

## The Factors Affecting Social Readiness in Acceptance of Cryptocurrency as a Financial Asset: Examining the Moderating Role of Financial Literacy with Special Reference to the Perceptions of Professionals in Colombo District

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### Abstract

Cryptocurrency has emerged as a disruptive financial innovation with growing global interest, yet its acceptance in developing countries like Sri Lanka remains limited. This study investigates the factors influencing social readiness to adopt cryptocurrency as a financial asset among professionals in the Colombo District. Grounded in a conceptual framework comprising technological awareness and literacy, government intervention, and perceived benefits and trust with financial literacy as a moderating variable, the study adopts a quantitative approach using survey data collected from 151 professionals. Data was analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM). Findings reveal that both technological awareness and perceived benefits and trust significantly influence social readiness. Conversely, government intervention was found to have no statistically significant effect, reflecting ambiguity in the current regulatory landscape. Financial literacy moderates the relationship between perceived benefits and readiness, indicating that individuals with higher financial literacy may demonstrate more caution, despite recognizing the advantages of cryptocurrency. The study concludes that enhancing digital competencies and building trust are critical to fostering wider societal acceptance of cryptocurrencies in Sri Lanka. It also highlights the importance of clear regulatory communication and appropriately framed financial education. These insights offer valuable implications for policymakers, educators, financial institutions, and technology developers aiming to promote responsible adoption of cryptocurrency in emerging economies. Limitations related to sampling, generalizability, and self-reporting are acknowledged, and future research directions are proposed to expand the theoretical and empirical scope of this study.

**Keywords:** *Cryptocurrency adoption, Social readiness, Technological awareness, Financial literacy*

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## **Introduction**

In the era of the digital age, the term “Virtual currencies” is commonly used to refer to digitally created representations of value that are issued by private developers and dominated in their own unit of account, common examples of virtual currencies are cryptocurrencies such as Bitcoin, Litecoin, Ethereum. Virtual currencies are not central bank-issued currencies. Cryptocurrency is a digital currency that is handled with a strong data-storing concept called “Blockchain ” and this makes currency and transactions more transparent and decentralized. Cryptocurrency has evolved as an evolutionary monetary concept that challenges the very fabric of the traditional financial system. When it has no governing party, all the consumers have a decentralized platform, and they don't need to trust any central bank or government. Cryptocurrency is a virtual currency format that is only available on online trading platforms. Blockchain technology is the technological foundation that enables cryptocurrency, whereas cryptography employs secure transactions. Furthermore, world-famous organizations including Microsoft, Tesla, Bitfill, PayPal, Starbucks, and Travalala currently accept cryptocurrency payments. Cryptocurrency is replacing traditional transaction methods. Accordingly, many countries around the globe, specifically Western nations including the European Union (EU), the Middle East pioneering United Arab Emirates (UAE), and even some Asian countries including Singapore have incorporated cryptocurrency transactions into their economy further regulating their cryptocurrency market according to their national requirements.

Cryptocurrencies have attracted significant attention from investors, regulators, and the media. Bitcoin was initially proposed by Nakamoto (2008). Currently, cryptocurrency has become a very interesting topic to study. Cryptocurrency has been the fastest-growing monetary network in Sri Lanka. Even though the Sri Lankan government considers cryptocurrency as an investing platform associated with significant financial, legal, and operational risks, some investors are investing in cryptocurrencies due to their perceived benefits. According to the Director of ‘Paxful’, one of the leading P2P cryptocurrency trading platforms, it recorded a growth of over 730% only from Sri Lankan cryptocurrency traders during the economic recession period, with the devaluation of the Sri Lankan Rupee (Defence, 2023). In Sri Lankan context, Electronic Fund Transfer Cards (EFTC) are not permitted to be used for cryptocurrency payments in Sri Lanka, according to Directions No. 03 of 2021 given by the Department of Foreign Exchanges of Central Bank of Sri Lanka (CBSL) under the Foreign Exchange Act, No. 12 of 2017. Additionally, on behalf of the Sri Lankan government, the CBSL has issued numerous press releases highlighting the risks associated with using and investing in cryptocurrency.

This study aims to investigate the various factors influencing the social readiness for the acceptance of cryptocurrency in Sri Lanka, as a financial asset. While a portion of the population is already investing in cryptocurrencies, a significant number of people remain hesitant to accept them as a replacement for traditional currency. The study aims to uncover and examine the fundamental factors influencing this social readiness, analyzing why some people embrace cryptocurrencies while others remain hesitant. The findings will provide deeper insights into the public's perception and potential barriers to the broader acceptance of cryptocurrency in Sri Lanka.

The study of social readiness for cryptocurrency acceptance as a financial asset is critical in determining how prepared a people is to embrace this new technology. This readiness comprises examining public perception, trust levels, understanding, and socioeconomic aspects that drive cryptocurrency acceptance. By examining these elements, the study can

uncover major impediments to general acceptance, such as a lack of awareness, security concerns, and regulatory difficulties. Furthermore, it provides insights into areas with strong public interest and openness to new financial technology, allowing governments, corporations, and educators to develop focused policies that build a favorable atmosphere for cryptocurrency acceptance.

Furthermore, the importance of this study extends to its potential impact on economic growth, financial inclusion, and the creation of a strong regulatory environment. A good knowledge of social preparedness can help policymakers develop rules that strike a balance between innovation and security, ensuring that cryptocurrencies are integrated into the financial system in a way that benefits all stakeholders. Furthermore, businesses can utilize this information to create products and services that fit market demands, while educational programs can be tailored to fill specific knowledge gaps, encouraging the safe and educated use of digital currencies. Finally, this research is critical to ensure that the shift to cryptocurrencies is both possible and beneficial to society. This study will offer significant empirical contributions by addressing a critical gap in the existing literature on the factors affecting social readiness for cryptocurrency acceptance as a financial asset. While several studies have examined the determinants of cryptocurrency and its regulatory implications globally, limited research has explored the context of the Sri Lankan context. This study provides data-driven insights that are highly relevant for understanding societal preparedness. The findings contribute to policymaking by highlighting how variables such as government intervention and other identified factors impact the acceptance of cryptocurrency.

## **Literature Review**

The acceptance of cryptocurrency is transforming the financial system of a country challenging fiat money offering new opportunities (Shreyansh Verma & Dr. Ruchi Atri, 2024) cryptocurrency awareness, trust, and perceived usefulness are crucial factors influencing the acceptance (Shahzad et al., 2024). Regulatory support and user experience also play a significant role in building trust and encouraging acceptance of blockchain-based applications. With the evolution of technology and regulatory framework adaption, cryptocurrency acceptance is expected to continue upward, potentially leading to a more centralized, efficient, and inclusive financial system (Shreyansh Verma & Dr. Ruchi Atri, 2024).

The study builds the existing literature to examine the impact of technological awareness, government intervention, perceived benefit, and trust on social readiness to accept cryptocurrency. Research indicates that technological awareness and financial literacy play a crucial role in cryptocurrency acceptance. Higher levels of technological awareness and financial literacy are associated with an increased understanding of cryptocurrency's benefits and risk (Kumari et al., 2023; Shahzad et al., 2024) Government intervention plays a crucial role in cryptocurrency acceptance and trust. A regulatory framework can foster acceptance. However, negative policies can change the situation (E. Liew, 2022).

## **Cryptocurrency**

Cryptocurrencies have evolved at an unprecedented rate of growth since the introduction of Bitcoin in the year 2009. Cryptocurrencies are systems of digital money that exist completely online through a network of decentralized and distributed ledgers that is known as blockchain technology (Fernando, 2022). Bitcoin is probably the most popular cryptocurrency currently in existence and it is a peer-to-peer platform for transactions. All transactions made on the Bitcoin network are verified by the nodes of the network and subsequently recorded on the

Blockchain – a public and decentralized ledger system (Moser et al., 2017). Since there are no institutional third parties, such as banks, involved in facilitating the transactions, Bitcoin is a completely decentralized system (Kaushal, 2016). Users can conduct seamless transactions on the Bitcoin platform and other cryptocurrency platforms for little to no cost. The best example is how anyone can set up a Bitcoin wallet in just a few minutes without any charge (Antoney & Vaddepalli, 2017). There are economic and individual benefits of cryptocurrencies. The economic benefits under the European Banking Authority (EBA) relate to more facts. First, they relate to transaction costs. In principle transaction costs should not exist because there are no intermediaries in the transaction (Chandrakant N. Kokate, 2023). The basic individual benefit of cryptocurrencies is online transactions. The use of cryptocurrencies is beneficial to both buyers and sellers. Because they are autonomous, they have no issuer and no institution to control their circulation, which means the seller is granted full anonymity, which buyers mainly benefit from (Chandrakant N. Kokate, 2023). Except for spending money, cryptocurrencies have been suggested to be a new and popular form of alternative investment. They hold several important advantages over fiat currency (Chandrakant N. Kokate, 2023). Moreover, cryptocurrency can serve as a medium for investment or speculative endeavors because of its high growth potential, highly liquid market, and volatile returns, where returns may double also in a couple of days or weeks, and it is no longer a niche area of investments (Vasudewa, 2023). As explained before, the advantage of cryptocurrencies is their anonymity, but the downside of anonymity is their lack of confidence. The lack of a competent institution to control and guarantee creates a high risk for the counterparty (Chandrakant N. Kokate, 2023). In electronic money, the issue of risk and trust is questionable, while in fiat money it is highly correlated with the national economy and politics. While some experts applaud the anonymity feature of cryptocurrencies, many see them as a downside (Chandrakant N. Kokate, 2023). The reason for that is their susceptibility to criminal purposes resulting from the anonymity of their use. Since the beginning, cryptocurrencies had a highly volatile nature. This is one of the main reasons mass adoption is taking longer than it should. Many corporations don't want to deal with a form of money that is going through huge swings in volatility (Kumari et al., 2023). Regulatory and legal issues are two of the big obstacles facing the cryptocurrency sector. Because the technology is new, governments and banks have not yet formed a coherent fiscal policy for them. Therefore, there is a risk that their taxation status, trading rules, or even legality, could change and become more complicated (Chandrakant N. Kokate, 2023).

### **Blockchain Technology**

Blockchain technology is the backbone of all cryptocurrencies and related ecosystems. A blockchain is a data structure that not only identifies, and tracks transactions digitally but also shares such transactional information within the distributed network (Suminda, 2023). Blockchain is a distributed ledger system that records transactions in a way that is practically impenetrable. A blockchain consists of two different components, a transaction, and a block. Both private and public blockchains exist, depending on the requirements of the project and privacy (Suminda, 2023). On public blockchains, all users have read and write permissions, while private blockchains impose restrictions on who has read and write access. Blockchains are also coded in a way that the data of previous blocks are public and distributed, which means any data cannot be changed after recording. A major concern regarding Blockchain technologies is the amount of energy it consumes (Suminda, 2023). Blockchains can be used to develop smart contracts, A smart contract is a digital transaction that is self-executable and uses cryptography (Suminda, 2023).

## **Evolution of Cryptocurrency**

Cryptocurrency, meaning virtual currency or digital currency, was initially introduced in the early 1980s by an American cryptographer called David Chaum. It was an anonymous cryptographic e-money which was called e-cash. In Around 1998, there were attempts to create online currencies with encrypted ledgers which were secured by encryption (Chandrasekara, 2021). In 2008, someone who introduced themselves as Satoshi Nakamoto published a white paper called Bitcoin A Peer-to-Peer Electronic Cash System to a mailing list discussion which was under the topic of cryptography (Chandrasekara, 2021). After the birth of Bitcoin as the first cryptocurrency, the first cryptocurrency exchange emerged in March 2010 with the name of the Bitcoin market (Chandrasekara, 2021). Moreover, thereafter many more cryptocurrencies appeared globally, and as of today, there are over 1000 cryptocurrencies circulating with frequently rising new ones.

## **Economic and Financial Impacts of Cryptocurrency**

Cryptocurrencies, especially in developing nations, play a pivotal role in financing resource purchases and providing financial services, significantly impacting economies and societies. The evolution of blockchain technology has empowered entrepreneurs with easier access to financing, stimulating economic activities (Aluvihare et al., 2023). However, the value of cryptocurrency and the factors behind its price fluctuations have been the focus of significant academic research (Parthajit Kayal, 2021). While macroeconomic developments have short-term effects on cryptocurrency, their long-term impact remains limited. Factors like changes in cryptocurrency prices can impact macroeconomic policy and indicators such as inflation, with influences from elements like oil prices (Aluvihare et al., 2023). Moreover, there is a potential negative relationship between cryptocurrency prices and economic factors (Aluvihare et al., 2023). Generally, the opportunity costs of investing in Bitcoin might affect stock market returns, potentially linking stock indices positively to Bitcoin prices. Benefits of Bitcoin include cost reduction, flexibility, evasion of commissions and inflation, trader anonymity, and reduced government involvement (Parthajit Kayal, 2021). Cryptocurrency has the potential to improve access to financial services, facilitating low-cost remittance and bypassing stringent capital restrictions. However, there is a risk of limited liquidity, not viable methods of payment everywhere, and risk arising from decentralization (Akbulaev et al., 2019). Most new users do not intend to use cryptocurrency for transactions, primarily leveraging it as a speculative instrument, and blockchain, supported by a peer-to-peer network, offers decentralized transactions (Aluvihare et al., 2023). Cryptocurrency driven by distributed ledger technology reduces traditional financial system risks and provides a broader range of borrowing options to individuals (Aluvihare et al., 2023). However, due to its decentralized nature, the risk of protection is embedded with cryptocurrency (Aluvihare et al., 2023).

## **Perceptions of Cryptocurrency**

People's perceptions of cryptocurrency have been varied, diverse, and complex over the years, reflecting a wide range of views influenced by technological, financial, regulatory, and environmental considerations (Chathurika D., 2020). While some see cryptocurrencies as revolutionary and full of potential, others view them with skepticism and concern. The attitudes and views surrounding cryptocurrencies will change along with the technology and its applications (Chathurika D., 2020). Currently, cryptocurrency is not exposed in Sri Lanka. Mainly "Crypto" is a buzzword to everyone (Chandrasekara, 2021). As a developing country, we moved from fiat money to ATM cards and bank cards as it's a high-risk area. Even if it was very convenient for everyone to be using an ATM card, it was also something dangerous.

Although now it's a necessity for the Sri Lankan people, ATM has become the lifeblood of daily life, making it impossible to get by without them (Chandrasekara, 2021). Day by day many e-commerce sites are starting to adapt to cryptocurrencies. Especially hosting and domain reselling sites such as Namecheap and cloud solution providers such as Microsoft have started accepting crypto payments (Chandrasekara, 2021). In the Sri Lankan context, internet money income is mainly done by freelancers. Mostly these freelancers and many large-scale freelancing companies have already entered this cryptocurrency field. Although Sri Lanka is a very rich country in IT knowledge, Usually, Asian countries are savvy in Information Technology and when considering IT knowledge, especially India and Sri Lanka are very impressive among them. The main reason for less social readiness in the industry of cryptocurrencies in Sri Lanka might be cultural fear and the lack of veracious knowledge (Chandrasekara, 2021). "Considering the recent public inquiries and the developments observed relating to cryptocurrencies, which are also commonly referred to as "crypto", the Central Bank of Sri Lanka (CBSL) wishes to reiterate to the public the significant risks associated with using and investing in cryptocurrency" (CBSL 2023). Although cryptocurrency is a profitable investment, recent complaints have been received as the public has incurred heavy losses on their crypto- investments and there is vulnerability to financial scams through crypto-related schemes (CBSL, 2023). Significant financial, operational, legal, and security-related risks as well as customer protection concerns posed to users of cryptocurrency.

### **Technological Awareness and Literacy**

Technological awareness and literacy are interconnected concepts crucial for navigating the digital world. Literacy includes understanding the creation, development, and impacts of technology on society, individuals, and the environment as a whole (G. Bugliarello, 2000). Technological awareness and literacy play a crucial role in the acceptance and adoption of cryptocurrency and moderated by ease of use and usefulness (Kumari et al., 2023). As it enables users to understand the principles behind blockchain technology, benefits, and risks associated with digital currencies. In reference to blockchain technology, the awareness of technology has significantly impacted the intended advantages of using blockchain technology (Kumari et al., 2023).

### **Perception on Government Intervention**

The degree to which a person feels that an organizational and technological infrastructure exists to enable the adoption of a certain technology is referred to as facilitating conditions (Nguyen & Nguyen, 2024). Government regulation is important in creating a favorable climate for Bitcoin adoption because it provides legal clarity and legitimacy to cryptocurrency use (Nguyen & Nguyen, 2024). According to recent research, government regulation is critical in driving cryptocurrency acceptance and use. As an example, Kim et al. (2021) discovered that regulatory backing considerably affects consumers' faith in Bitcoin, a critical component in their intention to use the technology. Furthermore, Grewal, Singh, and Kaur (2021) discovered that government backing and regulatory clarity can significantly affect company adoption of cryptocurrencies. Based on this, it is reasonable to expect that government regulation of cryptocurrencies will positively impact enabling circumstances (Nguyen & Nguyen, 2024). According to the definition given by the Central Bank of Sri Lanka, virtual currencies are largely unregulated digital representations of value that are issued by private entities and can be electronically traded (Samaradiwakara, 2023). CBSL has not given any license or authorization to any entity or company to operate schemes involving virtual currencies including cryptocurrencies and has not authorized any Initial Coin Offerings (ICO), mining operations, or Virtual Currency Exchanges (Samaradiwakara, 2023).

Based on No. 03 of 2021 under the Foreign Exchange Act, No. 12 of 2017 issued by the Department of Foreign Exchange of CBSL, Electronic Fund Transfer Cards such as debit cards and credit cards are not permitted to be used for payments related to virtual currency transactions (Samaradiwakara, 2023). Therefore, virtual currencies are considered unregulated financial instruments and have no regulatory oversight or safeguards relating to their usage in Sri Lanka (Samaradiwakara, 2023). Based on the previous researchers' findings there is a lack of infrastructure development for the utilization of cryptocurrency implies a significant deficiency in the necessary systems and frameworks to facilitate the widespread and efficient use of digital currencies.

### **Financial Literacy and Perceived Benefit and Trust**

Financial literacy with avoiding financial mistakes and engaging in prudent financial behavior (Panos et al., 2020). The ability of individuals to assess financial risk and make optimal financial decisions has significant implications for portfolio allocation, wealth accumulation, and ultimately financial well-being. Some Research has found that the more financially literate are more likely to participate in stock markets, have a more diversified asset portfolio, and obtain higher asset returns (Panos et al., 2020). On the other hand, the more financially literate are better positioned to assess financial risk, minimize financial decisions based on imitation and sentiment, and overcome or avoid the formation of mistaken beliefs and expectations of constantly high returns, then they might be less likely to engage in the market for cryptocurrencies (Panos et al., 2020). Indeed, low financial literacy has been associated with mistaken perceptions and beliefs about financial products and less willingness to accept financial advice (Panos, 2023). Based on the researchers' findings financial literacy has a complex relationship with cryptocurrency acceptance and attitude. While some studies found that financial literacy positively influences cryptocurrency acceptance (Magbitang et al., 2023). Others reported a negative effect on ownership and intention to own cryptocurrencies (Panos et al., 2020). Financial Literacy has been found to moderate the impact of perceived benefits and trust on investment intentions. However, financial literacy is more likely to perceive higher financial risks associated with cryptocurrencies compared to alternative financial instruments (Panos et al., 2020). Perceived benefits and trust were identified as significant factors that influence cryptocurrency acceptance. Further financial literacy moderated the effect of perceived benefits and trust on investment intention (Sharma, 2022). Financial literacy may increase awareness and understanding of cryptocurrencies, however, it can also lead to more cautious attitudes and potentially moderate the impact of perceived benefits and trust on acceptance.

## **Methodology**

### **Research Design**

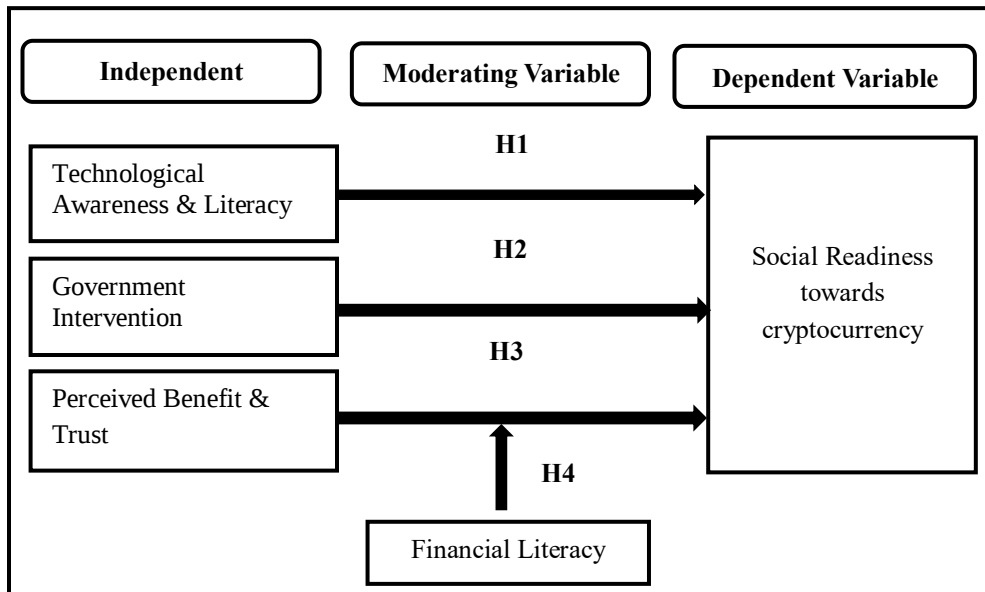
The methodological approach adopted in this study is **quantitative** in nature, utilizing a **deductive** research strategy to explore the factors affecting social readiness for cryptocurrency acceptance as a financial asset in Sri Lanka. A **structured questionnaire survey** was employed to collect primary data from professionals in the Colombo District. This design was considered appropriate due to its ability to statistically test predefined hypotheses derived from the theoretical framework and prior literature.

The study is **explanatory** in its purpose, aiming to examine causal relationships between independent variables, technological awareness and literacy, government intervention, perceived benefits, **trust** and the dependent variable, **social readiness**. In addition, the study assesses the **moderating effect of financial literacy**. To evaluate these relationships, **Partial**

**Least Squares Structural Equation Modeling (PLS-SEM)** was used as the primary analytical tool. This method is preferred for its effectiveness in modeling complex variable relationships and its robustness with non-normal data distributions (Hair et al., 2021).

### Conceptual Framework

The study's conceptual framework (See *Figure 1: Conceptual Framework*) was developed based on existing literature and serves as the foundation for hypothesis development. It illustrates the proposed relationships between independent variables, the dependent variable, and the moderating variable.



**Figure 1: Conceptual Framework**

The model hypothesizes the following relationships:

- H1: Technological awareness and literacy significantly influence social readiness to accept cryptocurrency.
- H2: Government intervention significantly influences social readiness to accept cryptocurrency.
- H3: Perceived benefits and trust significantly influence social readiness.
- H4: Financial literacy moderates the relationship between perceived benefits and trust, and social readiness.

### Sampling Design

The population for this study comprises **professionals in the Colombo District**, categorized under the International Standard Classification of Occupations (ISCO) Major Group 2. These include individuals engaged in fields such as engineering, health sciences, teaching, and other academic and professional services. The population was selected due to their assumed higher exposure to digital platforms and greater awareness of financial technologies such as cryptocurrency.

Due to time and accessibility constraints, a **non-probability sampling technique, specifically convenience sampling and snowball sampling**, was employed. Professionals who were easily accessible and willing to participate were first approached, and they were then asked to refer others in similar professional settings. According to the **Morgan table** for a population over 100,000, a minimum of **150 responses** was deemed sufficient. In total, **151 valid responses** were collected, satisfying the statistical requirements for SEM analysis.

### **Data Collection Procedure**

A structured, self-administered questionnaire was used as the primary instrument for data collection. The questionnaire was designed based on validated constructs from prior studies (Chandrasekara, 2021; Aluvihare et al., 2023; Bogamuwa & Fernando, 2023), ensuring content validity. It consisted of five sections:

- **Section A:** Demographic Information (age, gender, income, education, experience).
- **Section B:** Financial Literacy (7 items).
- **Section C:** Perceived Benefits and Trust (4 items).
- **Section D:** Government Intervention and Technological Awareness (4 items each).
- **Section E:** Social Readiness (4 items).

All attitudinal items were measured using a **five-point Likert scale** ranging from 1 ("Strongly Disagree") to 5 ("Strongly Agree"). Prior to distribution, the questionnaire was pilot-tested with 10 professionals to ensure clarity and reliability. Data were collected via **Google Forms**, distributed electronically through professional networks and social media platforms such as LinkedIn and WhatsApp. All responses were anonymized to ensure confidentiality and ethical compliance.

### **Operationalization of Variables**

Each construct in the conceptual model was operationalized using validated indicators adapted from the literature. Table 01: Operationalization of variables

| <b>Variable</b>                      | <b>Measurement</b>                                                     | <b>Source</b>                                        |
|--------------------------------------|------------------------------------------------------------------------|------------------------------------------------------|
| Technological Awareness and Literacy | Daily use of computers for personal/ educational tasks                 | (Chandrasekara C. N. B., 2021; Sagheer et al., 2022) |
|                                      | Ability to adapt and learn computer applications depending on needs.   |                                                      |
|                                      | Use of Internet banking facilities                                     |                                                      |
|                                      | Use of online investment platforms                                     |                                                      |
|                                      | Confidentiality in adapting to and learning new computer applications. |                                                      |
|                                      | Proficiency in using specialized applications.                         |                                                      |
| Government Intervention              | Use as a viable method of payment.<br>Universal acceptance             | (Chandrasekara C. N. B., 2021)                       |

|                                         |                                                                                           |                                                              |
|-----------------------------------------|-------------------------------------------------------------------------------------------|--------------------------------------------------------------|
|                                         | Perception of government regulations impacts the adoption of cryptocurrency.              |                                                              |
|                                         | Listing on exchanges                                                                      |                                                              |
|                                         | Replacement of fiat currency                                                              |                                                              |
| Perceived Benefits and Trust            | Use as a long-term investment<br>Suitability for short-term trading and speculation       | (Chandrasekara C. N. B., 2021);<br>(Aluvihare et al., 2023)  |
|                                         | Awareness of investment in cryptocurrency                                                 |                                                              |
|                                         | Perception of cryptocurrency is compared to traditional financial assets                  |                                                              |
|                                         | Trust the individuals place in cryptocurrencies compared to traditional financial systems |                                                              |
| Financial Literacy                      | Savings and investments.                                                                  | (Chandrasekara C. N. B., 2021)                               |
|                                         | Basic knowledge of stock market returns                                                   |                                                              |
|                                         | Perception of the stability of government securities                                      |                                                              |
|                                         | Perception of the weightage of alternative asset classes in the portfolio                 |                                                              |
|                                         | Prior knowledge of cryptocurrencies                                                       |                                                              |
|                                         | Prior experience in equity markets                                                        |                                                              |
|                                         | Holdings of cryptocurrencies                                                              |                                                              |
| Social Readiness towards cryptocurrency | The willingness to accept cryptocurrency as part of the financial system                  | (Aluvihare et al., 2023) ;<br>(Chandrasekara C. N. B., 2021) |
|                                         | Belief cryptocurrency can be a viable financial asset                                     |                                                              |
|                                         | Willingness to consider cryptocurrency for personal investments                           |                                                              |
|                                         | Belief that Sri Lanka is socially ready to adopt cryptocurrency in its financial system   |                                                              |

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*Source: Created by author based on existing research*

### Data Analysis Techniques

The data were analyzed using two software tools:

- **IBM SPSS v25**: Used for descriptive statistics and normality testing.
- **SmartPLS 4.0**: Employed for assessing measurement and structural models using PLS-SEM.

### Descriptive Analysis

Descriptive statistics, including frequency distributions and percentages, were used to summarize demographic characteristics of the sample.

**Table 02: Descriptive statistics for demographic factors**

| Variable                            | Category             | Frequency | Percentage |
|-------------------------------------|----------------------|-----------|------------|
| <b>Age</b>                          | 18-25                | 46        | 31%        |
|                                     | 26-35                | 78        | 52%        |
|                                     | 36-45                | 23        | 15%        |
|                                     | 46-55                | 4         | 3%         |
| <b>Gender</b>                       | Female               | 91        | 60%        |
|                                     | Male                 | 60        | 40%        |
| <b>Education</b>                    | A/L Passed           | 5         | 3%         |
|                                     | Undergraduate        | 35        | 23%        |
|                                     | Graduate             | 81        | 54%        |
|                                     | Postgraduate         | 2         | 1%         |
|                                     | PQ                   | 28        | 19%        |
| <b>Monthly Income</b>               | Less than Rs.25000   | 35        | 23%        |
|                                     | Rs.25001 – Rs.35000  | 9         | 6%         |
|                                     | Rs.35001 – Rs. 45000 | 11        | 7%         |
|                                     | Rs.45001 – Rs. 55000 | 25        | 17%        |
|                                     | Rs. 55001 or above   | 71        | 47%        |
| <b>No years of Experience in FM</b> | 0-2 years            | 39        | 26%        |
|                                     | 3-5 years            | 8         | 5%         |
|                                     | 6-10 years           | 2         | 1%         |
|                                     | 10+ years            | 1         | 1%         |
|                                     | No Experience        | 101       | 67%        |

*Source: Created by author based on data analysis*

### **Normality Test**

Skewness and kurtosis values were computed to assess the normality of the data. Most variables showed **non-normal distributions**, justifying the use of **PLS-SEM**, which is robust against such violations (Hair et al., 2021).

### **Measurement Model Evaluation**

- To validate the reliability and validity of constructs, the **measurement model** was assessed using the following criteria:
- **Indicator Reliability: Factor loadings were required to be >0.7. Items with loadings <0.5 were removed.**
- **Internal Consistency: Evaluated using Cronbach's Alpha and Composite Reliability (CR). Acceptable thresholds were  $\alpha \geq 0.7$  and  $CR \geq 0.7$ .**
- **Convergent Validity: Verified using Average Variance Extracted (AVE), where  $AVE \geq 0.5$ .**
- **Discriminant Validity: Assessed through Fornell-Larcker criterion, cross-loadings, and HTMT ratio.**

### **Moderating Effect Testing**

To test the **moderating effect of Financial Literacy**, interaction terms were created using product indicators. A multi-group analysis was also conducted to evaluate differences in path strength among low vs. high financial literacy groups.

### **Ethical Considerations**

All participants were informed about the nature and purpose of the study before participating. Informed consent was obtained, and participation was voluntary and anonymous. Ethical clearance was sought in alignment with the research guidelines of the University of Kelaniya.

## **Results and Discussion**

This section presents the empirical findings derived from the statistical analysis of data collected from 151 professionals residing in the Colombo District. The data analysis proceeded in two main phases: assessment of the measurement model and evaluation of the structural model. The study employed **Partial Least Squares Structural Equation Modeling (PLS-SEM)** using Smart PLS 4.0 software, which is particularly suitable for exploratory models with relatively small sample sizes and non-normal data distributions (Hair et al., 2021). The descriptive statistics were computed using IBM SPSS, and the data underwent rigorous evaluation to ensure the reliability and validity of the proposed model.

### **Significance of path coefficients**

To evaluate the hypothesized relationships in the research model, the bootstrapping technique was applied, generating 5000 bootstrap samples, as commonly recommended in Partial Least Squares Structural Equation Modeling (PLS-SEM). Bootstrapping provides estimates for path coefficients, representing the hypothesized links between constructions. These coefficients are analyzed by examining key metrics such as the standard deviation, bootstrap mean, T-values, P-values, and whether the relationship is statistically significant. The analysis considers critical T-values for different significance levels, including 1% (0.01) and 10% (0.10) for a two-tailed test, though a 5% significance level ( $P < 0.05$ ) is typically selected to determine if the impacts are significant. Here, 95% of confidence level is applied meaning

a T- Value of 1.96 or higher is considered statistically significant. If the T-value of the path is greater than or equal to 1.96, it indicates that the impact of the predictor variables on the dependent variable is statistically significant at the 95% confidence level. Conversely, the T-value less than the threshold is not statistically significant. In this study, bootstrapping results helped assess three direct-effect hypotheses, relying on both T-values and P-values for significance testing.

**Table 03: Significance of the variables**

|                   | Path<br>Coefficient<br>( $\beta$ ) | Sample<br>mean (M) | Standard<br>deviation<br>(STDEV) | T<br>statistics | P values |
|-------------------|------------------------------------|--------------------|----------------------------------|-----------------|----------|
| TAL -> SR         | 0.19                               | 0.196              | 0.09                             | 2.115           | 0.035    |
| GI -> SR          | -0.07                              | -0.043             | 0.119                            | 0.583           | 0.56     |
| PB & T -> SR      | 0.288                              | 0.287              | 0.075                            | 3.849           | 0.00     |
| FL x PB & T -> SR | -0.076                             | -0.081             | 0.035                            | 2.184           | 0.029    |

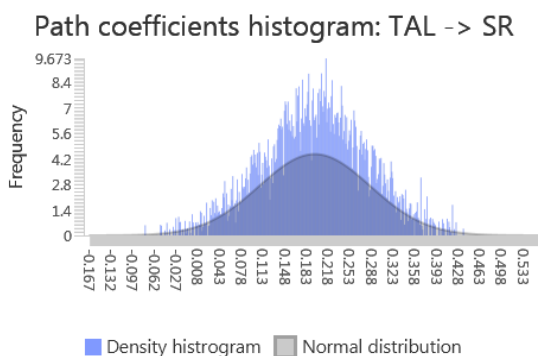
*Source: Created by author based on data analysis*

### Hypothesis Testing

The Study formulated four hypotheses, employing path coefficient analysis to introduce moderating variables as well. The results of the analysis, presented in *Table 03* elucidate the impact of predicting variables on dependent variables.

***H1- There is a significant impact of Technological Awareness on Social Readiness in the acceptance of cryptocurrency as a financial asset.***

According to the results of the analysis, Technological awareness and literacy significantly impact the social readiness in acceptance of cryptocurrency as a financial asset in the Sri Lankan context ( $\beta = 0.19$ ,  $t = 2.115$ ,  $p = 0.035$   $p < 0.5$ ) and as shown in *Table 03*, the beta value 0.19 indicates a positive impact of TAL on SR. This implies that for every unit change in TAL, SR changes by 0.19 units.



**Figure 2: Path Coefficient TAL -> SR**

The Histogram presents the distribution of path coefficient estimates for the impact of TAL on SR. The peak of the histogram is centered around 0.2 indicating that most of the bootstrap samples estimate a positive and moderate effect of TAL on SR. The normal distribution curve

presents the distribution of path coefficient is approximately normal and the data is distributed around the mean, the curve is a bell-shaped curve that indicates the bootstrap procedure has generated a reliable and representative sample of the population. The histogram demonstrates that the impact of TAL on SR is statistically significant.

***H2 – There is a significant impact of Government Intervention on Social Readiness in the acceptance of cryptocurrency as a financial asset.***

Government Intervention insignificantly influences the social readiness toward cryptocurrency acceptance as a financial asset ( $\beta = -0.07$ ,  $t = 0.583$ ,  $p = 0.56$ ,  $p > 0.5$ ).

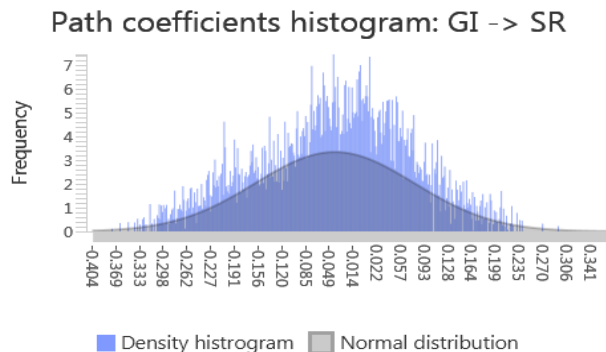


Figure 3: Path coefficient GI -> SR

The Histogram presents the distribution of path coefficient estimates for the impact of GI on SR. The peak of the histogram is centered around -0.02 indicating that bootstrap samples estimate a negative but very small effect of GI and SR. As per the normal distribution curve, the data is normally distributed around the mean. Thus, the path coefficients are reasonably close to the normal distribution. The histogram also demonstrates that the impact of GI on SR is not statistically significant.

***H3 – There is a significant impact of Perceived Benefit and Trust on Social Readiness in the acceptance of cryptocurrency as a financial asset.***

Also, Perceived Benefits and Trust have a substantial influence on the social readiness in acceptance of cryptocurrency as a financial asset, representing the ( $\beta = 0.288$ ,  $t = 3.849$ ,  $p = 0$ ,  $p < 0.5$ ). Similarly, the beta value of 0.288 indicates that PB & T have a positive impact on SR. This means that every unit of change can lead to a change in SR by 0.288 units.

The Histogram presents the distribution of path coefficient estimates for the impact of PB & T on SR. The peak of the histogram is centered around 0.28, indicating that most of the bootstrap samples estimate a positive and moderate effect of PB & T on SR. The normal distribution curve presents that the distribution of the path coefficient is approximately normal, and the data is distributed around the mean, indicating the bootstrap procedure has generated a reliable and representative sample of the population. The histogram demonstrates that the impact of PB & T on SR is statistically significant.

Path coefficients histogram: PB &amp; T -&gt; SR

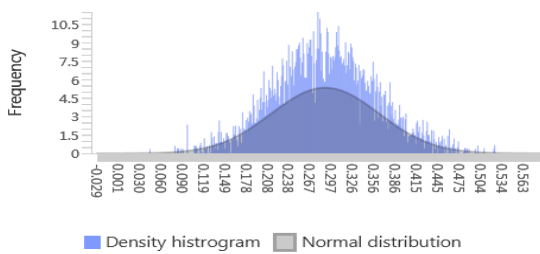


Figure 4: Path coefficient PB &amp; T -&gt; SR

### Moderating Analysis

#### ***H4 – Whether Financial Literacy significantly moderates the impact of Perceived Benefit and Trust on Social Readiness in the acceptance of cryptocurrency as a financial asset.***

To investigate the moderating impact of Financial Literacy on the direct impact of Perceived Benefits and Trust on the dependent variable, social readiness in acceptance of cryptocurrency as a financial asset, a moderation analysis was carried out. Therefore, the study's conceptual model H4 evaluates whether Financial Literacy significantly moderated the impact of Perceived Benefits and Trustworthiness on Social Readiness *toward acceptance of cryptocurrency as a financial asset* (PB & T and SR). According to the results of the analysis,  $\beta = -0.076$ ,  $t = 2.184$ ,  $p = 0.029$  which is  $p < 0.5$  the moderating effect of Financial Literacy on Perceived Benefits and Trust and Social Readiness towards cryptocurrency acceptance is significant. It means, FL significantly moderates the influence of PB & T on SR. Additionally, the beta value of  $-0.076$  indicates that the impact of PB & T on SR is negatively moderated by FL. For every unit increase in FL, the impact on SR decreases by 0.076 implying that higher levels of FL diminish the positive impact of PB & T on SR.

**Table 4 Results of the Moderating Analysis**

|                                 | Path<br>Coefficient<br>( $\beta$ ) | Sample<br>mean (M) | Standard<br>deviation<br>(STDEV) | T statistics<br>( O/STDEV ) | P values |
|---------------------------------|------------------------------------|--------------------|----------------------------------|-----------------------------|----------|
| <b>FL x PB &amp; T -&gt; SR</b> | -0. 076                            | -0. 081            | 0. 035                           | 2. 184                      | 0. 029   |

*Source: Created by author based on data analysis*

The peak of the histogram is centered around -0.15 indicating that most of the bootstrap samples estimate a negative but moderate effect of the interaction between FL on the impact of PB & T on SR. The distribution of path coefficients is approximately normal. As same as the statistical analysis, the histogram also indicates that the interaction effect between PB & T and SR is significantly moderated by the FL, and it is negative. This implies that the positive influence of PB & T on SR is negatively moderated by FL, and the effect of PB & T on SR is weaker for individuals with higher levels of Financial Literacy.

Path coefficients histogram: FL x PB & T -> ...

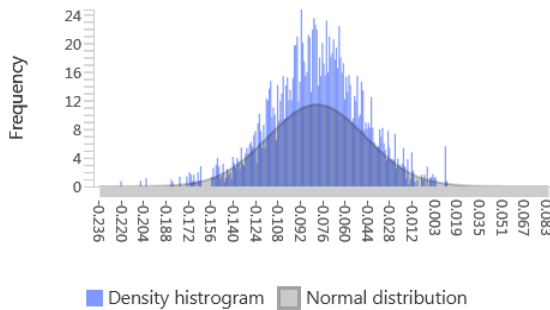


Figure 5: Path coefficient FL × PB & T -> SR

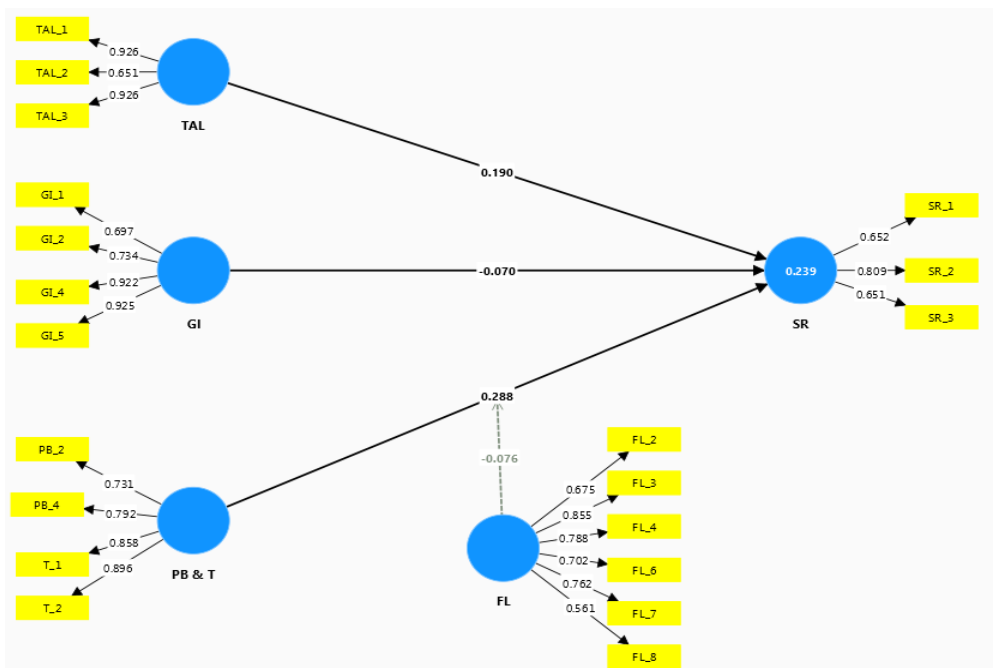


Figure 6: Factor Loadings through PLS Algorithm

## Conclusion

This research investigated the factors influencing social readiness to accept cryptocurrency as a financial asset among professionals in the Colombo District of Sri Lanka. Drawing upon a quantitative research approach and utilizing a Partial Least Squares Structural Equation Modeling (PLS-SEM) framework, the study tested a conceptual model involving four constructs: technological awareness and literacy, government intervention, perceived benefits and trust, and financial literacy as a moderating variable. The empirical findings provide meaningful insights into the current landscape of cryptocurrency perception in a developing country context.

The study found that technological awareness and literacy significantly influence social readiness. Professionals who demonstrated a high degree of familiarity with digital technologies were more willing to accept cryptocurrencies as part of the financial ecosystem. This finding aligns with previous research by Arli et al. (2021), which emphasized that digitally literate individuals are more likely to adopt emerging financial technologies. The result underscores the critical role of digital education and exposure in promoting cryptocurrency adoption, especially in urbanized and professional demographics.

In contrast, government intervention was not found to have a statistically significant influence on social readiness. This result is notable, as it diverges from the findings of Rahman et al. (2020), who emphasized the regulatory environment as a key determinant in shaping trust and adoption in developing markets. The outcome may reflect the ambiguous stance taken by Sri Lankan regulatory authorities, including the Central Bank, which has often warned against the risks of cryptocurrencies without offering a structured regulatory framework (Central Bank of Sri Lanka, 2021). As such, the lack of clear governmental direction may have rendered this variable ineffective in influencing public sentiment.

Perceived benefits and trust emerged as a strong predictor of social readiness. When individuals recognized potential advantages such as decentralization, lower transaction costs, investment opportunities, and perceived security, they were more inclined to consider cryptocurrencies as viable financial assets. This result echoes findings from Mohsin et al. (2022), who identified perceived utility and trustworthiness as critical enablers of fintech adoption. Trust, especially in the context of a decentralized and non-governmental financial asset, becomes even more crucial given the speculative nature of cryptocurrencies and the absence of formal consumer protection mechanisms.

Interestingly, financial literacy played a moderating role in the relationship between perceived benefits and social readiness, but in an unexpected direction. Higher levels of financial literacy weakened the positive relationship between perceived benefits and readiness to adopt. This suggests that while better-informed individuals may acknowledge the benefits of cryptocurrency, they may also exhibit greater skepticism or risk aversion due to their understanding of volatility, regulatory ambiguity, and market immaturity. This paradoxical effect supports the notion that education increases both enthusiasm and caution, depending on the framing of the technology (Panos et al., 2020).

In summary, the study confirms that enhancing technological literacy and building trust in the cryptocurrency ecosystem are essential to foster public acceptance. However, the impact of regulatory efforts may be contingent on clarity, consistency, and visibility. Moreover, financial education, while important, must also be framed to balance awareness of risks with openness to innovation.

## **Recommendations**

Based on the findings, several recommendations are proposed for stakeholders including policymakers, educators, technology firms, and cryptocurrency service providers:

Given the strong positive effect of technological awareness on social readiness, it is imperative for both public and private sector actors to promote digital literacy programs. These initiatives should go beyond basic IT skills and encompass knowledge on blockchain technology, cryptocurrency wallets, security protocols, and real-world use cases. Educational institutions and vocational training centers can integrate such content into their curricula to prepare future professionals for a digital financial ecosystem.

The lack of significant influence from government intervention underscores the importance of clarity and consistency in regulatory communication. Regulatory bodies such as the Central Bank and the Securities and Exchange Commission must work collaboratively to create a comprehensive legal framework that outlines the legality, taxation, investor protection, and operational guidelines for cryptocurrencies. Such efforts would not only promote legitimacy but also reduce uncertainty, thereby encouraging broader societal adoption (Zetzsche et al., 2018).

Given the vital role of trust, cryptocurrency platforms and developers must prioritize transparency, data security, and reliability. Providing clear information about how platforms function, disclosing risks, using verifiable technologies, and obtaining third-party security certifications could enhance public trust. Platforms could also partner with reputable institutions to conduct independent audits and share performance metrics to improve consumer confidence.

While financial literacy is essential, the finding that it can moderate perceived benefits negatively suggests a need to balance cautionary education with innovation-oriented messaging. Campaigns should teach individuals not only about risk but also about responsible usage, diversification, and long-term potential of digital assets. Incorporating success stories and examples of practical utility can help reduce fear-driven resistance among informed individuals.

Joint research projects, workshops, and pilot programs involving universities, tech firms, and financial institutions can foster innovation and provide a sandbox environment for testing cryptocurrency applications in Sri Lanka. These collaborations would offer professionals first-hand experience with digital assets and contribute to knowledge creation that bridges the current empirical gap.

Social learning plays a significant role in shaping attitudes. Marketing strategies that use influencer endorsements, peer reviews, and community-based initiatives could effectively build grassroots awareness. Social platforms can serve as critical channels for disseminating balanced, educational content about cryptocurrency in culturally relatable ways.

### **Limitations of the study**

While the study provides several important insights, certain limitations must be acknowledged to contextualize the findings and guide future research.

The study focused exclusively on professionals in the Colombo District, the most urbanized and technologically advanced region in Sri Lanka. Consequently, the findings may not be generalizable to rural or less connected populations, where levels of digital literacy and exposure to cryptocurrency differ significantly. Future research should consider comparative studies across multiple districts to assess geographical disparities.

The use of convenience and snowball sampling methods, while practical given access constraints, introduces potential sampling bias. The sample may overrepresent digitally inclined or tech-savvy individuals, thereby skewing perceptions of readiness. Random sampling or stratified sampling techniques could be used in future studies to improve representativeness.

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