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Customer Readiness and Adoption Potential of Fintech in Sri Lanka: An Empirical Investigation Using Online Platform

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This study investigates the readiness of Sri Lankans to adopt fintech and explores its adoption potential. The research uses demography, financial health, financial literacy, e-readiness, mental preparedness, and overall sentiment toward fintech as independent variables, with Customer Fintech Usage (CFU) as the dependent variable. The objectives were to assess the relationships between these factors and fintech usage and to build an index representing fintech readiness. Data were gathered through a structured questionnaire from a sample of 396 respondents across all nine provinces of Sri Lanka, derived from an internet user population of 1,458,000 as of January 2023. Regression analysis revealed that while demographics and mental preparedness did not show significant relationships with fintech usage, financial health, financial literacy, e-readiness, and overall sentiment positively influenced CFU. The model accounts for 42.14% of the variability in fintech usage (R-squared = 0.4214). Additionally, the findings indicate that a Customer Fintech Readiness Index can be constructed based on the supported relationships. The findings indicate that although Sri Lanka's current fintech readiness is relatively low, there is strong potential for growth in the future as these factors continue to evolve.

Keywords: *Adoption, Customer, Fintech, Readiness, Sri Lanka*

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Introduction

The integration of financial technology, or Fintech, has significantly transformed the financial landscape by enhancing accessibility, efficiency, and empowerment. Fintech merges finance and technology, using digital solutions to revolutionize traditional financial systems and services (Aravindhan, 2019). As technology permeates industries such as medicine, commerce, education, and finance (Mullan & Wajcman, 2017), handheld devices and basic technological literacy have become widespread. This shift has made global access easier and revolutionized the finance sector. Technologies like blockchain have addressed challenges in the industry by providing enhanced security and transparency, thus enabling reliable transactions and the introduction of cryptocurrencies (Tara et al., 2022). Fintech innovations have permeated society through peer-to-peer shopping, neo banking, and insurtech, among others.

The benefits of Fintech include improved efficiency, convenience, and accessibility, allowing people to access financial services anywhere, fostering financial inclusion and economic growth (Aravindhan, 2019). The COVID-19 pandemic accelerated Fintech adoption, emphasizing the need for contactless transactions and remote financial services. However, challenges such as data privacy, cybersecurity, regulatory compliance, and the digital divide must be addressed for responsible Fintech development (Tara et al., 2022). Understanding individuals' readiness to adopt Fintech is crucial for creating inclusive strategies. Factors like age, education level, financial literacy, and technological proficiency influence customer readiness (Aravindhan, 2019).

This research investigates Fintech adoption in Sri Lanka, focusing on online platform users. The study aims to identify factors influencing readiness and adoption, providing insights into barriers and enablers of Fintech adoption. A

quantitative approach using surveys will analyze the relationship between variables like age, education, financial literacy, e-readiness, and customer readiness. This study will inform policymakers, businesses, and researchers in Sri Lanka's Fintech ecosystem, helping to develop strategies promoting financial inclusion, innovation, and sustainability.

The research problem centers on customer readiness for Fintech adoption in Sri Lanka. Despite Fintech's potential, successful implementation requires customer readiness. With Sri Lanka's growing economy and increasing investment in Fintech driven by government initiatives, regulatory reforms, and technological advancements (Prakash, 2023; CBSL, 2020; Echelon, 2016), understanding customer behavior is timely. The rise in mobile payments, digital wallets, and investment platforms reflects Fintech's growing role in enhancing financial inclusion and economic growth.

Factors such as smartphone and internet availability, regulatory frameworks, and Fintech startups have contributed to the Fintech boom in Sri Lanka (Gamage et al., 2021; CBSL, 2020; Arteculate, 2021). However, customer readiness is influenced by awareness, attitudes toward technology, perceived benefits, and risks (Feyen et al., 2023; Zakariyah et al., 2023). The study focuses on online platform users, analyzing their behavior toward Fintech adoption.

The research addresses questions regarding the relationship between demographic variables and Fintech usage, including education, financial literacy, e-readiness, and mental preparedness. It explores the potential to create a fintech readiness index. The study involves diverse participants representing each province in Sri Lanka, aiming to understand customer readiness comprehensively. By comparing findings to studies from countries like Bangladesh, the research aims to draw insights into customer readiness and adoption patterns.

The study's significance lies in filling a research gap, enhancing knowledge of customer behavior, guiding fintech development, informing policy, and contributing to economic development. It provides insights for fintech providers and policymakers to design effective strategies and interventions. By understanding factors influencing readiness, fintech developers can create user-friendly solutions tailored to Sri Lankan needs. Policymakers can design supportive frameworks to foster fintech innovation and address adoption barriers, promoting digital financial services and economic growth. Ultimately, the research aims to leverage Fintech for economic development, accelerating service uptake and enhancing financial access for inclusive growth in Sri Lanka.

Remainder of this paper has been organized as follows. Section 2 provides a comprehensive review of the relevant literature, highlighting key studies in the area. Section 3 outlines the methodology used for data collection and analysis. In Section 4, the results of the study are presented and discussed in relation to the existing literature. Section 5 concludes the paper by summarizing the findings and offering suggestions for future research.

Literature Review

Fintech Adoption Models

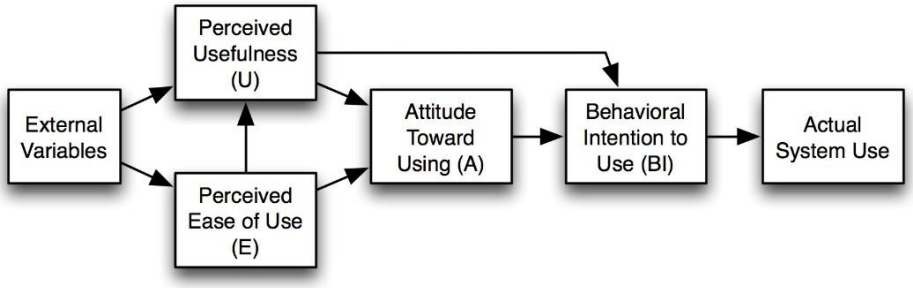
Fintech adoption was not an easy topic to be covered since still technology is not very cooperative with some people. Therefore, Fintech Adoption Models are used for the calculation of fintech adoption where multiple areas of a person’s beliefs and preferences are tested just to get knowledge about the main topic. Similarly, there are people who studied the technology adoption among people using the “Technology Acceptance Model” where they analyzed the people using the data, they gathered through a questionnaire (Singh et al., 2020). Accordingly, we can see that there are three main models that are used to evaluate Fintech adoption.

Technology Acceptance Model

Fred Davis developed this theory in 1989 to model how users come to accept and use a technology which has been used to study the adoption of new technologies among people (Figure 1). There are three amin constructs in this model which are **Perceived Usefulness (PU)**, **Perceived Ease of Use (PEOU)** and **Behavioral Intention (BI)** which finally builds up the model to calculate the actual technology usage of people (Ma & Liu, 2004).

Figure 1

Technology Acceptance Model



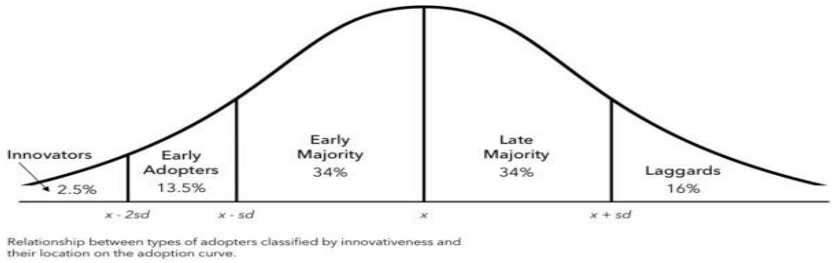
Source: Technology Acceptance Model (Davis. 1989)

Innovation Diffusion Theory

Innovation Diffusion Theory (Figure 2), otherwise known as DOI, was a theory that explains how, why and at what rate new ideas and technology spread. This theory was developed by Everett Rogers in 1962 and it was first introduced in his book "Diffusion of Innovations" (Rogers, 1962).

Figure 2

Innovation Diffusion Theory



Source: Everett M. Rogers, Diffusion of Innovations, 5th ed. (New York: Free Press, 2003)

Perceived Benefits and Barriers

Convenience and accessibility are two of the key factors that drives the adoption of Fintech (Moreira-Santos et al., 2022). People tend to use technologies that are easy to access and less costly, hence Online and Mobile access, Real-time transactions, simplified user interfaces and all-time customer support directly impacts the usage of technology with regards to Fintech. Though there are so many popular Fintech methods that we use, Mobile Banking, Online Investment and Peer-to-Peer Lending were the most popular methods that people use. Compared to the traditional finance institutions, it is less costly to use Fintech as they do not have the same Overhead Costs that the traditional methods have. Additionally, usage of Block Chain which uses a shared ledger saves a large amount of time and assures the accuracy of the data. Further, Robotic Process Automation is used among the companies where most of the tasks are automated. (Li, et al., 2023). Further, when it comes to financial inclusion, which can be derived as availability and equality of opportunities to access technology to provide financial services. Fintech has the potential to improve financial inclusion by making financial services more accessible, affordable, and convenient for people who are traditionally excluded from the financial system, Fintech has the advantage compared to the traditional methods (Tok & Heng, 2022)

Though Fintech is an advanced technology that uses advanced coding and other security implications there can be concerns that the users have due to the recent security breaches of the most secure websites which are Twitter, Uber, LinkedIn, and Facebook. Also Cyberattacks, frauds and privacy concerns could arise due to those incidents. But as these events happened and it's the company's duty to protect its customers from these events recurring, encrypted data, access controls, data governance policies, compliance with data protection laws and cloud computing technologies are used worldwide (Rehman et al., 2023). People still lack trust in Fintech due to several reasons such as lack of regulations, security concerns, newness and most significantly fear of the unknown (Cojoianu et al. 2020). Similarly, regulatory challenges which are faced by the Fintech companies can lead people to mistrust Fintech (Pascual & Natalucci, 2022). The companies have to ensure that their clients' data are secured, and the necessary privacy is given, comply with Anti-money Laundering compliances, protect the clients from frauds, enhance cybersecurity and move out of the regulatory arbitrage to become trustworthy to the people.

Figure 3

Loan Boom

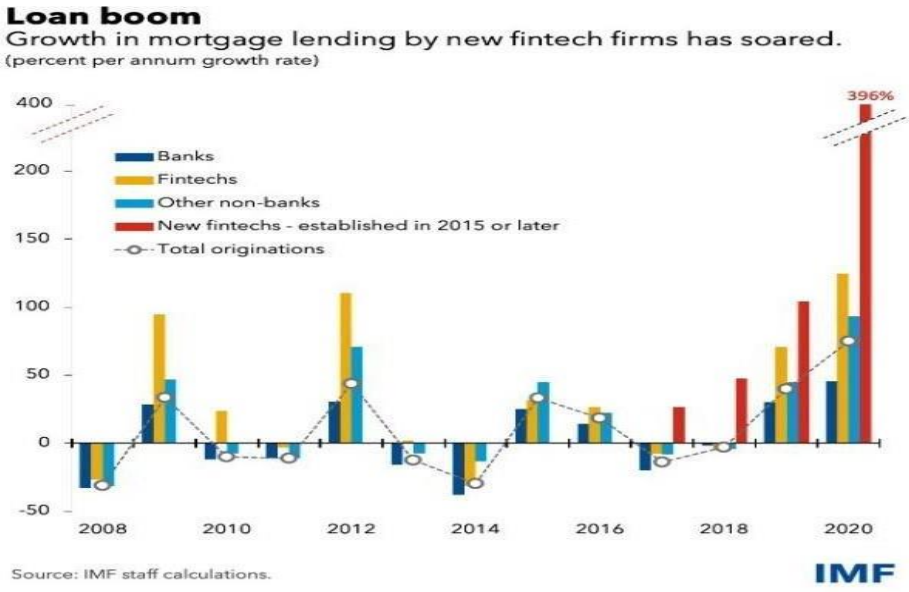
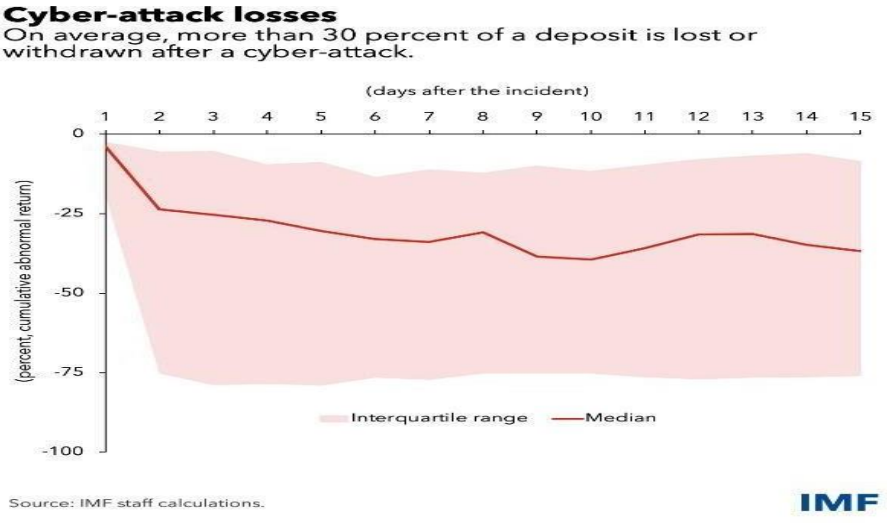


Figure 4

Cyber Attack Losses



Trust and Risk Perception

Building up trust among people about Fintech has become a must nowadays since it is crucial for the clients to invest or use any kind of fintech with a clear mind without doubts. There are six variables that decide the trust of people for technology which can also be used to determine the trust to use Fintech. Those factors are, Benevolence, Integrity, Capabilities, Interest Alignment, Shared Values and Communication (Nesevski & Andersen, 2019). Similar research was conducted in 2022 to build up a model of trust for Fintech and Insurtech which used Composite Reliability and Average Variance Extracted, Heterotrait-Monotrait Ratio of Correlations among the variables and finally became a success (Zarifis & Cheng, 2022)

Financial Literacy and Digital Skills

Financial Literacy is the ability to understand and manage personal finances where digital skills are the ability to use technology effectively. People need the knowledge of budgeting, saving, investing and credit to achieve the financial literacy which most people lack today. Though there are multiple methods that people can gain knowledge about these areas, most tend not to learn but rely on 3rd parties. Considering financial literacy and digital skills, financial literacy had a favorable effect on consumers' desire to adopt and utilize FinTech where digital skills have partial significant effect towards intention (Zahanor, et al., 2023). It was found that people possess basic knowledge about mobile banking and e wallets from research done using Vietnamese young people, and mobile P2P lending facilities were not much popular (Dinh, 2022). It is not a miracle that the younger generation or else Gen-Z is more into technology than others so they will adopt Fintech in no time. Therefore, knowledge in financial literacy along with the age of an individual will impact the adoption of Fintech (Lyons et al., 2020) (Nguyen, 2022).

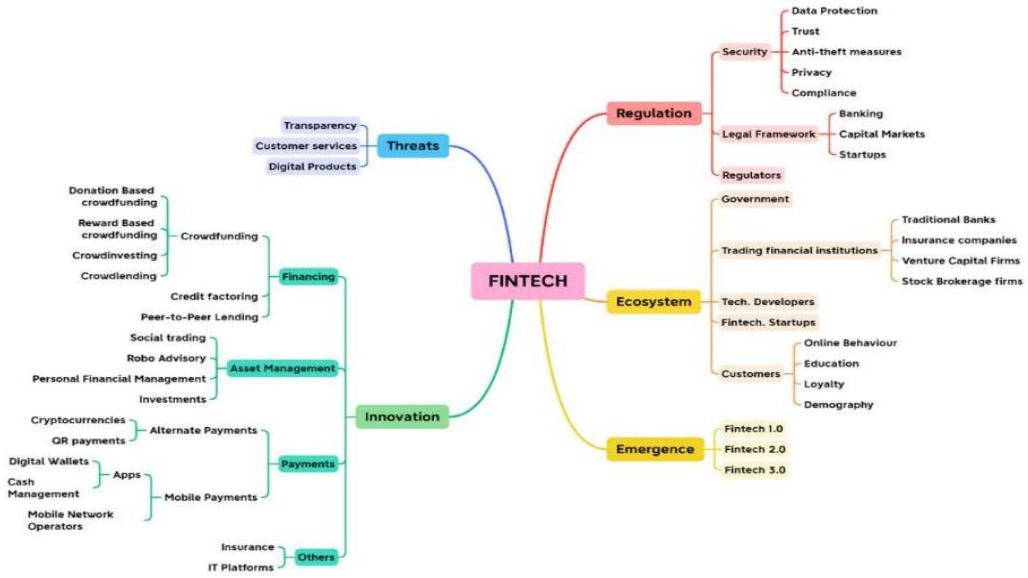
Customer Readiness and Adoption Behavior

Fintech has become a deeply concerning topic in the 21st century as it was changing aspects of Finance just in a very short period. Fintech was summarized to a mind map by (Anifa & Ramakrishnan, 2022). This helps to understand what Fintech really is in a simple way.

As per the - Mind map of Fintech (Figure 5), Fintech can be divided into four main groups, which are Financing, Asset Management. Payments and Other. As an emerging market, Sri Lanka is still in the early ages of adoption of Fintech even though Asia was on the fast pace adopting it (Chen, 2016). Considering the world's Fintech adoption rate (EY, 2019), Sri Lanka is surrounded by the countries who are using Fintech as a daily tool but still lagging in joining the line futuristic countries. China and India lead Asian market when there are countries that use AI for their managerial posts also (Bello, 2022). Considering the current economic situation and technological gap of knowledge in Sri Lankans, a considerable number of factors that affect in accepting Fintech can be identified (Piyananda & Aluthge, 2022). Accordingly digital accessibility, usefulness of Fintech services is social influence some key factors affecting the acceptance of Fintech and this theory was proved by previous research done in other countries as well (Zhou et al., 2010).

Figure 5

Mind map of Fintech



Source: Anifa, Mansurali & Ramakrishnan, Swamynathan. (2022). Fintech Innovations in the Financial Service Industry.

Success Stories of Fintech

Aiding Fintech startups in Sri Lanka was giving hope to Sri Lankan Fintech adoption high time since that was the motivation that any entrepreneur need (FT, 2021). Similarly, the recent economic stabilization made it easy for the newest Fintech startups in Sri Lanka (Tracxn, 2023). Banks adopting Fintech made the first step in accepting Fintech and now we can witness that almost every bank in Sri Lanka has Online Banking features enabled for their customers (Panditharathna et al., 2020). It made a major impact on the economy by the continuous negative incidents happened in Sri Lanka and recently the Covid Pandemic made it even worse (Rishadini, 2021).

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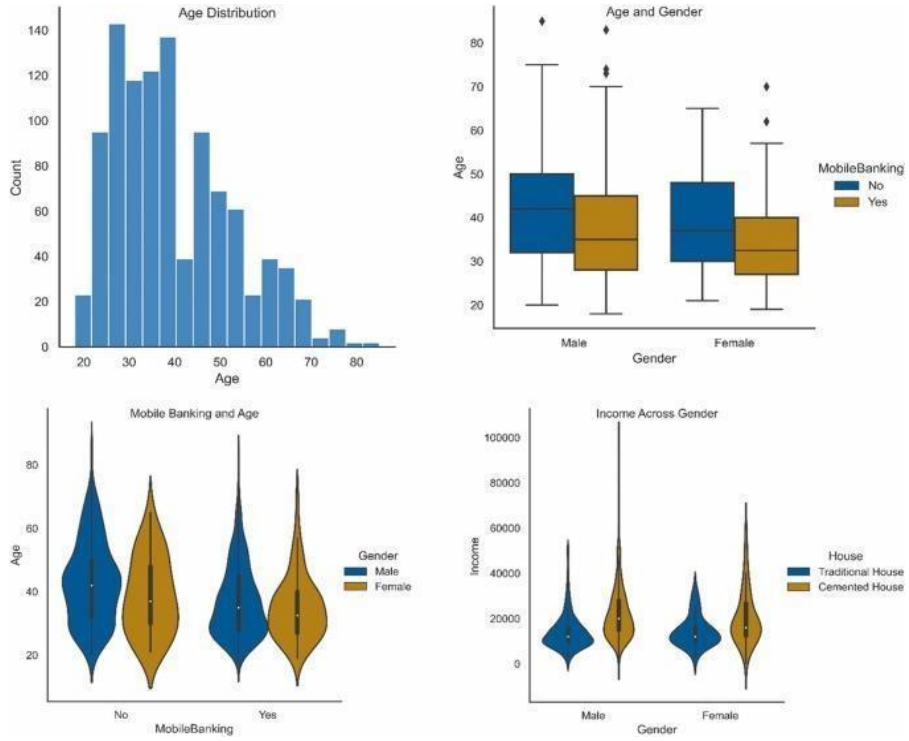
Market Trends and Industry Insights

Referring the research done in Bangladesh (Mahmud et al., 2023) there is a significant relevance in Customer Fintech Readiness for Fintech adoption of a country. Technological, demographic, economic and sentimental variables were tested against the Customer Fintech Readiness and showed a positive relationship with the correlation in it. Even though they used secondary data collected for a different purpose, they used the data effectively and made a reliable index to check customer readiness for Fintech. The seven key dimensions covered up all the aspects that a customer has against Fintech usage and the variables were chosen under the guidance of the experts of the field. And values were normalized when it was necessary to do so. After the analysis the following results were observed.

Figure 6

Market Trends and Industry Insights



A study on Customer Experience in Fintech was conducted regarding the Commercial Banks in Sri Lanka and through that it was found that there are factors that customers are eager to use Fintech when their service is user friendly and usefulness is at its highest (Jesuthasan, 2021).

Empirical Review

The demographic characteristics dimension was informed by previous research indicating a negative correlation between age and fintech readiness, while higher education levels showed a strong positive correlation (Hasan et al., 2022; Imam et al., 2022; Niu et al., 2020). To facilitate calculations, age was normalized, and

fintech readiness was assigned a 20-step increment for each level of education, reflecting the broader fintech usage among individuals with higher educational attainment (Niu et al., 2020; Jagtiani & Lemieux, 2017).

Methodology

The research on "Customer Readiness for Fintech in Sri Lanka: Assessing Customer Readiness among Retail Customers" relies on technological, demographic, economic and sentiment variables (Mahmud et al., 2023). This study employed a quantitative approach, underpinned by positivism and deductive research logic, to analyze the relationship between independent variables—demography, financial health, financial literacy, e-readiness, mental preparedness, and overall sentiment towards Fintech—and the dependent variable, Customer Fintech Readiness. Figure 7 displays the connections between the variables.

Internet users in Sri Lanka was about 1,458,000 by January 2023 according to statistics. Then according to the morgan table, sample size corresponding to that population size is 385. All the 9 provinces of Sri Lanka were covered where 396 filled questionnaires were selected for the study.

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Figure 7

Conceptual Framework

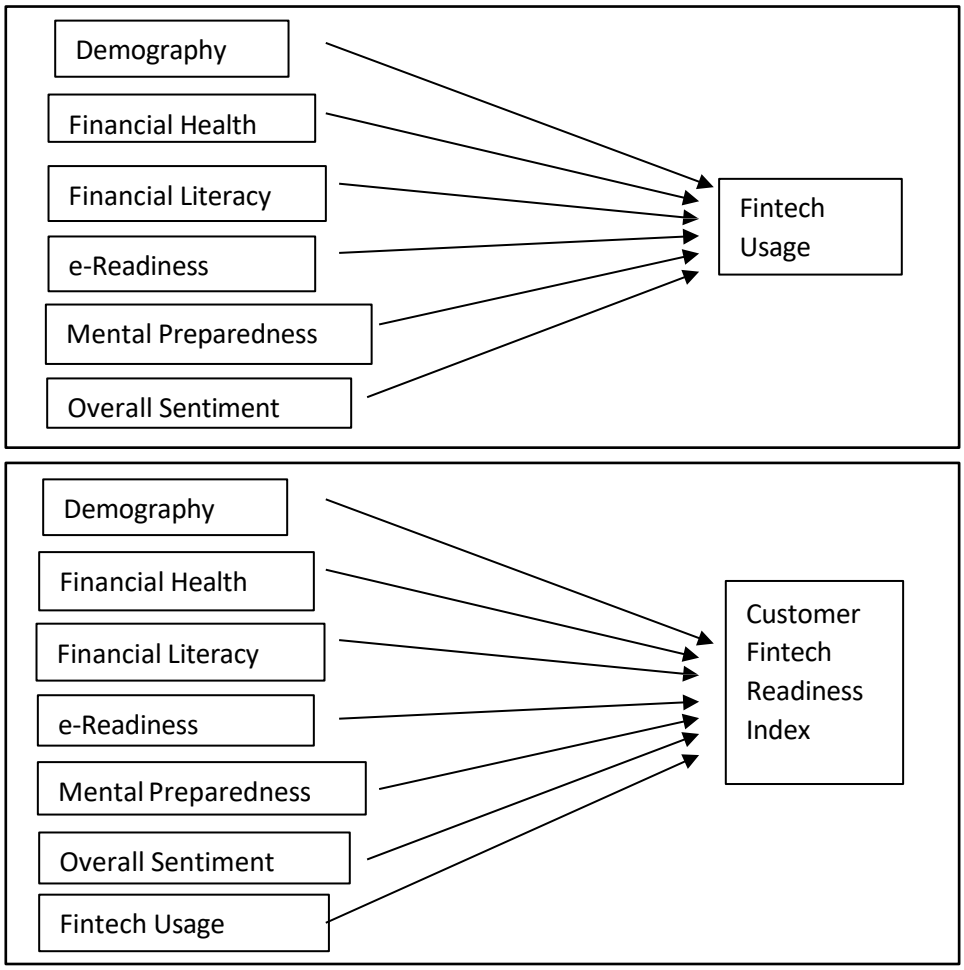


Table 1 presents the factors affecting fintech adoption and use, organized into seven key dimensions: demography, financial health, financial literacy, e-readiness, mental preparation, current fintech usage, and overall sentiment. In this study, modeled after Mahmud et al. (2023), a structured questionnaire was developed to explore these dimensions. Each factor was measured using a combination of nominal, ordinal, and Likert scales. The scores from the sample were coded and normalized on a scale of 0-100, with the results averaged to derive a score for each dimension, offering insights into the readiness and adoption of fintech.

Table 1

Dimension	Factors	How it is Measured (Scale)	Source of Variable
Demography	Age	Open-ended	(Mahmud et al., 2023)
	Province	Nominal (List of Provinces)	Self-developed
	Level of Education	Ordinal (None to Postgraduate/Other)	Self-developed
Financial Health	Monthly income	Ordinal (< Rs.10,000 to Rs.50,000 <)	(Mahmud et al., 2023)
	Annual savings	Ordinal (< Rs.10,000 to Rs.50,000 <)	(Mahmud et al., 2023)
Financial Literacy	Visits to Financial Institutes per month	Ordinal (Frequency: Never to Very Frequently)	Self-developed
	Confidence in financial activities alone	5-point Likert scale (Not confident at all to Very confident)	(Mahmud et al., 2023)
	Awareness of financial transactions	Ordinal (No knowledge to Expert)	(Mahmud et al., 2023)
E-readiness	Access to a computer	Nominal (Yes, No)	Self-developed
	Computer skills	5-point Likert scale (Not skilled at all to Very skilled)	(Mahmud et al., 2023)
	Smart phone skills	5-point Likert scale (Not skilled at all to Very skilled)	(Mahmud et al., 2023)
	Average data usage per month	Ordinal (Very low to Very high)	Self-developed
Mental Preparation	Mental preparedness towards fintech adoption	5-point Likert scale (Not prepared at all to Adequately prepared)	(Mahmud et al., 2023)
Current Fintech Usage	Fintech segments used via mobile phones	Ordinal (Only 1 to 5 or more)	(Mahmud et al., 2023)
	Fintech segments used via computer	Ordinal (Only 1 to 5 or more)	(Mahmud et al., 2023)
	Frequency of mobile and internet financial services	Ordinal (Never to Very frequently)	(Mahmud et al., 2023)
	Average money used for Fintech transactions	Ordinal (< Rs.10,000 to Rs.50,000 <)	(Mahmud et al., 2023)
Overall Sentiment	Costliness of Fintech	5-point Likert scale (I don't use Fintech to Very cheap)	(Mahmud et al., 2023)
	Satisfaction with Fintech usage	5-point Likert scale (I don't use Fintech to Very satisfied)	(Mahmud et al., 2023)
	Satisfaction availability of Fintech	5-point Likert scale (I don't use Fintech to Very satisfied)	(Mahmud et al., 2023)

Factors Affecting Fintech Adoption and Use Distilled in Seven Key Dimensions

In this study, a pilot survey was conducted with a pre-selected group comprising 30 participants university lecturers, undergraduates, and local residents to refine the questionnaire. This pilot phase helped clarify the questions and assess response rates, leading to adjustments in the questionnaire. Data analysis was performed using STATA software, chosen for its reliability in developing an index. Regression analysis identified relationships between independent and dependent variables, and weights were allocated based on predetermined values. Distribution of variables was visualized through charts and graphs, and the final index value was derived from the average score. Ethical considerations were adhered to, with personal data and names omitted due to sensitive questions. Income was noted as it was crucial for assessing financial health, and the collected information was used solely for academic purposes.

Hypotheses were formulated based on the research questions posed in the study, and these hypotheses provided the foundational framework for the research.

H1: There is a relationship between demographics and fintech usage.

H2: There is a relationship between financial health and fintech usage.

H3: There is a relationship between financial literacy and fintech usage.

H4: There is a relationship between e-readiness and fintech usage.

H5: There is a relationship between mental preparedness and fintech usage.

H6: There is a relationship between overall sentiment and fintech usage.

H7: There is a possibility to build up Customer Fintech Readiness Index.

Findings and Discussion

The study analyzed participants' readiness for fintech by evaluating the impact of age, education level, financial literacy, e-readiness, and mental preparedness. Age

highlighted differences in fintech adoption across various groups, while education level assessed participants' understanding of financial technology. Financial literacy evaluated their ability to make informed decisions using fintech tools, and e-readiness measured their access to and familiarity with digital platforms necessary for fintech engagement. Mental preparedness gauged their willingness to embrace new technologies. Collectively, these factors provided a detailed understanding of participants' readiness to engage with fintech, underscoring the significance of knowledge, digital access, and a positive attitude towards innovation

Findings

Age

Figure 8

Age bar graph

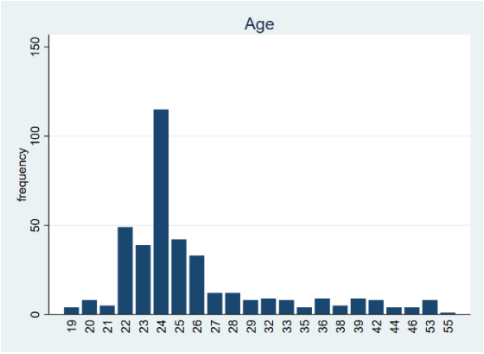
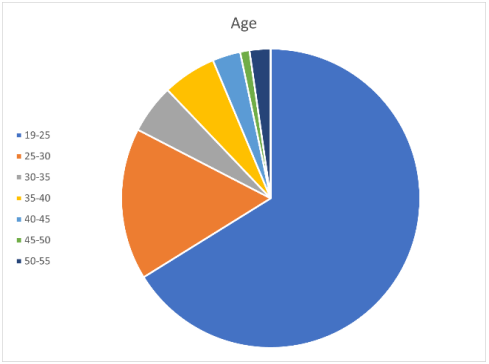


Figure 9

Age pie chart



The data set was collected from online platform users where mostly the young generation will be responding. Hence the data set contains majority of the respondents from the age category 22 – 26 which contains 66% of the total data points (Figure 9). According to the Figure 8, out of those categories 29% data points were gathered from 24-year-olds. The current generation is deeply immersed in technology from birth, easily navigating high-tech devices like smartphones and utilizing apps for tasks such as ordering food and making bank transactions. This familiarity with technology positions them to revolutionize the world, particularly in fintech and other emerging technologies. Notably, individuals over 40 are increasingly aware of and using fintech, indicating a breaking down of the generation gap. While many older adults struggle with modern technology, those who make an effort to learn are finding success and inspiring others. This adaptability can shift perceptions among older individuals, encouraging them to embrace fintech and modernize their financial practices. By demonstrating the practical benefits of these technologies, we can empower older generations to take control of their finances and improve their quality of life in today's digital landscape.

Education Level

Figure SEQ Figure * ARABIC 10

Education Level bar graph

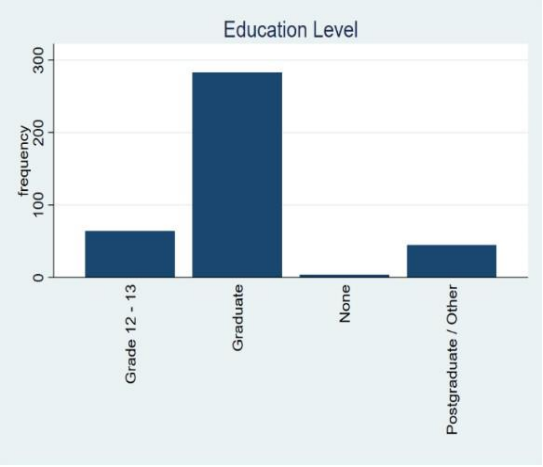
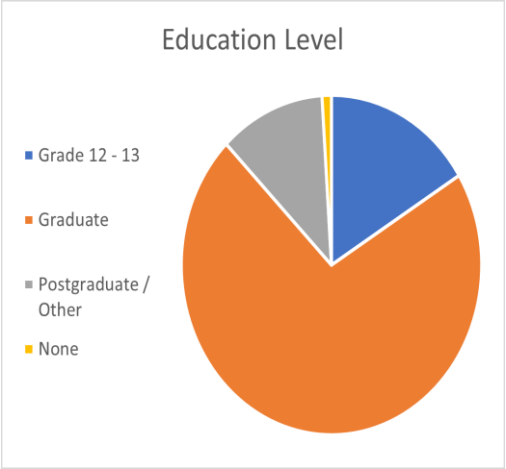


Figure SEQ Figure * ARABIC 11

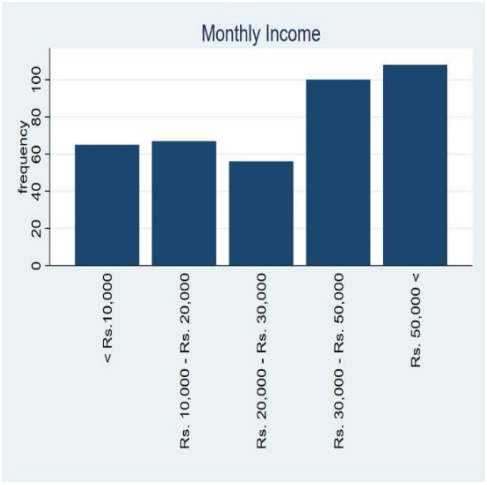
Education Level pie chart

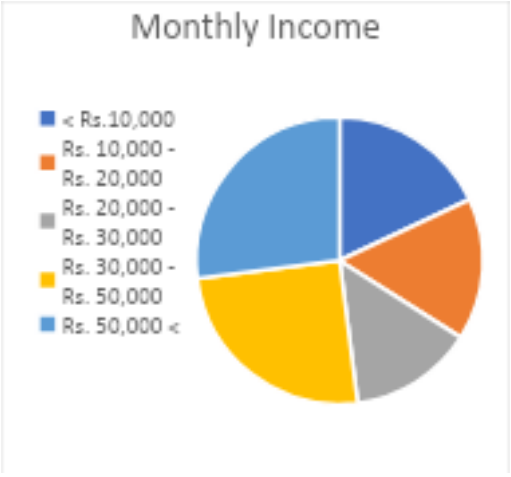


The study was based on people who was aware of the online platforms, therefore people are much educated. According to the Figure 10 and Figure 11, the scores they took from the survey shows that over 80% of the respondents are educated enough. The majority is well educated to use Fintech as a daily tool and can be checked by their high scores on the survey. This suggests that the increasing popularity of online platforms has led to a rise in digital literacy among the general population. Additionally, it implies that the majority of individuals are comfortable using Fintech as a routine part of their lives, which bodes well for the continued growth and adoption of digital financial services. Furthermore, the survey results indicate that age does not seem to be a significant barrier to Fintech adoption. Both younger and older respondents showed a high level of familiarity and comfort with using digital financial services. This suggests that Fintech is becoming increasingly accessible to individuals of all age groups, further fueling its widespread adoption. Overall, these findings highlight the positive impact of online platforms on financial literacy and the promising future of Fintech in revolutionizing the way we manage our finances.

Financial Health

The distribution of monthly income (Figure 12 and Figure 13) among respondents reveals that a significant portion, 52%, earns over Rs. 30,000. This upper income bracket includes both older and younger individuals. Interestingly, the most

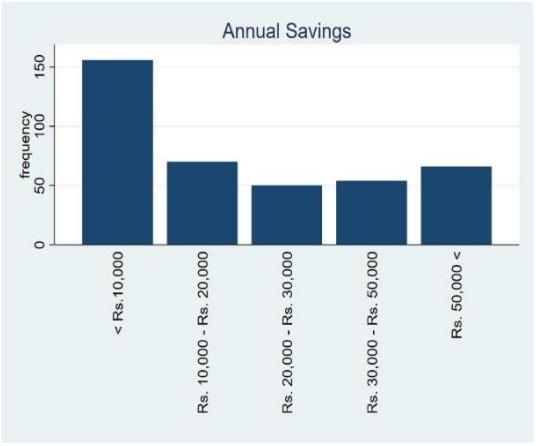




common allowance reported by interns is Rs. 20,000, which received the fewest responses. The group earning less than Rs. 10,000 primarily consists of teenagers who have recently completed their high school studies and A/L examinations. Many of these individuals are expected to transition into higher salary tiers in the near future. This shift in income distribution can be attributed to the increasing demand for skilled and specialized roles in the job market. As young people attain higher education and develop marketable skills, they are increasingly able to secure well-paying jobs at an early stage in their careers. Consequently, this trend is reshaping the traditional notion of high-income earners, who have historically been viewed as older individuals with extensive professional experience.

Compared to the income data that is shown Figure 14 and Figure 15, people tend not to save in banks nowadays. Though people don’t save in banks, they invest in other methods due to the low interest paid by the banking system during the last few

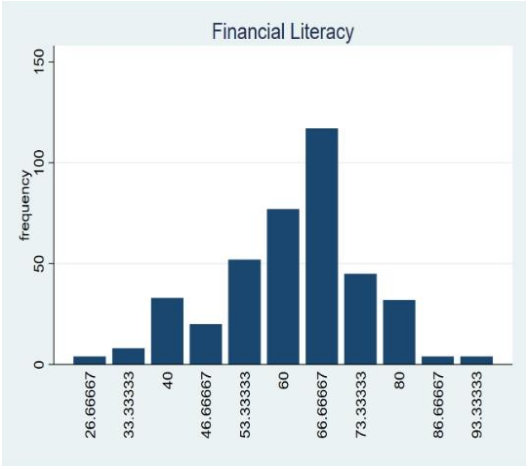
months in Sri Lanka. Data shows that there is 0.26 coefficient between Fintech usage and Financial Health variables and as a positive relationship shows in indicated that Fintech Usage



increases as the Financial Health increases.

There is a notable shift away from traditional savings methods, such as bank accounts, toward riskier investment avenues, including cryptocurrency, dollars, and gold. This trend highlights the increasing reliance on fintech, which provides essential real-time data for informed decision-making. The growing popularity of automated lending and robo-advisory platforms further underscores this change, as they have become more reliable than traditional human advisory services. This shift in reliability is attributed to the accuracy and efficiency of the algorithms used by robo-advisors, which analyze large volumes of data to deliver personalized investment advice based on individual risk profiles. Their capacity to quickly adapt to market changes offers a level of agility that human advisors often cannot achieve. As a result, more investors are embracing these automated platforms to maximize returns and minimize risks in an increasingly volatile financial landscape.

Financial Literacy

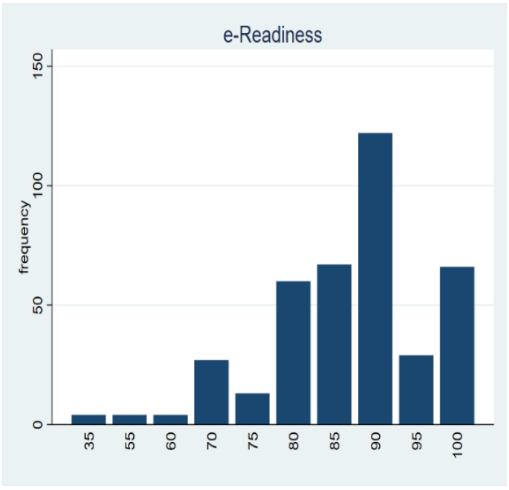


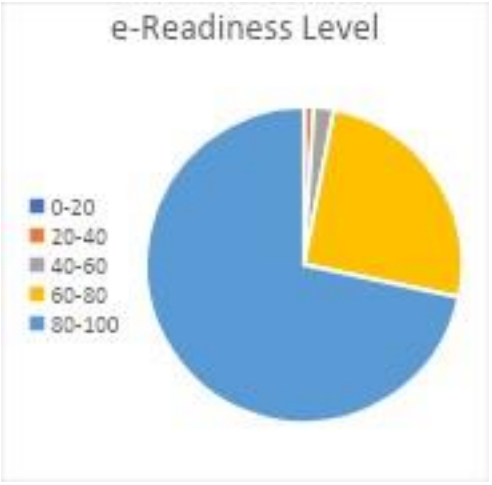
Analyzing financial literacy (Figure 17 and Figure 16) indicates that most people have the financial literacy to perform tasks and adapt to fintech easily. 87% of the respondents have a score between 60 and 80, where the least score was taken by 45% of the respondents. Financial literacy has a 0.28 coefficient level, and as it is a positive coefficient, fintech usage increases as financial literacy increases. The key to a sustainable future is financial literacy. Individuals with varying financial resources often find themselves in similar predicaments, lacking clarity on when and how to invest. Financial literacy is crucial, encompassing basic skills like filling out bank forms to making high-risk investment decisions. Numerous online platforms offer education on investing, aiming to help individuals rise from poverty and ensure a secure future for their descendants. Data collected indicates that many people feel confident in their basic financial literacy, enabling them to make decisions that benefit both their communities and themselves. Furthermore, those sharing their financial knowledge significantly impact society. While the current effects of this revolution may be subtle, small changes can lead to a better world in the next decade.

If society collectively invests effectively and businesses innovate using these funds, the result could be an eco-friendly and sustainable world. In this envisioned future, financial literacy becomes essential for individuals across all backgrounds. As more people understand personal finance and investment strategies, they gain the power to make informed decisions that benefit both themselves and their communities. This knowledge enables individuals to navigate the financial landscape, aligning their investments with their values and supporting companies committed to sustainability.

By directing capital towards environmentally conscious initiatives, such as renewable energy sources like solar and wind power, individuals can help reduce reliance on fossil fuels and combat climate change. Additionally, supporting companies that prioritize fair labor practices fosters a more equitable society. Ultimately, informed financial decisions hold the potential to create positive global change, paving the way for a sustainable future for generations to come.

e-Readiness





The e-readiness level (Figure 19 and Figure 18) is high among the participants for whom the data was gathered, which indicates that they are willing to adopt a technological leap in finance. Most of the participants have computer literacy and also possess a computer. Their data usage is high because they are constantly using

the internet. Further, they are confident that they have the necessary computing and mobile phone skills. E-readiness is a skill that everyone needs to have to adapt fintech to their day-to-day lives. It is the indicator that shows the participant is ready to embrace the technical advancements and explore new possibilities through them.

As individuals navigate the internet, they delve into a vast sea of knowledge, making fintech accessible to those already learning online. However, the true potential of this technology is often misunderstood, as many use it for trivial purposes. The COVID-19 pandemic highlighted fintech's value, forcing people to adopt online methods for education, work, and essential purchases. This shift led to an increase in online transactions among individuals who previously hesitated to embrace technology, resulting in a significant number of people now possessing basic transaction skills without extensive experience.

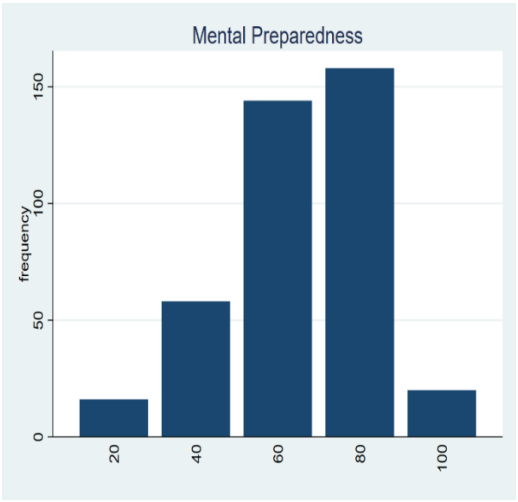
In this study, we assessed participants' skills in operating phones and computers, their internet usage, and their confidence in using these devices. The findings indicate that the majority of respondents are indeed proficient, with 72% scoring above 80 in their fintech-related knowledge, demonstrating a solid understanding of how to integrate fintech into their lives. Those comfortable with smart devices can more easily grasp the complexities of fintech. While the subject is not simple to master quickly, a foundational understanding greatly aids comprehension.

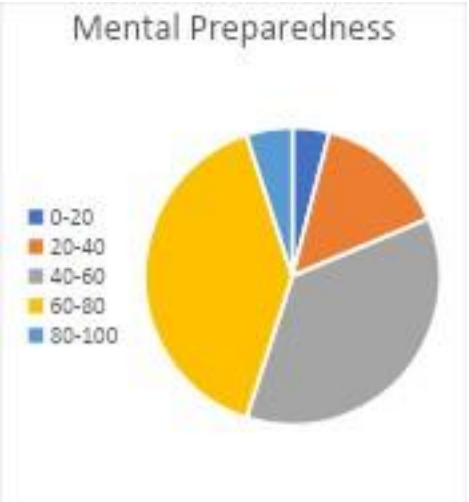
Beyond high scores in fintech knowledge, the study also revealed a strong desire among participants to learn more about the subject. This eagerness reflects the increasing significance of technology in daily life. As digital platforms advance and financial services become more integrated, staying informed and adaptable is essential. By acquiring necessary skills and knowledge, individuals can navigate the complexities of fintech and leverage its benefits to improve their financial well-being.

Additionally, the rise of fintech has facilitated innovative solutions that promote financial inclusion and empower underserved communities. Technology now enables individuals from diverse backgrounds to access banking services, make secure transactions, and invest in the global market. The convenience and efficiency provided by fintech have transformed financial management, allowing users to save time and make informed decisions with ease. Ultimately, embracing fintech not only enhances financial literacy but also opens up numerous opportunities for personal growth and financial success.

Mental Preparation

Considering the responses received (Figure 20 and Figure 21), it is understandable that most of the people are mentally prepared for Fintech. 81% of respondents have a score of 40% - 100% towards mental preparedness where the coefficient towards Fintech Usage is 0.04 which increment in Mental Preparedness shows a positive relationship towards Fintech Usage.





Having the necessary skills is insufficient if individuals lack the mindset to use technology effectively. Understanding fintech without utilizing it will not uplift society. Fear of trying new methods often holds people back, leading many to

abandon their dreams due to a reluctance to change. While some are willing to take risks and make progress, many still rely on traditional methods, such as using slips for bank transactions or paying bills in supermarkets, not solely out of unawareness but also due to a lack of trust in technology.

Despite the conveniences offered by fintech—such as purchasing groceries, booking hotels, and making reservations through mobile devices—there remains a group that is skeptical of these innovations. Data from the study indicates that most participants are mentally prepared for fintech adoption, suggesting a promising future for society. However, a small number of individuals may not be ready; with proper understanding, they too could embrace fintech.

Mentality plays a crucial role in economic progress, as new products and services cannot emerge without a shift in mindset. Some civilizations continue to use methods from centuries ago due to resistance to change. This stagnation could occur here as well, preventing the realization of technology's full potential. Therefore, it is essential to cultivate a culture that encourages risk-taking and openness to new opportunities.

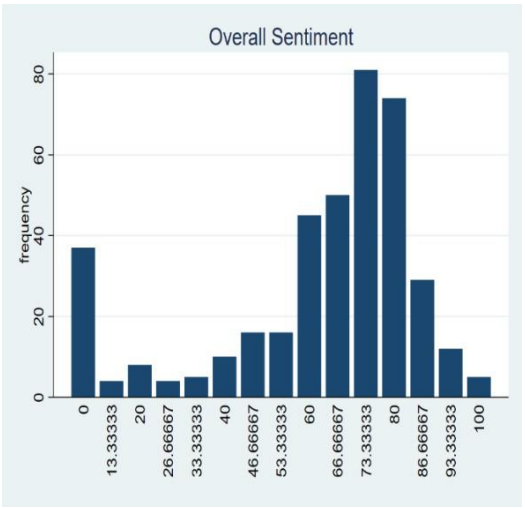
To foster innovation and progress, a mindset that embraces change and new technology is vital. Without this adaptability, societies risk stagnation in the global economy. By encouraging openness to new ideas and calculated risks, we can unlock societal potential and drive advancements across various sectors. This collective mindset shift can create an environment conducive to developing and implementing groundbreaking products and solutions.

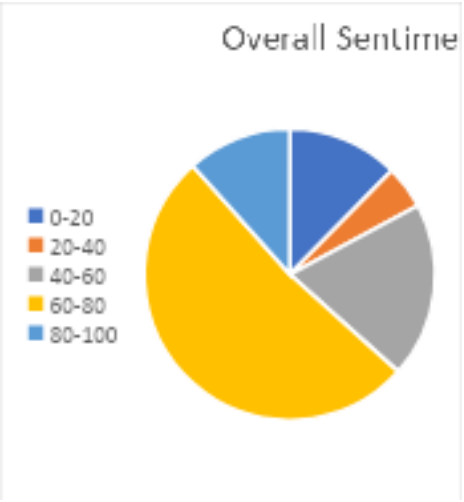
As we navigate the evolving technological landscape, prioritizing education and training programs is crucial to equip individuals with necessary skills. Investing in STEM education and promoting continuous learning will ensure a competitive and adaptable workforce. Collaborations between academia, industry, and government can also leverage collective knowledge to tackle complex challenges and drive

innovation. Ultimately, by embracing continuous improvement and new technologies, we can position ourselves as leaders in the global economy, securing a prosperous future for generations to come.

Overall Sentiment Towards Fintech

As the final part of the questionnaire, current sentiment towards fintech was tested (Figure 22 and Figure 23). The responses show that they have more sentiment towards fintech in satisfaction on availability and costliness of fintech. 45% of the respondents represent the category where the overall sentiment towards Fintech usage is 60% - 80%. The coefficient level is 0.237 which has a positive relationship with the Fintech Usage of the participants. In the first question I checked the costliness of Fintech in the respondent's opinion and almost half of them were neutral about that. Then when it comes to the satisfaction of Fintech 54% of them were somewhat satisfied where there are 10% that are very satisfied which means the fintech services are doing great in making customers. And finally, where I tested the satisfaction about the availability of Fintech 45% were somewhat satisfied and 13% were highly satisfied.





Contrary to the perception that fintech is costly, it actually reduces expenses by eliminating unnecessary transaction costs, intermediary fees, and paper fees associated with traditional financial processes. Fintech enables users to complete tasks efficiently with just a few taps on their smartphones, streamlining even the most complex operations. Although many still rely on physical cash, virtual wallets offer a safer, more efficient alternative, allowing for precise payments without the hassle of counting change. Additionally, purchasing electronics can now be done from the comfort of one's home, eliminating travel costs.

Satisfaction with fintech services varies among users; while some find a platform's efficiency exceeds their expectations, others may feel it falls short. Modern technology is increasingly designed for accessibility, including features that allow visually impaired individuals to navigate mobile devices independently. For cryptocurrency users, a variety of choices empowers them to tailor their financial decisions to their preferences. The future promises even more customizable options, enabling users to meet their own expectations for satisfaction.

Fintech has transformed financial management by offering unprecedented convenience, accessibility, and personalization. With ongoing technological advancements, financial services are becoming more inclusive and tailored to individual needs. Whether managing investments, making payments, or accessing loans, fintech empowers individuals to take control of their financial journeys with confidence. Furthermore, it enables users to set financial goals and track their progress in real time. Interactive dashboards and budgeting tools help individuals understand their spending habits, facilitating informed decision-making about their financial futures. This personalization allows users to align their financial strategies with their unique needs and aspirations, ultimately enhancing financial satisfaction and security. Overall, fintech continues to evolve, adapting to the changing demands of consumers and empowering individuals to take charge of their financial well-being.

Factor Analysis

Table 2

Factor Analysis

Variable	Factor 1	Factor 2	Factor 3	Uniqueness
Fintech Usage	0.6316	-0.3387	0.0324	0.4854
Demography	0.1542	0.5765	-0.0356	0.6426
Financial Health	0.4262	-0.2354	0.3773	0.6206
Financial Literacy	0.6455	-0.0056	-0.0799	0.5769
E-Readiness	0.3674	0.5324	0.1758	0.5507
Mental Preparedness	0.5648	0.1665	-0.0337	0.6521
Overall Sentiment	0.5685	-0.1068	-0.2986	0.5762

Source: STATA Output

The factor analysis with six retained factors reveals significant relationships among variables in this data set. The Eigenvalues highlight the variance captured by each factor, with Factor1 being the most influential. Proportions of variance explained indicate substantial contributions from Factor1, Factor2, and Factor3 (Table 2). The pattern matrix showcases variable loadings on each factor, offering insights into their associations. Variables like Current Fintech Usage(CFU), Demography (DMO), and Overall Sentiment Related to Fintech Usage OSF exhibit notable loadings on Factor1, while Financial Health Level(FHL) and e-readiness Level (ERL) are prominent in Factor3.

Regression Analysis

Table 3

Regression Analysis

Fintech Usage	Coefficient	Std. Error	P>|t|
Demography	-0.0081109	0.0722701	0.911
Financial Health	0.2531123	0.0282535	0.000
Financial Literacy	0.2791804	0.0667096	0.000
E-Readiness Level	-0.1997942	0.792661	0.012
Mental Preparedness	0.0418599	0.446301	0.349
Overall Sentiment	0.2366506	0.0310461	0.000
Constant	19.70019	6.699169	0.003

Source: STATA Analysis

The model, with an F-statistic of 45.54 (p-value = 0.0000), is deemed statistically significant. FHL, FLL, and OSF exhibit positive coefficients, indicating a favorable impact on CFU, while ERL shows a negative association. The model accounts for 41.26% of CFU variability (R-squared = 0.4126). Notably, FHL demonstrates a substantial positive influence, emphasizing its significance in fostering CFU.

Table 4

Hypothesis Analysis

Hypothesis	Results
H1: There is a relationship between demographics and fintech usage.	Rejected
H2: There is a relationship between financial health and fintech usage.	Supported
H3: There is a relationship between financial literacy and fintech usage.	Supported
H4: There is a relationship between e-readiness and fintech usage.	Supported

H5: There is a relationship between mental preparedness and fintech usage.	Rejected
H6: There is a relationship between overall sentiment and fintech usage.	Supported
H7: There is a possibility to build up Customer Fintech Readiness Index.	Supported

Through regression analysis, the data set shows a 42.14% R-squared value, where 42.14% of the data represents the model. This was done considering current fintech usage as the dependent variable, and it shows promising results. Considering each independent variable, the coefficient values are as follows: Education Level has 0.003, Financial Health has 0.26, Financial Literacy has 0.279, e-Readiness has -0.208, Mental Preparedness has 0.361, and Overall Sentiment Towards Fintech has 0.237. For the current fintech usage, it was taken as the dependent variable, and weights were allocated for each independent variable, so the final regression results were as above. Though this research was not intended to measure the regression between variables, the values were checked to ensure that there was a regression between variables. Through the results, it shows that there is a regression between the variables, and the index score I was generating will give a clear result.

Discussion

Further improvements could be taken to enhance the quality of the research by increasing the sample size that was taken and increasing the variables that were taken. As I have only considered 396 data points for this study it can be hard to predict a precise value. Therefore, the ones who would like to continue this study and measure whether Sri Lanka's customers are ready to adopt Fintech or not in the future more precisely. Also including more variables can help the study to increase accuracy of the value generated. As a developing country there can be more variables

that will affect the Customer Fintech Readiness index and further research can help to include them as well which will cause to recalibrate the weights and then create an advanced index.

Moreover, it is important to consider the cultural and social factors that may influence the adoption of Fintech in Sri Lanka. Factors such as trust in technology, awareness and understanding of Fintech services, and the availability of digital infrastructure play a crucial role in determining the readiness of customers. Additionally, the regulatory environment and government policies regarding Fintech can also impact the adoption rate. Therefore, conducting further research to incorporate these variables and recalibrate the weights will enable the creation of a more comprehensive and accurate Customer Fintech Readiness index for Sri Lanka. This index will allow policymakers and Fintech companies to better understand the factors that influence customer readiness for Fintech services in Sri Lanka. By taking into account technology awareness, digital infrastructure, regulatory environment, and government policies, stakeholders can develop targeted strategies to promote Fintech adoption and drive financial inclusion. Furthermore, continuously updating and refining the index will ensure its relevance as the Fintech landscape evolves and new technologies emerge.

Conclusion

The study developed an index to assess customer readiness for fintech by evaluating five variables: age, financial health, financial literacy, e-readiness, mental preparation, and overall sentiment towards fintech. This index provides insights into individual willingness to adopt fintech solutions, highlighting trends among different age groups. Younger individuals showed higher e-readiness and positive sentiment towards fintech. Financial health and literacy were significant factors, with those in better financial conditions and with higher financial knowledge being

more receptive to fintech services. The index can help financial institutions and policymakers tailor strategies and campaigns to boost fintech adoption.

This study reveals that Sri Lanka is still in the early stages of adopting technology, which means that the shift towards fintech will take more time compared to other countries. The data analysis confirms the possibility of constructing a Fintech index, fulfilling the study's objective. The findings suggest that variables such as customer fintech readiness are measurable and that there is a correlation between these variables and fintech usage. Despite the prevalent reliance on paperwork in Sri Lanka, especially for formal occasions, the younger generation's increasing use of technology shows potential for rapid fintech adoption. They are more financially literate, earning more, and investing in sustainable methods. Improving the financial literacy of the broader population is crucial, particularly as older generations may need more time to adopt fintech due to limited exposure. However, with proper educational efforts, they, too, may gradually embrace fintech solutions, which will improve financial accessibility and promote sustainable investments.

Implication

The study seeks to uplift Sri Lankan society by promoting technology adoption and financial literacy. It highlights the enthusiasm and continuous learning of the younger generation as a key driver. Calculating a Fintech index annually will track national progress, motivating financial companies to explore new opportunities and individuals to pursue personal growth. The integration of fintech, along with improved financial literacy, is identified as a crucial factor for national development.

Recommendation

To foster future growth, Sri Lanka must focus on enhancing both technology and financial literacy. Fintech presents innovative solutions that can transform financial transactions, making them more efficient, accessible, and affordable. Adoption of fintech could accelerate economic growth, create jobs, and promote sustainability.

Integrating fintech into traditional systems can improve efficiency, reduce costs, and, through data analytics and AI, offer personalized financial services. Additionally, blockchain can enhance security and transparency. However, challenges like data breaches and privacy concerns must be addressed with robust security protocols and regulatory frameworks to ensure consumer protection and financial stability.

Limitations

The study encountered limitations, particularly in recruiting a diverse sample of participants, which restricted the generalizability of the findings and introduced potential bias. The short data collection period further limited the number of participants and hindered comprehensive analysis. Future research should adopt more inclusive recruitment strategies, engage underrepresented groups, and extend the data collection period to ensure a more representative sample and accurate results.

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Appendices

```
. summarize
```

Variable	Obs	Mean	Std. dev.	Min	Max
CustomerID	396	198.5	114.4596	1	396
Province	0				
DMO	396	78.29966	11.2266	30	93.05556
FHL	396	58.05556	26.62457	20	100
FLL	396	61.61616	12.47322	26.66667	93.33333
ERL	396	86.60354	10.64463	35	100
MP	396	65.45455	18.29562	20	100
CFU	396	51.04798	17.93731	20	95
OSF	396	61.90236	25.50807	0	100
Demographic	396	.1282	0	.1282	.1282
FinancialH~h	396	.1082	0	.1082	.1082
FinancialL~y	396	.1578	0	.1578	.1578
EReadiness	396	.2108	0	.2108	.2108
MentalPrep~s	396	.1196	1.39e-17	.1196	.1196
FintechUsage	396	.1641	0	.1641	.1641
OverallSen~t	396	.1116	0	.1116	.1116

Appendix 1 - Summary

```
.
. factor CFU DMD FHL FLL ERL MP OSF , ipf
(obs=396)

Factor analysis/correlation                       Number of obs    =        396
    Method: iterated principal factors            Retained factors =          6
    Rotation: (unrotated)                         Number of params =         21
```

Factor	Eigenvalue	Difference	Proportion	Cumulative
Factor1	2.03565	0.91014	0.5074	0.5074
Factor2	1.12551	0.55148	0.2806	0.7880
Factor3	0.57403	0.36852	0.1431	0.9311
Factor4	0.20551	0.14851	0.0512	0.9823
Factor5	0.05700	0.04277	0.0142	0.9965
Factor6	0.01423	0.01445	0.0035	1.0001
Factor7	-0.00022	.	-0.0001	1.0000

```
    LR test: independent vs. saturated:  chi2(21) =  584.31 Prob>chi2 = 0.0000

Factor loadings (pattern matrix) and unique variances
```

Variable	Factor1	Factor2	Factor3	Factor4	Factor5	Factor6	Uniqueness
CFU	0.6961	-0.3878	0.0072	0.2690	-0.0007	-0.0454	0.2906
DMD	0.1653	0.6619	-0.0631	0.2544	0.0755	0.0025	0.4602
FHL	0.4841	-0.2788	0.5562	-0.0100	-0.0052	0.0257	0.3778
FLL	0.6528	-0.0006	-0.1146	-0.0998	0.1364	0.0643	0.5281
ERL	0.4105	0.6452	0.2510	-0.0413	-0.1159	0.0082	0.3370
MP	0.5735	0.1737	-0.0609	-0.2379	0.0483	-0.0794	0.5719
OSF	0.6048	-0.1134	-0.4252	-0.0097	-0.1300	0.0314	0.4226

Appendix 2 - Factor Analysis

```
. regress CFU DMO FHL FLL ERL MP OSF
```

Source	SS	df	MS	Number of obs	=	396
				F(6, 389)	=	45.54
Model	52438.2167	6	8739.70278	Prob > F	=	0.0000
Residual	74651.8717	389	191.907125	R-squared	=	0.4126
				Adj R-squared	=	0.4035
Total	127090.088	395	321.747059	Root MSE	=	13.853

CFU	Coefficient	Std. err.	t	P>|t|	[95% conf.	interval]
DMO	-.0081109	.0722701	-0.11	0.911	-.1501998	.133978
FHL	.2531123	.0282535	8.96	0.000	.1975636	.3086611
FLL	.2791804	.0667096	4.19	0.000	.148024	.4103368
ERL	-.1997942	.0792661	-2.52	0.012	-.3556377	-.0439507
MP	.0418599	.0446301	0.94	0.349	-.0458864	.1296062
OSF	.2366506	.0310461	7.62	0.000	.1756115	.2976897
_cons	19.70019	6.699169	2.94	0.003	6.529083	32.8713

```
. summarize weighted_index unweighted_index
```

Variable	Obs	Mean	Std. dev.	Min	Max
weighted_i~x	396	-2.92e-10	.5870603	-2.248365	1.31744
unweighted~x	396	2.12e-11	.5782552	-2.093965	1.321746

Appendix 4 - Index values