

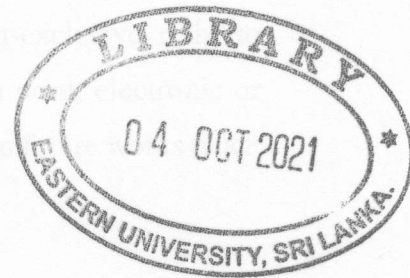
**ADOPTION OF E-COMMERCE STRATEGY AND PERFORMANCE OF
SMALL AND MEDIUM ENTERPRISES IN THE EASTERN PROVINCE,
SRI LANKA**

By

THAVARASA NILOCHCHAN

REG. NUMBER: EU/IS/2014/COM/63

INDEX NUMBER: COM 1833



**A Project Report Submitted to the Faculty of Commerce and Management,
Eastern University, Sri Lanka, as a partial fulfillment of the requirement for the
Degree of Bachelor of Commerce Honours (BComHons)**

Department of Commerce

Faculty of Commerce and Management

Eastern University, Sri Lanka

2020

**PROCESSED
MAIN LIBRARY, EUSL**

ABSTRACT

The main purpose of this study is to find out the adoption of E-commerce strategy and performance of small and medium enterprises in Eastern Province, Sri Lanka. The adoption of E-commerce strategy is the independent variable and in terms of four major dimensions, such as the development of website, social media integration, customer relationship management, and internet market strategies and performance of SMEs is a dependent variable in this study.

The research objectives of this study are to identify the level of adoption of E-commerce strategy (Development of website, Social media integration, Customer relationship management, and Internet marketing strategies) and Performance of SMEs, identify the relationship between the adoption of E-commerce strategy and performance of SMEs, and examine the impact of the adoption of E-commerce strategy on the performance of SMEs in Eastern Province, Sri Lanka. A univariate, bivariate, and multivariate analysis techniques used to analyze data and find the results of study objectives. The primary data were collected through a structure questionnaire from 100 owners/managers of selected small and medium enterprises in Eastern Province, Sri Lanka.

The findings of this study revealed that the adoption of E-commerce strategy is at a high level and also, its dimensions are in high level small and medium enterprises in Eastern Province, Sri Lanka. Furthermore, the finding revealed that adoption of Ecommerce strategy and also, its dimensions are positively related with performance of small and medium enterprises in Eastern Province, Sri Lanka, and the adoption of Ecommerce strategy is positively impact on performance of small and medium enterprises in Eastern Province, Sri Lanka.

Keywords: Adoption of E-commerce strategy, Development of website, Social media integration, Customer relationship management, and Internet marketing strategies, and Performance of SMEs.

LIST OF CONTANTS

ACKNOWLEDGMENT	i
ABSTRACT.....	ii
LIST OF CONTANTS.....	iii
LIST OF TABLES	ix
LIST OF FIGURES	xii
LIST OF ABBREVIATIONS	xiii
CHAPTER ONE - INTRODUCTION.....	1
1.1 Background of the Study.....	1
1.2 Problem Statement	2
1.3 Research Questions	4
1.4 Objectives of the Study	4
1.5 Significance of the Study	5
1.6 Scope of the study	5
1.7 The Organization of Chapter.....	6
1.8 Chapter Summary	7
CHAPTER TWO - LITERATURE REVIEW.....	8
2.1 Introduction.....	8
2.2 SMEs in Sri Lanka	8
2.3 E-commerce	9
2.3.1 Definitions for E-commerce	9

2.3.2	Types of E-commerce.....	10
2.3.3	The Reasons for the Adoption of E-Commerce by SMEs.....	10
2.3.4	Use of E-commerce by SME	11
2.3.5	E-commerce use in Sri Lankan business sector.....	12
2.3.6	E-commerce use in other countries	14
2.3.7	Barriers to ICT and E-commerce Adoption by SMEs.....	14
2.3.8	Disadvantages and advantages of E-commerce.....	16
2.4	Empirical Review.....	18
2.5	Theoretical Review	19
2.6	Chapter Summary	19
CHAPTER	THREE	-
	CONCEPTUALIZATION	AND
	OPERATIONALIZATION	20
3.1	Introduction.....	20
3.2	Conceptualization.....	20
3.3	Conceptual Framework	20
3.4	Definition for the Study's Variables and Dimensions	21
3.4.1	Adoption of E-commerce strategy.....	21
3.4.2	Performance of SME	25
3.5	Operationalization.....	25
3.6	Chapter Summary	27
CHAPTER	FOUR - RESEARCH METHODOLOGY	28
4.1	Introduction.....	28

4.2. Research Philosophy	28
4.3. Research Approach	29
4.4. Research strategy	30
4.5 Research Design.....	30
4.5.1 Time Horizons	30
4.5.2 Unit of Analysis.....	30
4.5.3 Study Setting, Study Design, and Method of Survey	30
4.6 Sampling	31
4.6.1 Study Population.....	31
4.6.2 Sample Size	31
4.6.3 Sampling method.....	31
4.7 Method of Data collection.....	32
4.7.1 Primary Data.....	32
4.7.2 Secondary Data.....	33
4.8 Method of Data Presentation.....	33
4.8.1 Data Presentation for Personal Information	34
4.8.2 Data Presentation for Business Information	34
4.8.3 Data Presentation for Research Information	34
4.9 Methods of Data Measurement	34
4.9.1 Measurement of Variable	35
4.9.2 Method of Scaling	35

4.9.3 Methods of Measuring the Personal Information	35
4.9.4 Methods of Measuring the Business Information.....	36
4.9.5 Methods of Measuring the Research Information	36
4.10 Method of Data Analysis and Evaluation	37
4.10.1 Descriptive Statistic	38
4.10.2 Reliability Analysis	38
4.10.3 Method of Data Analysis.....	39
4.11 Chapter Summary	43
CHAPTER FIVE - DATA PRESENTATION AND ANALYSIS	44
5.1 Introduction.....	44
5.2 Analysis of Reliability	44
5.3 Data Presentation and Analysis of Personal Information	45
5.3.1 Distribution of Gender.....	45
5.3.2 Distribution of Age.....	46
5.3.3 Distribution of Education Level	47
5.3.4 Distribution of Position	48
5.4 Data Presentation and Analysis of Business Information.....	49
5.4.1 Distribution of Number of Years in Operation.....	49
5.4.2 Distribution of Number of Employees	50
5.4.3 Distribution of Method of Access the Internet	51
5.4.4 Distribution of Level of Information Technology	52

5.4.5 Distribution of Method of Payment.....	53
5.5 Data Presentation and Analysis of Research Information	54
5.5.1 Identify the Level of Adoption of E-commerce Strategy of SMEs in Eastern Province, Sri Lanka	54
5.5.2 Identify the Level of Performance of SMEs in Eastern Province, Sri Lanka	56
5.5.3 Identify the Relationship between Adoption of E-commerce Strategy and Performance of SMEs.....	57
5.5.4 Simple Linear Regression Analysis.....	61
5.5.5 Multiple Regression Analysis for Adoption of E-commerce Strategy of Dimensions and Performance of SMEs.....	64
5.6 Chapter Summary	66
CHAPTER SIX - DISCUSSION.....	67
6.1 Introduction.....	67
6.2 Discussion of Research Information	67
6.2.1 Discussion - Objective One	67
6.2.2 Discussion – Objective Two.....	68
6.2.3 Discussion – Objective Three.....	68
6.2.4 Discussion – Objective four	73
6.3 Chapter Summary	76
CHAPTER SEVEN - CONCLUSIONS AND RECOMMENDATION	77
7.1 Introduction.....	77
7.2 Conclusions of the Research Objectives.....	77

7.3 Recommendations	79
7.4 Limitation of the Study	80
7.5 Directions for Future Study.....	81
7.8 Chapter Summary	82
REFERENCES.....	83
APPENDIX - 01.....	93
APPENDIX - 02.....	97
APPENDIX - 03.....	102
APPENDIX - 04.....	108

LIST OF TABLES

Table 3.1 Summary of Operationalization of Variable.....	26
Table 4.1 Research Philosophies and Data Collection Methods	28
Table 4.2 Sampling Framework.....	32
Table: 4.3 Part 01 - Respondent's Profile.....	35
Table: 4.4 Part 02 - Business Information	36
Table: 4.5 Measures of Adoption of E-commerce Strategy	37
Table 4.6 Scale of Measurement.....	37
Table: 4.7 Decision Attributes for Reliability Analysis.....	38
Table 4.8 Decision Rule for Measure the Level of Variables.....	40
Table 4.9 Decision Rule for Correlation Analysis.....	41
Table: 5.1 Reliability Analysis	44
Table 5.2 Distribution of Gender	45
Table 5.3 Distribution of Age	46
Table 5.4 Distribution of Education Level	47
Table 5.5 Distribution of Position.....	48
Table 5.6 Distribution of Number of Years in Operation.....	49
Table 5.7 Distribution of Number of Employees.....	50
Table 5.8 Distribution of Method of Access the Internet	51
Table 5.9 Distribution of Level of Information Technology	52
Table 5.10 Distribution of Method of Payment.....	53

Table 5.11 Mean and Standard Deviation Adoption of E-commerce Strategy and Its Dimensions	55
Table 5.12 Mean and Standard Deviation Performance of SMEs and Its Indicators ..	56
Table 5.13 Correlation between Adoption of E-commerce Strategy and Performance of SMEs.....	57
Table 5. 14 Correlation between Development of Website and Performance of SMEs	58
Table 5.15 Correlation between Social Media Integration and Performance of SMEs	59
Table 5.16 Correlation between Customer Relationship Management and Performance of SMEs	60
Table 5.17 Correlation between Internet Marketing Strategies and Performance of SMEs.....	61
Table 5.18 Model Summary of Simple Linear Regression for Adoption of Ecommerce Strategy and Performance of SMEs.....	62
Table 5.19 ANOVA for Adoption of E-commerce Strategy and Performance of SMEs	62
Table 5.20 Coefficient of Simple Linear Regression between Adoption of Ecommerce Strategy and Performance of SMEs.....	63
Table 5.21 Model Summary of Multiple Regression Analysis for Adoption of Ecommerce Strategy of Dimensions (Development of website, Social media integration, Customer relationship management, and Internet marketing strategies) and performance of SMEs	64
Table 5.22 ANOVA of Multiple Regression Analysis for Adoption of E-commerce Strategy of Dimensions (Development of website, Social media integration, Customer relationship management, and Internet marketing strategies) and Performance of SMEs	64

Table 5.23 Coefficient of Multiple Regression Analysis between Adoption of Ecommerce Strategy of Dimensions (Development of website, Social media integration, Customer relationship management, and Internet marketing strategies) and Performance of SMEs.....65

Figure 5.1 Age Distribution of Sample.....27

Figure 5.2 Education Level Distribution of Sample.....28

Figure 5.3 Product Distribution of Sample.....30

Figure 5.4 Number of Years in Operation Distribution of Sample.....34

Figure 5.5 Number of Employees Distribution of Sample.....35

Figure 5.6 Method of Access to Internet Distribution of Sample.....37

Figure 5.7 Level of Information Technology Distribution of Sample.....38

Figure 5.8 Method of Payment Distribution of Sample.....39

LIST OF FIGURES

Figure 3.1 the Conceptual Framework.....	21
Figure 5.1 Age Distribution of Gender	46
Figure 5.2 Age Distribution of Sample.....	47
Figure 5.3 Education Level Distribution of Sample	48
Figure 5.4 Position Distribution of Sample	49
Figure 5.5 Number of Years in Operation Distribution of Sample.....	50
Figure 5.6 Number of Employees Distribution of Sample	51
Figure 5.7 Method of Access the Internet Distribution of Sample	52
Figure 5.8 Level of Information Technology Distribution of Sample.....	53
Figure 5.9 Method of Payment Distribution of Sample.....	54