

**DETERMINANT FACTORS OF E-COMMERCE  
ADOPTION AMONG MALAYSIA TOURISM SMALL  
MEDIUM-SIZED ENTERPRISES (TSMEs)**

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Determinant Factors of E-commerce Adoption Among Malaysia Tourism Small and  
Medium-Sized Enterprises (TSMEs)

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## DECLARATION OF ORIGINAL WORK

“I hereby declare that this thesis is the result of my independent work except the summary and excerpts that have been specifically acknowledgement”

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## **DEDICATION**

This research paper is lovingly dedicated to my parents, Encik Rosli bin Doll Rahman and Puan Eddy Mastura binti Zahari, who have been my constant source of inspirations and they have given unconditional support with my studies. I am honoured to have them as parents. Thank you for giving me a chance to prove and improve myself through all my walk of life. To my siblings and family thank you for your endless love, prayers and encouragement towards me. Not forgetting, to those who indirectly contributed in this research, your kindness means a lot to me. Thank you very much.

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## ABSTRACT

Tourism is one of the sectors that contributes to the development of the country and most attractive and the fastest growing industry in the world. It's brings opportunities to the country and its people by providing employment opportunities through several sectors in tourism SMEs like accommodation, food and beverages and souvenir shop services. The purpose of this study is to develop a framework to explore the factors that influences tourism small medium-sized enterprises to adopt e-commerce in their business activities. This thesis applies three factors which is technological context, organisational context and environmental context. In addition, this research employs an empirical study by means of the questionnaire survey method to verify the hypotheses and to investigate its managerial implications.

**Keywords:** Factors of E-commerce adoption, Malaysian TSMEs, TOE Model.

## ABSTRAK

*Pelancongan merupakan salah satu sektor yang menyumbang kepada pembangunan negara dan yang paling menarik dan industri yang paling pesat berkembang di dunia. Ia membawa peluang kepada negara dan rakyatnya dengan menyediakan peluang pekerjaan melalui beberapa sektor dalam PKS pelancongan seperti penginapan, makanan dan minuman serta perkhidmatan kedai cenderamata. Tujuan kajian ini adalah untuk membangunkan satu rangka kerja untuk meneroka faktor-faktor yang mempengaruhi pelancongan perusahaan sederhana kecil untuk menggunakan e-dagang dalam aktiviti perniagaan mereka. tesis ini terpakai tiga faktor yang konteks teknologi, konteks organisasi dan konteks alam sekitar. Di samping itu, kajian ini menggunakan satu kajian empirikal dengan menggunakan kaedah soal selidik untuk mengesahkan hipotesis dan untuk menyiasat implikasi pengurusannya.*

*Kata kunci: Faktor penggunaan E-dagang, Pelancongan PKS Malaysia, TOE Model*



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## **CHAPTER 1**

### **INTRODUCTION**

#### **1.1 Introduction**

Chapter 1 consider as an introductory chapter for this whole study. Therefore, it covers on introduction, background of the study, problem of statement, research question, research objectives, scope of study, significant of study and the summary that explained more detail.

#### **1.2 Background of Study**

Nowadays, tourism is the most attractive and fastest growing sectors that contributes to the development of the country. In 1972, the establishment of the Tourist Development Corporation (TDC) shows that Tourism Industry in Malaysia has began. The increasing of tourism sectors provide opportunities for Small and Medium-sized Enterprises (SMEs) to establish their any kind of business activity in urban or rural area. Tourism SMEs is considered as backbone of economic growth in Malaysia tourism industry.

In line with the country development, information and communications technology (ICT) knowledge are very important in our daily life. SME need to always up-to-date with the growing of technology in a country. According to Norzaidi et. al. (2007), the emergence of information and communications



technology (ICT) are widely acknowledge contributed to the rapid growth of electronic marketplace. Information technology could provide a great tools to solve complex problem occurs in business growth.

The internet's favourable characteristics such as speed, user-friendliness, low cost and wide accessibility have allowed electronic commerce (e-commerce) to be increasingly diffused globally, bringing countries together into a global networked economy (Gibbs and Kreamer, 2004).

Being in this challenging environment, it is important for SME to be competitive and resilient. Towards this end, SME need to continuously strengthen their capacity and capability to produce high quality products and services at competitive prices (BNM, 2005). In addition, information and communications technology (ICT) usage among SME also help them in providing better services to their customer.

Today, most of SMEs tourism are taking e-business as their main platform for their business activities. They are using social network and assigned websites to promote their services such as accommodation services, travel agency, food serving services, transportation services and recreation services. One important aspect of tourism SMEs, entrepreneurial skills has been identified as vital to the success of the industry (Noor, 2013) because that are the most common thing to draw customer attention. The Malaysia government, in its developmental plan has recognised the role of tourism SMEs and implemented a number of initiatives aimed at improving the efficiency in the tourism industry.

However, the rapid changing of technological advancement causing SME firms to be found lacking and left behind in the e-commerce industry. SMEs are required to be well prepared from the aspect of business capital, sophisticated ICT facility, and world standard of products and services in order to compete and sustain their

existence in the e-commerce industry with bigger companies and the global player enterprises (Zuraidah Sulaiman and Zainab Khalifah, 2013).

According to Heidjen et al (2001), e-commerce adoption is considered to be the process of buying, selling or exchanging product, services and information using computer networks. In tourism industry, most of travel agents have websites that consist of company information but yet do not implement e-commerce. Malaysia realizes the advance probable of tourism can become a high income by 2020 over the launching of Economic Transformation programme (ETP).

E-commerce has the potential to establish value for different types of firms across various sectors including tourism industry. As a sectors that is largely provide services, e-commerce play as an unique tool for the tourism industry in order to enhance their services and business performance. The emergence of e-commerce is creating fundamental changes to the way that business is conducted (Mohd Amirul Akhbar Mohd Zulkifli, 2001) because they found it much easier for business activities. With paperless transaction, buyers are no longer enforced to walk-in or visit a business premise to place their order.

Unfortunately, according to Abu Bakar and Rohaizat (2002), most of the Malaysian SMEs are still left behind in terms of using internet in their business transaction. Nadaraj V. et. al. (2015) reported that 70 per cent of SMEs do not have a website and in the retails segment particularly for the SMEs, is lagging far behind. Therefore, this study was taken to measures the factors affecting e-commerce usage and acceptance among SMEs tourism in Malaysia due to tourism in one of the sectors that growing fast in this developing country.

### 1.3 Problem Statement

Malaysia is one of the top tourist destinations in Southeast Asia, which has attractions and activities to meet the needs of tourism industry, fans of culture and history buffs. The tourism sector has a huge effect in developing countries by providing immense economic opportunities to the local community. The increasing number of tourists visiting will provides space for local community to get involved in the SME sector to meet the demands of tourists (Nordin, Lonik, and Jaafar, 2014).

Therefore, internet usage become a common thing among SME as platform for their business activities. However, in previous study, a discussion with several authorities in Kelantan revealed that majority Bumiputera entrepreneurs do not use the latest technologies such as computers in their business. They are also lack of knowledge about IT and barely been exposed to the development of technology.

According to Ainin and Noor Ismawati (2003), 79 percent of the respondents stated "not many success stories of e-commerce" as the main barrier towards e-commerce adoption, this was followed by 72.6 percent of respondents with " not having knowledge in e-commerce", "low internet access among buyers" (72.2 percent), and the least 69.9 percent "lack of knowledge on the potential e-commerce".

Hence, what affect the SME to adopt e-commerce in their business? Being a sector that majorly provided services, e-commerce can serve as a better tool to enhance their business performance. This could also contribute to the success of e-commerce implementation among SMEs tourism.

#### **1.4 Research question**

- i. What are the importance of e-commerce usage in TSMEs in Malaysia?
- ii. What are the factors that affecting e-commerce adoption in Malaysia TSMEs?
- iii. What are the main factors, which influence the adoption of e-commerce in Malaysia TSMEs?

#### **1.5 Research objective**

- i. To determine the importance of e-commerce usage in TSMEs in Malaysia.
- ii. To analyze the factors that affecting e-commerce adoption in Malaysia TSMEs.
- iii. To examine the main factors that influence the adoption of e-commerce in Malaysia TSMEs.

#### **1.6 Scope of research**

The scope of this research is to investigate the factors that affect e-commerce adoption among SMEs tourism in Malaysia. There are several context that affect the e-commerce adoption such as organizational context, technological context, environmental context and individual context.

However, to achieve the objective of this research, the scope of the research is to study the several variables that effect the e-commerce adoption among SMEs tourism. Besides, this research also is to analyse the most effective factor which contribute to the e-commerce adoption among SMEs tourism in Malaysia.

## **1.7 Significant of research**

The role of the research are to identify the factors that affect the e-commerce adoption among SMEs tourism. This research is to help the SMEs tourism to identify the factors that could affect the e-commerce usage and acceptance among SMEs tourism. Tourism SMEs is one of the most important industry in Malaysia. Therefore, the e-commerce usage could help defining their business performance.

## **1.8 Structure of the study**

The body of the research consists of 5 chapter as following:

Chapter 1: Introduction

Chapter 2: Literature review

Chapter 3: Research methodology

Chapter 4: Data analysis

Chapter 5: Conclusion and recommendation

## **1.9 Summary**

The research had clarified the introduction of the topic and background oh the research study clearly. In addition, the research problems are identified in this chapter. Besides, the research questions and research objectives are formed during this research. All of these are important because it contributed a clear way to compete the whole research study and the significant of the study.

## **CHAPTER 2**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

Literature review can be just a simple summary of the sources, but it usually has an organizational pattern and combines both summary and synthesis. A summary is a recap of the important information of the source, but a synthesis is a reshuffling, of that information. This chapter covers the background of the main areas of the research. All of definitions and the terms of the journals, articles, books and any written sources related to the strengthening of this research. The definitions used in this study as evidence for a study supported by previous writers about the theory used in the literature for reference. It helps to emphasize a topic to discuss and come out with a stronger proof.

#### **2.2 SMEs in tourism industry and E-commerce**

Tourism industry offers relatively easy entry for SMEs. Many company establish of various types of tourism SMEs with low capital requirements and operated at low cost. In many cases, the motivation for involvement in these businesses relates as much to lifestyle, location, and leisure preferences as it does to a desire for profit or security (Getz and Carlsen, 2005). In Thailand, the tourism industry consists of three main sectors which is travel and accommodation, leisure facilities and entertainment as well as tourism organisations. This sector also known as the travel service sector. Stakeholders include suppliers, intermediaries such as wholesalers, retail travel agencies, technology providers and customers or travellers. Tourism products include flight tickets, room reservations, package tour bookings,

car hire, cruise tickets, and other related services (Brown and Kaewkitipong, 2009). Therefore, it is not surprising that the tourism industry is dominated by SMEs. In short, there are many business opportunities that can be taken by entrepreneurs in the tourism industry.

There are many products and services that can be generated by tourism SMEs. The continuous efforts to stimulate tourism industry by the Malaysia government bring positive impact on tourism SMEs business activities. Tourism SMEs in Malaysia account for about 85 per cent of tourism businesses. Following the guidelines introduced by international organisations such as the United Nations World Tourism Organization (UNWTO), Eurostat, and the Organization of Economic Co-Operation and Development (OECD), the Malaysia Government applies the Tourism Satellite Accounts (TSA) to characterise tourism-specific products from suppliers' perspectives. The categorisation of tourism products such as accommodation services, food and beverage serving services, passenger transport services, travel agency, tour operator and tourism guide services, cultural services, recreation and other entertainment services, as well as miscellaneous tourism services (Noor, 2013).

Table 2.1: Distribution of Tourism SMEs, 2010

(Source: Malaysian Department of Statistics, Census, 2012)

<b>TSMEs Business Activities</b>	<b>Establishments</b>	<b>%</b>
Accommodation services	2,817	1.2
Transportation services	40,025	16.7
Art, entertainment and recreation services	6,217	2.6
Food and beverage service	142,721	59.7
Miscellaneous tourism services	36,721	15.4
Travel agency, tour operator and tourism guide services	10,609	4.4
<b>TOTAL</b>	<b>239,110</b>	<b>100.0</b>

Table 2.1 presents tourism SMEs business activities in 2010 with 239,110 active establishments. There are 142,721 firms (59.7 per cent) offering food and beverage services, 40,025 firms (16.7 per cent) offering transportation services and other miscellaneous tourism services. Meanwhile, accommodation services; arts, entertainment and recreation services; and travel agency, tour operator and tourism