



# COMMERCE RESEARCH SYMPOSIUM 2019

*Inspiring the Creative and Scholarly Achievements of  
Commerce Students*

DEPARTMENT OF COMMERCE  
UNIVERSITY OF SRI JAYEWARDENEPURA

**Commerce Research Symposium 2019**  
**(CRS 2019)**

**Extended Abstracts presented on the 29<sup>th</sup> July 2019**

**Department of Commerce** Faculty of Management Studies and Commerce  
University of Sri Jayewardenepura  
Nugegoda, Sri Lanka.  
Web: <http://mgt.sjp.ac.lk/com/>  
Email: [depcommerce@sjp.ac.lk](mailto:depcommerce@sjp.ac.lk)

## **Extended Abstracts of Commerce Research Symposium – 2019**

**29<sup>th</sup> July 2019**

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### **Extended Abstracts of Commerce Research Symposium – 2019**

#### **Department of Commerce**

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#### **Edited by:**

Dr. (Ms.) K.M. Vilani Sachitra  
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## **Extended Abstracts of Commerce Research Symposium – 2019**

### **Panel of Reviewers:**

Senior Professor E. Dayarathne

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Mrs. J.M.D.S. Wijeyarathna

Mrs. R.D.N. Vijanthi

Ms. D. M. S. Dissanayake

(Department of Commerce, Faculty of Management Studies and Commerce, University of Sri Jayewardenepura)

## Message from the Vice Chancellor



It is with great pleasure that I am writing this congratulatory message on the occasion of the First Research Symposium of the Department of Commerce. The Department of Commerce of the University of Sri Jayewardenepura is one of the most esteemed departments of the University known for excellence of their graduates.

The symposium is aimed at acknowledging the high level of research among undergraduates. This will no doubt give students an early exposure to research and its importance. Research is what the future of this country is depended on. Commerce is the very essence of any country's economy.

Thereby, it is my firm belief that research on the subject area of commerce should be done. Commerce, similar to other fields has evolved with time. The buying patterns have changed and new platforms have emerged. Therefore, it is pertinent that students be interested in uplifting the research in the field in the context of Sri Lanka.

As the Vice- Chancellor of this university, I want to see more students engaging in research, under the supervision and guidance of the academic staff resulting in creation of new knowledge. While I congratulate the students who have managed to qualify to be published in the proceedings, I also wish to thank the academic and non-academic staff who have committed to make such events a reality.

I wish the symposium every success and hope the Department will engage in organizing such events in the future.

Sr. Prof. Sampath Amaratunge  
Vice Chancellor  
University of Sri Jayewardenepura

## Message from the Dean



It gives me great pleasure to pen down these few words on behalf of the Inaugural Research Symposium of the Department of Commerce of the Faculty of Management Studies and Commerce, University of Sri Jayewardenepura.

Our community would agree that the academia today has a dearth of impactful research which can truly transform our communities and world. This bleak reality, despite having its many reasons, thus, signifies an urgent requirement for institutions such as ours to step in. Therefore, being the pioneering, leading and largest faculty providing Management education in the country, I believe that it is indeed our duty to help rectify this situation by ensuring that our future generations would identify the need for such high caliber research projects and involve themselves in doing so. With that note let me congratulate all staff and students of the Department of Commerce for initiating such a valuable forum which I believe would be a tremendous motivation and a clear path spread out for our students to engage and venture into truly exceptional research platforms. I am certain that initiatives of this nature would help us in our attempt of building competent and confident graduates who are equipped with innovative ideas.

Therefore, I look forward to what this Research Symposium would bring forth and wish nothing but the best for all students who will present their valuable ideas and receive constructive feedback by their fellow colleagues and teachers.

Thank you!

Dr. U. Anura Kumara

Dean

Faculty of Management Studies and Commerce

## Message from the Head of Department



Welcome to the first Research Symposium Day of Department of Commerce. Commerce Research Symposium is to be my favorite day of the academic year since it is the conclusion of the academic experience of undergraduates at Department of Commerce, Faculty of Management Studies and Commerce, University of Sri Jayewardenepura. Everything students have learned at the Department; the Faculty and the field comes together to create these extended abstract presentations. At Bachelor of Commerce degree, students are exposed to a broad-based curriculum that bridges the difference disciplines in commerce namely economic, accounting, marketing, human resources, finance and so on. They learn to think critically and creatively, review literature, gather data and analyse data to solve existing problems and communicate their findings effectively.

Research is a technique that students put their academic training into action, and today is when we see the

benefits of the entire commitment. In here, the students conducted original research and explored their main findings under the continuous guidance of academicians of the Department. The academicians served as mentors and encouraged students to contribute to the scholarly fields. This student-academic collaboration is a hallmark of the Department experience. I encourage all you to explore your intellectual interests by conducting scholarly works as possible.

Senior Professor E. Dayaratne

Head, Department of Commerce  
Faculty of Management Studies and Commerce,  
University of Sri Jayewardenepura.

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# Determinants of Unemployment of Management Graduates in Sri Lanka

Pathum Hettiwattha<sup>1</sup> & E. Dayarathne<sup>2</sup>

<sup>1,2</sup> Department of Commerce, Faculty of Management Studies and Commerce, University of Sri Jayewardenepura

<sup>1</sup>[pathumhettiwattha@gmail.com](mailto:pathumhettiwattha@gmail.com) / <sup>2</sup>[edayarathne@sjp.ac.lk](mailto:edayarathne@sjp.ac.lk)

## Background of the study

Management of graduate unemployment is standing as a vital factor for the economic leaders, policy analysts and managers of the organizations. Therefore, according to the current economic perspective, graduate unemployment creates proliferated repercussions in global context. For instance, Zhou and Lin (2009) uttered in relation to the study of “Relationship between global financial crisis and unemployment in China”, that although there were nearly 6 million graduates in 2009 where their unemployment rate was resulted approximately greater than 30%. Moreover, Hayes (2018) elicited in “The Future Was A Riot” that “why the youth unemployment in Spain has become such a chronic structural problem?” where it was an outcry in Spanish culture through hovering the young unemployment rate is above 20% which was only second to Greece among members of EU. In addition to that soaring nature of youth unemployment rate to nearly 70% pertinent to rural regions of the Spain has been quoted by Hayes (2018).

On the other hand, this problem is not only dominated in China and Spain, but also it spreads all over the global context. The International Labor Organization (ILO, 2012, P.7) depicted that “75 million youth are unemployed around the world; an increase of more than 4 million since 2007”. According to the Ghana’s Ministry of Employment and Social Welfare (MOESW, 2011), its graduate unemployment has increased up to 50.8% (UGAC, 2012) from 2.8% in 1984.

Unemployment refers that although an individual has a willingness to work and ability to work, yet incapable of finding a work (ILO, 2005; Kingdon & Knight, 2001; Swanepoel & Van Zyl, 1999). Explanations made by Borjas (2005) highlighted that unemployment of workers would stem in terms of job losers, job leaders, re-entrants, new entrants. Moreover, as per the explanations which were posit by Du Toit (2003), elaborated that if there is an intention to decline the unemployment there should be a growth which subsequently affirms that low economic growth contributes to very marginal growth in employment (Bhorat, 2004). In addition to that, repercussions with relate to unemployment are criminal activities, poverty, emotional frustrations, mental shocks, deficit in skills and experiences which are more

pervasive when not only concerning as a disastrous victim but also concerning entire society's perspective (Gul et al., 2012).

According to the Sri Lankan context, the academic curriculum which is already attached to the territory level education assimilating the graduate who is complied with theoretically richness, but he/she is not a graduate who sought after by employer. Therefore, in order to be an asset for a company, graduate must be an all-rounder, consisted not only from theoretical knowledge but also from skills required by employer.

Graduates who stands as educational harmonization, waving as the dimension for a development of the country, who has faced with adverse implications with respect to grasping suitable professions for themselves. When the absence of reliable and statistical evident with reference to graduate unemployment, there is satisfactory administrative estimates (May not precise in statistical perspective) which elicited that there were approximately 25,000 unemployed graduates which amounting 6.8% pertinent to the total unemployed population in accordance with the study by Dissanayake (2010/2011). It is accelerated up to 53,000 as per the elaborations given by the Unemployed Graduate Association (2018 March 21).

Hence, there is a significant necessity to elaborate comprehensive and detailed studies on factors that have impact on Unemployment of Graduates. Moreover, findings which will derive from this study will curve out the attention towards the new perspective regarding skill deficiencies of Sri Lankan Graduates.

## **Method**

This study focuses on deductive approach and the targeted and intended population for this research purpose was encompassed of all Management Graduates in Sri Lanka either employed or unemployed. Sample frame of this study included Management Graduates between 24-29 years old, who have successfully completed their special degree programme in the FMSC of USJP (in any of the twelve Departments) and either employed or unemployed irrespective of the area where they are living. Therefore, the sample size of 150 was considered as large enough to conduct this study.

The questionnaire which was used in this study as a data collection tool was consisted of three sections. First section was concerned with three questions pertaining to the demographic variable. The second section was focused regarding the "Employability and Qualification" containing with 17 items. Questions which have been developed by the researcher contain in

relation to section three in 8 items with the intention to measure the two independent variables of Communication Skills (5 items) and Computer Literacy (3 items) by using of the Likert Scale in which respondents' responses were representing as level categories pertaining to 1= Unsatisfactory, 2= Poor, 3= Good and 4= Excellent (scale ranging).

It is required to be noted that this study is still continuing further, therefore the results and conclusions are based on the pilot survey conducted.

### **Results of Pilot Survey**

The pilot study contained 29 management graduates. The demographic characteristics of the sample is illustrated in Table 1.

**Table 1: Demographic characteristics of the sample**

<b>Characteristics</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Gender:		
Male	11	37.9
Female	18	62.1
Age:		
23 – 25	16	55.2
25 – 27	12	41.4
27 - 29	1	3.4
Study achievement:		
First class	2	6.9
Second upper	4	13.8
Second lower	5	17.2
General	18	62.1
Use career guidance service at University:	15	51.7
Yes	14	48.3
No		
Professional courses followed:		
CA	18	62.1
CIMA	2	6.9
Other	6	20.7
Work experience during the study period:		
Yes		
No	26	89.7
	3	10.3
Employed:		
Yes	22	75.9

No	7	24.1
Nature of employment:		
Full time	22	75.9
Part time	7	24.1

### Mean Differences Analysis

The study further analyzed the mean difference of communication skills and computer literacy items with respect to the employment status of the management graduates. Table 2 shows the results of mean value differences.

**Table 2: Mean Value Differences**

<b>Employment Status</b>	<b>Communication Skills [Spoken Skills in English]</b>	<b>Communication Skills [Listen Skills in English]</b>	<b>Communication Skills [Reading Skills in English]</b>	<b>Communication Skills [Writing Skills in English]</b>	<b>Communication Skills [Presentation Skills]</b>	<b>Computer Literacy [MS Office Applications Skills]</b>	<b>Computer Literacy [Ability to send, read E-mails]</b>	<b>Computer Literacy [Ability to perform Online Transactions]</b>
Employed	2.8636	3.1429	3.1905	2.9524	2.8571	3.1905	3.2857	3.0909
Unemployed	3.0000	3.3333	3.3333	3.0000	2.6667	3.0000	3.0000	2.8333
Total	2.8929	3.1852	3.2222	2.9630	2.8148	3.1481	3.2143	3.0357

Mean value between Employed graduates and Spoken Skills in English is 2.8636 whereas mean value between Unemployed graduates and Spoken Skills in English is 3.0000. Mean value between Employed graduates and Listen Skills in English is 3.1429 whereas mean value between Unemployed graduates and Listen Skills in English is 3.3333. Mean value between Employed graduates and Reading Skills in English is 3.1905 whereas mean value for Unemployed graduates is 3.3333. Mean value between Employed graduates and Writing Skills in English is 2.9524 whereas mean value for Unemployed graduates is 3.0000. Mean value between Employed graduates and Presentation Skills in English is 2.8571 whereas mean value for Unemployed graduates is 2.6667.

Further, mean value between Employed graduates and Computer Literacy (MS Office Application Skills) is 3.1905 whereas mean value for Unemployed graduates is 3.0000. Mean value between Employed graduates and Computer Literacy (Ability to send & red E-mails) is 3.2857 whereas mean value for Unemployed graduates is 3.0000. Mean value between Employed graduates and Computer Literacy (Ability to perform online transactions) is 3.0909 whereas mean value for Unemployed graduates is 2.8333.

## **Conclusion**

The study used pilot survey data to emphasize the skill deficiencies of Sri Lankan management graduates with regard to communication and computer literacy skills. Accordingly, the results demonstrate that except Presentation Skills in English, all other communication skills are slightly “Good” pertaining to Unemployed Graduates rather than those who are employed. On the other hand, computer literacy skills are slightly “Good” pertaining to Employed Graduates rather than those who are unemployed.

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# The Effect of Deposits and Loans on Financial Performance of the Listed Commercial Banks of Sri Lanka

Rashmika Dilrukshi<sup>1</sup> & Ayoma Sumanasiri<sup>2</sup>

<sup>1,2</sup> Department of Commerce, Faculty of Management Studies and Commerce, University of Sri Jayewardenepura

[ngrashmika@gmail.com](mailto:ngrashmika@gmail.com)<sup>1</sup> / [ayoma@sjp.ac.lk](mailto:ayoma@sjp.ac.lk)<sup>2</sup>

**Keywords:** Listed Commercial Bank; Deposits; Loans; Performance

As per the Hussain and Bhatti (2010) banking sector acts as the life blood of modern trade and commerce through providing major sources to finance. Jreisat and Hassan et al. (2018) have revealed in their study that banking as the most important pillar for the development and there they have mentioned that the importance of a stable financial system of an economy. As per the Hirindu and Kushani (2017) the banking sector in Sri Lanka can be introduced as one of the major sectors which plays a central role in the operation of the economy. Even though the banking sector is compromised with various financial institutions, Licensed Commercial Banks (LCBs) are the most important financial institution in terms of assets and the magnitude of the services provide([www.cbsl.lk](http://www.cbsl.lk)). “Commercial banking business is often referred to as the business of receiving funds from the public through the acceptance of money deposits payable upon demand by cheque, draft, order or otherwise and the use of such funds either in whole in part for advances, investments or any other operation either authorized by law or by customary commercial banking practices” (Banking Act No.30 of 1988-Sri Lanka). Licensed commercial banks have the ownership to the highest market share of the entire financial system assets. Therefore, the health of Sri Lankan financial system totally depends to a great extent on the soundness of the licensed commercial banks. Study conducted by Mawathi (2009) on commercial bank financial performance and ownership structure has revealed that the banks which are with the significant private holdings have well performed than the banks which are with significant government holdings. When it comes to the Sri Lankan context Sri Lankan government is supporting the government banks while private banks have to stand by their own self to achieve their goals. Even though, Sri Lankan government is supporting government banks like Bank of Ceylon, Peoples bank, RDB by promoting them with the loan schemes such as enterprise Sri Lanka 2025, private banks have to compete with the government banks without any support from the government. Specially listed commercial banks have to align with so many rules and regulations. Even though, listed commercial banks are with minimum

support by the government and the other institutions when analyzing the financial performance, they are well performing than government banks. As per the Bologna (2011), deposits play a fundamental role in the aspect of financing of the banks. Because, considerable part of the commercial banks assets are usually financed by customer deposits. Interest expense is the major expense of any bank to its customers. Because of that, to be profitable a commercial bank must be able to gather deposits at a reasonable rate and lend to its customers at a higher rate. As per the Radhika (2014) loans and advance can be introduced as the survival unit of the bank. According to the researcher if, this section is unable to work properly it may be the major reason behind it bankrupts and as well as the researcher has mentioned that the loans and advance section of a bank as an earning section of the bank. According to the Bologna 2011) if the other factors remain constant, to be more profitable the commercial banks must be able to generate deposits at low cost and offer loan facilities with high rates to its customers. Because of the time and the information availability this report examined commercial banks which are listed in Colombo Stock Exchange (CSE) as at 31 December 2018 and data collected from audited annual reports of the banks and from the annual reports of the Central Bank of Sri Lanka.

## **Research Method**

The objective of this research was to reveal the relationship (Positive, Negative, No) between the level of deposits and loans on the financial performance of the listed commercial banks of Sri Lanka during the period from 2013 to 2018 and to reveal that the effect of the level of deposits and loans on financial performance of listed commercial banks of Sri Lanka during the period from 2013 to 2018. Hypothesis were as follows:

H1: There is a positive relationship between level of deposits and bank performance

H2: There is a positive relationship between level of loans and bank performance

This study adopted a survey research design. A survey research design is a study design that is concentrates on a more than one case Mugenda and Mugenda (2003). This study used survey study because of the methodological choice of samples and rigorous statistical approach as well as this study used quantitative approach to analyze data. The researcher used the cross-sectional design method to examine the level of deposits and loans on financial performance of commercial banks in Sri Lanka, which are listed in Colombo stock exchange as at 31<sup>st</sup> December 2018. Data collected from audited annual reports of the banks which are available in the bank's websites and the annual reports by Central Bank of Sri Lanka. In order to check



the relationship between the level of deposits and loans on financial performance of listed commercial banks, panel data regression model was used. The model has developed in line with portfolio investment theory. The model which used by the researcher to the study the model already developed by Zoeller and Hester (1966). Explanatory and explained variables have taken as ratios to the total assets. The variables were the average of the observation for the 06 years of the study. The regressions conducted using statistical package for social sciences (SPSS) and Microsoft Excel as analysis tools. Trend analysis, descriptive analysis, correlation analysis and regression analysis carried on to analyze data.

## Results

The descriptive results in Table 1 illustrate the summary of the statistics of the dependent and independent variables used in the empirical model. The mean, maximum, minimum and the standard deviation are given. The average return on equity of the 09 listed commercial banks over the 06 years was 13.5%. The maximum return on equity was 23% and the minimum return on equity was 2%. The standard deviation of return on equity is 6.8%. The average return on assets of the listed commercial banking sector in Sri Lanka during the selected 06 years of period was 1%. The maximum return on assets was 2% and the minimum return on assets was 0%. The standard deviation of return on assets is 0%. The average level of loans of the listed commercial banking sector in Sri Lanka during the selected 06 years of period was 64%. The maximum level of loans was 74% and the minimum level of loans 48%. The standard deviation of the level of loans is 7%.

The average level of deposits of the listed commercial banking sector in Sri Lanka during the selected 06 years of period was 72% and the maximum level of deposits was 81% and minimum level of deposit was 61%. The standard deviation of the level of deposit is 6%.

**Table 1: Descriptive Statistics**

	ROA	ROE	LEVEL OF LOANS	LEVEL OF DEPOSITS
N	9	9	9	9
Mean	.0117	.1355	.6496	.7283
Std. Deviation	.00541	.06863	.07742	.06359
Minimum	.00	.02	.48	.61
Maximum	.02	.23	.74	.81

### Correlations Analysis

Results in Table 2 disclose that the correlation between ROE and ROA is positive and significant ( $R=0.950$ ,  $P$  value  $=0.000$ ). It indicates that an increase in ROA is associated with an increase in ROE and a decline in ROA is associated with a decline in ROE. Findings also illustrate that the correlation between ROE and level of loans was negative and insignificant ( $R= -0.037$ ,  $P$  value  $=0.924$ ). This indicates that an increase in level of loans is associated with the decrease in ROE and decline in level of loans associated with an increase in ROE but it is not significant. Findings show that the correlation between ROE and level of deposits was negative and insignificant ( $R= -.010$ ,  $P=0.979$ ). This indicates that an increase in level of deposits associated with the decline in ROE and the decline in level of deposits associated with the increasement in ROE. Findings show that the correlation between ROA and level of loans was negative and insignificant ( $R= -0.232$ ,  $P$  value  $0.548$ ). This indicates that an increase in level of loans associated with the decline in ROA and the decline in level of loans associated with the increasement in ROA. Findings show that the correlation between ROA and level of deposits was negative and insignificant ( $R= -0.112$ ,  $P$  value  $0.774$ ). This indicates that an increase in level of deposits associated with the decline in ROA and the decline in level of deposits associated with the increasement in ROA.

**Table 2: Correlation analysis**

		ROA	ROE	LEVEL OF LOANS	LEVEL OF DEPOSITS
ROA	Pearson Correlation	1	.950**	-.232	-.112
	Sig. (2-tailed)		.000	.548	.774
ROE	Pearson Correlation	.950**	1	-.037	-.010
	Sig. (2-tailed)	.000		.924	.979
LEVEL OF LOANS	Pearson Correlation	-.232	-.037	1	.296
	Sig. (2-tailed)	.548	.924		.439
LEVEL OF DEPOSITS	Pearson Correlation	-.112	-.010	.296	1
	Sig. (2-tailed)	.774	.979	.439	

\*\*. Correlation is significant at the 0.01 level (2-tailed).

## **Regression Analysis Results**

The findings of the regression analysis also confirm that there is a negative and insignificant relationship between the level of bank's deposits and return on equity (ROE). The results further confirmed a negative and insignificant relationship between level of loans granted by banks with its return on equity (ROE) while a negative and insignificant relationship between level of deposits and return on assets (ROA.) Further, the results confirmed a negative and insignificant relationship between level of loans and return on assets (ROA). These findings are in line with Sherish Gul (2011), Kaseem and Sakar (2018), Hoffmann (2011) in Spain, Tan and Floros (2012) in China and El- Ansary and Megahed (2016) in Egypt.

## **Conclusion**

According to the Economic Outlook (2018) political instability and frequent changes in the Sri Lanka political and economic policies including rising tax rates and interest rates influenced to delay private and public-sector investments. Their investments are considered as the key drivers in the economic growth of Sri Lanka. According to the Department of Census and Statistics there was a growth in inflation rates in Sri Lanka during the period from 2013 to 2018.

During the period of 2013 to 2018 it has been revealed that the deposits were increasing at a decreasing rate because public were not willing to keep money as the deposits with them in an inflationary condition. Not only deposits but also loans were increasing at a decreasing rate during the selected period because of the high rules and regulations and policies implemented by the banks and the government of Sri Lanka.

Increasing tax rates, interest rates, inflation rates, unfavorable economic policies and rules and regulations have caused to decrease the net profits of these banks and consequently it has also affected to the decrease in the profitability ratios namely the return on assets (ROA) and return on equity (ROE). Therefore, overall performance of these banks may be badly affected.

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# Factors influencing job satisfaction and employee turnover in the apparel industry

Shermila Janendra<sup>1</sup> & Ayoma Sumanasiri<sup>2</sup>

<sup>1,2</sup> Department of Commerce, Faculty of Management Studies and Commerce, University of Sri Jayewardenepura  
[shermilajfernando@gmail.com](mailto:shermilajfernando@gmail.com)<sup>1</sup> / [ayoma@sjp.ac.lk](mailto:ayoma@sjp.ac.lk)<sup>2</sup>

## Introduction

Employees of an organisation is considered as human resource, and therefore it needed to be managed as well as managed the outcomes expected (Opatha, 2002). In the present competitive industrial world, employee turnover has become a major problem for most of organisations which is directly affected to the smooth process of organisational regular performance. Still turnover is one of the most conflicting issue for textile industry (Weerawansa et al., 2012). Labour turnover may lead to many direct as well as indirect costs to the organisation. Due to employee turnover the organisations have to bear cost related to interviews, new recruiting, training and compensation etc. directly. Not only that but also, indirectly organisations have to bear expenses which are non-financial in nature related to employee turnover (Afroz, 2017; Dalton and Kesner, 1994; Kung, 2007).

Hence, the organisations in Sri Lanka also are required to get some measures to assess the factors affecting the labours' intention to leave their organisations. When it comes to the apparel industry, according to the Annual Central Bank Report (2016) of Sri Lanka, Sri Lankan garments are still giving competition due to improved quality, diversification, increased productivity and external demand gradual recovery. Garment industry in Sri Lanka is contributed to the livelihood of nearly 1.2 million people (Kelegama, 2005). According to Dheerasinghe (2009) this industry has provided more than 330,000 jobs or 5 per cent of Sri Lanka's total labour force. Also, Dheerasinghe (2009) cited that the lack of skilled labour and increased labour turnover are few of major problems which is faced by Sri Lankan garment industry. It is then a timely requirement to determine the job satisfaction and employee turnover influencing factors which are related to apparel industry in Sri Lanka.

## **Methods**

This study used the deductive approach because the researcher has developed the conceptual framework which is based on literature. By concerning the theoretical review of Maslow's Hierarchy of Needs, Alderfer's ERG theory and Herzberg's two factor theory, job satisfaction was measured by using three dimensions namely payments and other benefits, promotions and nature of work. These dimensions were concerned in the prior studies of Afroz (2017), Nanjundeswarawamy (2016), Amarathunge (2016). Intention to leave was the dependent variable of the study. Social demographic factors such as Educational level, age, gender, length of service and civil status were considered as the moderating factors for the study.

This study was designed to identify the factors influencing the job satisfaction to the employee turnover intention, especially in Panadura industrial area. Therefore, every operational level garment worker in Panadura area was considered as the target population of the study. Using the simple random sampling technique, 200 operational level employees were selected. Primary data were collected using a structured questionnaire. The questionnaire had three sections; first section consisted with 19 questions related to job satisfaction (Spector, 1994). Second section consisted with 3 items to measure the turnover intention level (Liyanage and Galhena, 2012). The measurement items were scaled as strongly disagree, disagree, moderate, agree, and strongly agree. Final section was developed to collect information regarding the background of the employees. Data analysis was made by using appropriate techniques such as descriptive statistics, variance analysis, and analysis of regression etc. to suit with the purpose of the study.

## **Result**

The completed questionnaires were collected from 191 employees, resulting in a 95% response rate. The sample of the study covered rich demographic characteristics (Table 1).

**Table 1: Demographic characteristics of sample**

Characteristics	Frequency (Percentage)
<b>Age</b>	
< 25 Yrs	6 (3.1)
25 - 35 Yrs	45 (23.6)
36 - 45 Yrs	85 (44.5)
46 - 55 Yrs	49 (25.7)
> 55 Yrs	6 (3.1)
<b>Gender</b>	
Female	181 (94.8)
Male	10 (5.2)
<b>Educational Level</b>	
Primary Education	18 (9.4)
G.C.E. Ordinary Level	156 (81.7)
G.C.E. Advanced Level	17 (8.9)
<b>Work Experience</b>	
< 1 Year	5 (2.6)
1 – 2	42 (22.0)
2 – 3	75 (39.3)
3 – 4	59 (30.9)
> 4	10 (5.2)
<b>Civil Status</b>	
Married	137 (71.7)
Unmarried	54 (28.3)

The reliability of variables was assessed by examining their internal consistency values. It can be concluded (Table 2) that Payments and other benefits (6 items), Promotions (3 items), Nature of working environment (10 items) and Intention to Leave (3 items) met adequate validity ( $KMO > 0.50$ ; Bartlett's test of sphericity  $< 0.001$ ;  $AVE > 0.50$ ) and reliability (Cronbach's alpha value  $> .70$ ) requirements.

**Table 2: Measurement Adequacy**

Variable	Cronbach Alpha	KMO	Bartlett's test of sphericity	AVE
Payments and other benefits	0.990	0.913	0.000	0.784
Promotions	0.932	0.698	0.000	0.681
Nature of work.	0.993	0.920	0.000	0.721
Intention to leave	0.965	0.769	0.000	0.647
Customer service	0.618	.633	0.000	.5706

Table 3 illustrates the descriptive statistics and inter-correlational values between the variables.

**Table 3: Descriptive statistics and correlation analysis**

	Mean	SD	Pay	Promo	Nature
Pay	2.9049	1.40690	1		
Promo	2.5061	1.29409	.145*	1	
Nature	3.0874	1.40141	-.543**	-.341**	1
Leave	3.2373	1.45882	.685**	.447**	-.748**

\*. Correlation is significant at the 0.05 level (2-tailed).

\*\*. Correlation is significant at the 0.01 level (2-tailed).

There were statistically significant correlations between intention to leave, payments, promotions and nature of work at 95 percent. Further, there was a negative correlation between Nature of work and intention to leave.

The multiple regression analysis was used to determine whether Payments, Promotions and Nature of work have any significant effect on employees' intention to leave of employees. Table 4 and 5 show the results of the multiple regression analysis.

**Table 4: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson	F	Sig.
1	.848 <sup>a</sup>	.719	.715	.77909	1.526	159.720	.000 <sup>b</sup>

a. Dependent Variable: Leave

b. Predictors: (Constant), Nature, Promo, Pay

**Table 5: Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	2.769	.311		8.905	.000		
	Pay	.424	.048	.409	8.859	.000	.704	1.421
	Promo	.266	.047	.236	5.722	.000	.882	1.134
	Nature	-.464	.051	-.445	-9.162	.000	.635	1.574

a. Dependent Variable: Leave

Table 4 shows that adjusted R-square was 0.715 ( $F = 159.72$ ,  $p < 0.001$ ), implies that 71 percent of the variation in employees' intention to leave can be explained by payments and other benefits, promotions and nature of work. The Durbin–Watson value was 1.526 (fallen within 1.5 to 2.5), indicates that there is no autocorrelation problem in the data. Further, the variation inflation factor (VIF) values of all the independent variables were above 1 and below the value



of 5. In addition, the tolerance values of all the independent variables were higher than 0.20. The results further indicate that there is no multicollinearity issue in the variables. In Table 5, the p-values of payments, promotions and nature of work were less than 0.001. Hence, payments, promotions and nature of work have significant effect on employees' intention to leave.

## **Conclusion**

This study assessed the factors influencing employee turnover in apparel industry by using three independent variable and one dependent variable. Payments and other benefits, promotions and nature of work are identified as an independent variables and intention to leave identified as a dependent variable. According to the research findings of this study, Payments and other benefits, promotions and nature of work have a significant influence on turnover intention.

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# The Role of Multinational Companies in Enhancing Rural Livelihoods of Dairy Farmers in Sri Lanka

Sachin Wijayasinghe<sup>1</sup> & Vilani Sachitra<sup>2</sup>

<sup>1,2</sup> Department of Commerce, Faculty of Management Studies and Commerce, University of Sri Jayewardenepura  
[slw1424@gmail.com](mailto:slw1424@gmail.com)<sup>1</sup> / [vilani@sjp.ac.lk](mailto:vilani@sjp.ac.lk)<sup>2</sup>

**Keywords:** Dairy farming; Multinational companies; Rural; Livelihood enhancement

## Introduction

Multinational Corporations' (MNCs') operations in developing countries have played a key role in improving & uplifting the economic situation and overcoming challenging conditions prevailing in the host nation. In the modern context with the explosive growth of technology and over emphasis of possessing competitive advantage over the other business units MNCs are focusing on more profit-oriented operations which has raised many social and economic convolutions.

According to the study by Porter and Kramer (2011), Multinational Corporations are considered to be organizational units which operates in different areas of the host nation attempting to resolve social issues and are considered to be progenitors in economic and social progress especially in rural areas. Transfer of knowledge, globalization, introduction of new technology, flow of foreign direct investment are the main perks a host nation will enjoy apart from revenue earned by taxing trading activities of MNCs.

Concerning Sri Lanka, the country has been a self-sufficient nation since ancient days, agriculture sector strengthens the economy by various means. Agricultural sector in Sri Lanka contributes 7.5% to the national GDP and 30% of Sri Lankans are actively engaged in related activities (Central Bank Report, 2018). Dairy and Coconut farmers are being encouraged by MNC in Sri Lanka, MNC's like Nestle Lanka PLC and Fonterra Brands Lanka PVT LTD directly purchase quality raw materials from the farmers securing the farmers by generating a fixed annual income which is just sufficing to handle their daily needs. Sri Lanka recorded the highest FDI in year 2017 which amounted to US \$ 1.63 Bn, existence of Nestle Lanka PLC for more than hundred years in the country and few other MNCs have helped the country to attract more FDI after the civil war with their strong reputable relationships with other countries.

Disparity between rural and urban economy is growing day by day and it's essential for multinational companies to address the issue and set an example for the rest of the society to follow. Rural development can be defined as social progress, upliftment of the economy and improvement of living standards in the rural area. According to the annual report of Nestle Lanka PLC the renowned global entity has contributed LKR 2.3 Bn to coconut farmers and LKR 3.8 Bn of Dairy farmers (Nestle, 2019). The question is whether these large contributions have helped to improve the status of rural areas or that spending have made no impact to the lives of these farmers in rural areas.

Previous scholars (Arato et al., 2016; Williams et al., 2017; Ibañez (2015) ; Nekhwevha et al., 2018) have identified certain core areas that MNC should cooperate in improving the rural economy of the host nation. Acknowledging them, this study is to identify whether addressing those core areas are adequate for the Sri Lankan context, are there any other aspects addressed by the MNC which operates in Sri Lanka to improve rural economy and to identify other factors which will improve the status of rural economy.

Focus of this study is to identify the contributions of the MNC operating in the country like Nestle Lanka PLC and Fonterra Brands Lanka PVT LTD in improving the livelihoods of dairy farmers which eventually leads to rural development. By taking the efforts to bridge the gap between the urban and rural livelihoods will minimise inequalities between the society which will be the first step for a prosperous future.

## **Methods**

The research approach is the deductive approach based on the self-composed conceptual framework. By concerning the theoretical review of institutional theory, corporate social responsibility, stakeholder and capability theories, the study employed the models developed by Arato et al. (2016), Ibañez (2015) and Ng'eni et al. (2015). According to the framework composed the independent variables identified are; women empowerment, knowledge management and initiative programs conducted by MNC. While technology and training will act as intervening and moderating variables respectively.

The study conducted on qualitative data which were obtained through primary data sources. The data collected through semi-structured interviews with both open ended and close ended questions. The questionnaire was designed in all three official languages (Sinhala, Tamil and English) for effective communication purposes. The interview protocol consisted with the questions of; What did you gain engaging with Nestle; What are you doing differently after

involving with Nestle; How could the engagement of Nestle can be improved; how effective the involvement of Nestle has affected you and others living in your area; awareness of the rural livelihood development programs initiated by Nestle and knowledge about dairy farming technology and is any information and training shared.

The population for the study was the farmers who are directly engaging with MNC subsidiaries operating in Sri Lanka and sample consisted with the 15 farmers attached to Nestle Lanka PLC. Interviewed data were analyzed based on similarity and difference of the answers provided for the research questions. At this stage only 5 interviews have been completed, and the remaining interviews are still proceeding.

## **Result**

Through the interviews which were carried out with the dairy farmers, many farmers expressed themselves as earning an additional income, which was the top reason to engage in dairy farming with Nestle Lanka PLC. Some farmers have been supplying to the company for the last three decades and the lack of job opportunities have forced them to engage in dairy farming and none of them regrets in the decisions they have made with the company. In addition to making an additional income, the dairy farmers gained the importance of delivering a quality output along with the knowledge in how to do business.

Engaging with the multinational company has helped the farmers immensely. Mainly the company adheres to strict standards and policy which let the farmers no option but to follow the same. This also opened the eyes of the farmers to methodically organize all sort of activities in their day to day life not limiting it only for dairy farming.

Documentation of activities an effectively managing things has shown the light for the farmers. Farmers are highly motivated to be knowledgeable and educate their children and make their futures bright which signals soon the farmers can gap the bridge between the haves and have nots in terms of education.

The farmers also stressed the importance of uplifting the milk infrastructure for an example; farmers wanted more chilling center and collecting points to be established and to increase the efficiency of the internal truck route operations. The farmers also highlighted that if the cattle feed can be provided for them at a further reduced price, that would be much relief and a motivation to engage more in dairy farming.

Daily operational reviews done by the field offices and guidance & support of the Agri-service officers of the company have affected not only the farmers but has motivated many people in the village. Employees opportunities such as collecting point managers and chilling center manager, are even given to the members of the village which has become a great strength to improve their respective family income.

Majority of the farmers were aware of certain programs initiated by the company and water purifications, healthy lifestyle workshops were commonly highlighted. They were delighted to say the importance of those projects to the village and wished if the local authorities could assist these movements, so that they can forget about the remote lives they are experiencing now. Nutritional workshops and health campaigns organized by the company has helped uneducated farmers to reduce many health problems in the village, ultimately a healthy workforce has helped the village economy according to views of the farmers. The nutritional workshops have been a blessing for mothers and children in the village and the company supports many of the local events as the backbone to maintain rich traditions in the village while supporting them to overcome the cumbersome situations they are facing. However, there were farmers who are not aware of such.

Farmer believe if the employee can move with the internal truck routes, discuss matters more often with the farmers and make decisions the engagement with the company will be more effective because they stressed the atmosphere in the air conditioned rooms and the ground level is far different but many agree on the fact that they are highly satisfied with the contributions made by the company for the farmers and the village. Many farmers during their interviews urged the company to financially assist them by providing interest free loans and guidance. There was instance where a farmer was backed with financial assistance and guidance who was selected to the scheme through the scale and performance in operations. The farmers prefer if the company can make advance payments and give their claims as soon as possible rather taking 15 days to settle the dues.

While one of the farmers were unaware about women empowerment others were satisfied and stressed the importance of women engaging in the industry. Many stressed that the service of agri-service officers and field officers was the key reason why women are engaging in the industry. There is no special program conducted by the company but the efforts of the officers have been priceless. But some believe women got no time to give their absolute focus on dairy farming because they need to take care of an extended family while early hours of the day is

spent on sending children to school. Time factor has been the biggest constrain according to the farmers for women engagement. In the meantime, the farmers are happy to share views on women engagement has helped to increase the yields which increase their revenue and improved living standards has motivated more to invest on dairy farming.

Finally, the farmers were willing to sustain the present scale of operations and some needed to expand this as a family business. However, most of the farmers main source of income was agriculture and their more focus were to expand those operations while maintaining a steady income from dairy farming.

## **Conclusion**

Nestle has won the hearts of farmers by been honest and trust worthy compared to other dairy collecting companies. Nestle has created a risk-free environment which has helped the farmers to keep their heads up and work hard. Nestle gave hope belief and Motivation to all the farmers to do their best and serve the company with the best dairy supply. Most of the farmers relieved self-motivation was key for them to engage in dairy farming and the systematic process along with the methodical nature of business done by the company made them choose Nestle among various small operations in the village. Overall, engaging with the multinational company has helped the farmers in numerous ways; methodically organizing things; documentation, management and they have understood the importance of education; following quality standards and saved time and energy with New technology. Farmers also believe that providing advance payment, welfare benefits (transport, hospital, schools) and expedite claiming procedure will gain effective involvement to the living standards of farmers and their families. Majority of the farmers were aware of certain rural livelihood development programs initiated by the company such as healthy lifestyle workshop; Water purifications released to MahaOya; Kiri govisaviya and Sponsoring local events. The farmer wished that if the local authorities could assist these programmes.

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# Assessing Factors Influencing Customer Satisfaction on Online Shopping

Bhagya Sandakalumi<sup>1</sup>& Vilani Sachitra<sup>2</sup>

<sup>1,2</sup> Department of Commerce, Faculty of Management Studies and Commerce, University of Sri Jayewardenepura  
[sadakalumi823@gmail.com](mailto:sadakalumi823@gmail.com) / [vilani@sjp.ac.lk](mailto:vilani@sjp.ac.lk)

**Key words:** Online shopping; Customer satisfaction; Income level

A step by step development of that concept lead to an online service accessible by telephone lines, could be used to make online purchases, train reservations, check stock prices, online conversation and search a telephone directory (Mahnke et al., 2015). Online shopping is becoming a popular method for selling and purchasing goods, due to many reasons. Online shopping is the most popular feature around the world as well as in Sri Lanka. Sri Lanka's internet connectivity is growing at a steady pace. According to the Telecommunication Regulatory Commission of Sri Lanka (TRC) Sri Lankans subscribed to 1.5 million cellular mobile connections and over 300,000 broadband and dial-up internet connections, increasing Sri Lanka's internet population to a 30% and to total internet users to a 6.1 million during the year of 2016. People are tending to do online shopping by using those social media and also by using online shopping websites. As well as most of the business organizations try to use online shopping to sell their product and to increase their market.

When consider above information we can understand that online shopping is becoming a major part in Sri Lankan businesses. Hence, Online sellers must focus about their online buyers and should take necessary action to increase the satisfaction level of them (Pappas et al, 2013). Kumar and Velmurugan (2017) highlighted that online shopping helps customers to purchase products which one available in the market and help them to collate the price and quality of the product before they purchase the product. If business can concern more about increasing satisfaction level of their existing customers rather than acquiring new customers, that business can obtain benefit by avoiding customer acquisition cost and also they can achieve higher profitability because of repeat purchases of the existing customers. Furthermore, it is said that repurchase intention of the customer depend on the quality of the product and services they obtain when they purchase product through online. Therefore, to retain the existing customer and to attract new customers toward their online shopping window online sellers must pay attention to maintain and increase the satisfaction level of their consumer. Therefore, this study

has been designed to assess the factors influencing customer satisfaction and identify the problem faced by customers while doing online shopping activities.

Disconfirmation theory argues that satisfaction is expounded to the dimensions and direction of the disconfirmation expertise that happens as a result of comparison service performance against expectations (Ekinci, 2004). Negativity theory described that when expectations are powerfully occupied, customers will reply negatively to any disconfirmation. According to that dissatisfaction will arise when the perceived performance is not matched with the expectation of the customer. Affective feelings toward a product or service are reciprocally associated with the largeness of the discrepancy.

Acknowledging the theoretical view, prior studies (Abdeldayem, 2010; Tandon et al., 2017; Kumar et al., 2017; Kumar and Mohan, 2018) have identified that convenience, usefulness, perceived web store traits and customer traits, great experience, trust and security of the website, product type, website functionality, age, gender, educational qualification and 24 hours service are some of the key factors influencing customer satisfaction on online shopping. For this study purpose, the most critical variables including convenience, security, website functionality and customer service have been selected as independent variables whereas income level as moderating variables.

## **Method**

This study used the deductive approach because the conceptual framework is developed based on the test data by Ali and Sankaran (2010). The research design is based on quantitative approach. The targeted population for this study is customers living around the Colombo area, those who have internet facility in their living place or working place. According to the Computer Literacy Statistics (2018) published by Department of Census and Statistic, higher percentage distribution of Internet (44.9%) and E-mail using household population (26.4%) are in the Colombo district. Since the target population is considerably large, the study utilized the non - probability, convenience sampling method. Hence, the sample size is 380 respondents, those who have internet facility in their residence place or work place.

The survey method is employed to collect data through a standardized questionnaire. The selected dimensions (customer satisfaction – CusSati, convenience - Con, security - Secu, website functionality - WebFun and customer service - CusSer) were measured by using a Lickert scale measurement items, acknowledging the prior studies (Abdeldayem, 2010;

Wijesundara, 2008; Tandon et al., 2017; Kumar and Mohan, 2018; Khan, 2018). The multiple regression analysis was utilized to test the hypotheses.

## Result

The completed questionnaires were collected from 357 consumers, resulting in an 93% response rate. The sample of the study covered rich demographic characteristics (Table 1).

**Table 1: Demographic characteristics of sample**

Characteristics	Frequency (Percentage)
Gender	
Male	135 (38)
Female	222 (62)
Income	
Less than Rs.10000	79 (22)
Between Rs. 10000 – Rs 25000	84 (23)
Between Rs. 25000 – Rs 35000	70 (19)
Between Rs. 35000 – Rs 45000	80 (22)
More than Rs. 45000	44 (12)
Internet facility available	
Residence	51 (14)
Working place	60 (17)
Both	246 (68)
Online buying behaviour	
Once a week	142 (39)
Once a month	109 (30)
Twice a year	73 (20)
Once a year	33 (9)

The reliability of variables was assessed by examining their internal consistency values through computing the construct reliability and factor analysis was applied using principal axis factoring method for data reduction and purification of the items under each variable of the study. It can be concluded that customer satisfaction (5 items), convenience (5 items), security (4 items), website functionality (4 items) and customer service (4 items) met adequate validity ( $KMO > 0.50$ ; Bartlett's test of sphericity  $< 0.001$ ;  $AVE > 0.50$ ) and reliability (Cronbach's alpha value  $> .70$ ) requirements (Table 2).

**Table 2: Measurement Adequacy**

Variable	Cronbach Alpha	KMO	Bartlett's test of sphericity	AVE
Customer satisfaction	0.804	.819	0.000	.5620
Convenience	0.698	.785	0.000	.5440
Security	0.761	.730	0.000	.5837
Website functionality	0.757	.746	0.000	.5798
Customer service	0.618	.633	0.000	.5706

Table 3 illustrates the descriptive statistics and inter-correlational values between the variables.

**Table 3: Descriptive statistics and correlation analysis**

	Mean	SD	Con	WebFun	Secu	CusSer
Con	3.7725	.54487	1			
WebFun	3.9006	.55988	.564**	1		
Secu	4.1471	.50078	.028	.567**	1	
CusSer	4.1541	.44579	.339*	.641**	.350	1
CusSati	4.0437	.57053	.565**	.823**	.720**	.444*

\*\* . Correlation is significant at the 0.01 level (2-tailed).

\* . Correlation is significant at the 0.05 level (2-tailed).

There were statistically significant correlations between customer satisfaction, convenience, website functionality and customer service at 95 percent and 90 percent confidence intervals.

Further, the multiple regression analysis was used to determine whether convenience, security, website functionality and customer service have any significant effect on customer satisfaction on online shopping. Table 4 and 5 show the results of the multiple regression analysis.

**Table 4: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson	F	Sig.
1	.629 <sup>a</sup>	.395	.388	.44618	1.546	57.522	.000 <sup>b</sup>

a. Predictors: (Constant), CusSer, Secu, Con, WebFun

b. Dependent Variable: CusSati

**Table 5: Coefficients**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	.439	.310		1.415	.158		
1 Con	.406	.053	.388	7.666	.000	.670	1.493
WebFun	.213	.054	.209	3.941	.000	.613	1.631
Secu	.084	.047	.074	1.775	.077	.997	1.003
CusSer	.215	.059	.168	3.621	.000	.797	1.255

a. Dependent Variable: CusSati

Table 4 shows that adjusted R-square was 0.388 ( $F = 57.522$ ,  $p < 0.001$ ), implies that 39 percent of the variation in customer satisfaction on on-line shopping can be explained by convenience, security, website functionality and customer service.

The Durbin–Watson value was 1.546 (fallen within 1.53 to 2.50), indicates that there is no autocorrelation problem in the data. Further, the variation inflation factor (VIF) values of all the independent variables were above 1 and below the threshold value of 5. In addition, the tolerance values of all the independent variables were higher than 0.20. The results further indicate that there is no multicollinearity issue in the variables. In Table 5, the p-values of convenience, website functionality and customer service were less than 0.05. Hence, convenience, website functionality and customer service have significant effect on customer satisfaction on on-line shopping in selected consumers in this study. However, the p-value of security was greater than 0.05, indicating that security is not a significant influencer on on-line shopping.

Further, the study was split dataset based on income level of consumers in order to test the moderating effect of income level. As Table 6 shows, there is a statistically significant differences in R-square values at different income levels. Further, R-square for More than Rs.45000 income level is relatively higher than other income levels. This is indicating that income level has a significant moderating effect of the relationship between convenience, website functionality, security and customer service and customer satisfaction on on-line shopping.

**Table 6: Moderating effect analysis**

Income Level	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson	F	Sig.
Less than Rs.10000	.171	.127	.52725	1.604	3.828	0.007
Between Rs. 10000 – Rs 25000	.500	.474	.40282	1.931	19.726	.000
Between Rs. 25000 – Rs 35000	.490	.459	.37110	2.267	15.619	.000
Between Rs. 35000 – Rs 45000	.414	.382	.46588	1.719	13.224	.000
More than Rs. 45000	.608	.567	.41061	1.641	15.102	.000

## Conclusion

Online shopping has become a popular shopping method ever since the internet has declared a takeover. Online shopping can become imperative tools for improving business and ensuring customers to be happy and loyal. This study assessed the factors influencing customer satisfaction on online shopping by using four independent variables and one dependent variable. Convenience, Web site functionality, Customer service have significant influence on customer satisfaction on online shopping. These findings are in line with Abdeldayem (2010), Tandon et al. (2017) and Kumar et al. (2017). However, security does not have a significant influence on customer satisfaction on online shopping, thus this finding is not consistent with Kumar and Mohan (2018). Also, the results indicating that the income level has a significant moderating effect on the relationship between Convenience, Web site Functionality, Security and Customer service and Customer satisfaction on online shopping.

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# Factors Affecting E-Commerce adoption among Small and Medium Enterprises in Sri Lanka

Devni Govinnage<sup>1</sup> & Vilani Sachitra<sup>2</sup>

<sup>1,2</sup> Department of Commerce, Faculty of Management Studies and Commerce, University of Sri

Jayewardenepura

[devnigovinnage17@gmail.com](mailto:devnigovinnage17@gmail.com) / [vilani@sjp.ac.lk](mailto:vilani@sjp.ac.lk)

**Key words:** E-Commerce; Small and medium enterprises; Technological acceptance model; Technology Organization Environment Framework

## Introduction

The current business environment has been changing ever since the emergence of new technological advancements from time to time. E-Commerce is one such technological tool to conduct businesses in a new way. Furthermore, communication within the business has become faster and managing resources has become more efficient with the implementation of e-commerce technology. However, there are many drawbacks which hinder the adoption of e-commerce by an organization including high operating costs, high staff training costs, etc. (Lawrence & Usman, 2010).

Influencing dynamics for the adoption of e-commerce may vary based on the industry in which the organization operates (Chee et al., 2016; Garg & Choeu, 2015). With regard to the category of Small and Medium Enterprises (SMEs), the level of accepting information technology advances including e-commerce technologies is not witnessed relative to large scale organizations. This is mainly applicable for SMEs in developing countries, where they face many problems and barriers when adopting e-commerce, where Sri Lanka is not exempted. In developing economies, SMEs contribute up to 45% of total employment and 33% of GDP. When taking the contribution of informal businesses into account, SMEs contribute to more than half of GDP and employment in most countries regardless of income levels (IFC, 2010). Unfortunately, despite the efforts by the government and many other donor organizations, most of the SMEs in developing countries have failed to grab new opportunities relating to e-commerce and excel in their field of business (Rahayu & Day, 2015).

SMEs consists of more than 75% of the total number of enterprises in Sri Lanka and provide employment opportunities for more than 45% of the working population and contributes more than 52% of the Gross Domestic Production (GDP) of Sri Lanka (Arawwala & Gunawardena, 2017). Yet, the adoption of e-commerce technologies among SMEs in Sri Lanka is low and it is important to overcome the barriers and challenges of implementing e-commerce



technologies (Arawwala & Gunawardane, 2017), especially with regard to the retail industry which is a prominent industry in Sri Lanka as one of the fastest growing industries in the country (Industry and Retail Report Sri Lanka, 2016). E-commerce is expected to become the largest retail channel in the world by 2021, according to Euromonitor International, overtaking sales through retail outlets like independent grocers, supermarkets, apparel and footwear retailers, among others. E-commerce will account for 14% of total retail sales in that year (Forbes, 14 Aug 2018). Industry and Retail Report Sri Lanka (2016) revealed that the retail market in Sri Lanka is expected to expand by 5% annually in overall until 2020, e-commerce will concurrently expand by 71% to reach \$4bn. Therefore, an attempt is made to portray the impact of e-commerce and identify factors that mainly contribute to the adoption of e-commerce among SMEs in Sri Lanka, especially in the retail sector as Sri Lanka's one of the fastest growing industries.

Concerning the theoretical review namely Technological acceptance model (Davis, 1989) and Technology Organization Environment Framework (Tornatzky, Fleischer, and Chakrabarti, 1990), perceived benefits, computer literacy, government support and technology infrastructure have been selected as the major factors that influence for the adoption of e-commerce among SMEs retail sector in Sri Lanka.

## **Method**

The quantitative method is primarily focused on the deductive component of the research or hypothesis and theory testing. The targeted population for the study is the retail sector registered as Small and Medium Enterprises in Colombo District. In Sri Lanka there is SME population of 81,531 as of a survey report released in 2015 (Ministry of Industry and Commerce, May 2016, p.6). Adopting stratified simple random sampling technique, the study selected 200 SMEs in Colombo District who are engaged in retail sector.

A structured questionnaire was used to collect data, where each dimension (adoption of e-commerce - AE, perceived benefits - PB, computer literacy - CL, government support – GS and technology infrastructure - TI) was measured by using a Lickert Scale measurement items, acknowledging the prior studies (Heung, 2003; Pease and Rowe, 2005; Ghobakhloo et al., 2011). The multiple regression analysis was utilized to test the hypotheses.

## **Result**

The completed questionnaires were collected from 154 SMEs, resulting in an 77% response rate. The sample of the study possess 134 SMEs owned by male and 20 firms owned by female.

The majority of SMEs is consisted with 11-50 employees (86 SMEs) and there are 57 SMEs comprised with 1-10 employees. Concerning on the education background of the owner of SMEs, 49 owners are qualified in degree as well as diploma qualifications. Further, there are 19 SMEs owners who have completed post graduate qualification.

The reliability of variables was assessed by examining their internal consistency values through computing the construct reliability and factor analysis was applied using principal axis factoring method for data reduction and purification of the items under each variable of the study. It can be concluded that adoption of e-commerce (4 items), perceived benefits (4 items), computer literacy (4 items), government support (4 items) and technology infrastructure (5 items) met adequate validity ( $KMO > 0.50$ ; Bartlett's test of sphericity  $< 0.001$ ;  $AVE > 0.50$ ) and reliability (Cronbach's alpha value  $> .70$ ) requirements (Table 1).

**Table 1: Measurement Adequacy**

Variable	Cronbach Alpha	KMO	Bartlett's test of sphericity	AVE
adoption of e-commerce	0.789	0.730	0.000	.6122
perceived benefits	0.862	0.745	0.000	.7244
computer literacy	0.748	0.515	0.000	.4961
government support	0.778	0.753	0.000	.6024
technology infrastructure	0.699	0.635	0.000	.7284

Table 2 illustrates the descriptive statistics and inter-correlational values between the variables. There were statistically significant correlations between adoption of e-commerce, government support and technology infrastructure. However, perceived benefits and computer literacy were not significant correlated with adoption of e-commerce.

**Table 2: Descriptive statistics and correlation analysis**

	Mean	SD	PB	CL	GS	TI
PB	2.8636	.62367				
CL	4.1851	.26936	-.114			
GS	4.1299	.38690	.279**	-.118		
TI	3.6870	.54060	.378**	-.300**	.246**	
AE	4.1412	.45187	.128	-.065	.465**	.179*

\*\* . Correlation is significant at the 0.01 level (2-tailed).

\* . Correlation is significant at the 0.05 level (2-tailed).

The multiple regression analysis was used to determine whether perceived benefits, computer literacy, government support and technology infrastructure have any significant effect on the adoption of e-commerce in selected SMEs.

The results of the multiple regression analysis are presented in Tables 3 and 4. Table 3 shows that R-square was 0.732 ( $F = 18.408$ ,  $p < 0.001$ ), implies that 73 percent of the variation in e-commerce adoption can be explained by perceived benefits, computer literacy, government support and technology infrastructure. The Durbin–Watson value was 1.851 (fallen within 1.53 to 2.50), indicates that there is no autocorrelation problem in the data. In Table 4, the p-values of computer literacy, government support and technology infrastructure were less than 0.05. Hence, computer literacy, government support and technology infrastructure have significant effect on the adoption of e-commerce in selected SMEs in Sri Lanka. However, the p-value for perceived benefits was greater than 0.05, thus perceived benefits was not significant influencer of e-commerce adoption.

**Table 3: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson	F	Sig.
1	.855 <sup>a</sup>	.732	.692	.51551	1.851	18.408	0.000

a. Predictors: (Constant), TI, PB, CL, GS

b. Dependent Variable: MAE

**Table 4: Coefficients**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	1.051	.502		2.093	.046		
PB	-.299	.173	-.237	-1.725	.096	.527	1.899
1 CL	.446	.189	.360	2.355	.026	.425	2.353
GS	.952	.173	.860	5.506	.000	.407	2.458
TI	-.323	.143	-.292	-2.260	.032	.597	1.675

a. Dependent Variable: AE

## Conclusion

The study helps to draw some conclusions. Adoption of e-commerce in SMEs in developing countries is different from the developed countries. The SMEs in developing countries fall behind with adoption due to barriers, both internal and external, prominent and inherent in a developing country. The study focuses on identifying such major factors that hinder the adoption of e-commerce in Sri Lanka as a developing country. Those factors that were considered during the study were perceived benefits, computer literacy, government support and technology infrastructure.

The results revealed that computer literacy, government support and technology infrastructure had a major impact on e-commerce adoption of SMEs in Sri Lanka even though perceived benefits had less impact on e-commerce adoption. It has been realized that Sri Lankan government support and intervention is necessary to build speedy technology infrastructure in order to encourage the usage of e-commerce as government support and technology infrastructure share a significant correlation with e-commerce adoption.

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# Impact of Social Media Marketing on Customers' Brand Loyalty; With Special Reference to the Home and Personal Care Industry

Piyumi Rajapakse<sup>1</sup> & Sandamali Wijayarathne<sup>2</sup>

<sup>1,2</sup> Department of Commerce, Faculty of Management Studies and Commerce, University of Sri Jayewardenepura

[piyumirajapakse@gmail.com](mailto:piyumirajapakse@gmail.com)<sup>1</sup> / [sandatd@sjp.ac.lk](mailto:sandatd@sjp.ac.lk)<sup>2</sup>

**Key words:** Social Media Marketing (SMM), Customer Brand Loyalty, Home and Personal Care (HPC), Fast Moving Consumer Goods (FMCG)

## Introduction

Social Media Marketing (SMM) has emerged as a prime marketing tool with the emergence of advanced technology and the invention of the internet over the past few decades. SMM is the use of the current social media tools to increase the brand awareness amongst customers on online platforms with the use of the word of mouth principles (Drury, 2008). According to Hsu (2012) social media is a new marketing tool that is used to promote a brand establishment with an evolving communication channel in order to shape the affiliation among a brand and its customer base. Social networks that are used for SMM are one of the most influential services provided over the internet and Web. As per the Department of Censes and Statistics, Sri Lanka is identified as a country that picks up social media trends instantly with an internet penetration rate of 21.3% and an annual growth of 7.1% in the year of 2017. These social networks have created a dramatic change of consumers' behaviour across the globe during the recent years (Mehrabi, 2014). Therefore, keeping customers loyal to a particular brand is a challenge faced by marketers. In such a context, SMM was introduced by Farook and Abeysekera (2016) as the real actions of using social media and social networks to fulfil marketing purposes. SMM is important to an organization as it helps attain the desired popularity and reach to the customers, create engagement with customers and attract visitors to the social media platforms in order to generate traffic on the social media platforms. Hence it is vital to any organization to manage the social media effectively in marketing approaches.

Brand loyalty is one of the key factors for the existence of a company. It is the repurchase behaviour representing a mindful decision when the buyer remains to acquire the same brand (Solomon, 2011, p. 646). Being able to maintain a customer base with high brand loyalty will guarantee a company a constant flow of revenue. Hence the survival and long lasting nature of

a company will mostly depend on the customer loyalty of the customer base that company owns.

Julian (2012) revealed that social media has become a progressively popular platform for brand and customer engagement during the recent years. The collaborative nature of social media such as the ability to establish discussions among individuals, business in communities of vendors and customers, and include them in generating content and creating value has created excitement among experts with its potential of serving the customers better and satisfying their needs (Sashi, 2012, p. 254). This has undoubtedly created opportunities for marketers as well as imposed threats on them in keeping the customers satisfied and loyal.

Among the economic sectors in Sri Lanka, the service sector is considered as the most significant sector which contributed 56.7% to the Gross Domestic Product (GDP) in 2016 and increase to 56.8% in 2017 (Central Bank Annual Report, 2018). Fast Moving Consumer Goods (FMCG) has been identified as one of the important industries in the service sector which includes Home and Personal Care (HPC) industry, Food and Beverage and other. Being the most contributed industry in the FMCG sector, HPC replicated the increased share in wholesale and retail trade from 6.4% to 10.6% during the years 2016 and 2017 respectively as a percentage of GDP at current market price (Central Bank Annual Report, 2018). Sri Lanka has more than 257,000 FMCG General Trade outlets with 4.9% growth in Value of Sales and 5% in value added in the wholesale and retail trade which measures the HPC industry in 2018 (Nielsen, 2019). Accordingly, the HPC industry has recorded a constant growth over the past few years as a part of the services sector of Sri Lanka.

By considering the high importance of the HPC industry as shown by the above indicators, the HPC industry was selected for the study. Accordingly, this study has been designed to examine the effect of SMM on customer brand loyalty with reference to the Sri Lankan HPC industry. SMM has been considered the independent variable, whereas the dependent variable was customer brand loyalty. Further this study attempted to identify whether there is a moderating impact on the relationship between trustworthiness of social media on SMM and customer brand loyalty. And also this study assessed the extent of using SMM by customers in the HPC industry in Sri Lanka.

## **Methodology**

The research design is based on quantitative approach. The researcher has utilized the self-composed conceptual framework for the research study. The target population was the FMCG users who are exposed to social media. The technique of convenient sampling was used to collect data from 150 social media users who are customers of FMCG which use SMM as a form of marketing. The survey method is employed to collect primary data through a standardized questionnaire and it was presented to the customers irrespective of their lifestyle and occupation to enable a diverse sample pertaining to that of the population. The selected dimensions (SMM; advantageous campaigns, relevant content, popular content, updated content and wider presence and Customer brand loyalty; intention to interact more, repeat purchases, brand trust and intention to recommend) were measured by using a Lickert scale measurement items, acknowledging the prior studies (Erdogmus and Cicek, 2012). The multiple regression analysis was utilized to test the hypotheses.

## **Results**

The Completed questionnaires were selected from 148 respondents and among them 58% female and 42% males, out of which 49% carried a degree as their educational qualification. 63% of the sample had some form of exposure to an occupation ranging from an intern to being self-employed. The majority of 47.3% participants admitted that they access the internet on an hourly basis with Facebook being the most frequently visited site. 55% of the sample accepted that the purpose of accessing social media platforms was to incorporate all the mentioned actions (interact with friends, source of information, network with other online users and learn about new products and offers). Yet it was an unanticipated fact to observe that 49.3% of the participants spent only 1 – 2 hours on social media. When taking into consideration the purchase percentage of the participants, 27.7% spent the most on hair care, 26.4% spent on Oral care and 10.1% spent on personal wash.

A reliability analysis was conducted initially to measure the consistency of all measuring items and the results showed a satisfactory outcome as all Cronbach's Alpha values were greater than 0.6 (Refer Table 01).



**Table 1: Measurement Adequacy**

Variable	Cronbach Alpha	KMO	Bartlett's test of sphericity	AVE
SMM	0.868	0.646	0.000	77.41
Customer brand loyalty	0.807	0.768	0.000	63.361
Trustworthiness of SM	0.895	0.754	0.000	83.921

Then the standard deviation of the descriptive statistics was analyzed as shown in the Table 2. The standard deviation of customer brand loyalty and trustworthiness of social media showed a higher positive relationship whereas, SMM showed a weak positive relationship.

**Table 2: Descriptive statistics and correlational analysis**

	Mean	SD	SMM	Brand Loyalty	Trustworthiness
<b>SMM</b>	2.325	0.396	1		.310**
<b>Customer Brand Loyalty</b>	2.434	0.540	.636**	1	.316**
<b>Trustworthiness</b>	1.860	0.653	.310**	.316**	1

\*\* . Correlation is significant at the 0.01 level (2-tailed).

The correlation analysis was conducted to analyze the relationship between the measurement items and their statistical significance. The correlation between SMM and customer brand loyalty depicted a strong positive correlation (Pearson Correlation = 0.636) with a statistical significance (Sig. [2 tailed] = 0.000). On the other hand the correlation between social media marketing and trustworthiness of sources depicted a weak positive correlation (Pearson Correlation = 0.310) but showed a statistical significance (Sig. [2 tailed] = 0.000). Also the correlation between Customer brand loyalty and trustworthiness of sources depicted a weak positive correlation (Pearson Correlation = 0.316) and that too with a statistical significance (Sig. [2 tailed] = 0.000).

The simple linear regression analysis was conducted to check the relationship between SMM and customer brand loyalty. According to the Table 3, adjusted R-square was 0.401 (F = 99.397,  $p < 0.001$ ). This implies that 40 percent of the variation in customer brand loyalty can be explained by SMM. The Durbin–Watson value was 1.896 (fallen within 1.53 to 2.50), indicates that there is no autocorrelation problem in the data.

**Table 3: Model Summary**

Adjusted R Square	R	Std. Error of the Estimate	Durbin-Watson	F	Sig.
.401		.41821	1.896	99.397	0.000

a. Predictors: (Constant), SMM

b. Dependent Variable: Customer Brand Loyalty

As per the following table 4, the p-values was less than 0.05 for SMM and it implies there is a significant effect of SMM on customer brand loyalty. Further the results indicate that there is no multicollinearity problem in the variables.

**Table 4 - Coefficients**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.414	.205	2.016	.046		
	SMM	.869	.087	9.970	.000	1.000	1.000

a. Dependent Variable: Customer Brand Loyalty

One of the objectives of this study was to test the moderating effect of trustworthiness of social media on SMM and customer brand loyalty. The results are shown in the Table 5.

**Table 5 – Moderating Analysis**

Trustworthiness Category	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
Low	.647 <sup>b</sup>	.419	.415	.41058	1.642
High	.866 <sup>b</sup>	.750	.714	.06682	2.500

a. Predictors: (Constant), SMM

b. Dependent Variable: Customer Brand Loyalty

Accordingly, there is a statistically significant differences in R-square values at low level and high level of trustworthiness. That is, R-square of higher trustworthiness is relatively higher than the lower trustworthiness. This result shows that higher trustworthiness has relatively a higher moderating impact and lower trustworthiness has lower moderating impact. Therefore, it is clear that trustworthiness of social media has a significant moderating effect of the relationship between SMM and customer brand loyalty.

## Conclusion

SMM has created a dramatic change of consumers' brand loyalty across world in recent years. Therefore, this study basically attempted to examine the impact of SMM on customer brand loyalty. This study found that SMM has a strong positive effect on customer brand loyalty allowing social media to influence the loyalty of consumers. This finding was aligned with the previous literature (Erdogmus & Cicek, 2012). Further, this study was carried out to determine whether trustworthiness of social media has moderating impact on the relationship between SMM and customer brand loyalty. The results indicated that trustworthiness has a significant moderating effect of the relationship between SMM and customer brand loyalty. In addition, it was revealed that the most visited social media site was Facebook, where visitors would spend 1-2 hours daily to interact with friends, to use as a source of information, to network with other online users and to learn about new products and offers; which described the extent of use of social media by consumers. The findings of this study can be used in a positive manner for HPC brands to be present on Facebook with their brand messages in order to attract more customers and to retain the existing customers.

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# **The Effect of SLFRS 15-Revenue from Contracts with Customers on Earnings Management: Evidence from Sri Lankan Listed Companies**

**Charuka Promodya<sup>1</sup> and Nayoma Ranawaka<sup>2</sup>**

<sup>1,2</sup>Department of Commerce, Faculty of Management Studies and Commerce, University of Sri Jayewardenepura  
[charukapromodya1995@gmail.com](mailto:charukapromodya1995@gmail.com)<sup>1</sup> / [nayoma@sjp.ac.lk](mailto:nayoma@sjp.ac.lk)<sup>2</sup>

**Keywords:** Earning management; Accounting standards; Accrual Model

## **Introduction**

Since 1973, there has been a worldwide trend to standardize the accounting principles (Amat et al., 1998). Over the last few years, the need to harmonize accounting rules has risen in Asia too. The application of different accounting standards in each country has, in fact, in the past determined a low degree of comparability of financial reporting among companies located in different Asian countries. The Asian accounting legislation (that is Directives n. IV and VII, respectively on the subject of the annual financial statements and consolidated financial statements), which is applied differently in each member State, was no longer adequate to ensure this objective.

In this regard, the Asian accounting legislation decided to promote, and progressively to make mandatory, for the fiscal years starting after 1<sup>st</sup> January 2005, the adoption of International Accounting Standards (IAS/IFRS), elaborated by the International Accounting Standards Committee (IASC) – initially by a group of professional accountants, and subsequently by a board called International Accounting Standards Board (IASB), which is an internal committee of the global organization for accountancy (International Federation of Accountants – IFAC).

The literature shows that IFRS, firms act optimally and promote financial reporting quality and investor interests (Fields et al., 2001). Those empirical evidences indicate that the adoption of the IFRS reduces the level of earnings management (Rudra and Bhattacharjee, 2011) since this set of standards limits the management's opportunistic discretion (Barth et al., 2008) and, consequently, the adoption of IFRS decreases the use of discretionary accruals (E.g.: Management Bonus), (Guenther et al., 2009).

While with the exact opposite idea, Capkun et al. (2016), showed that early adopters of IFRS had incentives to increase the transparency of their reporting in order to attract outside capital, and, therefore, earnings management (smoothing) went down after voluntary IFRS adoption, while those firms that waited until IFRS reporting became mandatory in EU countries lacked incentives for transparent reporting, leading to increase in earnings management (smoothing) after mandatory IFRS adoption.

Focusing on earnings management has brought to light the ongoing debate in literature started in 1980, when many authors started developing models to highlight the persistence of the phenomenon (Healy, 1985; Tutino and Pompili, 2017). Two main earnings management categories can be identified:

In this scenario, the current, major change in the IAS/IFRS“ is represented by the adoption of two new standards as IFRS 9 “Financial instruments” and IFRS 15, titled “Revenue from contracts with customers”. These standards have become mandatory from the 1st January 2018. The effect of the adoption of this new IFRS may have a significant effect on the financial statements of many entities as the amount of revenues and contract costs and/or the timing of their recognition may differ significantly from current practice. The application of the new standards will have effects on all IFRS adopter entities and on the most significant item of their financial statements that is revenue.

The purpose of this study was to gauge the extent of the impact on earnings management derived from the adoption of International Financial Reporting Standards (IFRS) 15 as well as detecting whether the impact will be similar in different industries. Sri Lanka, as an endeavor to be compatible to the contemporary international developments on accounting and financial reporting, enforced a new set of accounting standards called Sri Lanka Financial Reporting Standards (SLFRS) which are fully converged to the IFRS with effect from 01 January 2012.

SLFRS 15 provides a single, comprehensive framework for revenue recognition eliminating diversity in revenue recognition practices arising from the existence of a series of standards and interpretations. Another reason for the significant diversity in revenue recognition practices was that previous revenue standards provided limited guidance on many important areas. Furthermore, the limited guidance that was available was most of the time difficult to apply to complex transactions. Absence of bases for conclusions in the current revenue standard is the main reason.

The disclosure requirements in previous standards often resulted in information that was inadequate for users to understand a company's revenue, and the judgements and estimates made by the company in recognizing that revenue.

This study bridges the above research gap through addressing the research problem: "What are the impacts of Newly Introduced "SLFRS 15-Revenue from Contracts with Customers" accounting standard on Earnings Management of listed companies in Sri Lanka? Thus, the aim of this work is to evaluate the impact of SLFRS 15 on earnings management and question whether the level of impact will be different according to the industrial sector of the entities.

## **Method**

### **Accrual Model**

The discretionary share of total accruals has been used in order to identify a proxy to take earnings management into account. In fact, the "accruals management" analysis perspective has been adopted in this paper.

The Jones Model (Jones, 1991) has been adopted in order to identify the number of total accruals, distinguishing between discretionary and non-discretionary accruals, using the discretionary part as a proxy for measuring the presence and extent of earning management practices. The manipulation of the balance data sheet can be carried out through different methods, including the use of discretionary accruals, changes in accounting treatments and changes to the capital structure: the present analysis focuses exclusively on the use of accruals. In agreement with Jones (1991), the number of total accruals has been calculated as the variation in Non-Cash Working Capital before the Income Tax Payable minus Total Depreciation and Amortization Expense.

The Change in Non-Cash Working Capital before Income Tax Payable was calculated as the Change in Current Assets, Net of Cash and Short-Terms Investments minus the Change in Current Liabilities Net of the Current Share of Long-Term Loans and the change in the Payable Income Taxes. The total accruals formula is reported below:

$TA = [Current\ Assets - Cash] - [Current\ Liabilities - Current\ Maturities\ of\ Long-Term\ Debts - Income\ taxes\ Payable] - Depreciation\ and\ Amortization\ Expense$
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## Comparison Model

As described above, the study used the discretionary part of accruals as a proxy for measuring the presence and extent of earning management practices. Specifically, in accordance with Jones (1991) the following equation to define the level of discretionary accruals has been used;

$$\epsilon_{i,p} = TA_{i,p} / A_{i,p-1} - (\alpha[1 / A_{i,p-1}] + \beta_1 [\Delta REV_{i,p} / A_{i,p-1}] + \beta_2 [PPE_{i,p} / A_{i,p-1}])$$

Where,

$TA_{i,p}$  = Total Accrual at the time “p” for company “i”;

$A_{i,p-1}$  = Total Asset at the time “p-1” for company “i”;

$REV_{i,p}$  = Revenues at the time “p” minus revenues at the time “p-1” for company “i”;

$PPE_{i,p}$  = Gross Property, Plant and Equipment at the time “p” per for company “i”;

$\epsilon_{i,p}$  = Error term in year “p” for firm “i”

$\alpha, \beta$  = Statistical coefficient for independent variables;  $I = 1, \dots, N$  firm index and  $p = 1, \dots, T_i$  year index for the years included in the estimation period for firm  $i$ .

It should also be emphasized that the Jones Model does not consider revenues as an element that is subject to discretionary accrual, but rather as a control variable explaining the variation of discretionary accrual linked to the varying conditions in which firms operate. In light of this, considering the exclusion of the analysis of revenue manipulations that is assumed to be present and significant, the model is aimed at investigating the presence and persistence of earning management practices, not directly carried out on the revenue component in the industry observed.

## Sample

The initial sample, which has been extracted from DataStream, consists of 50 Sri Lankan listed companies, operating in 17 different sectors, were observed during the 2001-2017 period. The sectors chosen for the analysis were selected from the studies carried out by the “Big-Four”. A specific analysis focused on industries mostly affected by the new IFRS in term of measurement, recognition and disclosure of revenue rules.

Using this analysis as a template for selecting the industries, the “Telecommunications” industry was chosen, predicting it would be highly affected by the introduction of SLFRS 15, while for the “Utilities” industry the SLFRS was expected to have low impact. The



“Telecommunications” industry consists of companies operating in the following areas: (i) motion picture and video production; (ii) newspaper publishers; (iii) software publishers; (iv) television broadcasting; (v) wired telecommunications carriers. The “Utilities” industry consists of companies operating in the following areas (i) electric bulk power transmission and control; (ii) fossil fuel electric power generation; (iii) natural gas distribution; (iv) other electric power generation.

## Variables

The following Table 1 shows all the variables observed for each company and used in order to define discretionary level of accruals using Equation above

**Table 1: The set of variables**

<b>LABELS</b>	<b>MEANING</b>
<b>ΔCASH<sub>t</sub></b>	Change in cash and cash equivalents between year t and year t-1
<b>ΔCAT<sub>t</sub></b>	Change in current asset between year t and year t-1
<b>ΔCLT<sub>t</sub></b>	Change in current liabilities between year t and year t-1
<b>ΔDCLT<sub>t</sub></b>	Change in current portion of long-term debt between year t and year t-1
<b>ΔTAX<sub>t</sub></b>	Changes in Tax Payable between year t and year t-1
<b>DEPT<sub>t</sub></b>	Depreciation for year t
<b>ΔREVT<sub>t</sub></b>	Changes in Revenues between year t and year t-1
<b>PPET<sub>t</sub></b>	Property, Plant and Equipment for year t
<b>TAT<sub>t</sub></b>	Total asset for year t

## Results

This study, starting from the introduction of SLFRS 15 “Revenue from contracts with customers”, looked for evidence of earnings management in a sample of Sri Lankan public Listed Companies firms and, specifically, knowing that the possible effects of the introduction of SLFRS 15 could be different in each industry. The present study considered the Telecommunications industry, as considered highly influenced by the SLFRS 15, and Utilities industry, that is considered as the industry with low impact.

Given these results, based on the earnings management model proposed by Jones (1991) - whose goal is identifying the total amount of accruals, distinguishing between discretionary and nondiscretionary, using the discretionary part as a proxy for measuring the presence and extent of earnings management practices – this study was conducted with the first aim to identify the status of Sri Lankan listed companies in terms of earnings management, before the

introduction of SLFRS 15. In order to do so, the study considered the aforementioned industries, hence two samples impacted by the SLFRS 15 to different extents. Once the findings on the number of discretionary accruals were obtained, the analysis proceeded with a comparison between the two industries selected. The analysis demonstrated that the Telecommunications industry is impacted by earning management practices to a greater extent than the Utilities industry.

## **Conclusion**

Results should be analyzed simultaneously with the results from by the “Big-Four” analysis concerning the impact of the introduction of IFRS 15. According to this project the revenues are not considered as an object of manipulation, they are one of the factors that can affect the level and extent of the discretionary accruals. It is said, the implementation of the principle, and its consequences, must be carefully analyzed and monitored by the regulators, as the determined revenues could have an impact on the preexisting earnings management practices.

Scientific contribution of the present research concerns the possibility to predict the behavior of managers by considering the Agency Theory (Iatridis, 2010); therefore, knowing forecasts rather than actual results which industries have highly influenced earnings management, makes it possible to predict the hypothetical moves of the managers in the implementation of SLFRS 15.

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# Factors Influencing Customer Satisfaction towards Fast Food Restaurants: Study based on Colombo District

Sandali Jayarathna<sup>1</sup> & Sachinthanee Dissanayake<sup>2</sup>

<sup>1,2</sup> Department of Commerce, Faculty of Management Studies and Commerce, University of Sri Jayewardenepura  
[\*sandalidevi@gmail.com\*](mailto:sandalidevi@gmail.com)<sup>1</sup> / [\*sachinthanee@sjp.ac.lk\*](mailto:sachinthanee@sjp.ac.lk)<sup>2</sup>

**Key Words:** Fast Food, Customer satisfaction, Service Quality, Physical Environment, Food Quality

## Introduction

Several marketing practitioners and scholars have paid their significant attention on customer satisfaction according to Oliver (1999). Satisfied customers have considerable impact on profits of business therefore customer satisfaction has become the most significant aspect in the field of business as explained by Sabir et al. (2014).

According to Kim, Hertzman and Hwang (2010) today is the era of fast food chains as fast food restaurants are everywhere and expected to be expanding and growing over the years. Also, above authors have explained that fast food restaurants have become “home away from home” for breakfast, lunch and dinner due to relatively inexpensive costs and quick, convenient service. Quickly prepared, reasonably priced, and readily available as differ to home cooked food according to the explanations provided by Habib, Dardak and Zakaria (2011). Fast food can be identified as food that can be prepared quickly and easily and is sold in restaurants and snack bars as a quick meal or to be taken out according to the definitions provided by Oxford Dictionary.

Within this perspective, this study assesses the factors influencing customer satisfaction towards fast food restaurants located in Colombo District. Building customer satisfaction is a key priority for business success. Therefore, determining the factors that affect customer satisfaction is important. This study examines the influence of food quality, physical environment, service quality on customer satisfaction in fast food restaurants in Colombo district.

## Methods

The study is based on primary data. The survey method was employed to collect data through a standardized questionnaire. According to the conceptual framework, the customer satisfaction (5 items) was the dependent variable which has influenced by three independent variables such as food quality (6 items), service Quality (5 items) and physical environment (5 items). Five-point Lickert scale was used to measure the items in the selected variable.

Targeted population was all the customers of fast food restaurants located in Colombo district. A complete list of all the cases in the population from which the sample will be drawn can be recognized as the sampling frame for any probability sample according to Saunders et al, (2009). Data were collected from 300 customers who used to visit fast food restaurants located in Colombo district. Questionnaires were distributed to the hand of each respondent and were collected once they finished answering the questionnaires. In other words, it can be defined as delivery and collection questionnaires according to Saunders et al (2009). The respondents of the survey were customers especially those who have recently visited and dined in the fast food restaurant. The reason behind choosing this sample element is that the respondents can better evaluate their dining experience in the fast food restaurant.

## Result

The completed questionnaires were collected from 303 consumers. The sample of the study covered rich demographic characteristics (Table 1).

**Table 1: Demographic characteristics of sample**

Characteristics	Frequency (Percentage)
<b>Gender</b>	
Male	174 (57.4)
Female	129 (42.6)
<b>Income</b>	
Less than Rs.10000	146 (48.2)
Between Rs.10000 – 25000	90 (29.7)
Between Rs.25000 – 35000	24 (7.9)
Between Rs.35000 – 45000	17 (5.6)
More than Rs.45000	26 (8.6)
<b>Favourite Fast Food Restaurant</b>	
McDonalds	52 (17.2)
Pizza Hut	66 (21.8)
Burger King	3 (1)
KFC	21 (6.9)
Perera& Sons	72 (23.8)

Other	89 (29.4)
<b>Frequency of visits</b>	
Daily	4 (1.3)
Once a week	68 (22.4)
Few times a week	32 (10.6)
Once a month	120 (39.6)
Rarely	79 (26.1)

The reliability of variables was assessed by examining their internal consistency values through computing the construct reliability and factor analysis was applied using principal axis factoring method for data reduction and purification of the items under each variable of the study. It can be concluded that customer satisfaction (5 items), food quality (6 items), service Quality (5 items) and physical environment (5 items) met adequate validity ( $KMO > 0.50$ ; Bartlett's test of sphericity  $< 0.001$ ) and reliability (Cronbach's alpha value  $> .60$ ) requirements (Table 2).

**Table 2: Measurement Adequacy**

Variable	Cronbach Alpha	KMO	Bartlett's test of sphericity
Customer Satisfaction	0.879	.800	.000
Food Quality	0.806	.792	.000
Service Quality	0.611	.620	.000
Physical Environment	0.875	.859	.000

The mean values and standard deviation values of the measurement items were illustrated in Table 3. Accordingly, the mean values were greater than 3.33, indicating the agreement of the given measurement items.

**Table 3:Descriptive Statistics**

	Mean	Std. Deviation	N
Food Quality	4.17	.645	303
FoodQul2	4.20	.646	303
FoodQul3	3.99	.693	303
FoodQul4	4.04	.660	303
FoodQul5	3.85	.595	303
FoodQul6	4.00	.633	303
Physical Environment	3.82	.810	303
PhyEnv2	3.91	.813	303
PhyEnv3	3.81	.749	303
PhyEnv4	3.87	.689	303
PhyEnv5	3.86	.688	303
Service Quality	3.63	.577	303
SerQual2	3.68	.701	303
SerQual3	4.28	.580	303
SerQual4	3.72	.707	303
SerQual5	3.74	.566	303
Customer Satisfaction	3.86	.528	303
CusSat2	3.84	.660	303
CusSat3	3.61	.755	303
CusSat4	3.83	.499	303
CusSat5	4.00	.552	303

Table 4 shows the results of regression analysis, which was performed to identify the significant influence of physical environment, food quality customer and service quality on satisfaction.

**Table 4:Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.885 <sup>a</sup>	.783	.771	.253	2.158

Table 4 shows that adjusted R-square was 0.771 ( $F = 57.522$ ,  $p < 0.001$ ), implies that 77 percent of the variation in customer satisfaction towards fast food restaurants in Colombo district can be explained by convenience, security, website functionality and customer service.

The results of the analysis indicate that food quality, physical environment and service quality play the most important role in driving customer satisfaction in the fast food restaurants located

in Colombo district. Results of regression analysis further show that food quality, physical environment and service quality are important when it comes to customer satisfaction.

## **Conclusion**

Customer satisfaction is the major thing that decides the success of business. The study discloses that there is a space between expectations and actual experience with fast food restaurants in all the chosen dimensions. The above mentioned gap should be minimized and customers should be satisfied to be successful and competitive in the industry.

The customers of selected fast food outlets located in Colombo district were selected as the sample of the study. The same research could be extended to other districts as well. The analysis could be extended to find out whether there are any differences in customer satisfaction among customers from different ethnic groups.

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