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Financial Resource Allocation and e-Commerce Adoption Among SMEs in Kericho County –Kenya

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Introduction / Background

- ▶ **Information and Communications Technology (ICT) and Electronic Commerce (e-commerce) offer benefits for a wide range of business processes.**
- ▶ **The paper discusses effects of Financial Resource aspects such as Government funding, budgeting and expenditure within the firm, the firm's financial resources, loans and grants on the levels of adoption and use of e-commerce strategies.**

Statement of the problem

The study on financial resource allocation and e-commerce adoption was motivated by an identified gap in empirical research meant to enable relevant and appropriate decisions to be made regarding SME growth in Kenya.

.....the status of e-commerce adoption in developing country SMEs has been scanty in scholarly literature according to a similar study in Botswana. (Shemi 2012)

Study objectives

The effects of Government funding on the levels of adoption of electronic Commerce strategies among SMEs in Kericho County

The impact of budgeting and expenditure by SMEs on E-Commerce adoption

The role played by the firm's financial resources in the deployment of e-commerce strategies

How Loans and grants affect the adoption levels of e-commerce strategies among SMEs in Kericho County

Brief literature review

- Irefin, (2012)-Nigeria, describe the element of cost as a coefficient in the adoption of e-commerce by SMEs
- AlGhamdi *et al.*, (2015) Saudi Arabia cites enablers and inhibitors of E-Commerce among SMEs in Saudi Arabia and singles out setup costs as one of the key inhibitors
- Price Waterhouse Coopers (PWC, 1999) found that government policies and funding were very important determinants of e-commerce adoption.

Methodology

- ▶ The SMEs which were identified for the study were those which conformed to the provisions of Kenya's MSE Act (2012)
- ▶ A sample of 323 SMEs were sampled using Macorr's formular. Using Stratified random sampling the study only considered active SMEs based on their current licenses to operate from the County Government.

Findings / Results

- **The study's findings indicate that financial resource factors have a statistically significant yet moderate effect on E-commerce adoption**
- **This trend could be attributed to the SMEs limited access to external funding support. Most of the operations in the SMEs depend on funds availability and hence are constrained under this aspect.**

Conclusions

- ▶ The findings are consistent with Studies by Martin and Matlay (2005) cite the lack of resources and expertise available to SMEs as hampering each stage of the adoption, implementation and evaluation of E-commerce.
- ▶ Further concurrence is identified in studies by Irefin (2012) who, while studying the financial resources as a factor affecting the adoption of information and communication technology in small and medium scale enterprises in Nigeria describes the element of cost as a coefficient.

Recommendations

- ▶ It is recommended that there is need for the County and National Governments to promote the growth of SMEs by reformulating policy regarding finance, the identification and access to affordable sources in order to enable them acquire ICT hardware and software, and or be able to pay for internet connectivity.
- ▶ Support in ICT training, which similarly depend on funding, is proposed especially by Universities and other Institutions of Higher learning- emphasis on skills aimed at developing E-commerce usage capabilities.

Recommendations cont.....

- ▶ **Community-based programmes could be established in conjunction with institutions of higher learning to support SMEs in nurturing strategic leadership skills in the deployment of E-commerce Strategies among SMEs in the counties.**
- ▶ **This is because institutions of higher learning would provide the expertise existing within their ranks required in Strategic Leadership and E-commerce within the enterprises.**

Areas for further study

- Replication of the study in other parts of Kenya is recommended.
- Since loans availability's effect on E-commerce adoption was found to be low, it may be prudent to commission studies to determine specific reasons that would explain this occurrence.

Areas for further study cont.....

- **Studies are also proposed to clearly and further establish the effects of financial factors in the adoption of E-commerce strategy especially for SMEs which have benefited from funding support.**

THANK YOU