduction

GDP recovery of 5% in Sri Lanka exhibits the inclusive growth of the current economic status. The phase of recovery requires a robust economic policy framework and innovative, driven regulatory policies consistent with the economic resilience of Sri Lanka in the pursuit of economic stabilisation (Kushani,2025). Conceptualised application of sustainable concepts, intensified ecological consequences, effective uptake and application of digital tools, recognition of cross-border opportunities along the circular economic strategies, and green socio-economic transformation are considered as the critical success factors in constructing a sustainable economic development framework in Sri Lanka (Ibrahim,2022). According to the Central Bank of Sri Lanka (2023), 75% of the businesses operated as SMEs in which makes a contribution of 52% in GDP despite the constraints on high-tech solutions, capital allocation for technology innovation, poor technology-based infrastructure and a supportive policy framework of the nation. Despite the difference between the concerns of personal and institutional level adoption, the increment for digital application and development has been rapidly rising from the early phase of 2024, including the rise in online users of 3.6% and the cellular connection of 2.7% rise compared to the previous year. 7.5 million people in the population are active in using online platforms in social media platforms (Information & Communication Technology Agency of Sri Lanka, 2023). In the initial quarter of 2024 digital literacy rate has increased to 64% highlighting the digital readiness index and room for technology transformation. Operations of SMEs in the digital involvement and practice remain insignificant, which leads to unoptimized efficiency and underutilised capacity and the absence of innovation to compete in the global economy. Nevertheless, the improvisation of digital literacy and the rapid rate of technology, the corporate-level digital adoption rate is significantly low. Enterprise-level digital presence through official websites is minimal, with 16% in Sri Lanka in the Asian region. Indeed, 19% of the business ventures in Sri Lanka reported having and using official databases and websites, among the lowest in the Asian region (Jayathilake,2024). This gives a pressure moment to adopt and utilise the digital-driven framework to poster the economic recovery, growth, and sustainable development (Kushani,2025).

Concerning the pandemic implications, SMEs were strong enough to build up the sustainable value as near-zero waste enterprises, reflecting the path to sustainable practices with market actions meeting the expected standards in their field of operation (Kumara,2023). Simultaneously, the sustainable practices applied by the entrepreneurs designated the business activities embracing the environmental concerns and profitability of the enterprises, integrating eco-tourism sectors, culturally embedded organic production, the emergence of sustainable energy markets, and reaching in enhancing global expansion strategy promoting eco-friendly exports of such sustenance & services supporting pastoral livelihoods (Gunaratne, Burritt & Christ,2023). Robust application of green knowledge perception and effective application of digital transformation in the business field directs all the sectors to focus on environmental performances in developing eco-innovation, lean production practices, circular economic strategies in reframing the economic structure of a developing setting like Sri Lanka in a green approach (Fonseka,2022). The number of developing nations with less dependency on resources and building credibility in global marketplaces where sustainability standards are ecological norms is becoming increasingly crucial in to green entrepreneurial era. Consequently, furthering a resilient economic structure to future global and trade shocks requires not just green and sustainable establishment practices but also a digital revolution (Kushani,2025). Thus, the nations need an eco-commercialised model to interact with people, profit, and planet with sustainable development of the nations (Jayathilake,2024).

Background of the Study

Satisfactory level of ICT literacy and index for digital adoption of Sri Lanka embraces the necessity of adopting a technology-driven framework in stimulating global competitiveness, sustainable value addition, and commercial enhancement with resilience (Kumara,2023). Digital finance has emerged as a major economic force, as seen by the 51.2% increase in digital transactions in 2023, which reached a value of Rs. 12,660 billion (45.4% of GDP), up from just 8.7% in 2019 (Daily Mirror, 2023). SMEs are now able to implement affordable, transparent, and secure payment systems because of the Common Electronic Fund Transfer Switch's (CEFTS) growth, which handled 67% of interbank retail transactions in 2024—up from just 8% in 2018(Information & Communication Technology Agency of Sri Lanka,2023). Through e-commerce and digital platforms, these developments in digital infrastructure not only lower transaction costs but also increase market access for green businesses, making promotion simpler. Entrepreneurs and SMEs are opting for effective digital applications and eco-friendly practices to embrace the global opportunities and recognition (Kumar,2019). The implication of capital allocation on digital innovation and digital proficiency plays an important role in stimulating digital-driven operations, solutions, and innovations 52% by 2023, which increased LKR 12660 (Central Bank of Sri Lanka,2023). Compressed mode of access to E-commerce and digital platforms leads to lower transactional and operational costs while stimulating the operational and dynamic efficiency of a sector. Indeed, this finds green opportunities in the field of sustainable entrepreneurship endorsing eco-friendly production and sustainable production approaches, green marketing and promotion, green knowledge exchange, and sunrise sense for emerging SMEs (Tasmanian, Perera & Fernando,2024). This emerging evolution of the digital and sustainability phase can bridge the economic growth and resilience, resulting in sustainable development as the achievement of macroeconomic objectives (Kushani,2025).

SMEs operated in less developed nations such as Sri Lanka can be benefited through technology cross- transmission and digitalization to enhance corporate social responsibility with emerging sense of initiation of sustainable ventures compassed through producing eco-friendly products, demand for efficient-energy, introduction of innovative manufacturing methods, repetition of circular economy, material less production units and space marketing in remodeling Sri Lankan economic model to be competitive enough to attract international markets in gaining foreign direct investments(Fonseka & Wickramasinghe, 2022). Even though the findings of former studies highlight the potential of each of these factors separately, there is little known about how their collective influence might contribute to innovation, intensivist resilience, and guarantee enduring sustainability in an economy recovering from a devastating level of socio-economic status (Hair et al., 2022). Tightening this gap is essential to emerging policies and regulatory frameworks that support a resilient and sustainable economic model with vigorous, comprehensive, and ecologically conscious policies to stabilise long-term goals and growth. Nevertheless, compounding the critical factors of perceived green knowledge, digital transformation, and sustainability consciousness are vital in building a resilient and suitable economic model for the Sri Lankan context (Fonseka,2022). Existing literature largely reflects experiences from technologically advanced urban centres, where firms have access to constant digital infrastructure, skilled expertise, and vigorous financial systems (Central Bank of Sri Lanka,2023). There are set of studies highlighting that SMEs from less developed nations often face several intertwined challenges in constructing a digital-based suitable model, which is similar to the Sri Lankan context as well:

- Operational Constraints: Thin profit margins, high energy and material costs, and sectoral limitations impede investment in technological solutions (Vaikundanathan,2025).
- Divergent environmental perception: Growing regulatory requirements and increasing consumer demand for eco-friendly products compel SMEs to adopt sustainable practices (Fonseka,2022).
- Discrepancies in green awareness: unmatched standard delivery and accomplishment of green actions among enterprises, consumers, and governance
- Technological Barriers: Uneven digital infrastructure and low levels of digital literacy hinder the implementation of advanced AI tools (Kushani,2025).
- Financial Limitations: Restricted access to formal financing mechanisms limits SMEs' ability to adopt and maintain AI systems (Tutur,2025).
- Green skill gaps: The human capital is still unaware of the sustainable approaches to widen the sustainable-driven energy, manufacturing, and distribution.

Therefore, this study underscores the importance of an integrated action-friendly framework consisting of effective digital transformation, implied green knowledge, and green entrepreneurial practices in attaining sustainable economic growth and development of Sri Lanka.

Despite the presence and initialisation of the process of digitalisation, green knowledge implication, and green entrepreneurship and their recognition, the entities are still not significant in adopting an integrated model in aligning the three different perspectives to one sustainable goal construction. This makes the SMEs follow a single-phased approach rather than operating on an integrated approach. This results in less quantity of context-specific studies and literature in the emerging field of green entrepreneurship. Similarly, there are fewer empirical investigations carried out in the field of green entrepreneurship from a digitalisation and technology-based sustainability point of view. This study acts as a filling to the gaps identified in knowledge and empirical concern based on the sustainable economic model building, combining the digital-driven green solutions towards the design and implementation of a sustainable framework. The specific objectives are:

- To examine how digital transformation enhances the resilience of Sri Lankan SMEs in the economic environment in Sri Lanka.
- To investigate the influence of green knowledge perception on the development of entrepreneurial strategies aimed at long-term value creation.

To analyse the mediating role of sustainable entrepreneurship in linking long-term business growth, environmental responsibility, and profitability.

Literature Review

Green Knowledge Perception and Economic Resilience in Emerging Economies

Green knowledge perception has become an emerging concept in the contemporary context of developing economies, which sets the economic objectives aligning the sustainable development and economic growth (Gunarathne, Burritt & Christ, 2023). Perceived green knowledge is essential in resource management, which impacts the entrepreneurial performances through green entrepreneurship, eco-consciousness, and eco-innovation. Green perceived knowledge simply embraces the transformative process of learning, propagating the ecological values combined with commercial execution, eco-innovation, and enterprise framework (Kushani,2025). The green framework of the economy includes eco-conscious

human initiatives, green strategy formulation and execution, green investment mechanism that enhances the economic values and competitive advantage with a focus on manufacturing sectors. In accordance with the empirical sense, green capital and eco-innovation are in signify the relationship with them; eco-responsible workforce and structural capital demonstrate a significant association with eco-innovation (Kumar,2029). In spite of that, competence and productivity stimulate eco-innovation due to the group-driven initiatives of environmental performance and eco-commercial accomplishments (Fonseka,2022). Through the mediating effect of employee green behaviour, it has been demonstrated that environmental knowledge and awareness among employees in Sri Lanka significantly influence company sustainability performance (Kumara,2023). According to a study conducted at commercial banks in the Batticaloa region, for example, workers' green behaviours were greatly enhanced by their environmental knowledge and awareness, which in turn largely mediated gains in sustainability performance (Neruja & Arulrajah, 2021). Environmental knowledge, on the other hand, also predicts pro-environmental attitudes and behaviours at the managerial and consumer level. According to research conducted among young business executives in the Western Province, environmental knowledge enhances green purchase intentions by influencing positive attitudes toward green products (Rathnasiri, Dissanayake & Samarakoon, 2021).

Neruja & Arulraj (2021) confirmed that green awareness and knowledge of employees, mainly through the arbitrating effect of green behaviour, are critical in decisive sustainability performance of organisations in Sri Lanka. Due to the swift growth in environmental knowledge influenced the likelihood that workers would espouse and express green implications, which in turn greatly enhanced sustainability value creation in commercial banks in the Batticaloa region, to a greater measure. Environmental awareness and consciousness influence managers' and customers' pro-environmental attitudes and behavioural patterns (Sasitharan & Premaratne, 2022). Asian Development Bank (2023) states that Positive attitudes toward eco-friendly items are fostered by increased environmental awareness, and this in turn improves the intention of young business leaders in the Western Province to make green purchases (Kumara,2023).

Digital Transformation and Economic Resilience in Resource-Constrained Countries

Studies exhibit that the connection of digitalised applications towards dynamic capability is limited among SMEs (Eshan, Muhammd & Laura, 2022). Ample of studies have addressed that the adoption and application of digital-driven tools on a mass scale is frequent in action compared with SMEs (Rendika,2025). These investigations concern large-scale enterprises in tech tech-equipped context, leading to a notable gap in inferring the difficulties in resource accumulation, allocation, and utilisation in developing economies on functionalizing digitalisation with the purpose of constructing a standardised framework that is actionable and practical to the context of SMEs (Amarasinghe & Wickramasinghe, 2020). This will result in detecting the theoretical as well as pragmatic validation in testifying digital tools like AI, machine learning, Internet of Things, blockchain adoption, and the green value execution in SMEs. According to Furman & Seamans (2018), the digital transformative phase is considered as purposive technology aided with capabilities transversely sectors and industries. Digital driven solutions offer proportional advantage to SMEs over the rivals in many aspects in which improved operational efficiency, active customer assignment, systematic green supply chains and data driven decision making are the valid values in digital driven operations towards SMEs and their entrepreneurs (Rodrogo & Randika, 2022). The

apprehensions of propositional advantages are demonstrated in terms of resilient value building through the following perspectives.

- Operational efficiency: enabling enterprises to foster demand orientation, methodical prophecy, energy management, and responsible resource consumption (Jayathilake,2024).
- Active customer assignation: encourages enterprises to client-firm orientation, an organised recommendation system, and emotional analysis to improve customer retention (Mahagamage & Perera,2025).
- Data-driven decision: enterprises are able to exploit data-driven insights, data management, and strategic information systems to minimise the risks in the competitive markets (Quadri,2024).

Digital transformation and the availability of resource-efficient technologies sustain the emergence of robust business models. These advances empower entrepreneurs not only to achieve financial returns but also to build resilient, future-ready businesses grounded in sustainability, as indicated through a case study finding of Prihatin (2024). One of the foremost factors in improving corporate valuation in emerging countries is digitalisation and its acceptance. Businesses may boost consumer interaction, lower expenses, and enhance operations by combining digital technologies like cloud computing, big data analytics, and artificial intelligence. Consistent with studies, digitalisation greatly upsurges innovation of corporations, which results in the creation of innovative goods and services and rallies overall business performance (Wang, 2023). The World Bank emphasises the significance of digital infrastructure in economic development by pointing out that higher broadband penetration is correlated with GDP growth, improving employment prospects, and increasing company productivity and exports (World Bank, 2025).

Sustainable Entrepreneurship and Economic Resilience in Global South Countries

According to Kushani (2025), the diffusion of social, economic, and environmental factors into the operation of businesses and sustainable entrepreneurship stands for a paradigm transformation that exceeds the conventional emphasis on betterment of revenue and profits. The studies demonstrate how critical it is to acknowledge the operations of the enterprises in the enormous environmental and social system. As per the study of Perera (2023), sustainable entrepreneurship is in search of competitive advantage and industrial opportunities to address social and environmental problems, preserving the eco-environmental value and improving sustainable development. A lively response to imperative global concerns is replicated in the phase of development of sustainable enterprise. Sustainable entrepreneurship explores innovation and economic expansion as the major goals (Wagner,2020). Through diagnosing the mutuality of environmental and social influences with business success, the amalgamation of sustainability principles into entrepreneurship signifies a strategic orientation towards long-term value creation (Hair et al., 2022).

Sustainable entrepreneurship is a multifaceted approach including four key principles: value creation, social involvement, environmental obligation, and economic viability. This ideology aligns with the triple bottom line concept, emphasising the balanced social and environmental goals (Prihatin,2024). A practical association with environmental and social matters characterises sustainable entrepreneurship. Heshton and Richard (2025) signify the effect of entrepreneurial orientation in shaping sustainable practices. Entrepreneurs with

heightened environmental and social awareness are more likely to integrate sustainability into their ventures. Moreover, the emphasis on innovation and creativity is paramount, as sustainable entrepreneurship is towards economic resilience. Furthermore, it is crucial to prioritise creativity and innovation because sustainable (Bandara, 2023). Sustainable entrepreneurship accentuates the synchronised detection of economic, environmental, and social objectives within business operations. As per the findings of the contextual criteria, SMEs and sustainable entrepreneurship are integrated and prominent as a pathway toward sustainable competitiveness, particularly in resource-intensive sectors such as agriculture, fisheries, food processing, and eco-tourism (Gunaratne, Burritt & Christ, 2023).

Theoretical Framework

The study underpins with grounded theories resource-based view (RBV), dynamic capabilities (DC), and institutional and stakeholder (IS) in association with the expected outcome. RBV explains how SMEs leverage unique resources, such as digital technologies and green knowledge, to gain a competitive advantage. According to Brislin (1970) Dynamic Capabilities theory emphasises adapting and reconfiguring these resources to enhance resilience in changing economic conditions. Stakeholder and Institutional perspectives (Saunders, Lewis & Thronhill, 2019) highlight how environmental and societal pressures drive the adoption of sustainable entrepreneurship and green practices. Together, these theories provide a foundation to examine how Sri Lankan SMEs build economic resilience through digital transformation, sustainability, and green knowledge.

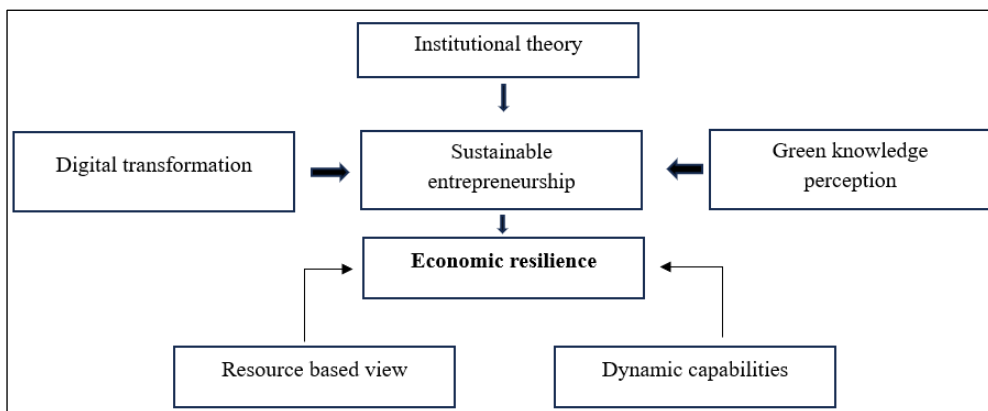


Figure 1: Theoretical Framework

Source: Developed by the author based on the previous literature

Drawing on prior literature and the context of SMEs in Sri Lanka's Northern Province, this study formulates four hypotheses on how digital transformation, sustainable entrepreneurship, and green knowledge perception influence building an effective action-driven economic resilience model among SMEs in Sri Lanka described below in Table 1.

Table 1: Hypothesis of the Study

Sequence	Hypothesis
H1	Economic resilience (ER) among SMEs in Sri Lanka's Northern Province is positively and significantly impacted by Digital Transformation (DT).
H2	Economic resilience (ER) among SMEs in Sri Lanka's Northern Province is positively and significantly impacted by Green Knowledge (GK).
H3	Economic resilience (ER) among SMEs in Sri Lanka's Northern Province is positively and significantly impacted by sustainable entrepreneurship (SE).
H4	Economic resilience (ER) among SMEs in Sri Lanka's Northern Province is positively and significantly impacted by Digital Transformation (DT), Sustainable Entrepreneurship (SE), and Green Knowledge (GK) taken together.

Source: Developed by the author (2025)

Synthesis and Identification of Research Gaps

A critical analysis of the current literature and empirical evidence reveals gaps in contextual, theoretical, and empirical understanding, as outlined in Table 2.

Table 2: Content Literature

Theme	Current Insight	Thematic Gap
Resilient economic model	Mostly functioning as an interconnecting mechanism in Western nations	Absence of a systematic framework in developing nations
Dynamic capabilities	Applied to large-scale enterprises	Limited evidence on adopting AI for SMEs
Digital-driven solutions	Operational and marketing gains identified	Narrow focus on sustainability or green ventures
Sustainable entrepreneurship	Multi-dimensional value recognised	Insignificant in the emerging enabled transformation
Regional context	Studies available in Asian countries	Few empirical evidences in Sri Lanka

Source: Summarised by the author (2025)

A critical synthesis of prior literature reveals three significant gaps:

- **Contextual Gap:** Most studies focus on developed countries or large firms, neglecting SMEs in resource-constrained regions such as Northern Sri Lanka.

- Theoretical Gap: Limited integration of Dynamic Capabilities Theory to explain how SMEs leverage AI for sustainability.
- Empirical Gap: Sparse evidence on how AI adoption simultaneously generates economic, environmental, and social value in SMEs pursuing green objectives.

Research Methodology

The flow of the approaches and paradigm following the study has been exhibited through a methodological framework in Table 03.

Table 3: Methodological Framework

Procedural Components	Application in the study
Research Paradigm	Pragmatic
Research Design	Explanatory
Research Approach	Quantitative
Research Method	Survey method
Sampling Technique	Cluster Sampling
Sample size	300 SMEs
Data Collection Methods	Questionnaire survey
Data Analysis	Smart PLS
Ethical Considerations	Informed Consent and Confidentiality

Source: Summarised by the author (2025)

Research Design, Approach, and Method

With the intention of investigating how digital transformation, sustainable entrepreneurship, and green knowledge shape enterprise resilience in Sri Lanka's Northern Province, this study uses a deductive, archetypal, quantitative, cross-sectional, explanatory research approach. Given the goal of the study, which is to measure constructs, test hypothesised correlations, and provide findings that can be applied to a large sample of entrepreneurs, a quantitative method is acceptable (Saunders, Lewis & Thornhill, 2019). The study focused on the North region of Sri Lanka due to the subsequent recovery efforts in the socio-economic context, the Northern Province of Sri Lanka, which includes the districts of Jaffna, Kilinochchi, Mullaitivu, Vavuniya, and Mannar. The region still lags behind the national economy in terms of industrial growth, entrepreneurial support systems, and technology adoption (Premaratne, 2022).

Sample Framework and Procedure

Entrepreneurs of small and medium-sized businesses (SMEs) that are active in the Northern Province's five districts make up the population of interest. There are 2740 registered SMEs in the field of operation (Department of Sensus & statistics, 2024). As indicated in Table 4, a total of 300 entrepreneurs were surveyed as per the requirement of quantity and statistical fulfilment, and this sample size is considered sufficient for conducting Partial Least Squares Structural Equation Modelling (PLS-SEM), which requires a minimum of ten times the maximum number of paths directed at a construct in the structural model (Hair et al., 2022).

This sample approach is valuable in geographically dispersed sceneries such as the Northern Province, where complete population frames are not always available (Bougie, 2019).

Table 4: Sample Framework of the Study

Regional context-DS divisions	Sampled SMEs
Jaffna	60
Mullaitivu	60
Vavuniya	60
Mannar	60
Kilinochchi	60
Total	300

Source: Survey data (2025)

Data Collection Method

A self-administered questionnaire with 20 closed-ended questions spread across four concealed constructs and measures will be used to collect responses from the selected entrepreneurs:

- Digital Transformation (DT): Five items that appraise the presence of online, automation, data-driven decision-making, and the familiarity of digital tools.
- Sustainable Entrepreneurship (SE): Five factors that gauge a focus on creating social and environmental value.
- Green Knowledge (GK): Five questions measuring adherence to green standards and awareness of the use of eco-friendly methods.
- Enterprise Resilience (ER): Five components that encompass operational continuity, strategic flexibility, and adaptive capabilities.

To enable quantifiable study of attitudes and behaviours, each item will be scored on a five-point Likert scale, with 1 representing strongly disagree and 5 representing strongly agree. The questionnaire will be articulated in English and translated into Tamil, the region's predominant language. Clarity and conceptual equivalency will be guaranteed by an expert panel assessment and a back-translation process (Brislin, 1970).

Data Analysis

The data will be separated according to outliers, missing values, and completeness. Demographic and firm-level information will be summarised via descriptive statistics. Normality, homoscedasticity, and multicollinearity tests will be performed to ensure that the assumptions for further analysis are met. Using PLS-SEM, the measurement model will be evaluated to confirm reliability, convergent validity, and discriminant validity. In testifying to the hypothesised connections between digital transformation, green knowledge, sustainable entrepreneurship, and company resilience, the structural model will be examined. Path coefficient estimates and significance testing will be part of the model evaluation. In order to evaluate explained variance, the coefficient of determination (R^2), Predictive relevance (Q^2), and effect sizes (f^2) In order to determine if SE serves as a mediator between DT, GK, and ER, potential mediation effects of sustainable entrepreneurship will also be investigated.

The concept-based hypothetical framework outlines the linkage between Digital Transformation (DT), Sustainable Entrepreneurship (SE), Green Knowledge Perception (GKP), and economic resilience in the context of the study. Developed conceptual framework of the study is exhibited in Figure 2.

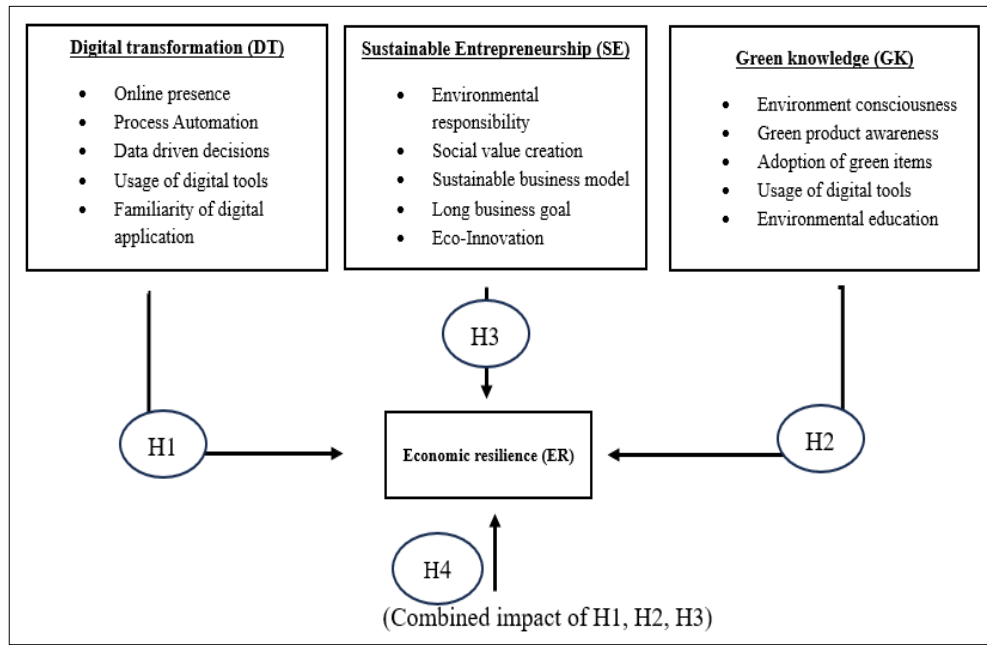


Figure 2: Proposed Conceptual Framework
 Source: Developed by the author (2025)

Results and Interpretations

Descriptive Analysis

Three hundred business entrepreneurs from Sri Lanka's Northern Province made up the sample. A preponderance of seasoned business entrepreneurs with SME was indicated by the majority being male (71.3%) and 56.7% being 50 years of age or older. Commodity production is reported for 60% of production-related activity, with the remaining 40% operating service-oriented enterprises. Regarding educational achievement, the respondents' varied levels of human capital were replicated in the fact that 70% had finished formal schooling and 30% had commenced post-schooling courses, as shown in Table 5.

Table 5: Respondents' Profile

Characteristic	Category	Frequency	Percentage (%)
Gender	Male	214	71.3
	Female	86	28.7
Age	Below 50	134	43.3
	50 and above	166	56.7
Business Sector	Commodity Production	187	60
	Service-Oriented	113	40
Educational Background	Formal Schooling	210	70
	Post-Schooling Courses	90	30

Source: Survey data (2025)

Reliability and Validity Summary

To grant the strength of the constructs Digital Transformation (DT), Sustainable Entrepreneurship (SE), Green Knowledge (GK), and Enterprise Resilience (ER), the validity and reliability of the measuring approach were assessed. All constructs had Cronbach's Alpha values between 0.87 and 0.91, over the generally recognised cutoff of 0.70, indicating high internal consistency amongst the items (Nunnally & Bernstein, 1994).

Table 6: Summary of Reliability and Validity Test

Construct	Items (n)	Cronbach's Alpha	Composite Reliability (CR)	Average Variance Extracted (AVE)	Factor Loading Range
Digital Transformation (DT)	5	0.880	0.910	0.680	0.780 0.850
Sustainable Entrepreneurship (SE)	5	0.900	0.920	0.690	0.800 0.880
Green Knowledge (GK)	5	0.870	0.900	0.660	0.790 0.840
Enterprise Resilience (ER)	5	0.910	0.930	0.700	0.820 0.860

Source: SmartPLS data output (2025)

The study has testified to the validity and the reliability. The validity and reliability of the constructs used in this study, Digital Transformation (DT), Sustainable Entrepreneurship (SE), Green Knowledge (GK), and Enterprise Resilience (ER), were assessed using the measurement model. A total of 20 self-administered questionnaire items were used. Composite reliability (CR), average variance extracted (AVE), and factor loadings were used to assess convergent validity. Factor loadings > 0.70 were shown for all items, suggesting

that each observable variable accurately reflected its underlying latent construct. AVE values were above 0.66, indicating sufficient convergent validity, and composite reliability values ranged from 0.90 to 0.93, beyond the suggested cutoff of 0.70 (George & Mallery, 2010; Hair et al., 2022).

Measurement Model Analysis

Findings of the examination show that the measurement model is valid and dependable, offering a solid basis for structural model analysis that looks at how DT, SE, and GK affect enterprise resilience in Sri Lankan SMEs in accordance with the measuring figure range stipulated by Heshton & Richard (2025) in their measurement analysis model adopted in Table 7.

Table 7: Measurement Model

Construct	Item Code	Measurement Item	Factor Loading*	Composite Reliability (CR)	Average Variance extracted (AVE)
(DT)	DT1	Our enterprise has a strong online presence.	0.780	multirow {5} {*} {0.91}	multirow {5} {*} {0.68}
	DT2	Key processes are automated to improve efficiency.	0.820		
	DT3	Business decisions are supported by digital analytics.	0.850		
	DT4	Digital platforms enhance our operations.	0.830		
	DT5	Employees are familiar with modern digital tools.	0.810		
(SE)	SE1	We prioritise social value creation.	0.800	multirow {5} {*} {0.92}	multirow {5} {*} {0.69}
	SE2	Environmental considerations are part of our business model.	0.840		
	SE3	Sustainability goals guide our strategic decisions.	0.880		
	SE4	Eco-innovations improve our sustainability performance.	0.830		
	SE5	We engage with the community to promote sustainability.	0.820		
	GK1	We are aware of	0.790		

(GK)	operations that effect the environment.			multirow {5} {*} {0.90}	multirow {5} {*} {0.66}
	GK2	Our enterprise complies with green standards.	0.820		
	GK3	We apply eco-friendly methods in production.	0.840		
	GK4	We update our knowledge on green technologies.	0.800		
	GK5	Environmental knowledge guides decision-making.	0.810		
(ER)	ER1	We maintain operational continuity during disruptions.	0.820	multirow {5} {*} {0.93}	multirow {5} {*} {0.70}
	ER2	We adapt strategies quickly in response to market changes.	0.850		
	ER3	Our workforce is trained for unexpected challenges.	0.830		
	ER4	We have flexible resource management capabilities.	0.860		
	ER5	We recover quickly from financial and operational shocks.	0.840		

Source: SmartPLS data output (2025)

The digital transformation phase has compressed the elements of an enterprise's online presence, process automation, data-driven decision-making, operational improvement, and employee knowledge with digital tools. Strategic sustainability goals, eco-innovation, community involvement, and the development of social and environmental value were all represented in the Sustainable Entrepreneurship phase. Environmental effect awareness, adherence to green standards, eco-friendly production, current understanding of green technologies, and ecologically driven decision-making were all appraised through Green Knowledge. Last of all, the economic resilience element is constructed with workforce readiness, strategic flexibility, operational continuity, flexible resource management, and recovery from downfall. The model's validity and reliability are good, offering a solid basis for the ensuing structural study of SMEs in Sri Lanka's Northern Province. Results and findings are consistent with previous research findings of multiple studies across the world, specifically in emerging economies, showing how significant digital transformation is to improving SME success. Perhaps, digital transformation has a promising effect on organisational performance in Sri Lankan SMEs, especially in the manufacturing and farming industries, according to Gunawardena et al. (2023). Additionally, SMEs' increased resilience and market competitiveness have been related to the implementation of eco-friendly practices and green knowledge (Wijesundara & Perera, 2023).

Normality Test Analysis

For each of the four constructs—Digital Transformation (DT), Sustainable Entrepreneurship (SE), Green Knowledge (GK), and Enterprise Resilience (ER)—the normality of the data was evaluated for each assessment item. All objects had skewness values between -0.41 and -0.25, and kurtosis values between 0.42 and 0.60. These values show that the data is close to a normal distribution, falling under the widely recognised limits of ± 7 for kurtosis and ± 2 for skewness (George & Mallery, 2010; Hair et al., 2022).

Table 8: Summary of Normality Test

Construct	Item Code	Skewness	Kurtosis	Normality Status
Digital Transformation (DT)	DT1	-0.320	0.450	Normal
	DT2	-0.280	0.520	Normal
	DT3	-0.410	0.600	Normal
	DT4	-0.350	0.500	Normal
	DT5	-0.300	0.480	Normal
Sustainable Entrepreneurship (SE)	SE1	-0.250	0.420	Normal
	SE2	-0.380	0.550	Normal
	SE3	-0.290	0.500	Normal
	SE4	-0.330	0.480	Normal
	SE5	-0.270	0.460	Normal
Green Knowledge (GK)	GK1	-0.340	0.490	Normal
	GK2	-0.310	0.510	Normal
	GK3	-0.290	0.470	Normal
	GK4	-0.360	0.530	Normal
	GK5	-0.280	0.500	Normal
Economic Resilience (ER)	ER1	-0.300	0.440	Normal
	ER2	-0.350	0.490	Normal
	ER3	-0.320	0.520	Normal
	ER4	-0.290	0.500	Normal
	ER5	-0.330	0.480	Normal

Source: SmartPLS data output (2025)

As a result, every item was regarded as normally distributed, meeting a crucial prerequisite for further parametric studies, such as structural equation modelling. The findings imply that the dataset is appropriate for additional inferential testing, guaranteeing the validity and dependability of the research findings about the influence of DT, SE, and GK on enterprise resilience among SMEs in the Northern Province of Sri Lanka.

Analysis of Structural Model Findings

In line with the findings of the structural model shown in Table 8, SMEs in the Northern Province of Sri Lanka advance critically from Green Knowledge (GK), Sustainable Entrepreneurship (SE), and Digital Transformation (DT) during the enhancement of resilience of SMEs (ER). The standardised coefficient of DT, in particular, was 0.38 ($t = 5.12$, $p < 0.001$), portentous that SMEs with robust digital adoption and data-driven actions can handle interruptions and preserve business continuity.

Table 8: Structural Model Summary

(H)s	Path	(β) SC	t-value	p-value	R ² (ER)
H1	DT → ER	0.380	5.120	0.000	\multirow {4} {*} {0.68}
H2	SE → ER	0.420	5.650	0.000	
H3	GK → ER	0.290	4.030	0.000	
H4	DT + SE + GK → ER	***	**	**	0.680

Source: SmartPLS data output (2025)

This is consistent with research by Gunawardena (2023), which suggests that by enhancing operational procedures and compliance, digital transformation intensely improves organisational performance in Sri Lankan SMEs, especially in the clothing sector. SE exhibited the stoutest individual effect ($\beta = 0.42$, $t = 5.65$, $p < 0.001$), demonstrating that SMEs that integrate social and environmental value creation into their business plans are more resilient. Sasitharan & Premaratne (2022) support this by probing how Sri Lankan entrepreneurs combine the objectives of environmental, social, and economic sustainability and how these approaches stand in resilience. Furthermore, GK showed a positive contribution ($\beta = 0.29$, $t = 4.03$, $p < 0.001$), indicating that environmentally conscious behaviour and eco-friendly actions improve SMEs' ability to adapt. According to Gunawardena et al. (2023), the biggest obstacle to SMEs in Sri Lanka adopting and implementing green practices was money, underscoring the need to remove such obstacles to improve resilience. The exceptional explanatory influence of the model was confirmed through the statistic that these three variables together explained 68% of the variance in ER ($R^2 = 0.68$). These results highlight the prerequisite for a collective prominence on digital capabilities, sustainability orientation, and green expertise so as to develop resilient firms in the context of Northern Sri Lanka's shifting market conditions and economic recovery. The findings offer factual backing for incorporating environmental, sustainable, and technology policies as tactical levers to improve economic resilience.

The study highly signifies the positive correlation of digital transformation and resilient economic model valuation, in which the presence of online and online-related platforms, adoption of the automation process, and familiarity with digital applications greatly impact the scaling of resilience in valuing the suitable economic modulization for the SMEs. A digitally driven decision-making process and access to an appropriate digital platform are less significant among the entrepreneurs. 67% SMEs in the field lack digital education and literacy, which prevents them not being advantageous in building a resilience model for their industry. Though mobile applications and mobile commerce are popular among emerging countries, regions like the Northern Province still lag behind the ICT education and digital education on to accept, adopting, and executing the application in business efficiency. Rural regions of Sri Lanka have a point of trouble in access to digital technology, as devices and literacy (Kushani,2025). The shortage in generalising the national digitalisation and digital-based regulations and provisions has led the urban and rural economy through entrepreneurship to be partial (Kumara,2023).

Being sustainable through entrepreneurial actions is still better than being a mere commercial enhancement. Greater consciousness in the ecological system clearly initiates many

sustainable entrepreneurs and a social corporate version of entrepreneurship. The study reveals that environmental knowledge and environmental related concern initiated 81% of the entrepreneurs in sustaining their business operation through reusable materials, eco-friendly methods in production in some cases majority of the entrepreneurs, as per the study nearly 85% of the SMEs are stand with eco innovation in terms of finding something new in their product as to reach and attract the target audience. Consideration of ecological innovation and environmental safeguard is the safe side of sustainable entrepreneurship in value generation (Rendika, 2025). Through increased awareness of green products and adherence to green standards, perceived green knowledge plays a major role in the resilience of SMEs in Sri Lanka's Northern Province. Results show that 52% of business owners follow environmental laws and apply green standards to manufacturing, which reflects an increasing trend in society to value sustainability from the standpoints of buyers and sellers (Vaikundan, 2024). Additionally, 63% of business entrepreneurs make logical decisions that support resource conservation and environmental concerns, strengthening resilience in the face of operational uncertainty. However, as Surangi (2023) points out, there are often significant hazards associated with the first implementation of green practices in manufacturing companies because of low awareness and higher expenses. Notwithstanding these obstacles, SMEs can improve their long-term competitiveness and continue to operate in a regional economy with limited resources by integrating green knowledge, which cultivates adaptive capacity.

A key factor in decisive an organisation's endurance is enterprise resilience (ER), especially in unstable business settings like those found in Sri Lanka's Northern Province. According to the study's findings, businesses operating in this area, where socioeconomic and infrastructure matters are still present, must rapidly adjust their strategies to market modifications (ER2) and preserve operational continuity amid interruptions (ER1). While flexible resource management capabilities (ER4) facilitate the effective reallocation of scarce financial, human, and technological resources during emergencies, workforce readiness for unforeseen difficulties (ER3) improves the ability to minimise risks (Duchek, 2020). Additionally, the integration of dynamic capacities that enhance long-term competitiveness and survival is shown in the ability to recover swiftly from financial and operational shocks (ER5) (Creswell & Creswell, 2018). Enterprise resilience in developing nations like the Northern Province goes beyond risk reduction to become a strategic facilitator of innovation, flexible expansion, and long-term success in volatile and resource-constrained settings. However, businesses that syndicate digital technologies with green perception and sustainable company models show more competitiveness and adaptability towards resilience of the valuation. The development of environmentally friendly products and sustainable value addition is supported by perceived green knowledge, which is demonstrated by technical proficiency, market-oriented green activities, and environmental consciousness. This strengthens resilience in unstable market conditions. Furthermore, including green innovation and the concepts of the circular economy promotes long-term viability, especially for SMEs in areas with limited resources. These consequences highlight how imperative it is to promote eco-friendly entrepreneurship, improve sustainable practices, and advance digital education in order to create a resilient Sri Lankan economy.

Conclusion and Recommendation

This study expresses that a strategic amalgamation of digital transformation, sustainable entrepreneurship, and perceived green expertism is desired to create a resilient Sri Lankan economy model. Digital adoption is significantly low, but when combined with sustainability-absorbed practices, it critically progresses business agility, operational efficiency, and competitive advantage, according to the findings from SMEs in the Northern Province. Despite complications related to cost and awareness, entrepreneurs can enhance operations with the concepts of the circular economy and contrivance eco-friendly practices through using perceived green knowledge, which is designed by technical proficiency, environmental consciousness, and an understanding of green markets. In a similar vein, sustainable entrepreneurship guarantees that businesses prioritise social and environmental responsibility in addition to revenue, reaching long-term targets along the sustainable development path with limited resources. Theoretically, this is consistent with a capability-based view of organisational resilience, which presents resilience as a meta-capability that embraces phases of adaptation, coping, and anticipating. Additionally, the dynamic capacities framework emphasises how crucial it is to recognise, capture, and alter resource outlines in order to preserve competitive advantage in quickly evolving contexts. For the policy & regulatory levels, to upgrade the digital transformation of SMEs, national and regional authorities should fund digital literacy initiatives, provide incentives for technology adoption, and support AI- and IoT-enabled solutions. For the Entrepreneurial level, in order to upsurge resilience, SME owners and entrepreneurs should integrate sustainable ideals into their fundamental plans and develop green competencies through environmental training and market awareness. At this point, industrial agents and regulators need to scale up peer-learning networks that present successful case studies, financial assistance for green corporate practices, and focused campaigns on sustainable value addition are all necessary. These multi-stakeholder, strategic initiatives have the potential to strengthen the resilience of SMEs and provision Sri Lanka's move to an inclusive, technologically advanced, and ecologically conscious economic model.

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