

**INFORMATION TECHNOLOGY AND E-ACCOUNTING
USAGE: DETERMINANTS AMONG S.M.Es IN SRI
LANKA.**

Viraj Lakmal Weerawickrama

(219163J)

Degree of Master of Business Administration in Information Technology

Department of Computer Science and Engineering

University of Moratuwa

Sri Lanka

July 2023

**INFORMATION TECHNOLOGY AND E-ACCOUNTING
USAGE: DETERMINANTS AMONG S.M.Es IN SRI
LANKA.**

Viraj Lakmal Weerawickrama

(219163J)

The dissertation was submitted to the Department of Computer Science and Engineering of the University of Moratuwa in partial fulfillment of the requirement for the Degree of Master of Business Administration in Information Technology.

Department of Computer Science and Engineering

University of Moratuwa

Sri Lanka

July 2023

DECLARATION

I declare that this is my own work and this thesis does not incorporate without acknowledgement any material previously submitted for a Degree or Diploma in any other University or institute of higher learning and to the best of my knowledge and belief it does not contain any material previously published or written by another person except where the acknowledgement is made in the text.

Also, I hereby grant to University of Moratuwa the non-exclusive right to reproduce and distribute my thesis/dissertation, in whole or in part in print, electronic or other medium. I retain the right to use this content in whole or part in future works (such as articles or books).

.....

V.L.Weerawickrama

Date: 31.07.2023

The above candidate has carried out research for the Masters thesis under my supervision.

.....

Dr. Thanuja Ambegoda

02-08-2023

Date

COPYRIGHT STATEMENT

I hereby grant the University of Moratuwa the right to archive and to make available my thesis or dissertation in whole or part in the University Libraries in all forms of media, subject to the provisions of the current copyright act of Sri Lanka. I retain all proprietary rights, such as patent rights. I also retain the right to use in future works (such as articles or books) all or part of this thesis or dissertation.

ABSTRACT

This research study aims to examine the factors affecting e-accounting practices in Sri Lankan small and medium-sized enterprises (S.M.Es). The rapid advancement of information technology has brought about significant changes in accounting practices, with e-accounting emerging as a viable solution for enhancing efficiency and effectiveness in financial management. However, there is limited empirical research focusing specifically on the implementation and utilization of systems in e-accounting among Sri Lankan SMEs. To address this research gap, a quantitative research approach was adopted. Data was collected from a sample of SMEs in Sri Lanka through structured questionnaires, and statistical analysis such as descriptive analysis, correlation analysis and analysis of regression were employed to identify the relationships between various factors and e-accounting practices.

The findings of this research provide valuable inputs into the factors affecting E-accounting practices in Sri Lankan SMEs. The results reveal that information technology cost, risk of information technology, and employees' information technology skills significantly influence the adoption and utilization of e-accounting systems where employee theoretical knowledge was not significantly contributed. And also study has investigated that organizational supportiveness has a moderating effect on E-accounting practices.

The theoretical implications of this research highlight the importance of considering both technological and human factors in understanding the adoption and usage of systems in E-accounting. Practically, the findings highlight the need for SMEs in Sri Lanka to invest in developing their employees' IT skills and information technology to facilitate the successful implementation of E-accounting practices.

In conclusion, this research provides valuable insights into the factors influencing E-accounting practices among Sri Lankan SMEs. The outcomes contribute to both academic understanding and practical implications for SMEs aiming to enhance their financial management practices. Further research is recommended to address the limitations and expand the scope of this study, ultimately supporting the advancement of E-accounting practices among SMEs in Sri Lanka and beyond.

Key Words: E-accounting Practices, Small and medium-sized enterprises (S.M.Es), Sri Lanka.

ACKNOWLEDGEMENT

I would like to express my sincere gratitude to all the individuals and institutions who have supported and contributed to the completion of this thesis. Without their guidance and assistance, this accomplishment would not have been possible.

First and foremost, I am deeply thankful for the unwavering guidance provided by my esteemed supervisor, Dr. Thanuja Ambegoda. His expertise, mentorship, and continuous support throughout this research journey have been invaluable.

I am privileged to have had the opportunity to work under the inspiring leadership of Prof. P.N.D. Fernando, who not only encouraged me to pursue a recognized MBA but also provided financial support during his tenure as the Dean of the Faculty of Commerce and Management Studies, University of Kelaniya.

I am grateful to Prof. K.K.Tilakasiri, former Head of the Department of Accountancy, University of Kelaniya, for his valuable direction and guidance.

A special mention goes to Dr. Adeesha Wijayasiri, Coordinator of the MBA in IT (Batch of 2021) and the subject lecturer for Research Methodology, for his continuous support in ensuring the timely completion of this research.

I would like to acknowledge the academic and non-academic staff members of the Department of Computer Science and Engineering at the University of Moratuwa and the Department of Accountancy at the University of Kelaniya for their tremendous assistance throughout the thesis.

My heartfelt thanks also go to my family and friends for their unwavering patience and support. Their encouragement and understanding have been instrumental in my journey.

Finally, I extend my sincere appreciation to all the individuals who have directly or indirectly contributed to the completion of this thesis. Their faithful support and assistance are deeply appreciated.

TABLE OF CONTENTS

DECLARATION.....	I
COPYRIGHT STATEMENT	II
ABSTRACT.....	III
ACKNOWLEDGEMENT.....	IV
TABLE OF CONTENTS	V
LIST OF FIGURES	VI
LIST OF TABLES	VII
INTRODUCTION	1
1.0. Introduction	1
1.1. Background	1
1.1.1. Motivation.....	2
1.2. Problem Statement	2
1.2.1. Research Objectives	3
1.2.2. Research Significance	3
LITERATURE REVIEW.....	5
2.0. Introduction	5
2.0.1. IT and E-Accounting.....	6
2.0.2. Small & Medium Sized Enterprises.....	8
2.0.3. Information Technology Cost and E-accounting Practice	9
2.0.4. Information Technology risk and E-accounting practice.....	10
2.0.5. Employee Information Technology skills and E-accounting practice .	11
2.0.6. Employees’ theoretical knowledge and E- accounting practices	12
2.0.7. The Roles of Organizational Support in E-Accounting practices.....	13
2.2 Underpinning Theories.....	14
RESEARCH METHODOLOGY	17
3.0. Introduction	17
3.1. Operationalization and Measurement of Variables	17
3.2. Conceptual Framework	19
3.3. Data Collection.....	19
3.4. Population and Sample Selection	19
3.5. Hypotheses Development.....	20
DATA ANALYSIS	23

4.0.	Introduction	23
4.1.	Descriptive Analysis.....	23
4.2.	Validity and Reliability of the Measurement Model.....	27
4.2.1.	IT Cost.....	27
4.2.2.	IT Risk.....	27
4.2.3.	Employees’ Theoretical Knowledge	28
4.2.4.	Factor Analysis	29
4.3.	Testing Correlations	35
4.4.	Hypothesis Testing	36
4.5.	Testing the impact of moderating variable.....	39
	RECOMMENDATIONS AND CONCLUSION	42
5.0.	Introduction	42
5.1.	Discussion, Implications and Recommendations	42
5.2.	Limitations and Future Research Directions	45
	REFERENCES	47
	ANNEXURE A – QUESTIONNAIRE.....	49

LIST OF FIGURES

Figure 4. 1 :	Industry Classification	25
Figure 4. 2 :	Financial Reporting Period Classification	26
Figure 4. 3 :	Financial Statements Preparation Frequency	26
Figure 4. 4 :	Scree Plot	30
Figure 4. 5 :	Scree Plot	32
Figure 4. 6 :	Scree Plot	35

LIST OF TABLES

Table 3. 1 : Variables Operationalization	18
Table 4. 1 : Financial Reports Preparation Frequency.	23
Table 4. 2 : Financial Reports Preparation Frequency.	23
Table 4. 3 : Descriptive Statistics	24
Table 4. 4 : Case Processing Summary	27
Table 4. 5 : Reliability Statistics - IT Cost.....	27
Table 4. 6 : Case Processing Summary	28
Table 4. 7 : Reliability Statistics – IT Risk.....	28
Table 4. 8 : Case Processing Summary	28
Table 4. 9 : Reliability Statistics -Employees' Theoretical Knowledge	29
Table 4. 10 : Correlation Matrix - IT Cost	29
Table 4. 11 : KMO and Bartlett's Test - IT Cost	30
Table 4. 12 : Communalities.....	30
Table 4. 13 : Total Variance Explained	30
Table 4. 14 : Component Matrix ^a	31
Table 4. 15 : Correlation Matrix	31
Table 4. 16 : KMO and Bartlett's Test	32
Table 4. 17 : Communalities.....	32
Table 4. 18 : Total Variance Explained	32
Table 4. 19 : Component Matrix ^a	33
Table 4. 20 : Correlation Matrix	33
Table 4. 21 : KMO and Bartlett's Test	34
Table 4. 22 : Communalities.....	34
Table 4. 23 : Total Variance Explained	34
Table 4. 24 : Component Matrix ^a	35
Table 4. 25 : Correlations	36
Table 4. 26 : Variables Entered/Removed	37
Table 4. 27 : Model Summary	37
Table 4. 28 : ANOVA.....	38
Table 4. 29 : Coefficients.....	38
Table 4. 30 : Model : 1.....	39
Table 4. 31 : Model Summary	39
Table 4. 32 : Model	40
Table 4. 33 : Unconditional interactions(s):.....	40
Table 4. 34 : Conditional effects of the focal predictor at values of the moderator(s):.....	40
Table 4. 35. Hypothesis Substantiation Summary	41