

# **The Effect of Financial Literacy on Firm Performance through Mediation of Financial Access and Financial Risk Attitude: Evidence from Selected Service MSME in Rathnapura**

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## **Abstract**

**Introduction:** This study examines how the literacy of businesses in the service sector in the Ratnapura District, Sri Lanka can be related to their performance. Micro, Small and medium-sized enterprises are the engine of the economy and the main providers of jobs, but they face such difficulties as financial management that is not enough and the difficulty in accessing financial resources. Through the use of financial risk attitude, the research gives financial access golden to the mediating roles and it analyses the connection between financial literacy and MSME performance. This study pursues the gaps found in the current literature and gives real-time advice on how the performance of the MSME in the region can be enhanced.

**Methodology:** The study engaged in the quantitative methodology which included the participation of 168 MSME owners and managers from the service sector of the Ratnapura District. The data can be collected as structured questionnaire and analysis was done by using SPSS, a statistical software program. This strict methodology made it possible to derive conclusions that are statistically valid. The research passed through the very specified factors of production; these include; financial literacy, financial access, financial risk attitude, and MSME performance, in which the study placed its major focus on their interactions.

**Findings:** The results demonstrate a clear, and statistically significant correlation between financial knowledge and MSME performance. At the same time, the research has brought out the mediating roles of both financial access and financial risk attitude in this relation. Besides, financial education not only grants a better access to fund, it also brings the creation of the strategy of investment and risk-taking among MSMEs' holders and managers. A calculated mindset, that is; a risk-taking oriented mindset, also creates a strong bond between business activity and excellence. The findings reveal the intricate relations between the performance of MSME, the financial literacy of the individuals, their access to money and of course, their risk-taking approach in the field of maintenance of the infrastructure.

**Conclusion:** This study is beneficial in comprehending the impacts of financial knowledge on the MSME performances in Ratnapura in particular. Consequently, the report underlines the necessity of financial literacy programs with focus subjects and development of special financial instruments

for accuracy in satisfying the effects of MSME owners. There is the potential for growth and sustainability for the targeted regions with the guidance of policymakers and financial institutions. Through addressing some of the research open ends, the study presents options for feasible recommendations for MSMEs' prosperity in the service sector that are also valuable to researchers.

**Keywords:** Financial Literacy, MSME Performance, Financial Access, Financial Risk Attitude, Rathnapura District