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INVESTIGATING E-COMMERCE ADOPTION'S FACTORS AMONG SMEs IN
MELAKA

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Report submitted in fulfillment of the requirements for the Bachelor Degree of
Technology Management (Innovation Technology)

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DECLARATION

I hereby declare that the report has been prepared by my own self except the summaries and citation that I have been clarify the resources.

Signature :

Name :

Date :

DEDICATION

I would like to dedicate this work to my lovely parents who have given me various supports such as financial and moral support. They also encouraged me to accomplish the task even it is tough and taught me to done it one step at a time. It is also dedicated to my friends who have always encouraged and support me throughout the process of completing this study.

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ABSTRACT

The appearance of the internet among communities has brought many benefits for businesses. The internet inherently provides businesses with cost-effective means of distributing as well as obtaining information quickly. E-commerce is a paradigm shift and a competitive tool for Small and Medium Enterprises (SMEs). This paper aims to investigate the factors that affect the e-commerce adoption among SMEs in Melaka. The variables such as perceived ease of use, security, relative advantage, perceived compatibility, and top management support are expected to influence the e-commerce adoption among SMEs. In this paper, quantitative approach is used to find out the factors that affect the e-commerce adoption among SMEs. Quantitative approach is an excellent way to finalize the results and proved or disproved a hypothesis. An intensive literature review was carried out to find the relationship between the dependent variable and independent variables. In order to accomplish the objectives of the study, questionnaire surveys have been distributed to the respondents in Melaka. There are 200 copies of questionnaire with fully answered are collected and are being analysed using Statistical Package for the Social Sciences (SPSS). Correlation, reliability and regression test has been applied on the e-commerce adoption factors among SMEs with the independent variables to fulfil the entire objective. The findings show that perceived ease of use, relative advantage, perceived compatibility, and top management support has significant relationship with e-commerce adoption factors among SMEs.

ABSTRAK

Kemunculan internet di kalangan masyarakat telah membawa banyak manfaat untuk perniagaan. Internet sebenarnya menyediakan perniagaan dengan cara yang kos efektif mengagihkan serta mendapatkan maklumat dengan cepat. E-commerce adalah satu anjakan paradigma dan alat yang kompetitif untuk Small and Medium Enterprises (SMEs). Kertas kerja ini bertujuan untuk mengkaji faktor-faktor yang mempengaruhi penggunaan e-commerce di kalangan SMEs di Melaka. Pembolehubah seperti mudah dilihat penggunaan, keselamatan, kelebihan relatif, keserasian dilihat, dan sokongan pengurusan atasan dijangka mempengaruhi penggunaan e-commerce di kalangan SMEs. Dalam kajian ini, pendekatan kuantitatif digunakan untuk mengetahui faktor-faktor yang mempengaruhi penggunaan e-commerce di kalangan SMEs. Pendekatan kuantitatif adalah cara terbaik untuk memuktamadkan keputusan dan dibuktikan atau disangkalakan hipotesis. Satu kajian literatur yang intensif telah dijalankan untuk mencari hubungan antara pembolehubah bersandar dan pembolehubah bebas. Dalam usaha untuk mencapai objektif kajian ini, tinjauan soal selidik telah diedarkan kepada responden di Melaka. Terdapat 200 salinan soal selidik yang menjawab dengan sepenuhnya telah dikumpul dan dianalisis dengan menggunakan Pakej Statistik untuk Sains Sosial (SPSS). Korelasi, kebolehpercayaan dan ujian regresi telah digunakan kepada faktor-faktor penggunaan e-commerce di kalangan SMEs dengan pembolehubah bebas untuk memenuhi keseluruhan objektif. Hasil kajian menunjukkan bahawa mudah dilihat penggunaan, kelebihan relatif, keserasian dilihat, dan sokongan pengurusan atasan mempunyai hubungan yang signifikan dengan faktor-faktor penggunaan e-commerce di kalangan SMEs.

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CHAPTER 1

RESEARCH OVERVIEW

1.0 Introduction

This research is to identify the e-commerce adoption factors among SMEs in Melaka. In this chapter, the main aim is to discuss the basic concept of the study and the importance of the topic. The first part of this thesis is discussing the research background follow by the problem statement. The research questions and research objectives are set. The researcher will also describe the scope and key assumptions of the study, limitations and significance of the study.

1.1 Background of the Study

This paper investigates the factors of e-commerce adoption among SMEs in Melaka. The appearance of the internet among communities has brought many benefits for businesses. Nowadays, the numbers of small and medium enterprises that are using e-commerce systems are on the rise. It is not only a tool for increasing income, but also an essential means of competition. E-commerce is a process of transferring, purchasing, or exchanging of goods, services and information by business and consumers using computer network such as the internet. E-commerce has transformed business processes in a number of organisations and will continue to do so in future (Al-Qirim, 2009).

Laudon and Traver (2001) describe e-commerce as all about time cycle, speed, and globalization, enhanced productivity, reaching new customers and sharing knowledge across institution, through digitally enabled transaction across boundaries in return for products and services. E-commerce is having the ability to allow business to communicate and to form transaction anytime and anyplace. Abu Bakar A Hamid and Rohaizat Baharun (2004) states that customer can shop around comprehensively at their leisure anywhere, and always enjoy the same level of services at virtually no costs. Customers are not required to fill in order forms or visit a business premise to place their order, everything can be done electronically.

According to Pham, Pham, and Nguyen (2011), e-commerce has been making significant contributions to reduction in costs of doing business, improved product or service quality, new customer and supplier penetration, and generation of new ways or channels for product distribution. All the benefits not only can be achieved in large company but also in SMEs. E-commerce is developing in the world and influencing all industries. This phenomenon has been expanding because of using the Internet worldwide (Elahi et al, 2008).

The purpose of this study is to determine the key factors which influencing the adoption of e-commerce for SMEs in Malaysia. The factors that impact the e-commerce adoption are very important because it is to ensure the successful of e-commerce adoption.

1.2 Problem Statement

Due to the dynamism of the market and developing technology, adoption of e-commerce for the SMEs is becoming necessary. Small size companies are still far behind from the largest company in adopting the new technologies due to the different motives, vision and resources. For example, while for the big companies the leading driver for e-commerce adoption can be expected improved efficiency, small companies can have different motives – customer demands or to improve competitiveness (Xu & Quaddus 2009).

There are some people think that the implementation of e-commerce found to be both costly and cumbersome. However, in reality it driving down cost factors and able to improve performance which offers opportunities to achieve competitive advantage through product differentiation with particular reference to branding and pricing (Reynolds, 2000). In fact, many SMEs are way behind in the adoption of e-commerce although there were quite a number of SMEs has company web sites, but most of them are not fully functional.

According to Abu Bakar and Rohaizat (2004), most of the Malaysian SMEs are still left behind in terms of using internet in their business transaction. Spanos et al., (2002) states that gathering empirical evidence from different environments will make it possible to generalize on adoption of e-commerce. The key issues investigated are this study were sought to contribute to the existing but limited of literature review in the e-commerce area in Malaysia. Secondly, the study sought to find out more information of e-commerce adoption in SMEs because it is limited understanding of what drives e-commerce adoption among SMEs in Melaka.

1.3 Research Questions

- a) What are the key factors influencing the adoption of e-commerce in SMEs?
- b) What are the rankings for these factors towards e-commerce adoption in SMEs?
- c) What are the correlation between perceived ease of use, security, relative advantage, perceived compatibility, and top management support with SMEs?
- d) What are the most important factors on the determinants of e-commerce adoption in SMEs?
- e) What are the recommendations for e-commerce adoption factors towards SMEs?

1.4 Research Objectives

- a) To study the key factors influencing the adoption of e-commerce among SMEs.
- b) To define the rankings for these factors towards e-commerce adoption among SMEs.
- c) To identify the correlation between perceived ease of use, security, relative advantage, perceived compatibility, and top management support with e-commerce adoption factors among SMEs.
- d) To determine the most important factors on the determinants of e-commerce adoption among SMEs.
- e) To investigate the recommendations for e-commerce adoption factors among SMEs.

1.5 Research Hypotheses

Based on the theoretical framework of the study, several testable non-directional hypotheses were developed to address the research question.

H_{0A}: Perceived ease of use will not affect the e-commerce adoption among SMEs.

H_{1A}: Perceived ease of use will positively affect the e-commerce adoption among SMEs.

H_{0B}: Security will not affect the e-commerce adoption among SMEs.

H_{1B}: Security will positively affect the e-commerce adoption among SMEs.

H_{0C}: Relative advantage will not affect the e-commerce adoption among SMEs.

H_{1C}: Relative advantage will positively affect the e-commerce adoption among SMEs.

H_{0D}: Perceived compatibility will not affect the e-commerce adoption among SMEs.

H_{1D}: Perceived compatibility will positively affect the e-commerce adoption among SMEs.

H_{0E}: Top management support will not affect the e-commerce adoption among SMEs.

H_{1E}: Top management support will positively affect the e-commerce adoption among SMEs.

1.6 Scope and Key Assumptions of the Study

In this study, the focus is to identify the factors that affect the e-commerce adoption among SMEs in Melaka. The factors that influence the e-commerce adoption are perceived ease of use, security, relative advantage, perceived compatibility, and top management support. This study will use the quantitative method which is survey questionnaire to collect data. The survey questionnaire will be distributed to the employees at some SMEs in Melaka. To complete the data collection for this study, about 200 respondents was target to answer the questionnaire. The researcher assumes the respondents are honest in answering the questionnaire and can get full cooperation from the respondents.

1.7 Limitations of Study

In the process of completing this study, the researcher has met some limitations. The researcher is new in this field, so the researcher is lack of experience on how to conduct the questionnaire and collect the data. It is hard for the researcher to conduct the research with the lacking experience. The researcher also found out the information to complete this study is hard to find. Most of the information is from the internet sources such as articles and journals which are done by previous researcher. But some of the information is not accessible or need to pay, researcher also realize only a few previous study has been done that is related to this study. Besides that, the researcher is a student so the researcher has not much cost to conduct this research. The survey is only conduct at the nearby place in Melaka due to the limit of cost.

1.8 Significance of the Study

In this study, the researcher wants to research about the factors of e-commerce adoption among SMEs in Melaka. The researcher is mainly to identify the key