



Chapter 14

The Effect of Financial Literacy and Mobile Payment on Financial Inclusion

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ABSTRACT

Angola faces a number of challenges related to financial inclusion. The country's financial system is underdeveloped, with a low penetration of banks and a lack of access to basic financial services. However, access to financial services can be increased by the use of financial technology in which mobile payment is one of the instruments. Therefore, the aim of this research is to examine the effect of financial literacy and mobile payment on financial inclusion. The study also examined the role of risk perception in mobile payment adoption. Data was collected through a questionnaire administered to 282 consumers, employing Smart-PLS for analysis. The results indicated that financial literacy promotes financial inclusion. On the other hand, mobile payment adoption does not promote financial inclusion. Finally, risk perception has a negative impact on mobile payment adoption. The research contributes to the literature by supporting previous studies on the diffusion of technology and highlights the potential of mobile money as a tool to promote financial inclusion.

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INTRODUCTION

Financial literacy and mobile payment have a major impact on the financial inclusion of the population. Together, financial literacy and mobile payment can be a powerful combination to promote financial inclusion.

Today's financial markets seek the attention of governments to address two main issues: financial literacy and financial inclusion (Jariwala & Sharma, 2016). Financial literacy broadly refers to the ability to understand financial concepts and awareness of products and institutions, along with the ability to manage one's own money (Lahiri & Biswas, 2022). Financial education enables marginalised people to participate in economic life and helps them achieve financial well-being (Bhandare et al., 2021). It plays a key role in financial inclusion, as it helps people understand how the financial system works, make wise financial decisions and avoid financial pitfalls.

A lack of financial literacy can lead to financial exclusion, where people don't have access to basic financial services such as bank accounts, credit cards and loans. Access to financial services or even financial institutions is very limited in some countries, restricting individuals' and companies' access to capital (Kapron, 2021), which has led countries to implement national policies aimed at the financial inclusion of the poor (Lahiri & Biswas, 2022).

Financial inclusion has been described as the provision of financial services at the cheapest and most accessible cost to the poor and low-income segment of society, where these services are not available or accessible to people (Dwivedi et al., 2022).

Furthermore, financial inclusion is considered one of the most important pillars in the adoption of Fintech globally (Daqar et al., 2021). The electronic payment system is among the recent service innovations that have transformed access to finance in emerging and developing economies (Aduba & Asgari, 2022).

With the rapid development of financial technologies, or FinTech, a large number of purchases are now processed via electronic and mobile payments (Nam et al., 2023). Mobile payment is a form of financial transaction that allows people to use their mobile devices, such as smartphones, to make payments. The COVID-19 pandemic has led to a worldwide increase in the need to make electronic payments.

The prosperity of mobile commerce depends heavily on consumer acceptance of mobile payment, carried out via mobile terminals, for example a mobile phone or a personal digital assistant (Yang et al., 2015). The use of mobile payment services brings benefits to consumers and businesses. Mobile banking can reach people on low incomes previously without a bank account and the unemployed, as long as they have access to a mobile phone (Mago & Chitokwindo, 2014). Consumers can use mobile payment services to enjoy fast payment services and convenient payment methods (Chen & Lai, 2023). For companies, mobile payments increase the volume of transactions and reduce their costs. Digital payments can also help reduce corruption (Jungo et al., 2023).

Furthermore, although most consumers seem aware of the potential benefits of mobile payment, such as ease of use, usefulness and convenience, it seems that they may have strong concerns about the potential risks of adopting mobile payment (Yang et al., 2015).

In recent years, the popularity of mobile devices has led to the growth of mobile payment services. However, mobile payment still presents challenges in terms of consumer adoption and use (Chen & Lai, 2023). Perceived risk is a major obstacle to consumers adopting mobile payments.

Chen & Lai (2023) pointed out that the risk perceived by consumers will have a negative impact on the intention to adopt mobile payment. Risk also includes issues of loss of privacy due to transaction

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