

**IMPACT OF DIGITALIZATION ON SMALL AND
MEDIUM ENTERPRISES PERFORMANCE IN
SRI LANKA**

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Thesis/Dissertation submitted in partial fulfillment of the requirements for the degree.

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DECLARATION

I declare that this is my own work and this thesis/dissertation 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. I retain the right to use this content in whole or part in future works (such as articles or books).

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The above candidate has carried out research for the Masters dissertation under my supervision. I confirm that the declaration made above by the student is true and correct.

Name of Supervisor: Prof. K.W.S.N. Kumari

Signature of the Supervisor:

Date: 15.04.2024

ACKNOWLEDGEMENT

I would like to express my sincere gratitude to Professor Sandya N. Kumari, my esteemed supervisor, for her unwavering support and invaluable guidance throughout this thesis. Her expertise, encouragement, and continuous availability have been instrumental in the successful completion of this work. I am truly thankful for her commitment to excellence and the inspiration she provided at every step.

In addition, my heartfelt thanks extend to my family, whose constant encouragement and understanding made this academic journey possible. I am deeply appreciative of the support and cooperation I received from my course coordinators, university staff, and colleagues, whose collaborative efforts created a conducive environment for learning and research.

This journey has been a collective effort, and I am grateful to each individual who played a role, directly or indirectly, in the realization of this thesis. Thank you for being a significant part of this academic endeavor.

ABSTRACT

The impact of digitalization has been an issue that is gaining ground, giving rise to concerns and alarm within the Small and Medium Enterprises (SMEs) in Sri Lanka. The objective of this research lies in showcasing the effects of digitalization on SME performance in Sri Lanka. The study is carried out in positivism philosophy where deduction approach is used. The approach adopted in this study is a questionnaire and data are collected using structured questionnaires through quota sampling technique.

SPSS software is then used to analyze the collected data since its primary statistical technique is multiple regression analysis. The important outcomes of this study reveal intriguing revelations. It is observed that poor fit has a negative relationship with the performance of business while cost-effectiveness, trust, innovation and agility show a positive and significant relationship to SME's performance. However, interactivity and digital skills and capabilities do not necessarily imply unambiguous power.

Digitalization is one of the major factors that determine SMEs' performance in Sri Lanka. SMEs should pay close attention to cost effectiveness, trust, innovation and responsiveness using digitalization based on the results. The null hypotheses for incompatibility, interactivity, and digital skills and capabilities are insignificant means that they could be investigated further, or perhaps alternative methods of intervention may be necessary. The findings of this study present the focal opportunities and threats which digitalization presents for policymakers in Sri Lanka who are planning to design policies that can capture digitalization benefits to improve business performance.

Key words

Digital Transformation

Competitive Pressure

Technological Infrastructure

Technology Acceptance Model (TAM)

Resource-Based View (RBV)

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LIST OF ABBREVIATIONS

- DV- Dependent variable
- SME - Small and Medium-sized Enterprises
- INC - Incompatibility
- CE - Cost Effectiveness
- TRST - Trust
- INT - Interactivity
- DSC - Digital Skills and Capabilities
- INNOV - Innovation
- AGLT - Agility
- BP - Business Process
- SL - Sri Lanka
- IT - Information Technology
- D1- Assessment of Digital Transformation in the Company
- D2- Digital Tools Training and Employee Skill Development
- D3- Management of Digital Technologies within the Company
- D4- Digital Infrastructure Maintenance and Upgrades

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