Internet and ICT connectivity linked to SME business success in Sri Lanka

Small and Medium Enterprises (SMEs) in Sri Lanka that make use of the internet and ICTs for business are better off than those that do not. AfterAccess survey findings show that such SMEs have:

- 2.8 times higher revenues (~LKR 800,000 for high ICT users vs. LKR 283,000 for low ICT users), and 2 times higher profits;
- access to a more diverse and geographically distant set of suppliers and clients within and outside of Sri Lanka; and
- better visibility through more diverse communications modes and practices,

than SMEs that remain unconnected.

The research shows a link between access to ICTs and better and more successful businesses. Yet a large number of Sri Lankan SMEs remain unconnected to the internet and far-removed from reaping the benefits afforded by getting online. There is no perceived need for getting connected, especially among those who do not currently use the internet, indicating that many business owners remain unaware of the potential benefits of going digital.

With SMEs currently contributing ~52% to GDP and accounting for more than 75% of total enterprises in the Sri Lankan economy,[1] there is certainly value in digitising these businesses. For this to happen, business owners and their employees should have ready access to relevant training materials related to digital entrepreneurship, the use of online tools to enhance supplier and customer bases, and guides to improving operational efficiency through digital communications and marketing practices.

RECOMMENDATIONS

1. Targeted digital skills training programmes on digital entrepreneurship for SMEs. Programmes such as ICTA's Sri Lanka *Go Digital*, Facebook's *SheMeansBusiness* must be expanded to a wider audience.

2. Develop a one-stop resource at district level, through the local chambers – with guidelines and manuals, accessible in all local languages, supported by personnel, to assist SMEs to get online, set up basic webpages, engage on a series of popular platforms, make use of mobile financial services, and so on.

RESEARCH FINDINGS

Mobile phones are the main forms of connectivity for SMEs.

- 65% of SMEs have a dedicated contact number (fixed or mobile); of these, 85% list a mobile number and 56% list a fixed phone number.
- Mobile phone connections are more prevalent than fixed line connections by smaller-sized enterprises (i.e. those with fewer employees), while fixed line use is more common among larger enterprises, urban and service segments.
- Just over half (51%) of mobile phone-owning SMEs use smartphones for business purposes, particularly those in the urban segment and service-sector.
- Computer ownership is low at just 31%. SMEs in the service sector tend to own computers more often than SMEs providing manufacturing and trade services. Of those who do own computers, 86% have computers connected to the internet. Sixty-seven percent of SMEs who use internet or social media also have a website.

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[1] http://www.industry.gov.lk/web/images/pdf/framew_eng.pdf

Less than half of SMEs use Internet for business.

- 40% of SMEs use internet or social media for business purposes; 66% of service sector SMEs use the internet or social media compared to 42% and 24% of SMEs providing trade and manufacturing services respectively.
- Of those who use the internet, most use it for research on goods and services (79%), email (63%), getting information from government organisations (53%), internet/online banking (48%), looking for suppliers (46%), interacting with government organisations (46%), internet calling (40%), recruitment (12%), e-commerce (7%), and training (4%).
- There is an information gap between those who use the internet for business and those who do not: over 90% of enterprises who use the internet for business think that access to the internet is either important or very important, while at the same time, those who do not use the internet remain unconvinced of its benefits: 79% say there is no need to use the internet.
- 96% of SMEs do not use mobile money services, with 18% of those who do not stating that they do not know about the services.

AfterAccess Research

The AfterAccess surveys are conducted by pro-poor sister networks DIRSI, LIRNEasia and Research ICT Africa. The surveys are nationally representative and use methodology that is comparable across 23 countries in the Global South – seven in Asia, ten in Africa and six in Latin America. AfterAccess is the most comprehensive database on mobile phone and Internet access and use in the Global South. AfterAccess is an award-winning series of surveys to understand ICT access and use among different target groups (individuals, SMEs, persons with disabilities) in 23 countries across Asia, Africa and Latin America. More information can be found at lirneasia.net/after-access.

Enterprise Survey Methodology

The findings referred to in this policy note are based on a nationally representative survey of 403 SMEs in 100 Grama Niladhari divisions (GND) in nine (9) provinces in Sri Lanka. Nationally representative sampling of SMEs was implemented using GND-level data from the National Census of Population and Housing 2012 as the sample frame. Fieldwork was conducted November 2018-January 2019. More information can be found at lirneasia.net/SMESL

About LIRNEasia

LIRNEasia is a pro-poor, pro-market digital policy think tank. Its mission is catalyzing policy change through research to improve people's lives in the emerging Asia Pacific by facilitating their use of hard and soft infrastructures through the use of knowledge, information and technology. LIRNEasia has been active in the Asia Pacific since 2005, conducting both demand and supply-side research as well as advocating for policy changes in the ICT sector on issues ranging from universal service policy to open data, gender, big data and more.