THE EFFECT OF ELECTRONIC COMMERCE ON THE PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN UGANDA:

A CASE STUDY OF KAKOBA DIVISION, MBARARA DISTRICT

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DEDICATION

I dedicate my dissertation work to my family and friends. A special feeling of gratitude to my loving parents, Mr. Benson and Mrs. Jeniffer Turyahikayo, and to my lovely children Joshua and Abigail for bearing with me as I was away sometimes. I appreciate the help from respectable friends like Bernard, Eleanor and Gad for the support and encouragement. God bless you all.

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LIST OF ABBREVIATIONS

SMEs	Small and Medium Enterprises
ICT	Information and Communication Technologies
EC	Electronic Commerce
GDP	Gross Domestic Product
UBOS	Uganda Bureau of Statistics
MSMEs	Micro Small and Medium Enterprises
UNIDO	United Nations Industrial Development Organization
UCC	Uganda Communications Commission
EDI	Electronic Data Interchange
WPR	World Payment Report
MNO	Mobile Network Operator
M-PESA	Mobile Money Transfer Service -Safaricom
Ksh	Kenya Shilling
CVI	Content Validity Index
GEM	Global Entrepreneur Monitoring
ICPAK	Institute of Certified Public Accountants
SPSS	Statistical Package for Social Scientists
UK	United Kingdom
US	United States

ABSTRACT

Today's business world has been deeply influenced by Information and Communication Technologies (ICT) and the application of ICT among business is widespread. The main purpose this study was to investigate the effect of electronic commerce on performance of SMEs in Kakoba Division, Mbarara District. The study was guided by the following objectives; to assess the effect of electronic marketing system on performance of small and medium enterprises; to examine the effect of electronic procurement system on performance of small and medium enterprises and to assess the effect of electronic payment system on performance of small and medium enterprises in Kakoba division.

A case study research design was used. The study employed quantitative approaches. The study population consisted of 138 respondents. A sample size of 103 respondents was selected using purposive and simple random sampling techniques. SPSS program was used to do the analysis for quantitative data. Quantitative data analysis mainly consisted of descriptive statistics and inferential statistics (Pearson correlation, coefficient of determination and regression).

Findings revealed that electronic marketing ($\beta 1 = 0.344$) and electronic procurement ($\beta 2 = 0.288$) had a significant positive effect on performance of small and medium enterprises in Kakoba division, however, electronic payment ($\beta 3 = 0.379$) had a positive effect on performance of small and medium enterprises in Kakoba division. The predictive power of the model was found to be 62.9% (Adjusted R Square = 0.629). This result indicates that the variation in e-marketing, e-procurement and e-payment among SMEs combined accounts for 62.9% variation in the level of financial performance of SME s. The remaining 37.1% was determined by other factors outside the study.

It was concluded that electronic commerce had significant positive effect on performance of small and medium enterprises in Kakoba division. Thus, it was recommended that for purposes of improving performance of small and medium enterprises in Kakoba division, it is imperative that SMEs adopt more of electronic marketing, payment and procurement in their daily operations and for consumers to be encouraged to have access to marketing and interacting online.

Keywords: Information and communication technologies (ICT), Small and Medium Enterprises (SMEs), E-commerce, Mbarara, Kakoba

CHAPTER ONE

GENERAL INTROUCTION

1.0 Introduction to the study

This study examines the effect of electronic commerce on the performance of SMES in Uganda using a case study of Mbarara district. This chapter provides the introductory part of the research topic of the study. It comprises of the background of the study, statement of the problem, objectives of the study, research hypothesis, conceptual framework, significance and justification of the study, scope of the study and operational definitions.

1.1 Background of the study

Globally, enterprises are increasingly adopting electronic networks due to the initiation of personal computers and operational effectiveness. Today's business world has been deeply influenced by Information and Communication Technologies (ICT) and the application of ICT among business is widespread. ICT are rapidly changing global production, work, business methods, trade and consumption patterns in and between enterprises and consumers as noted by Mohammad & Alam (2009). World over, half to two-thirds of all businesses are SMEs and in many regions this proportion is much higher. SMEs are capable of creating jobs with least amount of capital and in dispersed locations which makes SMEs attractive to policy makers (Venkatesh & Muthiah, 2012), (Saleh, & Ndubisi, 2006).

Electronic Commerce (EC) has changed and is still changing the way business is conducted around the world. The commercialization of the Internet has driven Electronic Commerce to become one

of the most promising channels for inter-organizational business processes. E-commerce evolved in various means of relationship within the business processes. It can be in the form of electronic advertising, electronic payment system, electronic marketing, electronic customer support service and electronic order and delivery (Asghar et al., 2011).

Electronic commerce can be defined as any economic or business activity that uses Information Communication Technology (ICT) based applications to enable the buying and selling of products and services and to facilitate the transaction of business activities between and among businesses, individuals, governments or other organizations (Fink & Disterer, 2006). This includes using ICTs to strengthen a company's internal operations, such as logistics, procurement, and human resource and contracts management, information and data management, communication functions, and to facilitate the flow of products between businesses and consumers, e.g. marketing, ordering, payment, delivery, and searching for suppliers (McIvor & Humphreys, 2004). Adoption of electronic commerce offers a great opportunity to SMEs to gain greater global access and reduced transaction costs, provides substantial benefits via improved efficiencies and raised revenues; facilitates access to potential customers and suppliers, productivity improvements, customization of products and services and information exchange and management (UNCTAD, 2002).

However, the Small and Medium Enterprises are facing more stringent impediments to the adoption of new information technology, in particular, electronic commerce. Part of the problem relates to limited resources and technology capabilities, the scale and affordability of information technology, as well as the facility of implementation within rapidly growing and changing organizations (Raisinghani et al., 2005). In addition, new solutions configured for large, stable, and internationally- oriented firms do not fit well for small, dynamic, and locally-based firms

(Wang & Cheung, 2004). However, most of the studies on electronic commerce adoption evaluation and benefits realization that have been done to-date have been carried out in large organizations (Lin, 2005). According to Macharia (2009), there is limited systematic research into the effect of electronic commerce on performance of SMEs in developing countries and in particular the SMEs in Uganda. Hence this study seeks to explore the effect of electronic commerce on SMEs performance in Uganda.

The role of SMEs in the ongoing rapid economic development of Africa is well recognized (United Nations, 2014). Small Medium Enterprises (SMEs) play a vital role in economic development of many countries around the world. Currently the e-commerce has been growing rapidly. Development of internet and expansion of infrastructure and technology are key drivers to exponentially increase of e-commerce value inevitably. E-commerce is about using computer system and internet to propose the businesses including selling, buying, exchanging products, servicing and information (Ueasang komsatea, 2015). Also, SMEs play significant role in wealth creation, making up perhaps around a quarter of gross domestic product and often contributing to export as well, also SMEs have been recognized as indispensable components of national development in both developed and developing economics (Akanbi et al, 2015). Although, the unprecedented acceleration of Information, Communication and Technologies (ICT) have contributed to the recognition of a wide range of new technologies, business practices and features not to mention the emergence of e-business, e-commerce, e-marketing, e-banking, e-learning among others.

Small and Medium Enterprises (SMEs) have been recognized as important contributors in the economy of many countries; with new opportunities opening for them in domestic and

international markets. SMEs comprise of over 90% of African business operations and contributing to over 50% of African employment and GDP (Okafor, 2006). This gives a clear indication of their importance to the economy. In Africa the Entrepreneurship looks into the local resources hence playing a major role in their countries' growth. However it is important for an SME to grow in order to remain competitive in these competitive markets (Lloyd, 2002). They are considered the lifeblood of modern economies creating as far more jobs than with large organizations. Etemad and Wright (2004) confirm the importance of SMEs for their potential for job creation and distribution of wealth which results in a multiplier effect in the social economic activities of a country. They at times act as subcontractors of the large organizations in an economy ultimately leading to equitable distribution of wealth. According to a government publication; sessional paper no2 (2005), an SME is defined as an enterprise running with 1-50 employees. The World Bank defines an SME as a formerly registered business with an annual turnover of between 1-50 Million Ugandan Shillings and with an asset base of at least 4 Million Uganda Shillings with 5-150 employees.

Ghobakhloo et al., (2011) indicate that SMEs are developers of entrepreneurial talent and a testing ground for new products. They are agents of change, widely facilitating innovation and competition within various national economies; the stimulation of competition bringing about a diversity of products and services. The promotion of SMEs and, especially, of those in the informal sector is viewed as a viable approach to sustainable development of economies are the main source of employment in developed and developing countries alike. However SMEs face unique problems, which affect their growth and profitability, many of the problems have implications for technology choice. These problems include lack of access to credit, inadequate

managerial and technical skills, and low levels of education, poor market information, inhibitive regulatory environments, and lack of access to technology (Elliot & Boshoff, 2007).

In Uganda, Small medium enterprises are an essential part of the Ugandan industrial sector. The unique characteristics of SMEs are less capital investment and high labor absorption which has created exceptional importance to this sector. It is estimated that 7.5 Million SMEs in Uganda provide employment and income generating opportunities in low income sectors of the economy. The sector has contributed to country's gross domestic product (GDP) with an increase from 13.8 % in 1993 to 40 % in 2008. They earn 14 % of the country's GDP (UBOS, 2013). However not many SMEs grow into firms whose contribution is accredited to the economy as over 60% of small businesses are estimated to fail each year (Kenya Bureau of Statistics, 2014).

Ugandan Small medium enterprises are diverse in nature, being spread across a wide range of industrial sectors; as many as ten sectors comprise five per cent or more of the overall base of MSMEs. The highest proportion of them work in the agricultural sector (14%), followed by the education & health sector (13%), and recreation & personal (10%). MSMEs in Uganda are relatively young enterprises; majorities (69%) of them are aged between one and ten years old. The entrepreneurial nature of the Ugandan MSME environment is highly visible; nearly nine out of ten owners started up using their own funds, and nearly three quarters operate as sole proprietorships. MSMEs are run and typically managed by owners - under a third (31%) have a manager who is in charge of operations. Owners are also relatively well-educated; over half have secondary education or higher (National Small Business Survey of Uganda, 2015)

SMEs have been identified as major driving forces for their realization. These underscore the importance of identifying determinants that lead to Internet social networks adoption by small

enterprises in Kenya (Daniel et al., 2012). There are still gaps in knowing the operations involved in electronic commerce in Mbarara district and thus this research therefore, is aimed at finding out whether performance of SMEs is affected by e-commerce and if there are any significant improvements in terms of ensuring quality services, advertising and marketing to the customers on line.

1.1.2 Background to Mbarara District

Mbarara is a district in Western Uganda. The district was named after its chief municipal centre, the city of Mbarara, where the district headquarters are located. Mbarara district is bordered by Ibanda district to the north, Kiruhura district to the east, Isingiro district to the southeast, Ntungamo district to the southwest, Sheema district to the west and Buhweju district to the northwest. The district is subdivided into one municipal council, Mbarara Municipality, and 19 sub-counties, namely, Kashari, Bubaare, Bukiro, Kagongi, Kakiika, Kashare, Rubaya, Rubindi, Rwanyamahembe, Biharwe, Kakoba, Kamukuzi, Nyamitanga, Rwampara, Bugamba, Mwizi, Ndaija, Nyakayojo and Rugando (UBOS, 2012).

In 1991, the national census put the population of the district at about 267,500. The 2002 national census estimated the district population at about 361,500, with an estimated growth rate of about 2.2%. Of these, 51% were female and 49% were male. 55% of the district population is aged between 0 and 18 years. In 2012, the district population was estimated at approximately 445,600 (UBOS, 2012).

1.2 Statement of the problem

The emergence of electronic commerce is presumed to have a significant effect on performance of SMEs (Okafor, 2006; Mishra and Dhillon, 2012). Therefore, for purposes of improving performance of SMEs in developing countries including Uganda, SMEs have started to adopt the usage of electronic commerce in form of e-marketing, e-procurement and e-payment systems to ensure that they improve their performance in terms of increasing profitability, market Share expansion, increased market growth, improved customer loyalty, firm's image enhancement, increased competitive advantage and access to new market niches. However, the performance of SMEs in Uganda has remained below standards with only 37% of the businesses having access to the internet (NSBS, 2015). GEM Report (2014), 80% to 90% of the SMEs started fail each year. Additionally, UNIDO (2015), indicated that out of the 10 small businesses started, only 1% survive in the next five years. Balunywa (2010) indicated that such small businesses that avoid the scourge of failure also faced stunted growth. According to UNIDO (2011), this surge is created by amateur entrepreneurs who often join business with no required skills of using electronic commerce and new advancement in technology. It is from this background that the researcher undertook this study to find out whether the poor performance of SMEs in Uganda and particularly in Mbarara district has a linkage with less adoption of electronic commerce.

1.3 General Objective

The general objective of the study was to examine the effect of electronic commerce on the performance of small and medium enterprises in Uganda using a case study of Kakoba division, Mbarara District.

1.3.1 Specific Objectives

The objectives of this study were:

i) To assess the effect of electronic marketing system on performance of small and medium enterprises

ii) To examine the effect electronic procurement system on performance of small and medium enterprises

iii) To assess the effect of electronic payment system on performance of small and medium enterprises

1.4 Research Questions

i) What is the effect of electronic marketing system on performance of small and medium enterprises?

ii) What is the effect of electronic procurement system on performance of small and medium enterprises?

iii) What is the effect of electronic payment system on performance of small and medium enterprises?

1.5 Research Hypothesis

There is a significant effect of electronic marketing system, electronic procurement system electronic payment system on performance of small and medium enterprises in Kakoba division.

1.6 Scope of the Study

1.6.1 Content Scope

The study assessed the effect of electronic commerce (E-Commerce) dimensions on the performance of SMEs Mbarara district, Uganda. The dimensions included e-marketing, e-

procurement and e-payment systems whereas, SME performance as dependent variable had dimensions like profitability, customer satisfaction and market growth.

1.6.2 Geographical scope

The study was conducted in Kakoba division in Mbarara district, south western Uganda. This division in Mbarara was chosen because of its location in the main center of Mbarara town and many growing investments and opportunities upheld from there.

1.6.3 Time Scope

The study was cross sectional in which data collection, analysis and presentation was for a single period. This type of scope was a as a snapshot or a one-off study considering a period between 2010 and 2015 because it in this period that electronic commerce has additional new knowledge to be added to the more recent economic trends, policies and regulations relating to Uganda's SMEs performance effect.

1.7 Significance of the study

This study can contribute to entrepreneurs apprehending the challenges they face in the small and medium enterprises' sector in terms of e-commerce and it is also hoped that this study was to also make some recommendations to overcome those challenges. The study was also to aid the efforts of other scholars and libraries.

The findings of the study can bring to light the relevance of development competences in achievement of organizational goals at an SME level and will act as a feedback to all existing providers of SME strengthening initiatives such as Enterprise Uganda and Private Sector Foundation that have been involved in training SME managers in an attempt to improve their competences.

The study may be helpful to the researcher by enabling him to accomplish her course as it is a partial fulfillment of the study but also may gain more knowledge concerning the operation and effectiveness of the e-commerce system in SMEs operations.

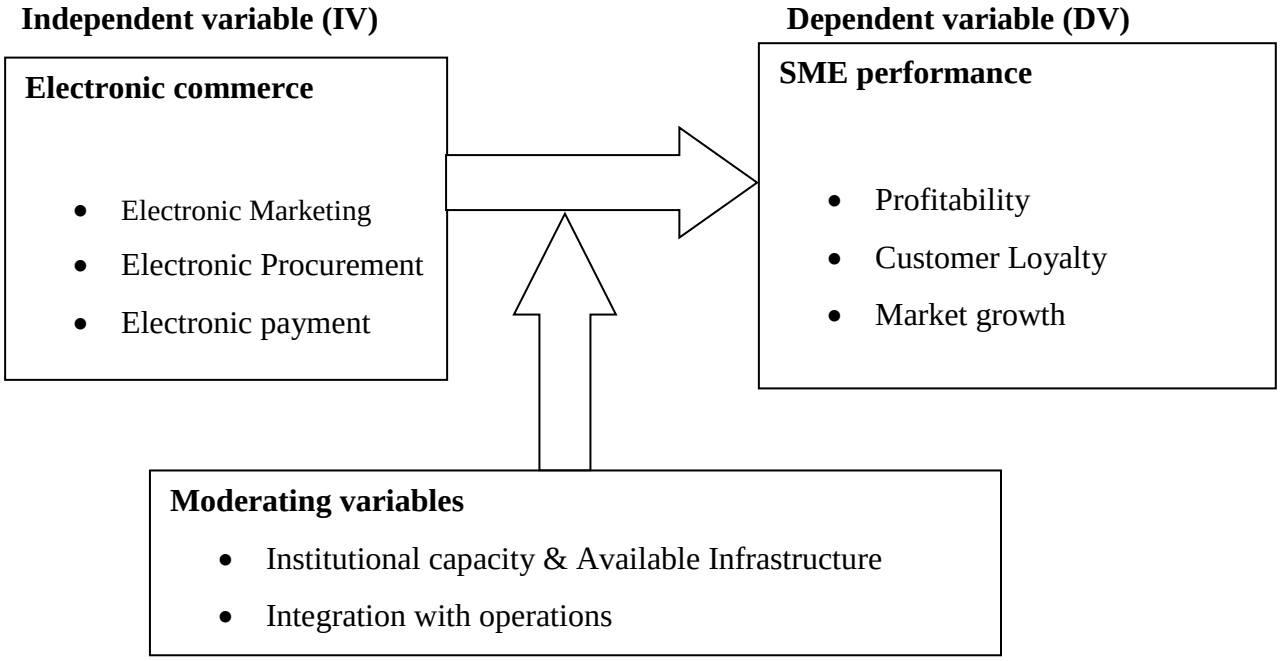
1.8 Justification of the study

Guided by a limited number of studies that have attempted to relate e-commerce with performance of SMEs in Uganda, like Gordon (2010) who studied the effect of social media marketing on performance of SMEs in Uganda; Wanyama (2001) also studied an assessment of internet marketing on performance of SMEs in Uganda, these studies have tried to relate e-commerce to performance of SMEs in Uganda, none of them specifically related e-commerce to performance of SMEs in Kakoba division, Mbarara district. Thus, the rationale behind the choice of this study was to empirically establish the effect of e-commerce on performance of SMEs in Kakoba division, Mbarara district so as to contribute positively to the field of e-commerce in SMEs that deal with business to business, business to consumer or to government.

1.9 Conceptual Framework

Mas & Amolo (2013) argued that the performance of SMEs highly depended on electronic commerce. Forman & Goldfarb (2006) adds that electronic commerce exercised in terms of electronic marketing, electronic procurement and electronic payment can have an influence on profitability of SMEs. However, this relationship may be modified by politics and the external environment of the hotel as well as families from which interact.

Fig: 1 Conceptual framework



Source: *Adapted and modified from Smith et al 2013; Tiessen and Wright (2012)*

From the conceptual framework in Figure 1, it was hypothesized that e-commerce had an effect on performance of SMEs. The model shows the effect of electronic commerce on performance of SMEs. The dependent variable is performance whose variables include Profitability, Market Share and market growth, level of Customer Loyalty, its ease in access to new market niches and its ability to issue a competitive advantage to the SMEs. The Independent variables include the different ways of electronic marketing, electronic procurement and electronic payment system. However the performance is moderated by variables which include the Institutional capacity & available Infrastructure to use internet marketing, its ability to integrate internet marketing on its operations and the availability of required skilled personnel.

1.10 Definition of key terms

Electronic commerce; in this study referred to the internet and mobile technology based channels of communication in which people share business content with each other.

Electronic payment; referred to digital payments that are over internet for electronic commerce activities. Mobile payments or Mobile payments are defined as payment made not just as an alternative channel to send the payment information flow takes place in real time

E-procurement; referred to an internet-based purchasing system that offers electronic purchase, ordering processing and enhanced administrative functions to buyers, suppliers or the sourcing of goods and services via electronic means, usually through the internet. In basic terms, e-procurement can be defined as using Internet technology in the purchasing process.

E-marketing: this meant a business effort to inform, converse, promote and sell products and services over the internet or a process for reaching out to many existing and potential customers as possible using the internet.

1.11 Chapter Summary

This chapter introduced the concepts of electronic commerce and SME performance. Electronic commerce in this case was represented the independent variable and performance as the dependent variable. Electronic commerce has been depicted as meaning e-payment, e-marketing and e-procurement. These formed the objectives of the study. Therefore, this study aimed at findings out the relationship between e-payment, e-marketing and e-procurement and SME performance. This chapter thus provided the introductory part of the study. It comprises of the background of the study, statement of the problem, objectives of the study, research hypothesis, conceptual framework, significance, justification of the study, scope of the study and operational definitions.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews the literature related to establishing the effect of e-commerce on performance of SMEs. The review is conceptualized under the objectives of the study and focuses primarily on electronic marketing, electronic procurement and electronic payment system and performance of SMEs. These are considered the pillars of the study.

2.2 Theory of Technology Acceptance model

The study was guided by Technology Acceptance Model. The Technology acceptance model explains the determinants of information technology end user's behavior towards information technology. Elliot and Boshoff (2007) say that it is designed to explain computer usage through two cognitions; perceived usefulness and perceived ease of use. Perceived usefulness is the extent to which a person believes that using a particular system will enhance his or her job performance. Studies show that users are driven to adopt a technology primarily because of functions it provides them and also for the easiness of benefiting from these functions. SMEs are like other firms likely to benefit from the adoption of internet marketing as it enhances their performance at a reduced cost. SMEs who have realized this have benefited (Sharma and Aragón-Correa, 2005). SMEs may be aware of the importance of Internet marketing but are barred from their inability to apply this technology. This has been to be as a result of skilled IT personnel as well as lack of IT knowledge. The perceived ease of use of the technology also affects the adoption by firms; this is more so for SMEs. Etemad and Wright (2004) state that technology should be both easy to learn and easy to use; this implies that perceived ease of use is expected to have a positive influence on users'

perception of credibility and intention of using internet marketing. Perceived credibility can be defined as the perception of one that the other has the required expertise to perform effectively and reliably. SMEs depend on the credibility of the internet marketing for their success in performance for their adoption. Business owner's way these variables of its usefulness, credibility and ease of use before investing on technology like internet marketing. Technology acceptance model (TAM) Davis (1989), suggested when a user is presented with a new technology, a number of factors influence their decision regarding how and when to use it. Manueli et al., (2007) characterized innovation as perceived usefulness and perceived ease of use as being widely used within the adoption approach that builds on TAM.

2.3 Electronic Commerce

2.3.1 Electronic marketing system and performance of SMEs

The growth and spread of internet at an extraordinary pace over the last few decades has resulted in its increased use for marketing. Singh (2012) noted that it has taken approximately seven (7) years to reach a 25% market share from its inception, as opposed to the telephone that took 35 years and the television which took 26 years. The effectiveness and cost-friendly nature of internet marketing has allowed a platform for SMEs globally to benefit in marketing their products and reaching a wider range of clients at a reduced cost (Ashworth, et al., 2016). Electronic Marketing is the art and science of selling products and (or) services using digital networks, such as the internet and cellular phone networks (Smith et al., 2013).These are the strategies that are used to market a product or service online, communicate a company's message about itself, its products, or its services. It also entails conducting research on the nature (demographics, preferences, and needs) of existing and potential customers to enable them to sell goods, services or advertise over the internet.

Burges and Bothma (2012) say that electronic marketing is a business effort to inform, converse, promote and sell products and services over the internet. While Thersthol and Lövgren (2013) view online marketing as a process for reaching out to many existing and potential customers as possible using the internet. Maguire and Magrys (2012) on the other hand noted that it involves finding the right online marketing mix of strategies that appeal to your target market and will actually translate into sales. The science of online marketing is the research and analysis that goes into both choosing the online marketing strategies to use and measuring the success of those online marketing.

Firms who have embraced the use of internet marketing reap the benefits of ease of linking and communicating to clients and stakeholders for mutual benefit. Chaffey and Smith (2015) noted that firms have been able to increase their sales turnover and profitability and their market share from the adoption of electronic marketing; this is due to the ease of access to information, reduced cost of economic interactions and improved communication with customers. He noted that internet marketing has facilitated to customer relations through activities that facilitate the exchange of ideas, products and services to satisfy the marketing goals of both parties. Tiessen and Wright (2012) confirm that electronic marketing has allowed firms the access of new market niches as well increase opportunities beyond geographical boundaries curbing international entry barriers. Early adopters of electronic marketing have gained a competitive advantage and established customer loyalty programs that have enabled them retain and gain new clients (Sparkes and Thomas, 2011)

The advent of electronic marketing offers SMEs a new frontier of opportunities and challenges. SMEs need to understand the drivers that influence the adoption of internet marketing to allow them create solutions and plans to attract consumers to their products and services, hence enable them gain a greater representation in the global industry market (Ghobakhloo et al., 2011). Electronic marketing therefore allows SMEs a fighting chance for success in the use of local and internal markets; however most SMEs face barriers to the adoption of electronic Marketing. Internet as a marketing tool provides significant opportunities for companies to seek and adopt innovative practices in order to address the increasing demands of consumers (Sharma &Aragón-Correa, 2015). Better supply chain management has been achieved and a reduced cost of transaction. The internet allows for fewer data entry errors creating time savings and lower labor costs. This is an effective solution for SMEs who have minimal employees (Martin, 2012).

The key use of electronic Marketing is its ability to enable the SMEs reach and interact with its current clients as well as potential. It does not need to be expensive to reach online customers effectively (Shane & Marilyn, 2012). This also allows them improve their products and services from the feedback given. Performance of SMEs is paramount for their success today. Success of business is gained through increased sales and acquisition of a market share from other competing firms. Internet Marketing allows SMEs to formulate strategies that can enable them enhance their performance. Branding is important in the adoption of internet for marketing purposes as well as the availability of adequate security procedures in one's site; this is because any online research and purchasing decisions are made solely based on trust. Inadequate security measures, expertise and financial means to guard against un- authorized access to confidential information by employees and from outsiders and hackers pose a hindrance to internet adoption (Khan, 2012).

The internet allowed organizations to have better control and feedback from their input as it brought about the capability to compile statistics regarding the viewing of the posted adverts on daily as well as hourly basis (Porter, 2001). It enables one to view the exposure time of the client on an advert hence track the effectiveness of the advert. Marketers today are able to identify and satisfy consumer needs and preferences through monitoring of websites visitations either on email, online surveys and chat rooms. Internet provides an opportunity to the businesses to get immediate and impulsive responses of the consumers through the marketing surveys and polls conducted online or via email.

Hamill (2013) explained that the internet was a powerful tool for SMEs as it reduced entry barriers that restrict internalization. Firms could overcome many operational barriers relating to paper work and export documentation. Businesses are able to expand into international markets due to the globalization of economies which has been spearheaded by the Internet marketing approaches. It has helped ease the red tape surrounding the prospect of doing business overseas, thus avoiding regulations and restrictions those companies must follow who are physically present in other countries. This is most beneficial to SMEs who are constrained financially to expand internationally as it allows them access of these markets at minimal costs (Hamill, 2013)

Most firms measure performance based on monetary success which is measured by sales turn over and profitability. Hofstrand (2015) advance that profitability is the primary goal of all business ventures. Without profitability the business will not survive in the long run. Businesses who gain profit are destined for success. The harsh environment however limits the ability of SMEs to

constantly earn these profits hence the need to adjust to operations that allow them perform at a limited cost. The use of internet marketing allows them to maintain customer loyalty while expanding their niches hence improving their chances of sales turn over and profitability.

The firm's ability to gain profit is established after returns are made on investment. Return on Investment is important to firms for continuity for their ability to return that which was borrowed. Hofstrand (2015) explains expansion is subject to the firm's ability to sustain itself on initial capital; for expansion businesses require to borrow further and their ability to return previously acts as a guarantee to the financier. Other measures are based on the market share established in an industry by these firms with market leaders gaining most favor from the shared clientele. A market share is the percentage of an industry or market's total sales that is earned by a particular company over a specified time period. The growth share matrix explains the market share and market growth rate of a firm where the Boston Consulting group (2012) analyzes a firm's business units, and their product lines. This helps the company allocate resources and is used as an analytical tool in brand management, product management, strategic management, and portfolio analysis.

The major benefits of e-marketing for the firms that adopt it are: increasing exposure to global markets (Laudon and Laudon, 2014), enhancing communication (Chaffey, 2013), and reducing transaction costs (Sandeep and Sing, 2005) due to the aggregation of buyers (customers) generated by the e-marketplace. According to Chaffey, Ellis-Chadwick, Mayer, and Johnston (2011), the performance of e-marketing pertains to financial benefits obtained from the management process responsible for identifying, anticipating and satisfying customer needs. Supported by Gilmore, Gallagher, and Henry (2012), the performance of e-marketing is substantially linked to different

technologies (e.g. e-mail, databases, wireless) to fulfill existing and emerging customer needs and preferences. E-marketing leads to standardization of products and prices as differences among competitors' products are reduced (Porter, 2001). Large firms are also able to encroach onto niche markets, which were traditionally serviced by SMEs because e-marketing significantly reduces transaction costs (Jeffcoat et al., 2012).

Electronic commerce technologies (like ICTs supporting electronic commerce applications) have the potential to lead to significant productivity gains at firm level. Especially when applied to business-to-business relations, electronic technologies can lead to rationalization of business processes and cost savings. As an immediate impact, these technologies allow automation of common processes, such as distribution, sales, after-sales service and inventory management. Internet solutions have been primarily developed for distribution channel management, while supply chain management has typically continued to be carried out through established EDI applications. However, as the costs of the Internet decrease, it is expected that new entrants or small companies that are not able to afford EDI will increasingly use the Internet for the management of supply processes (OECD, 2000a). Internet-based applications are not specific to any particular level of the business value chain and can be used across a vast range of sectors and firms. Among early adopters of electronic commerce technologies in the United States, impacts have been observed in product design (shortening the design process, and leading to a higher level of product customization and standardization of parts), and in production and logistics (lower inventory costs, faster production, lower supply costs) (OECD, 2012a).

Customers trust brands that have been established and are hesitant to venture into new ones; firms therefore invest highly on the establishment of its brand. Branding is defined by Porter (2001) as

the process of creating a unique image for a product in consumers mind. The use of internet marketing has allowed firms ability to establish brands for cheaper. SMES serve to benefit from Internet marketing for the purposes of branding as it offers a cheap option with access to larger masses. Increased number of accessed customers will increase the potential sales for the firm's hence better performance. Burke et al., (2014) explains that the use of internet has allowed the globalization of economies which has lessened the geographical barriers previously experienced by firms. This also allowed an increased market niches for firms through internet marketing. Firms today are exposed to international standards so as to cater to all clientele across the world. Performance is both measurable and perceptive which allows firms a competitive advantage over their counter parts in the industry. Use of Internet marketing by SMEs can enhance their performance for better branding and access to customers. This ensures more sales and loyalty by these firms.

2.3.2 Electronic procurement system and performance of SMEs

E-procurement has been defined by many authors (Hawking et al., 2014; Makinen et al., 2011); Tatsis et al. (2006) present several definitions. Electronic procurement sometimes also known as supplier exchange is a business–to–business or business-to-consumer or business-to-government purchase and sale of supplies, work, and services through the internet as well as other information and networking systems. Scholars have defined e-procurement as an "internet-based purchasing system that offers electronic purchase, ordering processing and enhanced administrative functions to buyers, suppliers" (Panayiotou et al., 2012) or "the sourcing of goods and services via electronic means, usually through the internet" (Schoenherr & Tummala, 2013). In basic terms, e-procurement can be defined as "using internet technology in the purchasing process" (De Boer et al., 2012). Though sometimes used interchangeably with the term 'e-purchasing', the latter has a

much narrower scope. While e-purchasing is simply a transaction conducted electronically, e-procurement can be viewed more broadly as an end-to-end solution that integrates and streamlines many procurement processes throughout the organisation (Vaidya et al., 2013). E-procurement is an 'umbrella term' (Fleming et al., 2010) that encompasses several elements, including electronic ordering, internet bidding, purchasing cards, reverse auctions, and integrated automatic procurement systems (Moon, 2005; George et al., 2011). For companies to remain competitive in the market, they must reduce the costs of their components, materials and services by sourcing from least-cost suppliers. One method to achieve it is through open bidding via the internet (Yu et al., 2014). This migration of procurement functions to internet is known as e-procurement.

Electronic procurement has been recently receiving much attention from businesses, industries and governments as it is reportedly become a powerful tool to improve effectiveness and efficiencies as well as service quality of its adopters (Basheka et al., 2012; Eei et al., 2012) and its application is nowadays inevitable in both manufacturing and services, not also in the private but also in the public sector (Gunasekaran & Ngai, 2013; Schiele, 2012). Companies have moved to e-procurement platforms, where transactions are done efficiently and in a fast pace (Makinen et al., 2011). The literature underlines numerous benefits of migration of procurement functions to internet. This new process is expected to benefit all facets of procurement, including selecting, bidding, payment and inventory processes (Basheka et al., 2012). Operational and cost efficiency are perceived as the primary advantage of e-procurement (De Boer et al., 2002; Brandon-Jones & Carey, 2011). Web-based purchasing is also believed to offer the capability to develop effective long-term strategic approaches, improve process and budgetary controls, and reduce transaction costs, hence leading to more efficient supply markets (Croom & Johnston, 2003) and increased

competitive advantage to the firm (Makinen et al., 2011). Furthermore, e-procurement offers buyers and sellers a new form of communication (Karthik & Kumar, 2013) and facilitates the documentation of the bidding process, enhancing transparency and accountability of operations (Croom, 2000). Increased internal customer satisfaction is also a benefit associated with e-procurement (Croom & Johnston, 2013). Scholars assert that implementation of e-procurement initiatives could improve the professionalism and outside perceptions of procurement specialists (Croom & Johnston, 2013). Finally, e-procurement applications have positive impact on employees' satisfaction, job formality and work relationships (Aslani et al., 2014).

Electronic commerce improves possibilities for production re-location (Amos, 2014). Product specifications can be developed where the company's design/development work is carried out, while production can be undertaken at locations that offer the best framework conditions. Through electronic commerce applications, firms within supply and distribution chains which were not previously connected can now establish direct contact. An important source of efficiency associated with e–commerce could come from dynamic impacts. These occur when firms use electronic commerce technologies proactively to create new products, adopt new business practices and change their way of interacting in the marketplace, i.e. their relations with customers, suppliers, intermediaries and competitors. The strategic use of e–commerce allows firms to enter, maintain or improve their position along the sectorial value chain (Croom & Johnston, 2013).

The measurement or assessment of benefit for using ICT tools in business has been a deeply studied matter in order to gain understanding of the best way to maximize advantages with the use of Internet, as well as to provide substantial evidence to convince potential adopters of its benefits. Assessment models of e-procurement and other ICT tools vary widely, due to the nature of

business and application used in each case. The spectrum of benefits studied includes financial benefit studies (Croom & Johnston, 2013) to the case study analyzing impact of e-procurement on organizations from different aspects (Makinen et al., 2011). Most of the results from these studies can be generalized to the e-procurement system, however to view these from the perspective of SMEs will require some adoptions. Two main articles by Panayiotou et al., (2012) and Ronchi et al., (2012) are reviewed in this section to represent the study of benefits of e-procurement systems in recent years. Panayiotou et al., (2012) has done a fairly comprehensive study of the actual benefits of e-procurement system in governmental purchases on behalf of the general secretariat of commerce in Greece. In their report, benefits of using e- procurement system are categorized into tangible benefits and intangible benefits (Eei et al., 2012). Tangible benefits are easily quantifiable, for example costs and time savings that translate into improved effectiveness and efficiency of organization, as well as revenue increase resulting from access to new markets or new business opportunities (Jeffcoat, Chappell, and Feindt, 2012). Intangible benefits are the other benefits such as improved customer satisfaction, better integration of business processes, and better communication with other businesses that improve business relationships and so on, which are not so easily quantifiable.

Meanwhile Ronchi et al., (2012) also divided benefits of using e- procurement system into two categories, financial performance and organizational performance, the former of which are measured in definitive, financial terms while the latter is qualitative in nature (intangible) thus similar to the tangible or intangible split proposed by Panayiotou et al., (2012). Tangible benefits are quantifiable positive impact resulting from using e-procurement system, prominently in costs and time. Savings measured the reduction of supply costs and reduction of cost per tender in their

study, reporting a 1% savings and 20% savings respectively; although the latter should be considered an opportunistic improvement as the savings was from relocation of human capitals (*Ibid*). Savings from cost of sales, administrative cost and warehousing cost are also suggested, even though no actual values on these are given. Ronchi et al., (2012), however, has identified and measured four types of cost savings from using e-procurement system in their attempt to answer the question "What is the value of an IT e-procurement system?" These are order cost, administrative cost, lead-time order cost and opportunity cost of capital. Using their assessment model they successfully predicted the cost savings of 6 different companies in 5 different industries. The data showed small reduction in administrative cost (7.6%), and order cost (11.2%) and enormous savings on lead-time order cost and opportunity cost of capital (88.9% and 72.0% respectively) and time Savings while Ronchi et al., (2012) are able to convert lead-time into financial results; Panayiotou et al., (2012) reported these in raw numbers in the tender process they studied. These are 39.7% (2.7 months) saved in open tenders and 34.7% (4.1 months) saved in restricted tenders that were commissioned by the Greece general secretariat of commerce. Intangible benefits, although cost and time savings are often cited as benefits of using an ICT system in business, fundamentally the main advantages of an ICT system are qualitative or intangible, thus they are difficult to measure in definitive terms, or even described accurately. For example, while Panayiotou et al., (2012) looks at intangible benefits in terms of procurement process improvement and organizational benefits, some of the benefits listed as procurement process improvement by were generalized as organizational performance improvement by Ronchi et al., (2012).

2.3.3 Electronic payment system and performance of SMEs

Electronic payment is defined by World Payment Report (WPR) (2013) as digital payments that are made over internet for electronic commerce activities. Electronic payment systems are generally classified into four categories; credit cards and debit cards; electronic cash; Micropayment systems; and session-level protocols for secure communications. A secure electronic financial transaction has to meet four requirements; ensure that communications are private; verify that the client and server are who each claims to be and ensure that data to be transferred by the signed author.

The advent of electronic -payment offers considerable opportunities for small and medium hotel firms to expand their customer base, enter new products, and rationalize their businesses by competing in the global economies. Adoption of electronic payment will make SMEs to gain greater global access and reduced transaction costs, provide substantial benefits via improved efficiencies and raised revenues; facilitate access to potential customers and suppliers, productivity improvements and information exchange and management (UNCTAD, 2012). Global non-cash payments transactions grew 8.8% in 2011; much of the growth in developing markets was driven by emerging Asia and Central Europe, Middle East, Africa (CEMEA) (MPR, 2013).

These regions have a low share of the global total of non-cash transactions, but investments in payment services and infrastructure are helping them grow significantly off a low base. Brazilian banks ruled the conversion of mobile money to electronic cash through non-bank retail agents in 1999 (Mas, 2013). Philippine's mobile smart communications known as the daddy of all mobile money in developing countries, created secure platform permitting customer to access a bank account from phone (Erwins & Cabotage, 2013). In Uganda 25% of sports betting shops were licensed and mobile money was used throughout the day (Bruno & Kizito, 2013).

Electronic payment can be defined as digital payments that are over internet for electronic commerce activities. Mobile payments or M-payments are defined as payment made not just as an alternative channel to send the payment information flow takes place in real time (WPR 2013). Globally, in mobile money, Kenya is the leader, where Mobile Network Operator (MNO), Safaricom launched M-Pesa in 2007. This was a technique where it combined the agent banking in Brazil and smart mobile money of Philippine make M-PESA. Less than five years -later, there are approximately 31 million users of mobile money in Kenya, conducting over 2 million transactions every day. The number of M-PESA agents in Kenya has grown in the four year period (Mensah & Dzokoto, 2013). The drivers of this financial inclusion in Kenya, mostly Safaricom's M-PESA and Equity Bank, centre on a very supportive regulatory regime innovative businesses models and technological advances. The current focus for Kenya is feeding the demand of the consumers (Feintein, 2013). M-PESA has made a huge difference in the lives of the poor who have traditionally been excluded from the formal banking system.

WPR (2013) found that Governments in developing countries are pushing mobile payments to increase bank reach to rural areas. In Brazil, regulators plan to introduce regulations for mobile phone transactions, which aim to lower the cost of payment operations, raise competition among merchant service providers, and deepen banking penetration. In Africa, mobile money is gaining prominence via solutions such as M-PESA. In March 2011, the Reserve Bank of India gave conditional approval to allow 100% foreign direct investments to develop and implement mobile wallets. Many technology players and leading global banks are collaborating to develop mobile wallets. The United Kingdom's Payments Council also planned to launch a mobile payments service in the first half of 2014, enabling customers to make payments from their registered mobile phones without the need to disclose their bank sort code or account number. According to Brown

(2013) report on World Payments Report found that the use of cards (debit and credit) further accelerated during 2011, with debit card volumes rising 15.8% to a total of 124 billion transactions, and credit cards climbing 12.3% to a total of 57 billion. These two payments instruments lead the non-cash arena, with debit cards the most popular non-cash payments instrument globally. Three forces are helping drive growth in mobile and electronic payments transactions– increased penetration of smart phones and internet usage, advances in technology, and innovative products and services. This growth is making the area an attractive one for banks and non-banks. However, based on influence of constraints on adoption of electronic payments and performance of small and medium hotel enterprises in Kisii town, Kisii County, Kenya is not be focused.

Pagani (2004), states that accessibility (ability to reach the required services) is one of the main advantages of mobile payment services. Small and micro businesses are among the greatest beneficiaries of using M-Pesa mobile payment. As at 31st March, 2011, there were 8,650 M- Pesa agents spread throughout the country offering the mobile payments service (Annual report, 2011/2012). The micro-business operators go to the bank less often and spend more time running their businesses. Equally, many unbanked Kenyans can now receive or send money wherever they are in the country (Omwansa, 2012). Majority of the micro business operators are familiar with the use of the mobile payment services as they are easy to use and require no formal training before use.

The transaction costs of sending money through the mobile payment technology are lower than those of banks and money transfer companies (Omwansa, 2012). The cost of a payment transaction has a direct effect on consumer adoption if the cost is passed on to customers (Mallat, 2013). Transaction costs should be low to make the total cost of the transaction competitive. The cost of the mobile payments should be affordable to most of the micro business operators and far

below what the banks normally charge for their bank transactions. There are many different mobile handsets which are easy to operate and have the functionalities required for the mobile payment technology.

Njenga (2013) states that although the mobile phone balances may seem low, the fact that there are balances proves that there is storage which can be perceived as acceptance of deposits. This is a significant indication of the high value placed on the convenience associated with the use of the mobile payment services. Omwansa (2012) states that a lost or stolen mobile phone does not mean catastrophe as no one can access an M-Pesa account without a correct personal identification number (PIN). He further explains that in a country where majority of people have no bank accounts, M-Pesa provides both convenience and safety. People walk around with their virtual money knowing they can withdraw cash any time at a minimal fee. In a mobile environment, it is necessary to have perceived security and trust in the vendors and the payment system (Mallat, 2011).

Security and safety of mobile payment transactions is one of the primary concerns for users (Nam et al., 2005). They state that safety represents no delay, no transaction incompleteness and no private information disclosure during payment transactions. The use of the pin and secret code for the M-Pesa transactions enhances the security and privacy issues. Key requirements for any financial transaction in an electronic environment should include confidentiality, authentication, data integrity and non-repudiation (Shon & Swatman, 2014). Other security factors important to the users are anonymity and privacy, which relate to use policies of customers' personal information (Mallat, 2013).

Payment systems exhibit network externalities as the value of a payment system to a single user increases when more users begin to use it (Van Hove, 2011, Mallat, 2012). Consumer decision to adopt a payment system is therefore significantly affected by the amount of other consumers and traders using it. Failure to create a critical mass has contributed to discontinuance of several previous payment systems, including several smart card systems (Szmigin & Bourne, 2012). It is therefore a critical success factor for the M-Pesa mobile payment provider to reach a wide enough base. The coverage area of the M-Pesa mobile payments is spread throughout the country with over six million registered subscriber base as at 31st March, 2009 (Annual Report 2008/2009).

Personal experiences for a lot of people indicate that the current technology is user friendly and previous studies of the adoption of mobile payments show that it is the usability, usefulness, speed and convenience of the service itself that counts (Pagani, 2012). Safaricom's Annual Report for Year 2011/2012 shows that by end of March 2009, there were over 6.175 million registered M-Pesa customers with an average of 11,580 new registrations per day representing a growth of 198% from the previous year (Annual Report 2011/2012).

The rapid spread of the mobile phone usage in Kenya means that the number of mobile users exceeds by far the number of banked people. Mobile phones offer easy communication and the current M- Pesa facilities have reduced the average transaction costs for the consumer (Vaughn, 2012). The Annual Report 2008/2009 show that person to person transactions stood at KShs. 120.61 billion for the same year against 14.74 billion for the year 2007/2008. The total cumulative person to person transactions stood at KShs. 135.38 billion as at 31st March 2009 since inception of the mobile payment service. This indicates that M-Pesa mobile payment is reaching the unbanked (Vaughn, 2009). Omwansa (2013) argues that the benefits associated with M-Pesa are

so enormous that those who try to place regulatory pressure on it might feel guilty if they appear to frustrate it.

The extent to which the mobile payment usage would impact on performance depends largely on whether there is an enabling environment (Porteous, 2015). Porteous defines an enabling environment as a set of conditions which promote a sustainable trajectory of market development. Of particular interest are the environments in which widespread access is likely. M-Pesa has widespread access and requires an enabling environment to enhance the success of its consumers. The micro businesses are spread throughout the country with huge clusters in the market areas and near shopping centers. This enables them to easily access the M-Pesa service providers for registration and to make cash deposits into their accounts. The mobile payment providers' agents are well distributed and easily accessible to the micro business owners for support of their services in Kenya.

Overall trends suggest that over the past few years the propensity to adopt e–commerce has increased rapidly in OECD Member countries, although there are significant differences depending on country, sector and firm size (OECD, 2012b). A number of factors can drive the adoption of e–commerce by businesses, including: reductions in transaction costs and improvements in product quality/customer service; reaching new customers and suppliers in existing markets and expanding in new markets; a defensive reaction to competitors engaging in e–commerce; requirements by large businesses that their suppliers link into their e–commerce system as a condition of doing business.

In the current Ugandan situation, according to the National Small Business Survey (2015), SMEs play a vital role in the development of the Ugandan economy collectively contributing about 90%

of the private sector production. These SMEs are said to employ over 2.5million people and are relatively young. The majority 69% of these SMEs are aged between 1-10 years old and only 37% have access to internet. 26% are said to do phone marketing, 45% send and receive money and 34% access business information.

2.3.4 Summary of literature review

In view of the potential benefits due to be experienced by implementing electronic commerce by SMEs, it is important for all stakeholders to address the limitations and find solutions to their plight. According to Parker (2013), creating of policies and modifying already established ones in an aim to encourage and promote the development of local technologies, should be given priority. As SMEs are challenged due to their size and resource limitations, their potential to initiate minor technological innovations to suit their circumstances should be encouraged as a stepping stone, to advancing into more complex systems.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This section comprised of research design, area of study, study population, sampling procedures, sample size, data collection methods and instruments, quality control methods, data management and processing, data analysis, ethical considerations and lastly the limitations to the study.

3.1 Research Design

This study used case study research design. The study used quantitative approaches during sampling, data collection, quality control, and analysis. At data collection stage the quantitative design involved administering closed ended interview and questionnaire questions to respondents.

3.2 Study Area

The study was conducted in SMEs found in Mbarara district, Kakoba Division. This case study was chosen because it is accessible to the researcher and tied in very well with the operationalization of the research problem under study. The researcher used population from Mbarara district, Kakoba Division. There are approximately 1,846 registered SMEs in Mbarara district (UBOS, 2014). The SMEs business categories consists of general trade, comprising wholesale and retail stores, transport communication and storage, accommodation and catering, professional and technical services, private education, health and last but not least industrial factories and workshops (PSFU, 2012).

3.3 Study Population

The study population consisted of 138 business owners and leaders of SMEs found in Kakoba Division (UBOS, 2014). These were chosen because they are anticipated to be aware of the effect of electronic commerce on performance of their SMEs using Kakoba Division.

3.4 Sampling procedures

3.4.1 Sample Size

The sample size was determined using the table in Appendix II from a study by Morgan and Krejcie (1970, as cited in Amin, 2005). The model uses a table which has two columns {population

column (N) and Sample column (S)}. In this model, the population study is related with the corresponding sample to the nearest estimate.

Table3.1: Sample Size of Respondents

Category of Population	Population Size	Sample Size
Business (small and medium) owners (Hotels, Shops, Pharmacies, Clinics, Schools)	138	103
Total		**103**
Source: primary data (2016)		

3.4.2 Sampling Techniques

The study used simple random sampling technique to select business owners of SMEs found in Kakoba Division. This technique was chosen because the category of business owners has a large population size and was as such warrant simple random sampling to minimize sampling bias (Mugenda & Mugenda, 2003). Purposive sampling was employed to select the leaders who were targeted due to their perceived knowledge arising out of known experience that they have. This technique employed following the postulate that if sampling has to be done from smaller groups of key informants, there is need to collect very informative data, and thus the researcher needs to select the sample purposively at one's own discretion (Sekaran, 2003).

3.5 Data Collection Methods and instruments

3.5.1 Data sources

The main type of data in this study was primary data. Primary data comprised of responses from the respondents. The advantage of primary data is its originality. Primary data was collected using

questionnaire and interview guide. Documents from Uganda Bureau of Statistics were reviewed and analyzed to provide secondary data.

3.5.2 Data collection instruments

Questionnaire

This was used to collect primary data from business owners of SMEs found in Kakoba Division, and, it involved use of a semi-structured questionnaire depicted in Appendix I. The questionnaire (Appendix I) was used in this case because it has proved to be an invaluable method of collecting a wide range of information from a large number of individuals especially when it comes to people like business owners (Sekaran, 2003). The questionnaire was designed with both open and closed ended questions (Amin, 2005).These variables was measured using a five point likert scale ranging from Strongly Disagree (1), Disagree (2), Neutral (3), Agree (4) and to Strongly Agree (5) (Franzoni, 2008).

3.6 Data Collection Procedures

The researcher obtained a letter from faculty of management and business administration; Uganda Martyrs University introducing her to SMEs in Kakoba Division and specifying that the data to be collected will be solely for study purposes. Upon obtaining the requisite permission, the researcher proceeded with data collection with the help of a research assistant. Questionnaires were administered in a face-to-face interview with owners of registered SMEs located in Kakoba Division.

3.7 Quality control methods

Controlling quality involved ensuring acceptable levels of reliability and validity of the study through proper control of extraneous variables. An extraneous variable is any other independent variable which can also affect the dependent variable, (Oso & Onen, 2008).

3.7.1 Validity

A validity test was carried out prior to the administration of the questionnaires. Three experts were used. This was done in order to find out whether the questions are capable of capturing the intended responses. The subsequent draft questionnaire was submitted to the supervisors for further review. The final instrument was developed upon integrating all comments from the pilot study.

Content Validity Index (CVI) was calculated in order to establish the validity of the questionnaire. This involved experts scoring the relevance of the questions in the instrument in relation to the study variables and a consensus judgment was given on each variable and taking only variables scoring above 0.80 as suggested by Nunnally and Bernstein (1994). The CVI was arrived at using the following formula.

$$CVI = \frac{\text{Number of items declared valid}}{\text{Total number of items}} = \frac{44}{44} = 1 * 100 = 100\%$$

Therefore based on the above, the tools were valid.

3.7.2 Reliability

Gay (1996) defined reliability as the degree of consistency that the instrument demonstrates. After pilot testing in the field, reliability of the instrument, on multi-item variables (i.e. electronic commerce and performance of SMEs) was tested via the Cronbach Alpha Method provided by Statistical Package for the Social Scientists (Foster, 1998). The researcher used this method

because it was expected that some items or questions would have several possible answers. The researcher established reliability of the questionnaires by computing the alpha coefficient of the items (questions) that constituted the dependent variable and that of the items that constituted the independent variable. The results are as on Table 3.2 below

Table 3.2: Reliability indices for the respective sections of the questionnaire

Variable	**Description**	**Number of items**	**Cronbach Alpha**
Independent	e-marketing	7	0.866
	e-procurement	8	0.860
	e-payment	6	0.811
Dependent	SME performance	9	0.928

According to Cronbach Alpha Coefficient Test (Cronbach, 1971), the questionnaire was considered reliable since all the coefficients in Table 3.2 were above 0.7 which is the least recommended Cronbach Alpha coefficient CVI in survey studies (Amin, 2004; Gay, 1996).

3.8 Data management and processing

The data was organized and summarized in one place and then checked for completeness and accuracy. The raw data was then captured in Excel (spread sheet) before it is entered into Statistical Package for Social Sciences (SPSS) for quantitative analysis and interpretation. Cleaning and editing was done before and after entering data into the computer software to examine outliers and inconsistencies of responses.

3.9 Data Analysis

Analysis was done and analytical tests were also carried out on the data to check normality and correlation between variables and where necessary data was be transformed.

3.9.1 Univariate analysis

This showed how many subjects fall into a given categories and they gave simpler unit of analysis was looked at. Data collected was systematically organized to facilitate analysis. The unit of analysis was the individuals who responded to the survey. The raw data was edited to ensure completeness.

3.9.2 Bivariate analysis

Pearson correlation coefficients were computed to establish the degree of the relationships between the independent variables and the dependent variable and to determine the strength and direction of their relationship. The statistical significance of correlation results was tested at 0.05 of level significance.

3.9.3 Multivariate analysis

Multiple regression was used to determine the degree of relationships between perceived performance of SME and two or more variables including e-marketing, e-procurement and e-payment. The statistical significance of beta coefficients was tested at 0.05 level of significance. All tests were two-tailed.

3.10 Ethical Consideration

Informed consent was sought from the respondent before any interview. The data was collected by use of reliable and valid tools. All citations and references of different authors were acknowledged. Maintained confidentiality of the respondents and protected their privacy at all times. The language used was as neutral as possible regarding the terminology involving people.

3.11Limitations of the study

The sample was not representative of the whole Mbarara population because it covered only one division living five other divisions. There was some resistance at first when one was asked how their businesses operated thinking the researcher was spying for the Uganda revenue authority but this was cleared and re-emphasized to get their confidence that it was for study purposes.

Unwillingness to fill the questionnaires; some respondents were unwilling to share information about inventory management system and financial performance. The researcher however endeavored to emphasize that it is a purely academic research and confidentiality will be upheld.

3.12 Chapter summary

In this chapter the procedures that were followed in conducting the study have been unveiled. It has been established that a case study research design was employed in the study. The population of the study was basically business owners of SMEs in Mbarara district. The 103 respondents were sampled. Data was analyzed in SPSS. Variables were measured in the scale format (strongly disagree 1, disagree 2, neutral 3, agree 4 and strongly agree 5).

CHAPTER FOUR

PRESENTATION AND DISCUSSION OF FINDINGS

4.1 Introduction

This chapter presents results of the study based on the formulated objectives and hypothesis as presented in chapter one. The chapter analyzes the variables involved in the study and the analysis of the results are then discussed and concluded. Data description involved a discussion on the sources of data and definitions of the dependent and the independent variables. The response to

the study consisted of 103 Small and Medium Enterprises in Kakoba Division and the data was analyzed using SPSS.

4.2 Response Rate

Table4.1: Showing Response Rate

Instruments	**Frequency**	**Percent**
Number of SME owners approached	103	
Number of SME owners who accepted the interview	103	100%
Source: Primary data (2016)		

From table 4.1 above, a total number of 103 questionnaires were answered hence making a response rate of 100%. This was sufficient enough and within the accepted limits according to Sekaran (2003) who states that a response rate above 50% is good enough for a study.

4.3 Demographic Information of respondents

The demographics information shows the characteristics of the elements in the sample size. As such, the researcher sought to establish the general information of the respondents, which forms the basis under which the interpretations were made.

4.3.1 Gender of Respondents

This information was necessary to enable the researcher to obtain information on whether the respondents were either male or female. Below is the gender of respondents in table 4.2

Table 4.2: Gender of Respondents

	Frequency	Percentage (%)
Male	61	59.2
Female	42	40.8
Total	**103**	**100.0**
Source: primary data (2016)		

The majority of the respondents were male (59.2%) and were female (40.8%). These results show that gender representation indicated a small variation between the male and female with a difference of 18.4%. It further shows that the SMEs in Kakoba division have females involved in business which can translate into better performance though they are few females. These SMEs are dominated by the males.

4.3.2 Age of Respondents

This information was necessary to enable the researcher to obtain information on the age of the respondents. Below is the gender of respondents in table 4.3.

Table 4.3: Age of Respondents

	Frequency	Percent (%)
20-29	25	24.3
30-39	43	41.8
40-49	22	21.4
50 and above	13	12.6
Total	**1.3**	**100.0**
Source: primary data (2016)		

24.3% were between 20-29 years, 41.8% were between ages of 30-39 years; 21.4% were between the ages of years, 40-49 years had 12.6% were 50 and above years. This implies that respondents were mature enough to analyze issues relating to SME performance. The respondents adequately responded to the questions put forward and by virtue of their experience, their responses were sound enough such that the researcher was able to generate adequate data from them for the researcher's study.

4.3.3 Level of education of Respondents

The information was necessary to know whether the respondents are educated or illiterate. Below is the level of education of respondents in table 4.4

Table 4.4: Level of education of Respondents

	Frequency	Percent (%)
No education	1	1.0
Primary	8	7.8
Secondary	8	7.8
Diploma	39	37.8
Degree	47	45.6
Total	**103**	**100.0**
Source: primary data (2016)		

Many of the respondents had studied up to degree level of education (45.6%), compared to 1% who had no school education, 37.8% had diploma level of education and 7.8% had secondary education level while only 7.8% had reached in primary level. These results indicate that the respondents had reasonably sound education qualifications and were able to read, understand the questionnaire and gave appropriate responses.

4.3.4 Time spent in SMEs

The information was to enable one to know the time business owners of SMEs had spent while working in SMEs. Below is the duration the respondents had spent working in SMEs in table 4.5

Table 4.5: Time Spent in SMEs

	Frequency	Percent (%)
Less than 1year	5	4.9
1-5years	41	39.8
6-10yeaes	33	32.0
11-15years	13	12.6
Over 15years	11	10.7
Total	**103**	**100.0**
Source: primary data (2016)		

The table above shows that majority 39.8% of the respondents had owned SME for 1- 5 years while 32.04% had owned their businesses for 6-10 years. 12.62% had owned businesses for 11-15 years. Those that had owned SMEs for over 15years were 11%. Only 5% of respondents had owned businesses for less than a year. The implication was that the respondents had reasonable time and therefore were knowledgeable and experienced about e-commerce and SME performance in the division.

4.4 Univariate analysis

This theme presents empirical findings presented on observations of electronic marketing, electronic procurement and electronic payment and the SME performance. While presenting the empirical findings, means and standard deviations were used to present this information univariately**.**

4.4.1 Adoption of E-marketing among SMEs in Kakoba division in Mbarara District

Respondents were asked to react on different preconceived statements as in table 4.6 below

Table 4.6: Descriptive statistics on adoption of E-Marketing among SMEs

Electronic Marketing of respondents	N	Minimum	Maximum	Mean	Std. Deviation
1. Our business has a Facebook page for its business operation	103	1	5	2.92	1.00
2. Our business has a Twitter handle for its business operation	103	1	5	2.23	0.63
3. Our company undertakes email advertisement	103	1	5	2.63	0.93
4. Our company engages mobile advertisement	103	1	5	2.92	0.99
5. The company engage in online markets	103	1	5	2.75	0.96
6. Our company has adopted social media marketing	103	1	5	2.75	0.97
7. We issue electronic brochures	103	1	5	2.41	0.80
Source: primary data (2016)					

Table 4.6 provides the summary statistics responses on adoption of E-Marketing among SMEs. It precisely presents the mean, standard deviation, the minimum and the maximum scale of the responses. The minimum scale which is one indicates that the respondents strongly disagree with the statement while the maximum which is five indicates that the respondents strongly agree with the statement (1-strongly disagree, 2-disagree, 3-neutral, 4-agree, 5-strongly agree).

Findings in table 4.6 reveal that businesses are neutral with the mean of 2.92 and a standard deviation of 1.00 towards the usage of face book in their operations. This means that face book is still a new idea to most businesses however most have incorporated it in their businesses so as to improve their performance. This is in line with Colliander & Dalhen, 2011 also reflected that social

media platforms have a strong impact in generating positive attitude towards brands. It is seen that some consumers perceive information about products and brands on social networking sites as trustworthy and this often affects their purchase decision-making.

Findings also showed that with the mean of 2.23 and the standard deviation of 0.63, SMEs in Kakoba division disagreed to incorporating Twitter in their business transactions. This is likely to have been a new technology and thus it may not have yet spread in most businesses.

From responses on businesses undertaking email advertisements, there was a disagreed with a mean value was 2.63 and a standard deviation of 0.93. This implies that still most businesses had not yet integrated the email advertising procedure in their businesses. Just like (Li & Bernoff, 2008; Kaplan & Haenlein, 2010 where both large and small-scale advertising agencies are paying increasing attention to social media for marketing and advertising activities, particularly on platforms such as Facebook and YouTube, in order to be more competitive in this changing market environment.

Findings also showed slight disagreement to engaging in mobile advertising with a mean value of 2.92 and standard deviation of 0.99. Kakoba division SMEs are slowly adapting to electronically marketing their products using mobile phones. Others are still lagging behind though. As Choi (2011) and Muntinga et al., (2011) say, social media are also attractive to advertisers because of the relatively low cost of reaching consumers, the potential for greater efficiency, and the ability to engage in more timely and direct-contact communication than is offered by most traditional media tools.

Furthermore, findings did show the slight disagreement to engaging on online marketing where by the mean value was 2.75 with a standard deviation of 0.96 implying that businesses in Kakoba division are still using maybe local methods of marketing or just wait for any customers who come.

Still findings showed disagreement that was not that strong towards the adoption of social media while marketing the products. The disagreement was with a mean value of 2.75 and standard deviation of 0.97 implying that the technology was not wide spread among most businesses and if it was then it was not yet trusted.

Finally Table 4.6 did show disagreement of issuing electronic brochures in their marketing with a mean value of 2.41 and a standard deviation of 0.80. Most businesses had not yet into this type of marketing and were still ignorant in their knowledge of usage. We see the effectiveness and cost-friendly nature of internet marketing as Davis (1989) and Ashworth, et al., (2016) argued has allowed a platform for SMEs globally to benefit in marketing their products and reaching a wider range of clients at a reduced cost.

4.4.2Adoption of e-procurement among SMEs in Kakoba division in Mbarara District

Table 4.7: Descriptive statistics on adoption of e-procurement

Electronic Procurement of respondents	N	Minimum	Maximum	Mean	Std. Deviation
1. We usually coordinate with suppliers online	103	1	5	2.49	0.85
2. We usually make orders online from our suppliers	103	1	5	2.44	0.82
3. Our clients also make orders online	103	1	5	2.41	0.80
4. We always make inventories electronically	103	1	5	2.17	0.53
5. We can easily access pricelists of goods and services online	103	1	5	2.51	0.87
6. We often buy our goods from online wholesalers	103	1	5	2.26	0.66
7. We usually track incoming products online	103	1	5	2.33	0.72
8. We usually track outgoing products online	103	1	5	2.17	0.55
Source: Primary Data (2016)					

Findings in table 4.7 above revealed that businesses disagreed having coordinated with suppliers online with a mean value of 2.49 and standard deviation of 0.85. This implies that most of the supplies that get into these businesses are manually got and not ordered online. This agrees with Hackley (2011) who reminded us that changes in the media and advertising environment have brought great pressure to bear on the careers of advertising professionals.

Also form table 4.7 above, respondents disagreed to making orders online from their suppliers with a mean value of 2.44 and standard deviation of 0.82. This indicates that most business owners either purchased products/commodities face to face other than sending electronic orders. And also,

there were indications that clients to these SMEs did not either make orders online as shown with a mean value of 2.41 and standard deviation of 0.80. This implies that majority of the clients did purchase the products directly from the shops or accessed services directly. According to ministry of trade, industry and cooperatives (2015), there has been enhanced value added to production and service technology of SMEs thus ensuring access to making orders using appropriate technologies and improving efficiency.

Also findings in table 4.7 elaborate that respondents disagreed to making inventories electronically with a mean value of 2.17 and standard deviation of 0.53. This implies that products are bought following manually written lists for most businesses in Kakoba division. Thus most SMEs in Kakoba division in Mbarara district cannot make inventories electronically. Noor et al., (2013), says the influences of technological errors and failures in knowledge are a major concern for electronic procurement and this includes respondents in Kakoba division.

Findings also show more disagreement to easily accessing the pricelists of goods and services online with a mean value of 2.51 and standard deviation of 0.87 implying that most businesses in Kakoba division may be going directly to the manufactures or providers of services to get prices. This implied that most SMEs cannot access pricelists of goods and services online and this is lack of adoption of e-procurement.

Further still, findings form table 4.7 do show disagreement of respondents to often buying good from online wholesalers with a mean value of 2.26 and standard deviation of 0.66. This implies that business owners make direct transactions with their wholesalers.

Findings also indicated that there was a disagreement to usually tracking incoming products online in most businesses with a mean value of 2.33 and standard deviation of 0.72. This shows variation in the mean and means that products may be followed manually if they cannot be tracked online.

Lastly, findings in table 4.7 indicated a disagreement in respondents about usually tracking outgoing products or services online with a mean value of 2.17 and a standard deviation of 0.55.This implies that majority of the business owners may be using human resources to physically see what products or services have been availed to a customer at such and such a time. This shows that the adoption of electronic procurement of respondents was still lacking in many ways. E-procurement has been recently receiving much attention from businesses, industries and governments as it is reportedly become a powerful tool to improve effectiveness and efficiencies as well as service quality of its adopters (Basheka et al., 2012; Eei et al., 2012) and its application is nowadays inevitable in both manufacturing and services, not also in the private but also in the public sector (Gunasekaran & Ngai, 2013; Schiele, 2012).

Companies have moved to e-procurement platforms, where transactions are done efficiently and in a fast pace (Makinen et al., 2011). The literature underlines numerous benefits of migration of procurement functions to internet. This new process is expected to benefit all facets of procurement, including selecting, bidding, payment and inventory processes (Basheka et al., 2012).

4.4.3 Adoption of e-payment services among SMEs in Kakoba division in Mbarara town

Table 4.8: Descriptive statistical findings on e-payment services among SMEs

Electronic Payment of respondents	N	Minimum	Maximum	Mean	Std. Deviation
1. We often use mobile money to send money to our suppliers	103	1	5	3.34	0.95
2. Our distant customers pay us using mobile money	103	1	5	3.30	0.96
3. We often use our phones to pay our suppliers instantly	103	1	5	3.05	0.99
4. We often bank our cash electronically	103	1	5	2.91	1.00
5. Electronic fund transfer has been adopted in a number occasions	103	1	5	2.65	0.93
6. Our business allow credit cards to be used when undertaking transactions	103	1	5	2.14	0.51
Source: Primary Data (2016)					

The results in table 4.8 revealed that business owners in Kakoba division were neutral to often using mobile money to send money to their suppliers with a mean value of 3.34 and a standard deviation of 0.95. This implies that many of the business owners did use mobile money in their business transactions and thus the adoption of electronic mobile money was relatively high. And also respondents agreed to often using their phones to pay suppliers instantly with a mean value of 3.05 and standard deviation of 0.99. Many SMEs often use mobile money to send money to their suppliers and this is an indication of e-payment. In line with CGAP/World Bank (2013), MTN agrees that it should take a recipient and agent to complete payment transactions and simply input Personal Identification Numbers (PINs) that speed up the process of payment.

Also finding in table 4.8 did indicate neutral tendency towards agreeing that their distant customers did pay them using mobile money and was shown with a mean value of 3.30 and standard deviation of 0.96. This implies that many SMEs in the division do accept payments of mobile money for their goods and services which shows some good adoption electronic payment in the division.

Findings in table 4.8 revealed that respondents disagreed to often banking cash electronically in banks with a mean value of 2.91 and standard deviation of 1.00. This implies that SMEs may have small usage for the bank system and relatively use such service which is an indication of slow e-payment adoption. In line with Banking and Payments System Department Central Bank of Nigeria (2015), a small but growing number of businesses only take cards, and some bank offices have stopped handling cash altogether.

Furthermore, the findings in table 4.8 indicated that SMEs disagreed to electronically adopting to transferring funds in many occasions. This was shown by the mean value of 2.65 and standard deviation of 0.93. This suggests that there is no much variation in the mean score obtained from different respondents. This thus tells us that most of SMEs have adopted electronic fund transfer this is enough to conclude that they have adopted e-payment services. Ahmed et al., (2001) further had ascertained that instant e-funds transfer is the basis for improvement in e-payment in SMEs.

Lastly, findings in table 4.8 indicated that SMEs in Kakoba division did not allow credit cards to be used when undertaking transactions. This was shown with a mean value of 2.14 and standard deviation of 0.51 thus implying that credit cards are still new to most businesses and thus not yet adopted by the majority of the SMEs in Kakoba division. Mas (2013); Davis (1989) showed that

the advent of electronic payment offers considerable opportunities for small and medium firms to expand their customer base, enter new products, and rationalize their businesses by competing in the global economies. Adoption of electronic payment will make SMEs to gain greater global access and reduced transaction costs, provide substantial benefits via improved efficiencies and raised revenues; facilitate access to potential customers and suppliers, productivity improvements and information exchange and management (UNCTAD, 2012).

4.4.4 Perceived SME Performance in Kakoba division in Mbarara district

Table 4.9: Descriptive statistical findings of Perceived SME Performance

SME performance of respondents	N	Minimum	Maximum	Mean	Std. Deviation
1. The financial position of our business has improved over the last 3 years	103	1	5	2.90	1.00
2. Over the last 3 years the profit margins of our business has increased	103	1	5	2.63	0.93
3. The revenue of our business has increased over the last 3 years	103	1	5	2.67	0.94
4. The return on investments in our business is good	103	1	5	2.62	0.92
5. Our sales return has been increasing for the last 3years	103	1	5	2.61	0.91
6. Our customers have been increasing for the last three years	103	1	5	2.65	0.94
7. I have managed to venture into other markets for the last three	103	1	5	2.70	0.95
8. Our business has the ability to respond to and accommodate new products, new markets, or new competitors in the market.	103	1	5	2.92	1.00

9. I have been in this same business for over 10 years without fail	103	1	5	3.08	1.00
10. Our business has grown into more than two branches	103	1	5	2.47	0.83
11. Our capital base has increased for the last three years	103	1	5	2.43	0.81
Source: Primary Data (2016)					

Findings in table 4.9 reveal that respondents disagreed to their financial position of their businesses improving over the last e years with a mean value of 2.90 and standard deviation of 1.00. Also findings in table 4.9 indicate that over the last 3 years, the profit margin of businesses has not increased. This was shown with the mean value of 2.63 and a standard deviation of 0.93. This suggests that performance is still low though positively visible among the SMEs. In line with Everest 2015, there was still limited accessibility to markets and capital generation needed was still low compared to large companies who did perform well in daily operations.

In view of revenue of businesses having increased over the last 3 years, respondents disagreed with a mean value of 2.67 and standard deviation of 0.94 and respondents also disagreed to their return on investments being good with a mean value of 2.62 and standard deviation of 0.92. This shows a positive significance among the SMEs' revenue and investment in terms of performance.

Furthermore, findings in table 4.9 show that SME sales return was not increasing for the last three years. This was shown with a mean value of 2.61 and a standard deviation of 0.91 and also the findings elaborate a disagreement to their customers having increased for the last 3 years with a

mean value of 2.65 and standard deviation of 0.94. This confirms that a few SMEs did not see how their performance was affected if not adopting wholly electronic commerce.

Findings in table 4.9 illustrate that SMEs in Kakoba division disagreed to venturing into other markets for the last 3 years with a mean value of 2.70 and standard deviation of 0.95. More still, findings in table 4.9 demonstrate that respondents slightly disagreed to their businesses having the ability to respond to and accommodate new products, new markets or new competitors in the market with a mean value of 2.92 and standard deviation of 1.00. SMEs in Kakoba division have a low but positive adoption rate and will hopefully increase by the years. It was evident in Small Enterprise Association of Australia and Newsland, where SMEs also lacked the financial management and accounting systems required to perform the tasks often thus venturing in other markets would require a lot more systems in place (Tim Mazzarol et al., 2015).

Findings in table 4.9 tell that SMEs in Kakoba division were neutral to their businesses having performed for the over 10 years without fail. This was shown with a mean value of 3.08 and a standard deviation of 1.00. This suggests that they had mastered the art of business though slightly affect by the modern changes of doing business.

Also findings in table 4.9 do express that SMEs disagreed to their businesses growing into more than two branches with a mean value of 2.47 and standard deviation of 0.83. Also findings do communicate that Kakoba SMEs disagreed to their capital base having increased for the last 3 years with a mean value of 2.43 and standard deviation of 0.81. This shows that the performance of SMEs has not yet been affected that much because of not adopting to these electronic

technologies of doing business. As Pagani (2012) put it, personal experiences for a lot of people indicate that the current technology is user friendly and previous studies of the adoption of these technologies show that it is the usability, usefulness, speed and convenience of the service itself that counts.

4.5 Presentation of findings on correlation relationship between the study variables

Table 4.10: Pearson's Correlation Analysis

	E-marketing	E-procurement	E-payment	Performance
E-marketing	1.00			
E-procurement	0.484*	1.00		
E-payment	0.532*	0.277*	1.00	
Performance	0.685*	0.559*	0.642*	1.00
**Significant at 0.05 level of significance*				

4.5.1 The relationship between electronic marketing and performance of small and medium enterprises

From Table 4.10, correlation findings show a positive relationship between electronic marketing and performance ($r=0.685^*$, $p<0.05$). This denotes that a change in usage of electronic marketing is associated with changes in the performance of the small and medium enterprise.

This is consistent with Ghobakhloo et al., 2011, whereby electronic marketing has been said to offer SMEs with a new frontier of opportunities so that they can attract consumers to their products and services. Electronic marketing therefore allows SMEs a fighting chance for success in the use of local and internal markets though the majority of SMEs have not yet embraced fully the adoption of electronic Marketing.

Internet as a marketing tool provides significant opportunities for companies to seek and adopt innovative practices in order to address the increasing demands of consumers (Sharma & Aragón-Correa, 2015). Better supply chain management has been achieved and a reduced cost of transaction. The internet allows for fewer data entry errors creating time savings and lower labor costs. This is an effective solution for SMEs who have minimal employees (Martin, 2012).

4.5.2 The relationship between electronic procurement and performance of small and medium enterprises

From table 4.10, correlation findings show that there is a significant positive relationship between electronic procurement though it is low, and performance of SMEs ($r=0.559^*$, $p<0.05$). This indicates that any change in electronic procurement of products and services has effect on the performance of the SMEs.

This agrees with Basheka et al., (2012) that e-procurement is reportedly became a powerful tool to improve effectiveness and efficiencies as well as service quality of its adopters and its application is nowadays inevitable in both SMEs in manufacturing services. Also Makinen et al., (2011) extends this while saying that companies have moved to e-procurement platforms, where transactions are done efficiently and in a fast pace.

Furthermore, e-procurement offers buyers and sellers a new form of communication (Karthik & Kumar, 2013) and facilitates the documentation of the bidding process, enhancing transparency and accountability of operations (Croom, 2000).

4.5.3 The relationship between electronic payment and performance of small and medium enterprises

Correlation findings indicate a significant positive relationship between electronic payment and performance of small and medium ($r=0.642^*$, $p<0.05$). This suggests that a change in electronic payment system is associated with an increased change in SME performance.

This in agreement with studies by Massy (2007) who had earlier showed that the advent of electronic payment offers considerable opportunities for small and medium hotel firms to expand their customer base, enter new products, and rationalize their businesses by competing in the global economies.

Also Bruno and Kizito (2013) further urged that electronic payment in form of mobile phone balances may seem low; the fact that there are balances proves that there is storage which can be perceived as acceptance of deposits. This is a significant indication of the high value placed on the convenience associated with the use of the mobile payment services.

And Omwansa (2012) states that a lost or stolen mobile phone does not mean catastrophe as no one can access an M-Pesa account without a correct personal identification number (PIN). He further explains that in a country where majority of people have no bank accounts, M-Pesa provides both convenience and safety. People walk around with their virtual money knowing they can withdraw cash any time at a minimal fee.

4.6 Multivariate analysis

Regression analysis was run to establish the predictive qualities of dependent variable (SME performance) in relation to independent variables (e-marketing, e-procurement and e-payment) of the study as shown in Table 4.11 below

Table 4.11 showing multivariate analysis

Model Summary

	Model	R	R Square	Adjusted R Square	Standard error: 0.462
	1	.8[a]	.640	.629	

a. Predictors: (Constant), E-marketing, E-procurement, E-payment

Coefficients[a]

	Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-0.534	0.259		-2.06	0.042
	E-Marketing	0.382	0.087	0.344	4.39	0.000
	E-Procurement	0.416	0.099	0.288	4.17	0.000
	E-payment	0.366	0.069	0.379	5.32	0.000

a. Dependent Variable: SME Performance

The findings in Table 4.11 showed that of all the predictor variables in the regression model of performance, all dimensions were found to have positive beta values (E-marketing beta = 0.382, E-procurement beta = 0.416; and e-payment beta = 0.366) and were significant. This is an indication of that the dimensions had significant and positive effect on performance. This implies that the higher the level of adoption of e-marketing, e-procurement and e-payment among SMEs, the more the improvement in financial performance of SMEs. The regression model of performance was found to be significant (F = 58.58) and hence well specified, which means that e-marketing, e-procurement and e-payment among SMEs were appropriate predictors of financial performance of SMEs. The predictive power of the model was found to be 62.9% (Adjusted R Square = 0.629). This result indicates that the variation in e-marketing, e-procurement and e-

payment among SMEs combined accounts for 62.9% variation in the level of financial performance of SMEs. The remaining 37.1% was determined by other factors outside the study.

4.7 Chapter Conclusion

This chapter therefore established that there was a positive effect of e-marketing on performance of SMEs; it was established that there was a positive effect of e-procurement on performance of SMEs and it was established that there was a significant positive effect of e-payment on performance of SMEs. These study findings therefore, provide direct evidence that by adopting e-marketing, e-procurement, and e-payment, this can have a significant influence on performance of SMEs. Therefore, much effort is required in SMEs to ensure that they adopt e-commerce in its entirety if their performance in this information age is to improve.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

The general objective of this study was to assess the effect of electronic commerce on the performance of small and medium enterprises in Uganda using a case study of Kakoba division. The study made inference on the hypothesis that e-marketing, e-procurement and e-payment among SMEs have positively affected the performance of SMEs.

5.1 Summary of findings

5.1.1 Demographic factors

24.3% were between 20-29 years, 41.8% were between ages of 30-39 years; 21.4% were between the ages of years, 40-49 years had 12.6% were 50 and above years. This implies that they were mature enough to analyze issues relating to SME performance. The respondents adequately responded to the questions put forward and by virtue of their experience, their responses were sound enough such that the researcher was able to generate adequate data from them for the researcher's study.

5.1.2 The effect of electronic marketing on performance of small and medium enterprises in Kakoba division

Objective one of the study was to assess the effect of electronic marketing on performance of small and medium enterprises in Kakoba division. Correlation findings show a positive relationship between electronic marketing and performance ($r=0.685^*$, $p<0.05$). This denotes that a change in usage of electronic marketing is associated with changes in the performance of the small and medium enterprise. In particular, the positive effect implied that a change in electronic marketing

contributed to a positive change in performance of SMEs. This meant that improvement in electronic marketing can cause improvement in financial performance of SMEs and vice versa.

5.1.3 The effect of electronic procurement on performance of small and medium enterprises in Kakoba division

The study second objective was to examine the effect of electronic procurement on the performance of small and medium enterprises in Kakoba division. The study found out that there is a significant positive relationship between electronic procurement and performance of SMEs ($r=0.559^*$, $p<0.05$). This indicates that any change in electronic procurement of products and services has effect on the performance of the SMEs.

5.1.4 The effect of electronic payment system on performance of small and medium enterprises in Kakoba division

The third objective was to assess the effect of electronic payment on performance of small and medium enterprises in Kakoba division. The study found out that correlation findings indicated a significant positive relationship between electronic payment and performance of small and medium ($r=0.642^*$, $p<0.05$). This suggests that a change in electronic payment system is associated with an increased change in SME performance.

From regression Table 4.11, showed that of all the predictor variables in the regression model of performance, all dimensions were found to have positive beta values (E-marketing beta = 0.382; E-procurement beta = 0.416; and e-payment beta = 0.366) and were significant. The regression model of performance was found to be significant ($F = 58.58$) and hence well specified, which means that e-marketing, e-procurement and e-payment among SMEs were appropriate predictors of financial performance of SMEs. The predictive power of the model was found to be 62.9%

(Adjusted R Square = 0.629). This result indicates that the variation in e-marketing, e-procurement and e-payment among SMEs combined accounts for 62.9% variation in the level of financial performance of SMEs. The remaining 37.1% was determined by other factors outside the study.

5.2 Conclusion

These study findings therefore, the predictive power of the model was found to be 62.9% (Adjusted R Square = 0.629). This result indicates that the variation in e-marketing, e-procurement and e-payment among SMEs combined accounts for 62.9% variation in the level of financial performance of SMEs. The remaining 37.1% was determined by other factors outside the study. This thus provides direct evidence that by adoption of electronic commerce, the performance of SMEs can tremendously improve since there is ease of use of the technology as it provides may functions as stipulated in the Technology Acceptance Model by Davis (1989). Therefore, much effort is required in SMEs and the consumers to ensure that electronic commerce is fully adopted if they are to improve their performance.

5.3 Implications of the findings

Electronic commerce is something the ministry of commerce and trade has enforced through trade seminars and trade shows. Small and medium enterprises have been encouraged to embrace it so as to be able to compete on international and national business levels.

If electronic marketing takes solid root in these businesses, the sky is the limit. Few seem to have taken interest which could have some knowledge gap. Electronic procurement and electronic payment are great enforcers of business excellence in this twenty first century that is when they have been incorporated in the SMEs.

In a nutshell, study findings do elaborate that there are still gaps in electronic commerce as regards to being embraced which could have an effect on their performance. For the SMEs to be able to compete fairly, electronic commerce is the way to go as per study finding.

5.4 Recommendations

- Creation of awareness is recommended to SMEs and consumers on the use and impact of internet marketing. Support on internet marketing initiatives should be given by the state government for them to reap the benefits and enhance the economy. Actions need to be done to curb the challenges in internet marketing application so as to enable as many SMEs opportunities to implement it in their operations. The study recommends that SMEs integrate internet marketing in their operations for a positive impact on their performance.
- Trust building among the customers should be a major concern for SMEs while improving the usefulness of the electronic payment system. In order to enhance trust in e-payment, trust-creating activities must be continuously pursued.
- Business administrators and managers should monitor and evaluate the usage of the implemented technologies. This can be done by identifying the number of customers using a given technology like face book, twitter or email advertising and how often it is used, with such a measure in place. Information Technology bank managers should therefore get feedback on which technology that should be improved and then later plan for their business without wastage of resources.
- SMEs should use e-commerce in order to grow and to become more innovative as several studies have been conducted in countries like Nigeria and positive performance has been

declared. SMEs should improve access to information about networking opportunities to correct insufficiencies in existing sources of information.

- Chambers of commerce and officials from government should ensure that SMEs benefit not only from being connected to the internet but also from any technological evolution that can increase customers by quick marketing and flexible payment systems. A critical mass of workers with ICT skills is crucial for the further development of e-commerce and mobile applications. In this regard, governments can play an important role in ensuring that the education systems provide training of the necessary skills for building a viable digital economy.
- Finally there were some limitations in this research including the sample size itself is relatively small and a larger sample size is desirable to accurately evaluate the perception of the SMEs in Kakoba division towards E-commerce adoption. Therefore, it is suggested that future research can be done in larger sample size that allows higher response rate for more vigorous statistical analyses.

5. 5 Areas for further research

In future, researchers should replicate this study to cover the whole country. A study on the self-assessment system can also be carried out to determine its effectiveness on enhancing the performance of SMEs. Further studies should also put into consideration the influence of other factors other than electronic commerce on the performance of SMEs in Uganda.

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APPENDICES

APPENDIX I:

CONSENT FORM

Introduction:

Dear Respondent,

The researcher is a student from UMU. She is undertaking a research to generate data and information on *"The effect of electronic commerce on the performance of SMES in Uganda using a case study of Kakoba Division, Mbarara district".* You have been selected to participate in this study because the contribution you make to your organization is central to the kind of information required. The information you provide is solely for academic purposes and will be treated with utmost confidentiality. Kindly spare some of your valuable time to answer these questions by giving your views where necessary or ticking one of the alternatives given. Indeed your name may not be required. Thank you for your time and cooperation.

Interview Date……..Start…….End…….

Area of Study; **Kakoba Division**

QUESTIONNAIRE FOR BUSINESS OWNERS

Questionnaire No; ---------- Date of Collection (dd/mm/yy) ----------

SECTION A: BACKGROUND DATA

Please circle the numbers representing the most appropriate responses for you in respect of the following items:

1. Gender 1 ( ) Female 2 ( ) Male

2. What is your age group?

a) Below 20yrs b) 20-29 c) 30-39 d) 40-49 c) 50 and above

3. What is your highest level of education?

a) No education b) Primary c) High school d) Diploma e) Degree

f) Others (specify) ----------

4. For how long has your business been in operation? ----------

SECTION B: INDEPENDENT VARIABLE – ELECTRONIC COMMERCE

i) Electronic Marketing

In this section please tick in the box that corresponds to your opinion/view according to a scale of 1 = Strongly Disagree, 2 = Disagree, 3 = Not Sure, 4 = Agree, 5 = Strongly Agree

No	Statement	1	2	3	4	5
1	Our business has a Facebook page for its business operation					
2	Our business has a Twitter handle for its business operation					
3	Our company undertakes email advertisement					
4	Our company engages mobile advertisement					
5	The company engage in online markets					

No	Statement	1	2	3	4	5
6	Our company has adopted social media marketing					
7	We issue electronic brochures					
8	We engage in web based marketing					

ii) Electronic Procurement

In this section please tick in the box that corresponds to your opinion/view according to a scale of 1 = Strongly Disagree, 2 = Disagree, 3 = Not Sure, 4 = Agree, 5 = Strongly Agree

No.	Statement	1	2	3	4	5
1	We usually coordinate with its suppliers online					
2	We usually make orders online from our suppliers					
3	Our clients also make orders online					
4	We always make inventories electronically					
5	We can easily access pricelists of goods and services online					
6	We often buy our goods from online wholesalers					
7	We usually track incoming products online					
8	We usually track outgoing products online					

iii) Electronic payment

In this section please tick in the box that corresponds to your opinion/view according to a scale of 1 = Strongly Disagree, 2 = Disagree, 3 = Not Sure, 4 = Agree, 5 = Strongly Agree

No.	Statement	1	2	3	4	5
1	We often use mobile money to send money to our suppliers					
2	Our distant customers pay us using mobile money					
3	We often use our phones to pay our suppliers instantly					
4	We often bank our cash electronically					
5	Electronic fund transfer has been adopted in a number occasions					
6	Our business allow credit cards to be used when undertaking transactions					

SECTION C: DEPENDENT VARIABLE–SME PERFORMACE

In this section please tick in the box that corresponds to your opinion/view according to a scale of 1 = Strongly Disagree, 2 = Disagree, 3 = Not Sure, 4 = Agree, 5 = Strongly Agree

No.	Statement	1	2	3	4	5
1	The financial position of our business has improved over the last 3 years					
2	Over the last 3 years the profit margins of our business has increased					
3	The revenue of our business has increased over the last 3 years					
4	The return on investments in our business is good					

No.	Statement	1	2	3	4	5
5	Our sales return has been increasing for the last 3years					
6	Our customers have been increasing for the last three years					
7	I have managed to venture into other markets for the last three					
8	Our business has the ability to respond to and accommodate new products, new markets, or new competitors in the market.					
9	I have been in this same business for over 10years without fail					
10	Our business has grown into more than two branches					
11	Our capital base has increased for the last three years					
12	Our business has expanded for the last three years					

THANK YOU FOR YOUR PARTICIPATION!

APPENDIX II:

TABLE FOR DETERMINING SAMPLE SIZE FROM A GIVEN POPULATION

N	*S*	*N*	*S*	*N*	*S*
10	10	220	140	1200	291
15	14	230	144	1300	297
20	19	240	148	1400	302
25	24	250	152	1500	306
30	28	260	155	1600	310
35	32	270	159	1700	313
40	36	280	162	1800	317
45	40	290	165	1900	320
50	44	300	169	2000	322
55	48	320	175	2200	327
60	52	340	181	2400	331
65	56	360	186	2600	335
70	59	380	191	2800	338
75	63	400	196	3000	341
80	66	420	201	3500	346
85	70	440	205	4000	351
90	73	460	210	4500	354
95	76	480	214	5000	357
100	80	500	217	6000	361
110	86	550	226	7000	364
120	92	600	234	8000	367
130	97	650	242	9000	368
140	103	700	248	10000	370
150	108	750	254	15000	375
160	113	800	260	20000	377
170	118	850	265	30000	379
180	123	900	269	40000	380
190	127	950	274	50000	381
200	132	1000	278	75000	382
210	136	1100	285	1000000	384

Source: Krejcie& Morgan (1970, as cited by Amin, 2005)

Note.—*N* is population size.

S is sample size.

APPENDIX III:

. **Reliability Statistics***

. **Chronbach's alpha for Emarketing

. alphafacebook twitter email mobile onlinemarketingsocialmktebrochures, std

Test scale = mean(standardized items)

Average interitem correlation: 0.4802

Number of items in the scale: 7

Scale reliability coefficient: 0.8661

. **Chronbach's alpha for Eprocurement

. alphaonlinesuppliersonlineorders clientsonlineordereinventorieson linepricelistonlinewholesalersonlinetracking outgo

>ingonline, std

Test scale = mean(standardized items)

Average interitem correlation: 0.4342

Number of items in the scale: 8

Scale reliability coefficient: 0.8599

. **Chronbach's alpha for E-payment

. alphammsuppliersmmdistantcustmminstantsuppebankingeftcreditcards , std

Test scale = mean(standardized items)

Average interitem correlation: 0.4168

Number of items in the scale: 6

Scale reliability coefficient: 0.8109

. **Chronbach's alpha for Perceived Performace

. alphaimprovefinancialimproveprofitrevenueincreaseroigoodcustomer increasemktventureotheraccomodativeyrssamebizmor

>ebranches, std

```
Test scale =mean(standardized items)
Average interitem correlation:      0.5874
Number of items in the scale:            9
Scale reliability coefficient:      0.9276
```