



READINESS OF INTERNET USER FOR E-COMMERCE (CASE STUDIES FROM SRI LANKA)

BY

Janitha Chameera Jayasekera

Supervised By

Dr. Malitha Wijesundara,

Dr. Lesly Ekanayake

This Dissertation was submitted to the Department of Civil Engineering of the
University of Moratuwa in partial fulfillment of the requirement for the
Degree of Master of Business Administration

Department of Civil Engineering
University of Moratuwa

2009

92383



Abstract

Electronic commerce (E-Commerce) has emerged with the development of Internet and spread rapidly because of its capability of improving efficiency and productivity in many business areas. Many countries paid attention on developing e-commerce and its usage and benefitting from it today. However the adaptation of developing countries to e-commerce was a challenge because of the infrastructure limitations and other issues related to consumers.

Sri Lanka has not yet passed the medium level of e-readiness because of the less coverage of Internet and low computer and Internet literacy levels. However the existing Internet users display comparatively high adaptability to e-commerce transactions. Sri Lankan Internet user has a moderate level of Internet shopping usage while more people pay bills through Internet and access Internet banking application. With this the current level of ecommerce readiness of country can be said as in a higher medium level compared to the world averages and display better performance than other countries in region and similar economic indicators.

Income and education is positively related to Internet shopping while age group 20-40 dominated in purchasing goods and services over the Internet. People who pay more household bills displayed significantly high usage of Internet shopping. Sri Lankan males were more interested in buying on Internet compared to females. However the spending on Internet and frequency of online purchases were in very low levels and less availability of buying options coupled with low trust on e-commerce sites created such a behavior.

Current Internet users display very healthy reactions to e-commerce and less shadows of traditional trading mechanisms also acts -positive. Development of infrastructure creating high awareness and opportunities will improve the Internet usage and the e-commerce involvement of people in Sri Lanka. With a matching e-



commerce model, there is a high possibility in creating a very active e-buyer community in future if authorities take the correct actions soon.

Declaration

“I certify that this thesis does not incorporate without acknowledgement any material previously submitted for a degree or diploma in any university to the best of my knowledge and belief and it does not contain any material previously published, written or orally communicated by another person or myself except where due reference is made in the text. I also hereby give consent for my dissertation, if accepted, to be made available for photocopying and for interlibrary loans, and for the title and summary to be made available to outside organizations”

UOM Verified Signature

Signature of Candidate

..f..m..g...

Date



University of Moratuwa, Sri Lanka.
Electronic Theses & Dissertations
www.lib.mrt.ac.lk

The above particulars are correct to the best of my knowledge.

..

UOM Verified Signature

Supervisor

Dr. Malitha Wijesundara

Acknowledgement

The successful completion of this Master's thesis is not just a result of my individual effort. Therefore I would like to express my sincere thanks to all the guiding and helping hands provided countless support in this long journey.

First of all I would like to give my highest gratitude to the supervisors Dr. Malitha Wijesundara and Dr. Lesly Ekanayake for guiding me through the process. This thesis would certainly not have borne fruition without them.

Then many thanks to Dr. Chintha Jayasinghe and Dr. Asoka Perera from University of Moratuwa for being the initial guides who took me in correct direction and helped me through the entire process whenever I needed some help of guidance.

Next I would like to express my sincere thanks to:

All the authors of the articles listed under the reference section,

To initiators and coordinators of the MBA program which created the back born of my management life,

To staff at Paragon Software Lanka (Pvt.) Ltd. and Paragon Inc., California for the support given throughout the period of MBA and research granting me necessary leave and providing support,

My parents who were the light house of this long journey all time,

My loving wife Krishani Jayasekera, who was the silent support in entire period taking all the other responsibilities and kept me encouraging,

And finally I would like to thank the people who filled the questionnaire and all others helped me throughout this MBA program and research study.

TABLE OF CONTENT

1. INTRODUCTION AND RESEARCH PROBLEM	1
1.1 INTRODUCTION	1
1.2 BACKGROUND	1
1.3 RESEARCH PROBLEM.....	3
1.4 RESEARCH QUESTIONS	4
1.5 IDENTIFICATION OF RESEARCH OBJECTIVES.....	4
1.6 METHODOLOGY IN BRIEF	5
1.7 THESIS CHAPTER STRUCTURE	6
2. LITERATURE REVIEW.....	7
2.1 E-COMMERCE.....	7
2.2 CATEGORIES OF E-COMMERCE.....	8
2.3 GROWTH & TRENDS OF E-COMMERCE	9
2.4 READINESS	10
2.5 E-READINESS	11
2.6 E-COMMERCE READINESS.....	12
3. METHODOLOGY OF STUDY	14
3.1 RESEARCH PURPOSE.....	14
3.2 RESEARCH APPROACH.....	15
3.3 RESEARCH STRATEGY.....	16
3.4 SAMPLE SELECTION	18
3.5 DATA COLLECTION	21
4. ANALYSIS AND DISCUSSION OF RESULTS	23
4.1 PRESENTATION OF DEMOGRAPHIC DATA	23
4.1.1 Age wise profiling of data.....	23
4.1.2 Income wise profiling of data.....	24

4.1.3 Education wise profiling of data	25
4.1.4 Gender variation of data	26
4.1.5 Occupation Variation of Data	27
4.1.6 Household Bill Payment by Internet Users	27
4.2 INTERNET USAGE AND EXPERIENCE	28
4.2.1 Type of Internet Usage	29
4.2.2 Level of Internet Experience	32
4.3 E-COMMERCE USAGE & READINESS	35
4.3.1 Confidence in E-Commerce Usage	35
4.3.2 Ability and Willingness for E-Commerce	36
4.3.3 Current Usage of E-Commerce	39
4.3.4 E-Commerce Security Concerns	58
4.3.5 Satisfaction of Internet purchases	61
4.4 SECONDARY DATA ANALYSIS	64
4.5 E-COMMERCE READINESS MEASURING OF INTERNET USERS	67
4.6 IMPROVEMENTS AS SUGGESTED BY CONSUMERS	68
5. CONCLUSIONS, RECOMMENDATIONS AND FURTHER RESEARCH	70
5.1 GENERAL CONCLUSION AND DISCUSSION OF FINDINGS	70
5.2 RECOMMENDATIONS	75
5.3 LIMITATIONS OF THE STUDY	76
5.4 FUTURE RESEARCH	77
6. REFERENCES:.....	78
7. APPENDIX A	82
8. APPENDIX B.....	85

LIST OF TABLES

Table 2.1 E-Readiness Rankings of Countries.....	12
Table 2.2: E-Readiness Rankings of Countries by Year	12
Table 3.1: Relevant situation for different research strategy	17
Table 4.1: Age Variation of Data	24
Table 4.2: Income variation of data	24
Table 4.3: Income variation – Income bands	24
Table 4.4: Level of education.....	25
Table 4.5 : Education by Education Bands	25
Table 4.6: Gender Variation of Data	26
Table 4.7: Gender Vise Percentages of Internet Users in Western Province	26
Table 4.8: Internet Users by Occupation Category	27
Table 4.9: Household Bill Payments by Internet Users	28
Table 4.10: Number of Users by Household Bill Payment Categories.....	28
Table 4.11: Internet Usage Percentages	29
Table 4.12: Place of Internet Use	29
Table 4.13: Yeas of Experience by Demographic Bands.....	33
Table 4.14: Level of Confidence in Doing Internet Based Financial Transactions –by Demographic Bands	36
Table 4.15 : Comparison between Internet Purchase, Internet Bill Payment and Internet Banking	42
Table 4.16: Main Concerns of Indian Internet Shoppers	56
Table 4.17 : Satisfaction about available purchasing options for Sri Lankans	58

Table 4.18: Level of Satisfaction about Last Purchase	61
Table 4.19: Absence of a Face is a Problem?.....	62
Table 4.20: Absence of Touch is a Problem?.....	62
Table 4.21: Missing of Bargaining Power is a Problem?.....	62
Table 4.22: Advantages of Internet Shopping as Self Reported	63
Table 4.23: Reason for Buy through Internet.....	63
Table 4.24: Number of Internet Users by Year	66
Table 4.25: Growth of Credit Card Users over Years.....	67
Table 4.26: Indicators of E-Commerce Readiness.....	68
Table 4.27: Improvements in Internet Shopping.....	69

LIST OF FIGURES

Figure 4.1: Place of Internet Use.....	30
Figure 4.2: Type of Internet connection.....	31
Figure 4.3: Years of Experience.....	33
Figure 4.4: Level of Confidence in Using Internet – As Self Reported.....	34
Figure 4.5: Level of Confidence in Doing Internet Based Financial Transactions.....	35
Figure 4.6 : Availability of Internet ready payment methods	37
Figure 4.7 : Types of payment methods available	38
Figure 4.8: Reasons for not having Internet ready payment methods.....	39
Figure 4.9: Internet shopping percentage	40
Figure 4.10: Comparison of E-Commerce Usage of Sri Lanka with Other Countries	41
Figure 4.11: Comparison of e-commerce categories	43

Figure 4.12: E-commerce Usage by Income	45
Figure 4.13: E-commerce Usage by Level of Education	45
Figure 4.14: E-Commerce Usage by Age	46
Figure 4.15: Internet shopping by Different Age Groups	47
Figure 4.16: Relation of E-Commerce Usage with Household Bill Payment by Internet Users.....	48
Figure 4.17: E-Commerce Usage by Gender	49
Figure 4.18: Internet Shopping by Gender.....	49
Figure 4.19: E-Commerce usage by Length of Experience	50
Figure 4.20: E-Commerce usage by Level of Experience (as self reported)	51
Figure 4.21: Level of Concern and E-Commerce Usage	52
Figure 4.22 : Types of Goods/Services purchased over Internet	53
Figure 4.23: Frequency of Purchase.....	54
Figure 4.24 : Income and frequency of purchase.....	54
Figure 4.25: Expense % against Income bands.....	55
Figure 4.26 : Reasons for less expense on e-commerce activities	56
Figure 4.27: Internet shopping: Local and foreign sites.....	57
Figure 4.28 : Does Internet sites do enough to secure my data?	59
Figure 4.29 : Level of Confidence between local and foreign sites.....	60
Figure 4.30: Fixed Line Telephone Growth and Trend	65
Figure 4.31: Mobile phone growth and Trend	65
Figure 4.32: Internet & Email Subscribers growth and Trend.....	66
Figure 4.33: Growth of Credit Cards Users over Years	67