

Impact of mobile money adoption on financial inclusion in Sri Lanka: mediating impact of hedonism

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Abstract

Purpose – This study uses hedonism as a mediating variable to examine the relationship between mobile money adoption and financial inclusion in Sri Lankan small- and medium-sized businesses (SMEs).

Design/methodology/approach – We conducted a quantitative research study utilizing a survey strategy and distributing standardized questionnaires to 150 SMEs in Sri Lanka using a simple random sampling technique.

Findings – According to our analysis, a significant relationship exists between mobile money adoption and financial inclusion in SMEs in Sri Lanka. Furthermore, we found that this relationship is mediated by hedonism, offering insights into the phenomenon.

Practical implications – This study's findings significantly impact Sri Lankan policymakers, financial institutions, and SMEs. Policymakers can use this research to create plans encouraging mobile money usage, potentially improving financial inclusion among SMEs. When SMEs adopt mobile money, financial institutions can adjust their services to match their demands. It is advantageous for SMEs to understand how adopting mobile money can enhance their financial inclusion and overall business stability.

Originality/value – Our study contributes to existing literature in two key ways. Firstly, it addresses a significant research gap by examining the impact of mobile money use on financial inclusion among SMEs in Sri Lanka. Secondly, we introduce the concept of hedonism as a potential mediator, providing a fresh perspective on the complex dynamics that shape the relationship between mobile money adoption and financial inclusion in this context.

Keywords Mobile money adoption, Financial inclusion, Hedonism, SMEs, Sri Lanka

Paper type Research paper

1. Introduction

Small and medium-sized businesses (SMEs) play a vital role in both developed and emerging economies, contributing significantly to various aspects of economic growth, including job creation, GDP expansion, innovation, and stimulating ancillary economic activities



(Gamage *et al.*, 2003; Khan *et al.*, 2021). It is important to note that the classification of SMEs varies between nations, often based on factors such as workforce size, capital investment, and sales volume (Ramukumba and Takalani, 2014), showcasing their adaptability in diverse economic landscapes.

SMEs in developing countries have garnered attention due to their exceptional potential to enhance income distribution, generate employment opportunities, alleviate poverty, and boost export prospects (Ramukumba and Takalani, 2014; Aidara *et al.*, 2021). However, their crucial role clashes with issues like limited access to financial services, a common challenge in many developing regions, hindering SME growth. Wambari and Andrew (2009) and Omondi and Jagongo (2018) report that a significant portion of the population in these nations needs access to essential financial services, potentially impeding SME expansion.

Despite its unique challenges, Sri Lanka has made notable strides in financial inclusion compared to neighboring countries. According to Kelegama *et al.* (2014), the country's financial sector offers various services, including loans, savings, leasing, and financing. Nevertheless, disparities persist in service utilization, especially in insurance, ATM accessibility, e-payment adoption, and mobile banking. Notably, a mere 35% IT literacy rate combined with financial literacy emerges as a critical factor affecting the advancement of financial inclusion (Kelegama *et al.*, 2014). Thus, enhanced financial literacy and capability are essential prerequisites for establishing inclusive economic landscapes.

Surprisingly, approximately 200 million SMEs in emerging economies grapple with a severe lack of funding and services due to nearly 2.5 billion individuals being excluded from formal financial channels (Arvis *et al.*, 2012; Dara, 2018). The rapid adoption of mobile technology in economic activities, reshaping traditional service delivery models, exacerbates this financial gap. Using portable devices to access financial services, mobile money presents a transformative avenue for economic progress. In response to evolving expectations, banks must remain adaptable, given the dynamism of the modern banking landscape and technological advancements (Kelegama *et al.*, 2014; Murinde *et al.*, 2022).

The experience of Cameroon is instructive, showcasing how willing populations are to embrace financial technology services when available. A growing body of research consistently suggests a beneficial relationship between mobile money usage and the financial inclusion of SMEs (Marshall *et al.*, 2021; Kim, 2022). However, it is noteworthy that Reginald and Dzomonda (2018) contest this assertion, claiming no significant association exists. These perspectives, though valuable, stem from diverse contexts, making it challenging to anticipate their applicability in Sri Lanka, given its distinct economic, political, and ethical nuances.

This study aims to bridge the knowledge gap by examining the intricate relationship between mobile money adoption and financial inclusion among Sri Lankan SMEs. It acknowledges the limitations of immediately extrapolating foreign findings to the Sri Lankan context. It strives to define the nature of this connection within the context of the nation's distinctive qualities. The following sections examine in detail how mobile money adoption affects the financial inclusion of SMEs in Sri Lanka while considering that country's unique political, cultural, and economic history. With this study, we hope to add to the ongoing conversation about financial inclusion and how it relates to mobile money adoption in Sri Lanka.

2. Literature review

This section comprehensively reviews theoretical concepts and empirical evidence from many researchers in mobile money adoption, financial inclusion, and its relationship with hedonism.

2.1 Theoretical review

A well-known theory that is used to evaluate mobile money adoption is the Technological Acceptance Model (TAM). As Davis *et al.* first presented in 1989, TAM has gained notoriety for its capacity to predict and explain the uptake of mobile money technologies. The central idea of Ajzen *et al.*'s (1975) Theory of Reasoned Action (TRA) serves as the basis for TAM. However, TAM diverges from TRA in two crucial aspects. Firstly, TAM excludes subjective norms as influential factors in adopting and utilizing new technologies. Secondly, it identifies two primary factors for predicting user technology adoption: perceived usefulness and perceived ease of use.

As Davis *et al.* (1989) described, perceived usefulness within this framework pertains to an individual's perception of how much a specific technology can enhance their ability to perform tasks effectively. In contrast, perceived ease of use, as articulated by Davis *et al.* (1989), relates to how much a user expects minimal effort in utilizing the designated system. According to TAM, these dimensions-namely perceived usefulness and perceived ease of use-directly influence individuals' behavioral intentions.

In this paradigm, perceived usefulness, as defined by Davis *et al.* (1989), reflects an individual's belief that employing a particular technology will augment their task performance. Conversely, according to Davis *et al.* (1989), perceived ease of use signifies the user's anticipation of minimal effort required when using the chosen system. According to TAM, this perceived usefulness and ease of use directly impact individuals' behavioral intentions.

Focusing on these two key dimensions, the Technological Acceptance Model provides a valuable framework for understanding how individuals perceive and ultimately decide to adopt mobile money technologies. However, we extend the TAM by adding hedonism to the model with a sufficient justification.

2.2 Empirical review

An overview of several empirical studies that examine the use of mobile money and its possible effects on financial inclusion, along with the expansion of hedonism, is focused on in this section. This research provides insightful information that helps us better comprehend this intricate relationship.

2.2.1 Mobile money adoption. According to Jack and Suri (2011), mobile money is any financial system that may be accessed and used using mobile devices. This concept highlights the accessibility and simplicity of mobile money services via handheld technology, thereby encapsulating their essence. North (2017) emphasize a clear and positive relationship between people's perceived benefits of mobile money and how much they use these services. According to this research, people are more likely to use mobile money when they see tangible benefits. According to Lubua (2017), people are mainly driven by the hope of obtaining monetary benefits through mobile money services. Furthermore, Lubua (2017) suggest that a critical factor driving the uptake of mobile money is users' perception of the technology's capacity for entrepreneurship. Wamuyu (2014) emphasizes how standard mobile money services are among users. Mobile money's substantial benefits are the reason for its broad acceptance, as given below.

Risk reduction: By serving as a safety net against unanticipated economic events, mobile money usage can lower users' financial risk. Its more considerable financial stability adds to its allure.

Operational efficiency: Business procedures and operational efficacy can both benefit from mobile money. Its incorporation into corporate processes can improve overall efficiency and simplify financial transactions.

Reduced transactional expenses: Because mobile money can reduce transaction costs, it can be advantageous for individuals and businesses to use it instead of traditional banking and money transfer services.

Increased privacy: Mobile money services offer more privacy than traditional financial transactions. Users appreciate the confidentiality and security provided by mobile money platforms.

Decreased susceptibility to theft: Mobile money transactions reduce the need for carrying physical cash, decreasing individuals' susceptibility to theft or loss of funds.

These empirical findings collectively emphasize the practical advantages and motivations that drive the adoption and use of mobile money services. Understanding these dynamics is crucial for comprehending the widespread adoption and the potential impact of mobile money on financial inclusion and economic growth, particularly in the context of SMEs and emerging economies.

2.2.2 Financial inclusion. The [World Bank \(2014\)](#) defines the financial system as a network of institutions, markets, and infrastructure in every country. This system is the conduit for delivering financial services to individuals and businesses. According to [Demirguc-Kunt and Klapper \(2013a, b\)](#) and [Ozili \(2022\)](#), "financial inclusion" signifies the use of formal financial services by individuals and enterprises. In line with this, [Ahmad \(2020\)](#) extend the concept to denote a state where everyone enjoys convenient access to a diverse range of high-quality financial services at equitable prices. However, [Ozili \(2023\)](#) emphasized a paucity of studies investigating financial inclusion. [Senyo \(2021\)](#) highlight several pivotal factors that bolster financial inclusion:

Market profundity: This encompasses aspects like market size and liquidity, influencing the availability and accessibility of financial services.

Efficiency: This factor involves providing cost-effective, long-term financial services, ensuring that these services are economically viable and sustainable.

Accessibility to financial services: It gauges the population's capacity to utilize these services, ensuring they are within reach of those needing them.

Penetration: Refers to the prevalence of financial enterprises and the extent to which financial services are accessible to the population.

Availability of financial services: Ensuring that various financial services are accessible to cater to diverse needs.

Impact on recipients: Assessing these services' ultimate positive effect on individuals and businesses, such as improved livelihoods and economic stability.

In geographically isolated regions like Africa, where traditional banking services have limited reach, mobile phones have become powerful tools for promoting financial inclusion. [Li \(2020\)](#) emphasize that mobile phones facilitate the dissemination of financial services, market information, and essential data, pivotal in advancing financial inclusion. This synthesis of definitions and factors provides a comprehensive overview of the financial system, the concept of financial inclusion, and the critical elements that underpin inclusive economic landscapes. Understanding these dynamics is fundamental for exploring how mobile money adoption can enhance financial inclusion, particularly in regions with limited traditional banking infrastructure.

2.2.3 Mediating impact of hedonism on the relationship between mobile money adoption and financial inclusion. As defined by [Venkatesh et al. \(2012\)](#), Hedonism revolves around the inherent pleasure derived from technology use without needing any apparent additional benefits. Guided by the theory of hedonism, individuals often engage in behaviors driven by the pursuit of outcomes expected to yield a superior balance of pleasure over suffering. [Grappi et al. \(2011\)](#) claim that hedonism includes the fun and enjoyment that an event brings along with its emotional significance.

[Wild \(1927\)](#) stated, "Pleasurable consciousness is invariably intrinsically valuable, and no other aspect possesses ultimate intrinsic value." Furthermore, it posits that for hedonism to hold meaning, it must demonstrate a precise correlation between the intrinsic worth of any situation or scenario and the level of pleasure it entails. In essence, hedonism contends that pursuing happiness should always be the foremost desire. Human endeavors should be structured to maximize the experience of enjoyable pleasure. This perspective underscores the

importance of pleasure-seeking in guiding human actions and choices. Understanding hedonism is valuable in exploring the motivations and behaviors of individuals, including their adoption of technology and consumer preferences. It acknowledges the fundamental human drive to seek pleasure and enjoyment, shedding light on the role of hedonistic factors in decision-making processes. Hedonism can serve as a mediator variable between mobile money adoption and financial inclusion. In this context, hedonism can help explain how the pleasure and enjoyment derived from using mobile money services mediate the relationship between adoption and financial inclusion (Bongomin *et al.*, 2021). The mediation process can be conceptualized as follows:

- (1) SMEs adopt mobile money services because they find pleasure and enjoyment in using them. This enjoyment might stem from the convenience, efficiency, and accessibility of mobile money.
- (2) The positive emotional experience of using mobile money enhances SMEs' engagement with these services, making them more likely to use them extensively.
- (3) As SMEs use mobile money more extensively, they may experience improved financial inclusion, including better access to financial services, increased financial security, and improved financial management.
- (4) Hedonism, acting as a mediator, helps clarify the psychological and emotional mechanisms through which mobile money adoption influences financial inclusion.

This study empirically tests this mediation model to determine how much hedonism mediates the relationship between mobile money adoption and financial inclusion among SMEs in Sri Lanka.

2.2.4 Mobile money adoption and financial inclusion. Okello and Ntayi (2020) conducted primary data collection among micro, small, and medium enterprises (MSMEs) in the northern region of Uganda to investigate the role of digital consumer protection on the relationship between mobile money adoption and usage. The outcomes derived from the PLS-structural equation modeling unveiled multifaceted impacts of mobile money adoption and utilization on financial inclusion. Moreover, the investigation discerned the noteworthy influence exerted by both the adoption and utilization of mobile money, in tandem with the implementing of digital consumer protection measures, on enhancing financial inclusion. These findings underscore digital consumer protection mechanisms' pivotal role in facilitating financial inclusion through mobile-based fintech solutions. This holds particular significance in light of the formidable challenges and vulnerabilities confronting the fintech sector concerning cybersecurity.

Numerous developing contexts have seen in-depth research on mobile money, a financial technological innovation with substantial implications for financial inclusion. Tayki *et al.* (2022) examined its effect on saving behaviors in Ghana using data from the Financial Inclusion Insight (FII) Survey. According to their research, using mobile money led to favorable changes in keeping habits and increased total savings. This effect was more noticeable in rural areas, emphasizing how mobile money can close financial inequalities in various geographical contexts. Relocating to Eswatini, Myeni (2020) investigated the elements affecting the uptake of mobile money and its function in augmenting financial inclusion. Using robust approaches, such as propensity score matching (PSM), Myeni's study showed that mobile money users were more likely to hold formal bank accounts, particularly in rural areas. It also discovered several factors influencing mobile money usage.

Okello and Ntayi (2020) investigated how hedonism mediated the link between financial inclusion and mobile money adoption among MSMEs (micro, small, and medium-sized firms) in Uganda. By showing that including sensuality in the model significantly enhanced mobile money uptake and usage and contributed to greater financial inclusion among MSMEs in Uganda, their study highlighted the importance of user experience. Finally, Njela and Jackson

studied the factors influencing the use of mobile money services and their effect on financial inclusion in Lusaka, Zambia. Using a quantitative approach involving 240 user interviews, they demonstrated the significance of perceived cost, usefulness, simplicity of usage, and network quality as determinants of mobile money uptake. Unexpectedly, the perceived cost had a detrimental effect on the uptake of financial services, highlighting the necessity of readily available financial solutions catered to the particular needs of low-income groups. These studies highlight the revolutionary potential of mobile money in promoting adoption and usage while simultaneously emphasizing the importance of user experience and customized financial solutions in enabling savings, increasing financial inclusion, and bridging geographic gaps.

Even though various factors related to mobile payment adoption in Sri Lanka have been studied, it is clear that much more needs to be learned about how mobile payment adoption and financial inclusion interact in the context of Sri Lanka. Notably, several research have examined various aspects of the adoption of mobile payments. For example, [Jayarathne et al. \(2022\)](#) have investigated the people who use mobile money services. The adoption of mobile payments has been linked to perceptions of health, as studied by [Dissanayake et al. \(2022\)](#) and [Dewasiri et al. \(2023\)](#). Further, several research studies have been conducted investigating the factors affecting mobile payment adoption in Sri Lanka: [Ravichandran and Madana \(2016\)](#), [Sadurawan et al. \(2018\)](#), [Sanjeewa and Yatigammana \(2021\)](#), and [De Mel et al. \(2022\)](#).

However, a substantial research gap exists when examining the vital connection between mobile payments and financial inclusion. Since financial inclusion directly affects the provision of essential services and the standard of living for a sizable portion of the population, its significance in Sri Lanka cannot be understated. It is unexpected to discover how little is known about how the use of mobile payments in Sri Lanka could encourage greater financial inclusion. We aim to address this significant void in the current literature by examining the influence of hedonism on the relationship between mobile money adoption and financial inclusion in Sri Lanka.

3. Methodology

The current study investigates the relationship between mobile money adoption, financial inclusion, and the mediating effect of hedonism in Small and Medium-sized Enterprises (SMEs) in Sri Lanka. Following the quantitative approach, we employed a survey research technique to collect primary data and accomplish the study goals. A standardized questionnaire was given to SME owners and managers comprising the target demographic to gather preliminary data. The survey instrument was carefully crafted to collect pertinent data on the uptake of mobile money, financial inclusion, and hedonism, enabling a thorough examination of these factors. A straightforward random sampling process was employed, and 150 SMEs were chosen as the study's sample size. The adoption of mobile money, which measures how much SMEs use mobile money services, is the leading independent variable in the study, and we used the instrument [1] developed by [Wamuyu \(2014\)](#) to measure the same. Financial inclusion serves as the primary dependent variable, denoting the degree of SMEs' access to and use of formal financial services, and we used the indicators developed by [Demirguc-Kunt and Klapper \(2013a, b\)](#) to measure the same. Hedonism, the third key variable, assumes the role of the primary moderating variable, reflecting the influence of pleasure and enjoyment in the relationship between mobile money adoption and financial inclusion. We used the instrument developed by [Venkatesh et al. \(2012\)](#) to operationalize hedonism.

4. Results

[Table 1](#) provides statistical descriptions for the three constructs: "Mobile Money Adoption," "Hedonism," and "Financial Inclusion." The data spans from a minimum score of 1.82 to a

Table 1. Descriptive statistics

Construct	Minimum	Maximum	Mean	Stand deviation
Mobile money adoption	1.82	4.65	3.665	0.4997
Hedonism	1.87	4.6	3.621	0.4441
Financial inclusion	1.73	4.73	3.665	0.4623

Source(s): Authors' own work

high score of 4.65 for “Mobile Money Adoption,” with an average (mean) score of 3.665 and a standard deviation of around 0.4997. The “Hedonism” scores are similar, ranging from 1.87 to 4.6, with a mean of 3.621 and a standard deviation of roughly 0.4441. The “Financial Inclusion” score range is 1.73–4.73; the mean score is 3.665; the standard deviation is 0.4623. These statistics help understand the distributions and properties of each construct in the dataset by summarizing each construct’s central tendency, variability, and range of responses.

4.1 Testing for multivariate assumptions

According to the guidelines provided by [Daoud and Jamal \(2017\)](#), this study’s conduct carefully considered several significant multivariate assumptions. These presumptions included homoscedasticity, statistical independence, residual normality, and the lack of multicollinearity. The reliability and validity of the statistical analysis depend on adherence to these presumptions because deviations can introduce bias and compromise the robustness of the findings. A thorough dataset analysis was conducted before starting the hypothesis testing to ensure it aligned with the predetermined assumptions. The prerequisite requirements for reliable statistical inference were successfully met thanks to our pre-estimation procedure. It means that there is no serial correlation in the residuals of a statistical regression analysis. The residual autocorrelation can be detected by plotting the residuals against an independent variable or using the Durbin-Watson statistics. Durbin-Watson statistic will always have a value between 0 and 4, and the weights close to 2 indicate no linear autocorrelation in the data. According to [Table 2](#), the Durbin-Watson value in the current study was 1.825, approximately equal to 2. Thus, there is no statistically significant autocorrelation in the residuals.

Another crucial premise of parametric statistical tests is homoscedasticity, which states that the variance of errors should be constant at all levels of the independent variables. The validity and dependability of these tests depend heavily on this premise. To evaluate homoscedasticity, the scatterplot of the residuals is typically examined. According to [Kim et al. \(2016\)](#), the residuals should show a random and scattered distribution around the horizontal line’s zero point if the homoscedasticity condition is followed. Stated differently, when one advances along the range of the independent variables, the spread or dispersion of the residuals should not alter predictably. The robustness and accuracy of parametric statistical tests are highlighted by ensuring homoscedasticity in the analysis, as breaking this assumption might provide skewed findings and incorrect conclusions.

According to [Ghasemi et al. \(2012\)](#), determining normalcy is a crucial step in statistical analysis because many statistical procedures depend on the assumption of normality to be legitimate. Since the validity of the data in this study relies on meeting this assumption,

Table 2. Testing for independence

Model	R	R Square	Adjusted R square	Std. error of the estimate	Durbin Watson
1	0.697 ^a	0.486	0.483	0.33253	1.825

Source(s): Authors' own work

normality tests were carried out to assess the data distribution following these criteria. [Table 3](#) displays the findings of the Shapiro-Wilk and Kolmogorov-Smirnov tests, which show that all of the studied constructs have p -values higher than the traditional significance level of 0.05. This implies that the study's data series have a normal distribution. These results support the validity and robustness of the statistical techniques used in this study by offering crucial validation for statistical procedures that presume normalcy in further analyses.

Further, we ensured the validity of the reliability [2] of the measurements before conducting the inferential analysis. The results show that all the Cronbach Alpha values are higher than 0.7, indicating that the items in the multi-scale are reliable and that all the things have played a significant role in conceptualizing the respective constructs. The results further revealed that the composite reliability and the average variance extracted (AVE) are higher than 0.7 and 0.5, respectively, ensuring the construct reliability. Furthermore, item factor loading values were higher than 0.7, confirming the validity of the measurements of this study.

4.2 Correlation analysis

Correlation analysis helps investigate the correlations between two quantitative variables. The Pearson Correlation Coefficient (r) was utilized in this investigation to evaluate the magnitude and orientation of the linear association among these variables. The coefficient is between -1 and $+1$, representing a perfect negative linear relationship, $+1$ representing a perfect positive linear relationship, and 0 meaning no linear relationship. [Table 4](#) summarizes the findings.

The dependent and the independent moderate variables have a positive connection, according to the data shown in [Table 4](#). The fact that the Sig. 2-tailed values for every variable are smaller than the significance level (0.01) at a 99% confidence level, indicating that these correlations are statistically significant. This implies a strong and significant correlation between these variables, highlighting their importance within the research framework. Given the positive correlation, which indicates that an increase in one variable is likely to raise the other, this information sheds important light on how these components interact.

Table 3. Normality tests

Construct	Kolmogorov-Smirnov		Shapiro-Wilk	
	Stat.	Sig.	Stat.	Sig.
Mobile money adoption	0.139	0.000	0.888	0.000
Hedonism	0.100	0.001	0.938	0.000
Financial inclusion	0.103	0.001	0.913	0.000

Source(s): Authors' own work

Table 4. Correlation analysis

	N	Pearson correlation	Sig (2-tailed)
Mobile money adoption vs financial inclusion	150	0.697	0.000
Hedonism vs financial inclusion	150	0.735	0.000
Mobile money adoption and hedonism	150	0.701	0.000

Source(s): Authors' own work

4.3 Regression analysis

This study’s main goal was to evaluate the impact of mobile money adoption and financial inclusion. The dependent variable in this analysis was financial inclusion, whereas the independent variable was the adoption of mobile money. Our investigation of the link between these two variables was made possible using fundamental linear regression analysis. Table 5 presents the analysis’s findings.

R-squared (R^2) is an important statistic that indicates the percentage of variance in the dependent variable that the independent variable(s) in a regression model can explain. The data in Table 5 reveals that the use of mobile money accounts for a significant 48.6% ($R^2 = 0.486$) of the variation in financial inclusion among Small and Medium Enterprises (SMEs). This means that practically speaking, the regression model created for this research can explain about half (48.6%) of the overall variability in the dependent variable. With a notable R-squared value, this study highlights the importance of mobile money usage as a factor influencing financial inclusion in SMEs. It confirms its critical role in influencing the dynamics of financial inclusion.

Table 6 displays the results of the ANOVA and offers essential information on the relevance of the created regression model. The results highlight the model’s applicability, with an exceptionally low p -value of 0.000. This p -value is significantly less than the standard significance level of 0.05, usually used with a 95% confidence level. As a result, the constructed regression model’s statistical significance can be declared with confidence. It is also important to highlight that the fitted regression model significantly predicted financial inclusion in Small and Medium-Sized Businesses (SMEs). This indicates that the model has a high degree of explanatory power and can be used to explain the factors that influence financial inclusion in the setting of this study. The model’s ability to forecast outcomes and have statistical significance highlights its usefulness in illuminating the complex dynamics of financial inclusion among small and medium-sized enterprises.

Important information regarding the relative contributions of each predictor variable to the model can be found in Table 7. The table highlights the statistical significance of the independent variable within the framework of the basic linear regression model. Significantly, the independent variable’s p -value is exceptionally low, measuring 0.000, much below the accepted significance level of 0.05. This shows that in this model, the independent variable is, in fact, a statistically significant predictor. It is clear from the simple linear regression analysis’s illustrated results that a linear combination including the constant term and the

Table 5. Model summary

Model	R	R square	Adjusted R Square	Std error of the estimate
1	0.697 ^a	0.486	0.483	0.29233

Source(s): Authors’ own work

Table 6. ANOVA

Model	Some of squares	Df	Mean Square	F	Sig.
1 Regression	15.479	2	15.479	139.978	0.000
Residual	16.366	148	0.111		
Total	31.844	149			

Source(s): Authors’ own work

Table 7. Coefficients

Model	Unstandardized coefficients		Standardized coefficients Beta	<i>t</i>	Sig.
	B	Std. error			
1(constant)	1.301	0.202		6.453	0.000
Mobile money adoption	0.645	0.055	0.697	11.831	0.000

Source(s): Authors' own work

variable denoting the adoption of mobile money is the most suitable model for predicting the degree of financial inclusion among Small and Medium Enterprises (SMEs). This independent variable's vital statistical significance highlights its critical function in forming the prediction model and its importance in financial inclusion among SMEs.

4.4 Mediator analysis

Hedonism was conceived of in this study as a mediator variable, and it was crucial in determining whether or not it could substantially mediate the association between financial inclusion and mobile money use among small and medium-sized enterprises (SMEs) in Sri Lanka. Hierarchical linear regression analysis followed [Baron and Kenny's \(1986\)](#) recommendations to investigate this mediation effect. Two independent paths within the mediation model were the subject of two different hierarchical linear regression studies, namely the impact of Hedonism as a mediator (Path 2) and Mobile Money Adoption as a predictor (Path 1).

The results of the hierarchical linear regression analysis, which was conducted to assess the mediation effect of hedonism, are shown in [Table 8](#), summarizing the findings of these analyses. This table displays two analysis phases corresponding to the two different routes. Notably, a relatively low *p*-value of 0.000 is below the significance threshold of mediating the link between financial inclusion and mobile money adoption among Sri Lankan SMEs. This emphasizes how vital hedonism is for understanding the complex dynamics of financial inclusion when it comes to SMEs' adoption of mobile money.

5. Discussion

Our research aligns with and adds to the growing knowledge of small and medium-sized businesses (SMEs) adopting mobile money and financial inclusion. The potential of mobile money to promote financial inclusion is confirmed by recent research by [Marshall et al. \(2021\)](#), which highlights a positive association between mobile money usage and SMEs' enhanced access to financial services. Our findings are further supported by [Kim's \(2022\)](#) careful analysis, which shows that active use of mobile money platforms tends to increase

Table 8. Coefficients of the hierarchical linear regression analysis

Model		Unstandardized coefficient		Sig.
		B	Std. error	
1	(Constant)	1.301	0.202	0.000
	Mobile money adoption	0.645	0.055	0.000
2	(Constant)	0.627	0.204	0.003
	Mobile money adoption	0.331	0.067	0.000
	Hedonism	0.505	0.076	0.000

Source(s): Authors' own work

financial inclusion among SMEs and strengthens mobile money's role as an economic growth engine. However, it is crucial to recognize [Reginald and Dzomonda's \(2018\)](#) research, which casts doubt that the adoption of mobile money and SME financial inclusion are uniformly significantly correlated. [Reginald and Dzomonda \(2018\)](#) emphasizes the value of adopting a contextual viewpoint, which considers elements such as various political environments, ethical dilemmas, and economic environments that may cause variations in a relationship. These different points of view offer valuable directions for more research into this fascinating field of study and significantly contribute to the discussion on the benefits and drawbacks of mobile money technology for SMEs in achieving financial inclusion.

The mediation effect highlights the importance of considering psychological and emotional factors, such as hedonism, to understand how technology influences financial inclusion outcomes. To put it briefly, our results offer empirical support for the hypotheses and show that hedonism significantly mediates the relationship between financial inclusion and Sri Lankan SMEs' adoption of mobile money. These discoveries enhance our comprehension of the fundamental mechanisms driving financial inclusion within the mobile money service acceptance framework by elucidating the interplay of technical adoption, psychological traits, and financial inclusion outcomes. Our findings align with earlier research in the sector, suggesting that hedonism mediates the relationship between financial inclusion and mobile money use. [Bongomin et al. \(2021\)](#) found that hedonism moderated the uptake of mobile money and financial inclusion in a study carried out in Uganda. The findings demonstrate that, in various geographical contexts, hedonism plays a significant mediating role in the relationship between financial inclusion and technological use.

Our findings are further supported by the research of [Salimon et al. \(2017\)](#) and [Ndubisi and Sinti \(2006\)](#). Both types of research emphasize how important hedonic motivation is in encouraging users of digital financial platforms, like mobile money, to adopt and use them. These studies provide insight into the psychological underpinnings affecting people's choices about digital financial services. The degree to which our results are consistent with those of these earlier studies highlights the generalizability and application of Hedonism's mediation function in adopting and using digital financial platforms. When combined, these studies and ours emphasize how crucial it is to take psychological aspects like hedonism—the desire for pleasure and enjoyment—into account when attempting to comprehend the mechanisms underlying mobile money adoption and how it affects financial inclusion. A more thorough understanding of the relationship between consumer motivation, technology adoption, and financial inclusion outcomes is made possible by consistent findings across various contexts and research endeavors. This understanding eventually informs strategies and policies aimed at improving financial inclusion initiatives.

6. Conclusion and implications

In conclusion, our research has shed important light on the dynamics of mobile money adoption and how it affects financial inclusion in the context of Sri Lanka's small and medium-sized enterprises (SMEs). We have empirically demonstrated that one of the main factors promoting financial inclusion among SMEs is the adoption of mobile money. This research highlights the critical role that mobile money services can play in promoting financial inclusion and accessibility, which is especially important for SMEs' expansion and long-term viability. Furthermore, as a contextual contribution of this study specifically for developing nations, our study has demonstrated the mediating role of hedonism in this relationship, highlighting the significance of comprehending the psychological elements that support the use of technology and their impact on the results of financial inclusion. Our findings significantly impact policymakers and practitioners in Sri Lanka and elsewhere. First of all, given the favorable correlation between the adoption of mobile money and financial inclusion, financial institutions and mobile money service providers ought to persist in endorsing and growing mobile money solutions customized to the particular requirements of small and

medium-sized enterprises. The benefits of expanded financial inclusion can be accessed by SMEs through increased accessibility, usage, and awareness of these services, ultimately leading to their overall growth and economic empowerment. Journal of Money and Business

Furthermore, Hedonism's mediating function emphasizes the importance of considering psychological aspects when creating marketing plans and other initiatives to encourage mobile money use. Comprehending and accommodating the hedonic incentives of customers might augment the attractiveness and uptake of digital financial platforms. Therefore, Marketing campaigns should highlight the joy and satisfaction of utilizing these services to connect them with the hedonic elements of consumers' preferences.

7. Prospective suggestions

Future studies should consider various regional and cultural circumstances to examine the subtleties of financial inclusion and mobile money adoption within SMEs. A more thorough knowledge of this relationship can be obtained by investigating the potential moderating factors and looking at the long-term effects of mobile money adoption on the financial well-being of SMEs. Researchers might also explore the impact of psychological characteristics other than hedonism in moderating the uptake of digital financial services. More research should be done on how trust, risk perception, and social influence affect technology adoption and financial inclusion results. Furthermore, to meet the changing needs of SMEs and their pursuit of financial inclusion in a world that is becoming increasingly digital; it is imperative to conduct longitudinal studies to monitor the patterns of mobile money adoption and financial inclusion as the digital economic landscape changes. This will allow for the timely adjustments of strategies and policies.

Notes

1. The operationalization of the variables is available on request.
2. The CR, AVE, Cronbach Alpha, and factor loading results are available on request.

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