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The Role of Digitalization During the Pandemic: Small Entrepreneurs in Sri Lanka

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ABSTRACT

Amid the global devastation caused by the pandemic, digital entrepreneurship has emerged as a focal point in the business landscape. Entrepreneurs faced considerable challenges in sustaining their businesses during the pandemic, leading to significant closures. The surge in digital usage among consumers, prompted by the pandemic, prompted numerous entrepreneurs to transition to digital platforms to sustain their business operations. Therefore, this study aims to investigate the influence of digitalization on small entrepreneurs in Sri Lanka during the pandemic. In this study, a qualitative approach within the framework of social constructivism was utilized by the researcher. The data collection process consisted of conducting semi-structured interviews, each lasting about one hour. The participants comprised eight small entrepreneurs operating in the Western province, selected through a purposive sampling technique. The study's findings unveiled distinct key themes in response to the research question. These themes encompassed eight strategies employed for managing digital businesses, categorized into three main influencing factors: Financial, behavioural, and social media. The results indicated the positive side of digitalization on business operations during the pandemic.

Keywords: *Business Expansion, Business Value, Cost-effectiveness, Digital Entrepreneurship, Social Media.*

1. INTRODUCTION

In the wake of the global COVID-19 pandemic, the transformative impact of digitalization on small entrepreneurs in Sri Lanka has become a focal point of investigation. As the world grappled with unprecedented challenges, the role of digital technologies emerged as a critical factor influencing the resilience and adaptability of small businesses. This qualitative research article aims to explore and explain the nuanced dynamics surrounding the adoption and use of digital tools among small entrepreneurs in Sri Lanka during the pandemic. The study seeks to unravel the multifaceted ways in which digitalization has influenced business operations, customer interactions, and overall entrepreneurial strategies. By shedding light on the experiences and perspectives of small entrepreneurs navigating the digital landscape amid crisis, this research endeavors to contribute valuable insights to the discourse on the intersection of digital technology and entrepreneurship in times of adversity.

Numerous studies highlight how digital tools facilitated the adaptation and survival of small businesses during the pandemic (Bao, Cao, Xiong, & Tang, 2020). Literature confirmed that digitalization allowed entrepreneurs to shift their operations online, reach customers through e-commerce, and maintain business continuity despite physical restrictions (Junusi, 2020). While there is an acknowledgement of challenges in adopting digital tools, there is a gap in detailed qualitative analyses that deeply explore the nature of these challenges and the role of digitalization in small and medium-scale enterprises.

According to the findings of a recent survey of Sri Lankan entrepreneurs, the challenges they faced during COVID-19 included obtaining new clients/customers, obtaining financial support and funds, retaining existing clients/customers, increasing shareholder monetary support, uncertainty, and personal doubt (De Silva, 2022). Despite these hurdles, many Sri Lankan entrepreneurs have come up with new technologies and turned creative and inventive concepts into business companies in the middle of the epidemic. During the Covid-19 epidemic, several remarkable and unique discoveries enormously aided the public.

As in the Digital Growth data analysis in Sri Lanka, internet users are rapidly increased between 2019 and 2022, implying that digitization has become a trend in consumer mindsets and business operations (Datareportal, n.d.). According to the most recent 2020 ARTS release, e-commerce sales increased by $244.2 billion (43%), rising from $571.2 billion in 2019 to $815.4 billion in 2020, the first year of the pandemic (Kemp, Howell, Gildea, Keller, Brautigan, & Carey, 2022). As a result, it is clear that there is a rapid increase in global digitalization, and it is clear that digital entrepreneurs were able to succeed even during the pandemic. Moreover, it is important to identify the role of digitalization in business as the pandemic disrupted conventional business models and operations, and entrepreneurs were compelled to adapt rapidly. Since, the overarching research problem that emerges from this scenario is the exploration of the role of digitalization during the COVID-19 pandemic, particularly in the context of small entrepreneurs in Sri Lanka.

The subsequent sections unfold the rich flow of information of this research. The literature review synthesizes existing insights, identifying gaps and framing the narrative for the current investigation. The methodology elegantly unveils our research design, participant criteria, and analytical approach. Transitioning seamlessly, the findings and discussion section presents empirical results, unravelling the intricate dynamics of digitalization for small entrepreneurs in Sri Lanka. Finally, the conclusion harmonizes key insights, affirming the study's contributions and charting future directions.

2. LITERATURE REVIEW

The COVID-19 pandemic, which emerged in late 2019, has had far-reaching impacts on economies and societies worldwide. As governments implemented lockdowns and social distancing measures to curb the spread of the virus, businesses, particularly small sized enterprises (SMEs), faced unprecedented challenges. Sri Lanka, like many other countries, saw its small entrepreneurs grappling with disruptions in supply chains, decreased consumer demand, and financial instability (Bao, H, Cao, Xiong, & Tang, 2020). In response to these challenges, digitalization emerged as a critical lifeline for many small entrepreneurs in Sri Lanka. This literature review aims to explore the role of digitalization in assisting small entrepreneurs during the pandemic, shedding light on its impact, challenges, and future prospects (Bao, H, Cao, Xiong, & Tang, 2020).

To understand the role of digitalization during the pandemic, it is crucial to appreciate the context of small entrepreneurs in Sri Lanka. The country has a vibrant small business sector, comprising a significant proportion of the economy. These businesses operate in various sectors, including agriculture, retail, and services, and often lack access to formal financing and resources. The pandemic exacerbated these vulnerabilities, prompting a need for innovative solutions (Rassool & Dissanayake, 2019).

The combination of digital technology and entrepreneurial orientation creates new theories called digital entrepreneurship, which has a positive effect on economic growth (Garrigues, et al., 2020). Elia, Margherita, and Assiante, (2020) introduced a concept of digital entrepreneurship, which relates to the creation of new ventures and the transformation of existing businesses through the development of digital technology. Digital-based entrepreneurship examines the entrepreneurship process through the digital transformation of business processes (Steininger, 2019; Cavallo et al., 2019).

The rise of digital entrepreneurship may also result in the development of new methods as well as technologies (Ghezzi & Cavallo, 2020). Digital entrepreneurship has already been implemented in every country around the world. This development demonstrates that public trust in digital-based businesses is quite high, with a market share that is expanding and continuing to grow. Traditional business models canbe supplemented by digital entrepreneurship (Elia et al., 2020). According to Yin et al. (2019), digital entrepreneurship is widely used by MSMEs to improve their performance. Concepts such as Internet- based business strategies and digital platforms can be built on the foundation of digital entrepreneurship (Elia et al., 2020).

Digital business models, digital entrepreneurship processes, platform strategies, digital ecosystems, entrepreneurship education, and social digital entrepreneurship are the six research streams identified by Elia et al. (2020). External funding from both the private and public sectors can be used to stimulate and support the growth of digital-based entrepreneurship. Digital entrepreneurship promotes the exchange, transfer, and acquisition of knowledge while also pioneering new business models (Geissinger, Laurell, Sandström, Eriksson, & Nykvist, 2019).

Literature found that the digital transformation is a necessity in small businesses in a pandemic (Bai, Quayson, & Sarkis, 2021). The pandemic accelerated the adoption of digital technologies across various sectors, highlighting the necessity of digital transformation for businesses, healthcare, education, and government services. Moreover, with lockdowns and social distancing measures in place, e-commerce and online retail experienced unprecedented growth, changing consumer behaviors and supply chain dynamics (Din, et al., 2022). As in the literature, digitalization promotes remote work and virtual collaboration in small businesses during the pandemic (Anthony Jnr & Abbas Petersen, 2021). While stating the benefits of digitalization, literature explained the cons and challenges of the digitalization as well. Wang and Alexander, (2021) states that, the increased reliance on digital tools led to heightened cybersecurity concerns, with a surge in cyberattacks and the need for enhanced security measures and awareness and the pandemic shed light on the digital divide, emphasizing the importance of ensuring equitable access to technology and internet services for all individuals and communities. Furthermore, literature proved that, small businesses required data privacy and surveillance during the pandemic with digitalization. Aloisi and De Stefano, (2022), explained that the use of digital tools for contact tracing and monitoring raised ethical and privacy concerns, sparking debates about the balance between public health and individual privacy rights.

These founded themes reflect the multifaceted impact of digitalization during the pandemic, touching upon various aspects of society, economy, and technology. Researchers and policymakers have explored these themes to better understand the lessons learned and the future implications of the digital transformation that occurred during the crisis.

2.1. Theoretical Review

The concept of digitalization can be better comprehended after examining the many literatures on the subject. Business model developments such as multi-sided digital marketplaces, social networking, e-commerce, and software-as-a-service have altered industries and markets as varied as media, entertainment, advertising, retail, transportation, and lodging. Theoretical models include; The Unified theory of acceptance and use of technology (UTAUT) (Venkatesh V. , Morris, Davis, & Davis, 2003), Digital Ecosystem (DE) (Szerb, Komlosi, Acs, Lafuente , & Song, 2020) and The Digital Business Transformation Iceberg (Grossmann, 2008), which are discussed in the present study.

UTAUT and its extended theoretical frameworks are very popular and widely used to predict behavioural intention for adopting technology (Venkatesh at al. 2003). which consists of four main concepts, Performance Expectancy (PE), Effort Expectancy (EE), Social Influence (SI), and Facilitating Conditions (FC). These four main concepts are independent variables which influence dependent variables, behaviour and usage (Venkatesh at el. 2003). Performance expectancy (PE) is to be "the degree to which an individual believes that using the system will help him or her to attain gains in job performance" (Venkatesh at al. 2003) and effort expectancy (EE) to be "the degree of ease associated with the use of the system" (Venkatesh at al. 2003). Social influence (SI) means "the degree to which an individual perceives that it is important others believe that he or she should use the new system" (Venkatesh at al. 2003) whereas facilitating conditions (FC) considered to be "the degree to which an individual believes that an organizational and technical infrastructure exists to support use of the system" (Venkatesh at al. 2003). Behavioural intention (BI) refers to the motivational factors that influence a given behaviour where the stronger the intention to perform the behaviour, the more likely the behaviour will be performed (Venkatesh at al. 2003).

The theory "digital ecosystem" (DE) refers to a self-regulating, finite, and sustainable system made up of diverse digital entities and their interrelationships that are focused on interactions between entities to increase system utility, gather and share information, cooperate internally and among themselves, and innovate as a system (Szerb, Komlosi, Acs, Lafuente , & Song, 2020).

The Digital Business Transformation Iceberg illustrates how digital leaders' conscious minds should concentrate on much more than just the iceberg's top. It demonstrates how digital leaders should have much broader goals in mind than just the tip of the iceberg.It is intended to motivate executives to address digital enterprise transformation holistically byillustrating the notion of what is frequently hidden under the surface and necessitates leadership and management focused on change. It assists in preparing executives to face digital business transformation with an open attitude (Grossmann, 2008).

3. METHODOLOGY

In this research study, the primary focus is on examining the experiences of entrepreneurs with regard to digitalization during the COVID-19 pandemic. The qualitative research methodology was deemed the most appropriate for this investigation due to its suitability in addressing theoretical gaps and generating context-specific insights, which require thorough understanding. Consequently, this study adopts an exploratory and inductive research approach. rather than a deductive one, aligning with the principles of social constructivism, particularly from a phenomenological perspective. Exploratory research is carried out when there is little to no knowledge about the topic or problem, predictive research focuses on predicting (forecasting) the chance of something happening. The aim of this study is to gain a deep understanding of the motivations driving customers to embrace digital banking products and services in the context of Sri Lanka. By adopting this constructivism stance, the study aims to uncover fresh insights into the experiences of small business owners in the realm of digitalization while addressing its research inquiries.

The present study talks about digitalization that took place during the COVID-19 pandemic period. Therefore, a phenomenological research strategy was chosen to carry out the study. In phenomenology, experience is studied from the perspective of the individual, "bracketing" presumptions and common modes of perception. In a phenomenological investigation, the focus is on how people saw a phenomenon and what they actually went through.

The methodological emphasis on social construtivism, employing biographical, narrative, and constructitative analysis, enabled the researcher to illuminate the process of digital transformation within the lived experiences of entrepreneurs. In accordance with the design principles outlined by Katz and Mishler (2003), this study adheres to a general qualitative research design.

The choice of Sri Lanka as the study's locale was influenced by the researcher's familiarity with and exposure to the Sri Lankan environment. The study took place in the Colombo District, which boasts the highest population density. Eight small entrepreneurs were purposively selected for the study. Among these participants, five are male, and three are female. To safeguard the privacy and identity of the interviewees, pseudonyms were employed.

In-depth interviews lasting approximately 60 minutes each were conducted with the participants. This approach was chosen as it allows researchers to gain a comprehensive understanding of individuals' perspectives, perceptions, and interactions, offering valuable insights into the subject matter. Purposive sampling was employed to select study participants, initially utilizing an extreme or maximum heterogeneity approach to identify potential participants. Subsequently, a combination approach was employed for the final selection, considering the richness of information provided by unique and distinctive cases, a characteristic of the extreme or deviant case sampling approach.

The collected data underwent thematic analysis, following a five-step approach commonly utilized by researchers: familiarization, coding, topic generation, theme evaluation, and theme definition and naming. The study meticulously adhered to these steps. The familiarization process commenced with the detailed transcription of recorded interviews, followed by necessary reduction to eliminate redundancy and superfluous information. Subsequently, the coding process involved the identification and labeling of key passages in the transcripts to succinctly summarize their meaning. The third step encompassed the extraction of themes, which were formed by combining multiple codes, generally representing broader concepts than individual codes. In the final step, the researcher reviewed and validated the themes to ensure they accurately captured and summarized the collected information. Ultimately, each theme was clearly defined and assigned a concise name, facilitating their integration into the study's findings.

4. DATA ANALYSIS AND DISCUSSION

This section presents the findings of the study based on a cross-case thematic analysis. It proposes the major themes derived from the narrative analysis. The findings of the study answer the research question, “how has digitalization impacted small entrepreneurs during the pandemic.” From the thematic analysis, eight themes were derived from the three major themes as follows, and a model for the role of digitalization during the pandemic was finally developed: small entrepreneurs in Sri Lanka.

4.1. Financial Impact

During the pandemic, digitalization played a crucial role in increasing business revenue and cost-effectiveness for small entrepreneurs in Sri Lanka. It enabled online sales, expanded market reach, and reduced operational costs. These advancements allowed businesses to maintain operations and even grow despite the challenging economic conditions caused by the pandemic

4.2. Increase Business Revenue

Digital transformation drives both revenue and margin improvements by improving efficiency and delivering better customer and employee experiences. Companies leading with digital transformation are seeing nearly twice the revenue growth of those not so digitally inclined. However, it depends on what part of the company is involved with the digitalization (Gebauer et al., 2020). The following statements by the respondents of the present study verified that they could increase their sales and profit during the pandemic by going digital.

Respondent A:

"I was surprised that I got so many orders within one week. Once, I got 35 orders per day which got converted into all my weekly expenses. This online selling became a boosting option for me and increased my profits."

Respondent C:

"I introduced cupcakes to my business because I got so many orders online, which helped increase my sales."

Respondent D:

"During the pandemic, so many people requested gift orders more than when I was doing my physical shop."

Owners of SMEs that tested out new digital technologies during the crisis are twice as likely to have experienced significant revenue increases than those at other ventures. COVID-19 has had a negative economic impact, while digital marketing has had a favourable economic impact. The outbreak of COVID-19 has encouraged digital advertising, leading to a sales increase. Complying with the literature, respondents of the study had experienced a similar growth in sales during the pandemic through digital advertising.

4.3. Cost-effectiveness

An online business can save money on labour and other expenses such as document preparation, reconciliation, mail preparation, phone calls, data entry, overtime, and supervision. E-business can assist in the management of operating costs in a variety of areas, lowering the cost of individual transactions. Using email and electronic invoicing instead of traditional methods saves a lot of money during a pandemic (English, 1999). By streamlining supply-chain management and distribution, e-commerce can also reduce transaction costs. More orders can be shipped directly from the warehouse or wholesaler to the customer if a store expands its product selection online. The store can now cater to profitable niche markets. Cost-cutting increases profitability, but only if sales prices and volume remain constant (Chou et al., 2004). Respondent B agreed upon the cost-effectiveness of e-business as follows:

"Online business made us very cost-effective because since we were getting so many orders, we started to do our business at home and the rent expenses become zero."

Digitalization is a low-cost resource that businesses can use to promote communication throughout the supply chain and within the company. In terms of how businesses communicate with their customers, digitalization has many business applications. As previously stated, cutting costs leads to an increase in revenue. Reduced expenses can boost the company's net profit and profit margin. Lowering business costs can be an important factor in increasing margins. Both respondent C and H expressed their ideas as:

Respondent C:

"I was renting a small shop to do my business because I wanted to give awareness to the customers. However, since the online presence went well, I started business at my home because it was so cost-effective."

Respondent H:

"Online selling was very cost-effective for me since I have stopped my rent expenses."

As per the responses and the findings of previous studies, it is evident that cutting costs can be done with e-businesses. According to Kämäräinen et al., (2001) Using cost-cutting solutions has numerous advantages for the business. All business organizations are betting on digital transformation to increase their growth and adapt to new market trends. Technology can help to cut unnecessary costs and keep the budget under control. Respondent E has proven this fact as follows:

"Free social media reach was so cost-effective for me because we can do organic campaigns on social media platforms and it gives me a good reach, especially in Tiktok"

Cutting costs without sacrificing quality is critical to the growth and success of any business. Integrating technology to improve or optimize key processes is one of the most effective ways a business can cut costs. As the company grows, it makes sense to incorporate digital tools into the human resource team to help it function more effectively while also being more cost-effective. Digitizing administrative tasks reduces operational and storage costs by eliminating paperwork and stationery. For example, when storing information on a cloud-based system, an organization can significantly reduce costs compared to traditional physical infrastructure management (Cronin, 2001).

The statements made by respondents and the previous findings confirmed that cost-effectiveness positively impacted small entrepreneurs during the digitalization process by looking into the literature findings and the sample of the present study.

SLJM Vol 10 No 1: January - June 2024
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4.4. Social Media Impact

During the pandemic, digitalization via social media significantly benefited small entrepreneurs in Sri Lanka by opening new market segments, enhancing customer reach, and leveraging emerging social media trends. These advancements allowed businesses to attract a broader audience, adapt to consumer preferences, and sustain growth despite challenging economic conditions

4.5. New Market Segments

The digitization of Small and medium-sized businesses leads to new market segments because the entrepreneurs were able to identify potential market segments in which to run their businesses. Furthermore, social media advertising has assisted businesses in identifying new market segments, which leads to increased revenue for their businesses (Kogut & Mejri, 2021). Businesses can reach more clients at home and abroad by selling online. The number of people shopping online has considerably increased due to the COVID-19 epidemic. Customers everywhere are going to value the ease of 24-hour online shopping and home delivery more and more, together with the far wider range of available products. Further, assisting industries like technology firms, payment service providers, and logistics firms all add new jobs to the economy due to the online business (Goldberg & Reed, 2020). This has been proved by the following statements by respondents A, D and G.

Respondent A:

I was able to identify new market segments because of social media marketing. So, I decided to come up with new business ideas for selected segments. That's how I introduced Kids clothing to the business.

Respondent D:

We were online selling photo frame gifts for the past few years, but with the online business I have come up with new types of frames such as wood frames, metal frames, etc.

ISSN 2719 – 2598 (Online)

Respondent G:

I was able to sell different types of foods including Pizza and pasta due to the new market identifications.

As the above statements explain, participants have identified new market opportunities and expanded their business into different market segments. However, Offering quick local delivery, taking payments in local money, and having an online store in the local language can all be significant competitive advantages that help e-businesses flourish even in small national markets (He et al., 2020). In accordance with the literature, the above statements confirmed that new market segments had a positive impact on small entrepreneurs by looking into the literature findings and the sample of the present study.

4.6. New social media trends

Recent studies show that most digital Businesses now agree that social media trends are essential to the success of their companies and brands in the wake of the pandemic (Redjeki & Affandi, 2021). Effective social media campaigns are known to produce significant results in terms of increasing customer traffic and fostering trust among target demographics. But as 2022 draws to a close, businesses everywhere are looking for ways to improve their current social media marketing plans for survive in the marketplace (Li & Yang, 2021). This has been proved by the following statements made by the respondent B.

"Since we are selling curtains, social media marketing helped to target the correct audience since we are selling a unique service. It helped us to reduce a lot of costs as well."

Social media has a good impact on businesses and allows audiences to find them on social media. It aids in reaching the intended audience, remaining engaged with them, and responding to their inquiries quickly. According to research, 42% of consumers want a reaction on social media within 60 minutes. Social media is a powerful medium for engaging customers who reach out via various social media channels such as Facebook, Twitter, LinkedIn, Instagram, WhatsApp, and TikTok in order to provide a seamless omnichannel messaging experience (Moorman & McCarthy, 2021). The following statements made by the respondents A, E and E provide evidence for it.

Respondent A:

"I am really happy with the TikTok marketing trend. It was really easy to create content, and I got good 5k-10k views with fewer followers."

Respondent E:

"I really enjoyed creating TikTok videos using the products. It was easy and fun. Also, it gave me a good reach."

Respondent F:

"I use all the current new trends, including TikTok and reels, to give awareness about my Business."

It proves that social media aids in spreading the word about business. With the introduction of interactive and social media, word of mouth has changed in its patterns, functions, and influence. New online communities are developed as a result. According to research, 72% of individuals consider online evaluations equivalent to personal recommendations from friends and family (Moorman & McCarthy, 2021). Since social media marketing (SMM) has a favourable effect on brands and, when done correctly, promises financial success, many businesses are coming on board. Social media customer service interactions increase revenue per customer by 20% to 40% for businesses. Respondents C and D have agreed to this with the following statements made by them.

Respondent C:

"I am currently using the Meta business suite, and it is very user-friendly because I can reach all the DMs at one single time, and I can schedule posts as well."

Respondent D:

"I have created so many reels on social media using my previously created frames and it gave me a good social media reach."

As said by the respondents, this will enable them to demonstrate the commitment to giving customers a memorable experience and ensuring that no customer feedback is overlooked. Additionally, it can produce significant commercial benefits by watching social media for client feedback and responding to it.

The biggest return on investment in social media, however, comes from being able to connect with potential clients wherever they may be located in the world. Social media involvement is beneficial for the brand's reputation, but on the other side, one unfavourable tweet can cause overnight bad publicity that is challenging to undo (Bao et. al., 2020).

The above literature findings and the sample of the present study Prove that the social media trends positively impacted small entrepreneurs during the digitalization process during the pandemic.

4.7. More Customers Reach

The COVID-19 pandemic and subsequent crisis have refocused attention on how businesses can effectively reach customers, particularly when the lockdown restricts physical interactions and mobility. Digital technologies have been identified as important tools that businesses can use to overcome the pandemic's limitations, as they may enable business processes and services to ensure continuity and interaction while data is gathered to define new strategies (Soto-Acosta, 2020). Online buying has increased steadily over the past ten years, especially in light of the COVID-19 epidemic. Even though the term "e-commerce" only really refers to the exchange of goods and services, the internet platforms used to run e-commerce enable businesses to manage product listings, showcase products, interact with website visitors, and manage order fulfilment all from a single location. E-commerce is handy for both customers and businesses (Redjeki & Affandi, 2021). This has been proved by the following statements by respondents A, D and H.

Respondent A:

"I had a huge boost in my customer base because of the social media advertising."

Respondent D:

"Our customer base increased in large margins on our Instagram page because of reels and posts I have shared daily."

Respondent H:

"My customer base was increased with the online presence, and I am getting more than 50 DM's a Day."

The newest model of Internet transactions is direct-to-consumer e-commerce. This strategy enables a brand to sell directly to the end user rather than through a retailer, distributor, or wholesaler. Direct-to-consumer sales foster strong brand loyalty, expand market potential, and enable larger profit margins. It is critical for businesses to adapt as the environment changes and the globe advances. Online platforms enable businesses to function during the pandemic and will continue to allow for growth.

4.8. Behavioral Impact

Digitalization during the pandemic influenced small entrepreneurs in Sri Lanka by altering behavior, leading to increased business value, new product development, and business expansion. This shift enabled businesses to innovate, meet changing customer demands, and explore growth opportunities despite the economic challenges posed by the pandemic

4.9. Increased the Business Value

Customers are more likely to purchase from brands that share their principles and basic values. Brands that give back to the community or advocate for causes can connect with their customers and make them feel good about their purchases (Poon, 2020). Digitalization allowed the business to give back to the community and respond to customers easily and were able to increase their brand reputation and business value, as stated by respondents B and E.

Respondent B:

"Suddenly, our business value increased because many customers mentioned that We are really happy that we found your business in social media."

Respondent E:

"I have identified my business value with the online presence because some of my customers give special thanks for the T-shirts that I sold."

According to the respondents and literature, digitalization transformation allowed the business to increase its business value during the pandemic period (Priyono, Moin & Putri, 2020; Poon, 2020).

4.10. New Product Development

Digital Transformation promises significant benefits in the realm of new product development, but it also poses significant hurdles, particularly for makers of physical objects (Gloor, 2012). Executives in all industries are transforming customer connections, internal processes, and value propositions by leveraging digital innovations such as analytics, mobility, social media, and smart embedded devices, as well as improving their use of older technology such as ERP, which leads to new product development with new business innovations in the Market Sector (Westerman, Bonnet & McAfee, 2014).

Respondents A, G and H came up with new business product ideas because of digitalization during the pandemic, and the situation faced by respondents have explained in the following statements.

Respondent A:

"Since my sales increased during the pandemic, I came up with a new business idea of selling chains and bracelets as a new product development."

Respondent G:

"I started selling Fitness clothing as a new development to the business since my bottom line was okay to invest more money after going for e-business."

Respondent H:

"I got a few new business ideas because of the online business, so I started to sell used mobile phones as well."

The above statements confirmed the literature findings and the present study's sample also confirms that new business ideas are generated due to digitalization.

4.11. Business expansion

The most essential reason to embrace digital transformation is that it enables the development of new business models. It enables the create products and services that were previously unimaginable. And it gives access to customers that couldn't previously contact. Digital transformation also increases a company's efficiency and helps it grow to the intended level. By automating procedures, digitizing data, and employing artificial intelligence, businesses can free up time and resources to focus on what is truly important (Gloor, 2012). Nowadays, digitalization in business has proven to be almost vital for commercial success. It occurs when a company begins to use digital technologies to alter its business model and create new value-creating opportunities (Kessler & Buck, 2017).

Respondent G came up with business expansion because of digitalization during the pandemic, and the situation faced by respondents is explained in the following statements.

"To be honest, I was doing business so well with the help of the social media presence. I always wanted to expand my business in a more professional way so I could get more brand identity from the customers. Therefore, I created a website for my business with the help of an E-Commerce agency, and now I'm a bit more responsible than I was."

The above statements confirmed the literature findings, and the sample of the present study also confirms that business expansion ideas are generated due to digitalization.

4.12. Proposed Model

The above findings explained how digitalization impacted small entrepreneurs during the pandemic. The identified themes have been divided into three main factors: behavioural impact, financial impact, and social media impact. The following graph shows the model developed by researchers from the findings of the present study.

When exploring the role of digitalization for small entrepreneurs in Sri Lanka during the pandemic, several major themes arise: financial impact, behavioral impact, and social media impact. Each of these themes can be related to various theoretical frameworks to provide a deeper understanding of the phenomena observed.

Resource-Based View (RBV) suggests that the resources a firm possesses, including digital resources, are critical to gaining a competitive advantage. For small entrepreneurs in Sri Lanka, the adoption of digital tools can be seen as a vital resource that helps mitigate financial losses during the pandemic.Moreover, Transaction Cost Theory examines the cost of conducting transactions. Digitalization can reduce transaction costs for small entrepreneurs by enabling online transactions, thus preserving financial stability during the pandemic.

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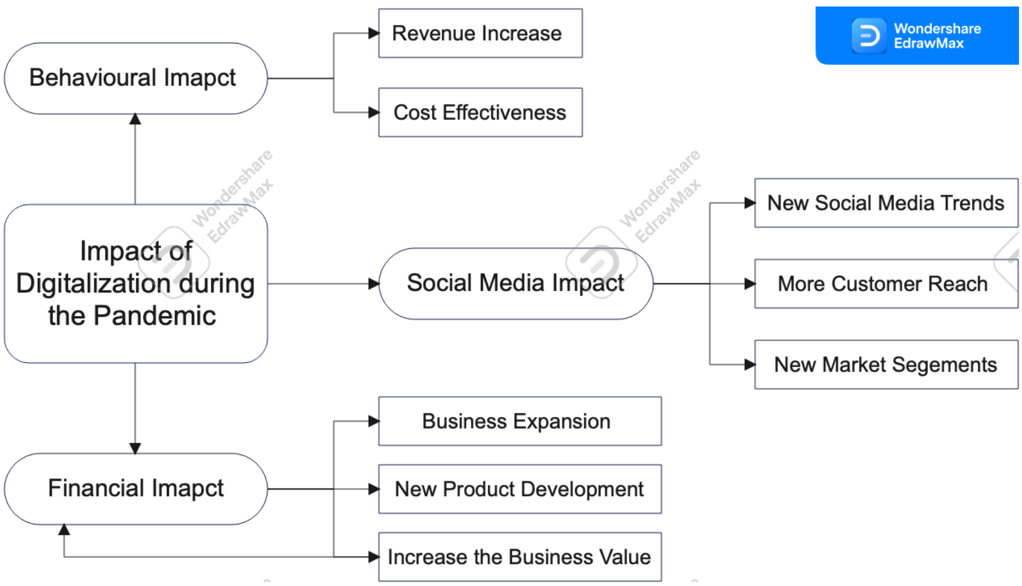
Firthermore, Technology Acceptance Model (TAM) explains how users come to accept and use a technology. Key factors such as perceived ease of use and perceived usefulness can be explored to understand how small entrepreneurs in Sri Lanka adopted digital tools during the pandemic. Innovation Diffusion Theory (IDT) explains how, why, and at what rate new ideas and technology spread. It can be used to analyze the stages of digital adoption among small entrepreneurs and identify barriers to digitalization.

When it comes to the social media impact, Social Network Theory examines how social networks influence behavior. For small entrepreneurs, social media can create valuable networks that facilitate business growth and customer engagement during the pandemic. Moreover, Social Capital Theory focuses on the value derived from social networks. Social media can enhance social capital by enabling small entrepreneurs to build relationships, trust, and cooperation with customers and other businesses.

Figure 1: Proposed Model



5. CONCLUSION

The main objective of the current study is to explore and examine the impact of digitalization on small entrepreneurs during the pandemic in Sri Lanka. In order to answer that research problem, the researcher has answered one main research question in this current research study. The research question is, How has digitalization impacted on small entrepreneurs during the pandemic? In order to answer this research question, the researcher interviewed 8 digital entrepreneurs in Sri Lanka and derived themes from the analysis of data. When deriving the research questions to prove the research problem, the researcher identified the main 8 themes under 3 categories which impacted the digitalization of their business during the pandemic in Sri Lanka. Revenue increase and cost-effectiveness are the themes derived under the behavioural impact, whereas business expansion, new product development and increased business value are the themes under the financial impact category. The social media impact is the next identified category, and under that new social media trends, more customer reach and new market segments are identified as themes.

This study has made several contributions to the theory. First, it contributes to the Digital entrepreneurship literature in the entrepreneurship setting, as there has been a dearth of studies in this field. The literature on digital entrepreneurship mainly focuses on the characteristics and challenges of digital entrepreneurs and the role and motives of digital entrepreneurs during the pandemic. This study was conducted on the impact of digitalization and the motives for digital entrepreneurs. Thus, the model developed in this study provides a starting point for empirical research on digital entrepreneurship and can be used to develop a testable hypothesis.

Second, this study contributes to the literature on different impacts, including Financial, Behavioral and Social Media impacts. In the literature, most scholars have identified only the entrepreneurial characteristics of digital entrepreneurs during the pandemic. According to the findings of the study, Digital entrepreneurs had a positive financial impact with increased revenue of their business and cost-effectiveness.

Behavioural impact also has a positive impact on the process of digitalization because it helps new product developments, business value propositions and business expansions. The social media impact also had a positive set of actions since it helped to identify new market segments, proper customer reach and new social media Trends.

When considering the practical contribution of the study, several parties can be benefited from the model developed in the study. First, understanding the concept of digital entrepreneurship is important for policymakers to address digitalization in the country effectively. This gives insights into how digital entrepreneurship impacts small entrepreneurs in Sri Lanka. Furthermore, the conceptual framework developed could aid policymakers and practitioners in implementing different motivational programs as it provides a basis for formulating strategies to increase the digitalization inclination. According to the findings of the study, digital entrepreneurs never give up their strategy to run their business under any conditions. Therefore, every entrepreneur should be able to identify their digitalization capability so the business can be successful.

Moreover, based on the findings, this study will help digital entrepreneurs identify their role and understand the way of running a digital business. According to the findings, digital entrepreneurs need to use proper marketing strategies and social media trends to run their operations.

The current study also contributes to the methodology. Specifically, the study makes a significant contribution to the qualitative technique by delving thoroughly into the role of digital entrepreneurs in the Sri Lankan environment. Furthermore, research in the literature was rarely done as general qualitative, with the majority of studies employing the case study method and the grounded theory approach. As general qualitative are less commonly employed in research on digital entrepreneurship, it contributed to the literature from the Sri Lankan setting as well as other contexts. Furthermore, the social constructivism technique was applied in the study, and it was discovered that the function of Digital entrepreneurs is shaped by society.

Though the study contributes to the theory, practice and methodology, there are some limitations that can be identified in this study, as in all other studies. This study was conducted as a qualitative study, and the findings cannot be generalized. However, it is important to note that the aim of the study was not to generalize; it was to dig deeper into the concept and explore the experience of SMEs in digitalization during the pandemic. Further, this study is a cross-sectional study, although the findings might be different if the study is conducted as a longitudinal study. The findings of the study were derived by interviewing only the SME owners. Therefore, to address these limitations, it is suggested that future researchers conduct studies using the proposed model of this research. They can conduct longitudinal studies and do data triangulation to gain more insights into digital banking.

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