



INVESTIGATING THE DETERMINANTS OF FINANCIAL INCLUSION AMONG URBAN YOUTH: EVIDENCE FROM SRI LANKA

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ABSTRACT

Financial inclusion, defined as equitable access and use of affordable financial services is crucial for fostering economic growth. This study investigates the determinants of financial inclusion in urban youth in Sri Lanka, addressing the critical gap in the literature. Utilising the data from 384 respondents across selected urban areas, the research employs a web-based questionnaire and applied Partial Least Square- Structural Equation Modelling (PLS-SEM) to assess the relationships between financial inclusion and key determinants such as Peer Influence, Government Policies, Mobile Banking Usage, Telecommunication Network Quality and Financial Literacy. The findings identify Financial Literacy as the most significant determinant of financial inclusion followed by positive correlations with other variables. The study offers practical insights for financial institutions and policymakers to improve financial literacy and design targeted strategies for enhancing financial inclusion among urban youth. However, the study's focus on urban youth limits its generalisation to rural population where access and inclusion may differ significantly.

KEYWORDS: *Financial Inclusion, Urban Youth, Financial Literacy, Mobile Banking Usage, Regulatory Frameworks, Telecommunication Network Quality*

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1. INTRODUCTION

Financial inclusion, defined as fair access to and usage of inexpensive financial services, is widely seen as a fundamental driver of economic development and poverty reduction (World Bank, 2014). It is characterised as equitable access to and use of relatively inexpensive financial services. From savings to credit to insurance to payment systems, the idea covers a wide spectrum of financial services (Demirgüç-Kunt *et al.*, 2018; Sahay *et al.*, 2015). Even with the advancements in the world, there are still gaps in financial inclusion, especially in developing nations like Sri Lanka where differences are seen in different demographic groups and places (Central Bank of Sri Lanka, 2020). A considerable section of Sri Lanka's population is urban young (aged 18 to 35). Understanding this demography's financial requirements and behaviours is essential for fostering equitable growth as the country continues to urbanise (Department of Census and Statistics, 2019).

The financial behaviours of urban young in Sri Lanka have been the subject of limited research, despite the significance of financial inclusion. The previous research has mostly focused on financial inclusion in larger demographic segments (Atkinson & Messy, 2013; Bruhn & Love, 2014), paying minimum attention to the factors that determine young people living in urban areas. It is crucial to comprehend the factors that influence financial inclusion among this population, especially considering the growing urbanisation of areas like Galle and Colombo (Department of Census and Statistics, 2019). Examining the financial inclusion landscape is made easier by the socioeconomic variety in these districts, which reflects the potential and constraints of financial inclusion in urban environments (Central Bank of Sri Lanka, 2021).

The research concentrates on several factors; mobile banking usage, financial inclusion, including financial literacy, digital literacy, network quality, influence from family and peers and government policies and regulations that significantly determine the financial inclusion of urban youngsters. These factors have all been recognised as important drivers in previous empirical studies (Atkinson & Messy, 2013; Suri &

Jack, 2016). Higher levels of education and familiarity with digital platforms boost the possibility of obtaining and utilising financial services, which is another way in which education and digital literacy are substantially connected with financial inclusion (Suri & Jack, 2016). Particularly, it has been demonstrated that financial literacy increases financial inclusion by giving people the information and abilities they need to make wise financial decisions (Atkinson & Messy, 2013). For urban youth to interact with financial platforms successfully, a dependable and quick network is necessary where poor network quality can limit usage and have an influence on financial inclusion (Demirgüç-Kunt *et al.*, 2018; Sahay *et al.*, 2015). Adoption of financial innovations is also significantly influenced by family and peer pressure. According to shared experiences and suggestions, social circles may either promote or discourage the use of financial services and frequently affect attitudes towards them (Demirgüç-Kunt *et al.*, 2018). Ultimately, the policy framework that financial services function within is established by governmental laws and regulations. While strict or badly conceived rules may restrict access to necessary services, further complicating the financial inclusion landscape whereas supportive policies can promote an inclusive financial ecosystem (Suri & Jack, 2016).

Several initiatives have been launched in Sri Lanka to promote financial inclusion, such as the financial literacy programmes of the Central Bank and initiatives to promote digital payments (Central Bank of Sri Lanka, 2021). These actions have the potential to significantly raise financial inclusion in the nation when combined with focused interventions for urban youth. Comprehending the root reasons are crucial in formulating efficacious policies and initiatives to foster financial inclusion. This research examines these aspects in detail to provide guidance for policy and practice aimed at advancing inclusive financial systems for Sri Lanka's youth population living in metropolitan areas.

Research Gap

Limited research exists on the financial inclusion of urban youth in Sri Lanka, despite their crucial role in driving future economic growth. The urbanised

regions of Colombo and Galle offer valuable insights into financial inclusion due to their distinct socioeconomic contexts (Central Bank of Sri Lanka, 2020). Although Colombo, as the commercial capital, boasts a well-established financial infrastructure, youth from lower-income households encounter barriers in effectively accessing available financial services (Central Bank of Sri Lanka, 2020). Galle, while smaller, is undergoing rapid urbanisation, leading to an emerging urban context where financial access is increasing but remains uneven (Department of Census and Statistics, 2019). Both districts display significant socioeconomic diversity, reflecting broader urban challenges and opportunities associated with financial inclusion. Furthermore, with the increasing prevalence of digital financial services in these areas, it is crucial to understand how urban youth engage with fintech to design effective financial inclusion policies (Central Bank of Sri Lanka, 2021). By focussing on Colombo and Galle, this study addresses a gap in the literature and provides valuable insights into extending financial services more equitably to urban youth.

Purpose of the Study

The purpose of this study is to identify and analyse the determinants of the financial inclusion among urban youth in Sri Lanka. By exploring socio-economic, educational, and technological variables, the research aims to understand the barriers and enablers affecting this demography's access to financial services. Specifically, the study investigates how factors such as financial literacy, digital literacy, network quality and regulatory frameworks encourage or hinder the financial inclusion. The findings provide valuable insights for policymakers, financial institutions, and educational organisations to develop targeted interventions that enhance financial inclusion among urban youth. Improving financial inclusion in this segment is crucial for fostering economic stability, increasing savings and investment, and promoting overall economic development in Sri Lanka. This research seeks to contribute to a comprehensive understanding of how to better integrate urban youth into the financial system, thereby supporting their economic empowerment and future growth.

Research Question

What socio-economic factors significantly determine the level of financial inclusion among urban youth in Sri Lanka?

Objectives of the Study

The objective of the research is centred upon the analysis of determinants of financial inclusion of urban youth particularly in Galle and Colombo districts. It further analyses the relationship and magnitude of each independent variable: Mobile Banking Usage, Telecommunication Network Quality, Government Policies and Regulatory Frameworks, Financial Literacy, Peer Influence and Social Networks on the dependent variable, Financial Inclusion. The results are significant in informing practical recommendations for improving financial inclusion among young urban individuals.

Significance of the Study

This study is crucial in shedding light on the determinants of financial inclusion among urban youth in Sri Lanka. By highlighting the socio-economic, educational, and regulatory factors that influence access to financial services, this research aims to offer actionable insights for policymakers, financial institutions, and educational bodies. Understanding these factors is crucial for policymakers as it can guide the development of targeted policies aimed at reducing barriers and enhancing financial access for youth, urban areas. Financial institutions stand to benefit by gaining a deeper understanding of the specific needs and challenges faced by this demographic, enabling them to tailor their services accordingly. Additionally, educational institutions can use this research to strengthen financial literacy programmes and curricula, thereby equipping youth with the necessary skills to navigate the financial landscape effectively. Ultimately, enhancing financial inclusion among urban youth not only promotes economic stability and growth but also fosters broader social benefits such as poverty alleviation and sustainable development in Sri Lanka.

Theoretical Background

Technology Acceptance Model

The Technology Acceptance Model (TAM) offers a strong theoretical framework for understanding the causes of financial inclusion, particularly via the perspective of technology adoption. The factors mentioned are greatly explained by Fred Davis technology acceptance model (TAM) that was developed in 1989. TAM assumes that perceived ease of use (PEOU) and perceived usefulness (PU) are main factors influencing the new technology acceptance and usage. Based on the Theory of Reasoned Action (TRA) advanced by Fishbein and Ajzen in 1975, TAM applies the theory's constructs to the acceptance of technology by positing that PEOU as well as PU bear a positive direct relationship with attitude towards using a particular technology, and consequently influences the technology user's perceived behavioural intention and subsequent actual usage behaviour in a projected time (Davis, 1989; Fishbein & Ajzen, 1975).

Perceived usefulness (PU) is the extent to which an individual perceives the use of a particular system, in case of DFS, to improve their financial management and financial transactions required in their occupation. Several empirical research works have corroborated the significance of PU in the use of technology. For example, Venkatesh and Davis (2000) identified that PU plays a highly significant role in shaping users' behavioural intentions towards a technology in various applications such as Internet banking and mobile commerce. Likewise, perceived ease of use (PEOU) manifests itself in the extent to which a person considers using a particular system to be trouble-free. Experiments also indicated that PEOU has influence on PU and on the attitude of the users with regards to technology. Similarly, Pikkarainen *et al.* (2004) showed that PEOU affected Internet banking acceptance leading to its categorisation as acceptance influencers.

Theory of Reasoned Action (TRA)

The basic framework for comprehending the determinants of urban youths' adoption of mobile banking is based on the Theory of Reasoned Action

(TRA). According to TRA (Fishbein & Ajzen, 1975), a person's attitudes about a behaviour and subjective norms have a major influence on their behavioural intentions. Positive views regarding mobile banking, fuelled by advantages like accessibility and convenience, are likely to increase the desire to use these services in the context of financial inclusion (Johnson *et al.*, 2019). Furthermore, subjective norms that are shaped by social networks and peer behaviours have a significant influence on adolescent decisions since friend recommendations can increase confidence and familiarity with mobile banking platforms (Yang *et al.*, 2017). Thus, comprehending these psychological aspects is essential to creating focused interventions that encourage urban youth to use mobile banking, which in turn enables greater financial inclusion.

Mobile Banking Usage

Mobile banking, enabled by widespread smartphone adoption, offers convenience and accessibility (Johnson *et al.*, 2019). Improved telecommunication network quality enhances the reliability of digital financial transactions (Smith & Brown, 2020). Effective government policies and regulatory frameworks ensure a supportive environment for financial service innovation and consumer protection (Gupta & Sharma, 2018). Financial literacy programmes play a crucial role in equipping youth with the knowledge to manage finances effectively (Lee & Kim, 2021). Mobile banking has become a transformative force in enhancing financial inclusion among urban youth worldwide. Empirical studies underscore several critical factors influencing its adoption in this demographic. Johnson *et al.* (2019) highlights that convenience, accessibility, and technological familiarity are primary drivers. In developing countries, where traditional banking infrastructure may be lacking or inaccessible, mobile banking offers a practical solution. The ease of conducting transactions via smartphones empowers young urbanites to manage their finances conveniently and securely.

Moreover, the integration of banking apps with everyday digital activities simplifies financial interactions, making mobile banking a preferred

choice among urban youth. For instance, Johnson *et al.* (2019) found that the ubiquity of smartphones and the user-friendly interfaces of mobile banking apps significantly increase usage rates among youth. This trend not only democratises financial services but also bridges the gap between traditional banking systems and the digitally savvy younger generation. The transformative potential of mobile banking lies in its ability to empower urban youth economically by providing access to savings, credit, and payment services previously out of reach due to geographic or economic barriers. As mobile penetration continues to rise globally, especially in urban areas, mobile banking is poised to play an increasingly crucial role in fostering financial inclusion among youth.

H1: *Mobile banking usage has a positive effect on financial inclusion among urban youth in Sri Lanka.*

Telecommunication Network Quality

The quality and reliability of telecommunication networks are pivotal in facilitating mobile banking adoption among urban youth. Research by Smith and Brown (2020) underscores that robust network infrastructure is essential for the seamless operation of mobile financial services. In regions where telecommunication networks are inadequate or unreliable, users may face challenges in conducting transactions or accessing banking services via mobile devices. Smith and Brown (2020) argue that improvements in network coverage and technological advancements, such as the rollout of 4G and 5G technologies, are critical for enhancing the accessibility and effectiveness of mobile banking services for urban youth.

Moreover, the reliability of telecommunication networks influences user confidence and trust in mobile banking platforms. Studies indicate that urban youth are more likely to adopt mobile banking services when they can rely on consistent network connectivity to perform transactions securely and efficiently (Smith & Brown, 2020). The expansion of network coverage into underserved urban areas can significantly broaden access to financial services, thereby reducing disparities in financial inclusion among youth from different socioeconomic backgrounds. Policy initiatives aimed at improving

telecommunication infrastructure are thus crucial for fostering a conducive environment for mobile banking adoption among urban youth. Effective government policies and regulatory frameworks are pivotal in shaping the landscape of mobile banking and financial inclusion initiatives targeted at urban youth. Gupta and Sharma (2018) argue that supportive regulatory environments are essential for promoting innovation and competition among financial service providers, thereby enhancing the accessibility and affordability of mobile banking services. Clear guidelines and regulations ensure consumer protection and trust in digital financial transactions, which are crucial factors in encouraging youth to adopt mobile banking platforms.

H2: *Telecommunication network quality positively influences financial inclusion among urban youth in Sri Lanka.*

Government Policies and Regulatory Frameworks

Gupta and Sharma (2018) emphasise the importance of proactive policymaking to address barriers to financial inclusion, such as affordability and accessibility. Governments can play a catalytic role in facilitating partnerships between banks, telecommunications companies, and technology providers to expand the reach of mobile banking services among urban youth. By fostering an enabling regulatory environment, policymakers can stimulate investment in digital infrastructure and promote financial literacy programs tailored to the needs of young urban populations. Strategic interventions, such as targeted subsidies or incentives for mobile banking providers, can further enhance the uptake of digital financial services among urban youth. Financial literacy is a critical determinant of mobile banking adoption among urban youth, influencing their ability to navigate and utilise digital financial services effectively.

H3: *Government policies and regulatory frameworks have a positive effect on financial inclusion among urban youth in Sri Lanka.*

Financial Literacy

Lee and Kim (2021) highlight that higher levels of financial knowledge correlate positively with the

adoption and usage of mobile banking platforms. Educating youth about financial concepts, such as budgeting, saving, and digital transactions, enhances their confidence in managing personal finances through mobile devices. Financial literacy programmes tailored to urban youth can empower them with the necessary skills and knowledge to make informed financial decisions and leverage mobile banking for their economic well-being. Lee and Kim's (2021) research underscore the role of educational institutions and community organisations in promoting financial literacy initiatives. By integrating financial education into school curricula and community outreach programmes, stakeholders can equip urban youth with practical skills to navigate the digital economy. Enhancing financial literacy not only improves the uptake of mobile banking services but also fosters a culture of financial empowerment among young urbanites. Policy interventions that prioritise financial education as part of broader youth development strategies are essential for building a financially inclusive society where all youth can benefit from the opportunities offered by mobile banking (Lee and Kim, 2021)

H4: *Financial literacy positively influences financial inclusion among urban youth in Sri Lanka.*

Peer Influence and Social Networks

Peer influence and social networks significantly impact the adoption behaviours of urban youth towards mobile banking services. Yang *et al.* (2017) highlights that recommendations from peers and social media interactions play a crucial role in shaping young individuals' attitudes and perceptions towards digital financial technologies. Positive endorsements and testimonials within social circles can enhance trust and familiarity with mobile banking platforms, overcoming initial scepticism or resistance among youth. As digital natives, urban youth are often early adopters of technology-driven innovations, influenced by peer networks that validate the utility and reliability of mobile banking services.

Yang *et al.* (2017) argue that leveraging social networks effectively can amplify the reach and impact of financial inclusion initiatives targeted at urban youth. By harnessing peer influence and social media

platforms, stakeholders can promote awareness about the benefits of mobile banking and address misconceptions or concerns among young users. Collaborative efforts between financial institutions, community organisations, and youth influencers can create synergies that encourage widespread adoption of mobile banking solutions. Policy initiatives that support digital literacy and encourage peer-to-peer learning can further empower urban youth to embrace mobile banking as a tool for financial empowerment and social mobility.

H5: *Peer influence and social networks positively affect financial inclusion among urban youth in Sri Lanka.*

2. METHODOLOGY

In this methodology section outlines the structured quantitative approach employed to investigate determinants of financial inclusion among urban young population in Sri Lanka. The discussion covers the research design, including the conceptual framework, operationalisation of constructs, target population and sample, data collection methods, and data analysis techniques.

Conceptual Framework

The conceptual framework of this study is structured around the independent variables identified as potential determinants of financial inclusion among urban youth in Sri Lanka. These determinants include Mobile Banking Usage (Johnson *et al.*, 2019), Telecommunication Network Quality (Smith & Brown, 2020), Government Policies and Regulatory Frameworks (Gupta and Sharma, 2018), Financial Literacy (Lee and Kim, 2021), and Peer Influence and Social Networks (Yang *et al.*, 2017). The relevance of these determinants to urban youth in Sri Lanka is underscored by increasing adoption of mobile banking, evolving telecommunication infrastructure and the growing role of social networks among the young population in the country (Central Bank of Sri Lanka, 2021).

Table 1 – Operationalization of Conceptual Framework

Dependent Variable	Financial Inclusion	Access to and ownership of financial accounts is essential	(Demirgüç-Kunt <i>et al.</i> , 2018)
		Usage of Digital Financial Services is crucial	
		Adopting digital financial services is crucial	
Independent Variables	Mobile Banking Usage	Mobile banking offers convenient financial management.	Johnson <i>et al.</i> (2019)
		Smartphones make mobile banking easily accessible.	
		Tech-savvy youth prefer mobile banking.	
		Banking apps simplify daily financial tasks.	
		Mobile banking provides essential financial services.	
	Telecommunication Network Quality	Reliable networks ensure smooth mobile banking.	Smith and Brown (2020)
		Expanding coverage improves financial access.	
		4G/5G enhances mobile banking speed.	
		Consistent connectivity builds user trust.	
		Better infrastructure supports mobile banking adoption.	
	Government Policies and Regulatory Frameworks	Proactive policies address financial inclusion barriers.	(Gupta and Sharma, 2018).
		Partnerships expand mobile banking services.	
		Regulatory environments stimulate digital investment.	
		Subsidies/incentives boost mobile banking uptake.	
		Policies promote financial literacy programs.	
	Financial Literacy	Higher financial knowledge boosts mobile banking use.	(Lee and Kim, 2021)
		Education on budgeting and saving enhances confidence.	
		Tailored programs empower youth financially.	
		Schools and communities promote financial literacy.	
		Financial education fosters economic well-being.	
	Peer Influence and Social Networks	Peer recommendations shape mobile banking adoption.	(Yang <i>et al.</i> , 2017)
		Social media enhances trust in digital finance.	
		Early adopters influence peers' technology use.	
		Social networks amplify financial inclusion efforts.	
		Peer learning encourages mobile banking use.	

Research Design

The study aims to explore the factors that determine financial inclusion among youth population in Sri Lanka. A deductive, quantitative research approach is

employed, utilising a web-based, structured questionnaire to collect data. This approach facilitates the examination of predefined hypotheses concerning the relationships between independent variables (Mobile Banking Usage, Telecommunication Network

Quality, Government Policies and Regulatory Frameworks, Financial Literacy, and Peer Influence and Social Networks) and the dependent variable (Financial Inclusion). The study employs an explanatory research design to establish causal associations among these variables and test hypotheses derived from existing theories and literature.

Hypotheses

H1: Mobile banking usage has a positive effect on financial inclusion among urban youth in Sri Lanka (Johnson *et al.*, 2019).

H2: Telecommunication network quality positively influences financial inclusion among urban youth in Sri Lanka (Smith & Brown, 2020).

H3: Government policies and regulatory frameworks have a positive effect on financial inclusion among urban youth in Sri Lanka (Gupta and Sharma, 2018).

H4: Financial literacy positively influences financial inclusion among urban youth in Sri Lanka (Lee and Kim, 2021).

H5: Peer influence and social networks positively affect financial inclusion among urban youth in Sri Lanka (Yang *et al.*, 2017).

Population and Sample

The study's population demography is centred on population in Sri Lanka whereas the researcher has drawn a sample of young adults (Aged between 18 and 35) from the Colombo and Galle districts in Sri Lanka, which is a smaller representation of a wider community. The population size is greater than 25,000 and the sample size was 384 units according to the Krejcie & Morgan Table. The sample units were chosen using several sampling techniques including simple random, stratified, cluster, and convenient sampling techniques. Initially, 3 divisional secretariats (DS) were chosen from among the 13 DSs in the Colombo District and 2 divisional secretariats among 19 DSs in Galle using simple random sampling. The DSs chosen were Dehiwala DS, Kaduwela DS, Kollonnawa DS, Ambalangoda DS and Imaduwa DS. A reasonable number of Grama Niladri Divisions (GNDs) were selected from DSs using a proportional distribution and stratified random selection with DSs as strata. Colombo was selected as a representative

urban area with a high concentration of youth, robust financial infrastructure, and strong telecommunication networks, while Galle represents a semi-urban setting allowing for a combination of financial inclusion patterns in urban and semi-urban regions. Following that, the GNDs were classified as clusters, and the author selected sample units using the multistage cluster sampling approach. Multistage cluster sampling was employed to ensure that the sample was representative of various demographic segments with each DS division while also enhancing the logistic feasibility of data collection. Following that, data were collected from 384 young adults at the mentioned GNDs to meet the objectives of the study.

Data Collection

A standardised questionnaire, given using Google Forms, was utilised to collect primary data. The questionnaire constructed upon the five-point Likert Scale questions to get more insights into the phenomena under consideration. The questionnaire had sections for each of the independent factors and the dependent variable, with items designed to capture the intricacies of each construct. To maximise response rates, participants were solicited by email, and follow-up reminders were also sent. The Likert scale responses ranging from 1 (Strongly Disagree) to 5 (Strongly Agree) enabled to capture the participants' attitudes and behaviours towards financial inclusion. Pilot testing was conducted with a small group to ensure clarity of questions before full-scale data collection.

Data Analysis

Data analysis was performed using Partial Least Squares - Structural Equation Modelling (PLS-SEM) with the SmartPLS software. PLS-SEM was chosen for its ability to handle complex models with multiple latent variables and its suitability for exploratory research. It also allows for estimating path coefficients between variables, which are useful for testing the strength and direction of hypothesised relationships. The measurement model was evaluated using composite reliability, Cronbach's alpha and Average Variance Extracted to ensure internal consistency and convergent validity. The structural modelling was then assessed using path coefficients and R-squared values

to test the significance and the explanatory power of the hypothesised relationships.

3. RESULTS AND DISCUSSION

The results and discussion section specifies the results generated through conducting the statistical analysis.

Assessment of Reliability

Table 2 - Assessment of Reliability Source: Field Survey, 2022				
	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
MBU	0.674	0.713	0.809	0.526
TNQ	0.816	0.817	0.871	0.576
GP	0.834	0.872	0.892	0.677
FL	0.919	0.926	0.94	0.758
PI	0.809	0.859	0.866	0.572
FI	0.465	0.575	0.739	0.512

The financial inclusion category has Cronbach's alpha values of 0.465 while the financial literacy category has 0.919. The composite reliability scores for all variables surpass 0.7, showing overall strong internal consistency, even though the Cronbach's alpha for Financial Inclusion (FI) is below the acceptable level. All variables can be regarded as dependable and reliable for further analysis.

Assessment of Convergent Validity

Convergent validity can be confirmed with outer loading value higher than 0.7. However, Financial

Inclusion had lower outer loadings for FI3 (0.339) than Financial Literacy (most loadings exceeding 0.7).

This implies that item revision may be required for future investigations. Convergent validity is achieved for most of constructs.

Table 3 - Outer loading of the Latent Variables

Source: Field Survey, 2022

Path	Financial Literacy	Financial Inclusion	Government Policies	Mobile Banking Usage	Peer Influence	Telecommunication Network Quality
FL1	0.635					
FL2	0.886					
FL3	0.917					
FL4	0.847					
FI1		0.845				
FI2		0.843				
FI3		0.339				
GP1			0.779			
GP2			0.730			
GP3			0.731			
GP4			0.879			
GP5			0.685			
MBU1				0.444		
MBU2				0.784		
MBU3				0.849		
MBU4				0.774		
PI1					0.771	
PI2					0.902	
PI3					0.0836	
PI4					0.918	
PI5					0.918	
TNQ1						0.819
TNQ2						0.789
TNQ3						0.916
TNQ4						0.515
TNQ5						0.774

Table 4 - Values of Square Root of AVE and Inter-Construct Correlation
Source: Field Survey, 2022

	FL	FI	GP	MBU	PI	TNQ
FL						
FI	0.708					
GP	0.789	0.982				
MBU	1.181	1.297	0.81			
PI	0.925	1.109	1.056	1.329		
TNQ	0.667	1.108	0.924	1.176	0.999	

Assessment of Discriminant Validity

The Fornell and Larcker criteria compares the square root of AVE (average variance extracted) for each concept to correlations between components. The square root of AVE values is higher than the inter-construct correlations indicating that discriminant validity is achieved. The testing means that the constructs are distinct from one another, which validates the model.

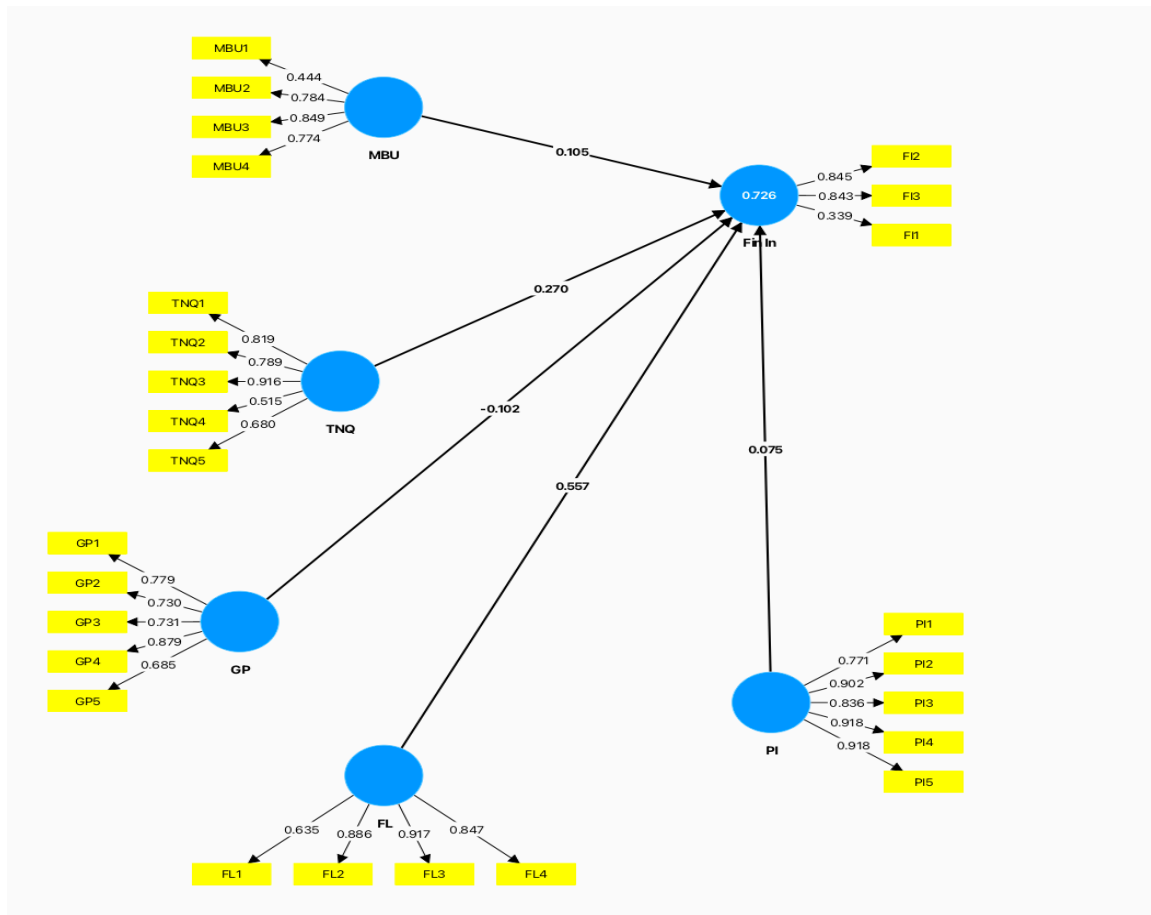


Figure 1 - Relationship between Financial Inclusion and Independent Constructs

Source: Field Survey, 2022

Table 5 - Goodness of the Fit of the Model

(Source: Field Survey, 2022)

	Saturated model	Estimated model
SUMMER	0.078	0.078
d_ ULS	0.81	0.81
d_ G	0.287	0.287
Chi-square	469.42	469.42
NFI	0.902	0.902

According to Table 5, the estimated and saturated models have similar fit indices. The fit indices for both models are shown below: The Normed Fit Index (NFI) is 0.902, the unweighted least squares (d_ ULS) d-value is 0.78, the geodesic distance d-value is 0.287, the chi-square value is 459.424, and the SRMR is 0.078. These fit indices describe the model's goodness of fit and provides relevant information. In this situation, both models' fit indices are the same,

Table 6 - The Effect of the Independent Variables on Women's Career Progression Source: Field Survey, 2022

Path	Path coefficients	P values	Decision
Financial Inclusion - > Mobile Banking Usage	0.105	0.000	Supportive
Financial Inclusion - > Telecommunication Network Quality	0.270	0.000	Supportive
Financial Inclusion - > Government Policies and Regulatory Frameworks	0.102	0.000	Supportive
Financial Inclusion - > Financial Literacy	0.557	0.001	Supportive
Financial Inclusion - > Peer Influence and Social Networks	0.075	0.000	Supportive

indicating a similar degree of fit.

According to Table 6, there is a substantial positive correlation between Mobile Banking Usage and Financial Inclusion ($r = 0.105$, $p = 0.000$). Thus, it can be said that mobile banking usage has a favourable impact on all aspects of Financial Inclusion.

There is a highly significant positive correlation between Financial Inclusion and Telecommunication Network Quality ($r = 0.270$, $p = 0.000$). As a result, it can be said that the Telecommunication Network Quality has a favourable impact on all aspects of Financial Inclusion.

Because the relationship between Government Policies and Regulatory Frameworks and Financial Inclusion is statistically significant when all variables are considered at once, Table 5 also shows that Government Policies and Regulatory Frameworks have a significant positive relationship with the overall level of Financial Inclusion ($r = 0.102$, $p = 0.000$).

According to Table 6, there is a negative and significant correlation between the dependent variable and Financial Literacy ($r = 0.557$, $p = 0.001$). As a result, it can be said that Financial Literacy has a favourable impact on all aspects of Financial Inclusion.

Moreover, there is a positive and significant impact on the Financial Inclusion of Urban Youth from Peer Influence and Social Networks ($r = 0.075$, $p = 0.000$). It can be concluded that Peer Influence and Social Networks have a favourable impact on Financial Inclusion within the country.

Limitations

The study may be constrained by its reliance on self-reported data from participants gathered using a structured questionnaire and a quantitative methodology, which could lead to response bias if individuals provided answers that are socially acceptable or do not fully reflect their experiences. To mitigate this, responses were collected anonymously,

and confidentiality was assured to encourage honesty. Additionally, the sample was limited to individuals in the Colombo and Galle Districts, Sri Lanka, which may not accurately reflect people's experiences in other regions or contexts. Future research could include a broader range of areas to address this limitation. To further enhance the overall validity of the study, triangulation techniques such as focus groups and follow-up interviews could be employed to verify and enrich the quantitative findings.

Conclusions and Future Study Directions

This study investigated the key determinants of financial inclusion of urban youth in Sri Lanka. The findings revealed that peer influence and social networks, government policies and regulatory frameworks, mobile banking usage, and the quality of telecommunication networks all positively correlated with financial inclusion. Financial literacy indicated a significantly positive impact on financial inclusion among urban youth. These results reveal the significance of mobile banking tools, reliable telecommunications infrastructure, and supportive social influences. Further, favourable government policies that foster inclusive financial environment for urban youth plays a crucial role in determining the financial inclusion. To gain a comprehensive understanding of financial inclusion across the country, future studies are requested to replicate this study nationwide, encompassing a broader range of demographics and geographic regions. Such an approach would help to evaluate how various socio-economic and regional factors shape financial inclusion across diverse population demographics.

Further research could explore which specific mobile banking features and services, such as peer-to-peer transfers and mobile wallets, are most effective in enhancing financial inclusion among urban youth. By doing so, financial institutions and policymakers can develop user-friendly mobile banking solutions tailored to distinct market segments. These solutions would promote broader adoption and increase engagement with formal financial systems. Additionally, strong regulatory frameworks that emphasise ethical conduct and consumer protection

are essential to building public trust in financial services. Social media platforms and community-based organisations could also be critical in debunking misconceptions, raising awareness about financial products and services, and encouraging greater participation in the financial system. Ultimately, a multi-faceted approach, combining mobile banking innovations, regulatory reforms, and community outreach, would contribute to the sustained advancement of financial inclusion in Sri Lanka's urban youth.

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