The Journal of **ARSYM**

A Publication of Students' Research of the
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The Journal of ARSYM

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Aims and Scope

The Journal of ARSYM (JARSYM) is a refereed bi-annual journal committed to publish undergraduate research papers of the Faculty of Business Studies and Finance, Wayamba University of Sri Lanka. The JARSYM publishes theoretical and empirical papers spanning all the major research fields in business studies and finance. The aim of the JARSYM is to facilitate and encourage undergraduates by providing a platform to impart and share knowledge in the form of high quality and unique research papers.

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The Impact of Workplace Spirituality on Employee Commitment; A Study of Executive Level Employees in Apparel Industry in North Western Province

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ABSTRACT

Organizations are trying to increase employee commitment to achieving their objectives (Mowday, Porter, & Steers, 1982). However, employee commitment towards the organization has been different from the expectations. The aim of this study is to understand whether there is an impact of workplace spirituality on the commitment of executive-level employees in manufacturing companies (Altaf & Awan, 2011). Based on two theories, spiritual leadership theory and Maslow's hierarchy of needs theory, the study was carried out. According to this study, it is evident that the identified workplace spirituality does possess a significant, strong, and positive impact on employee commitment. Therefore, the researchers recommended focusing more on such spiritualties that would benefit the organization in terms of employee well-being (Allen & Meyer, 1991). The impact of workplace spirituality on employee commitment refers to the areas within the existing body of knowledge that have not been sufficiently explored specifically in the context of workplace spirituality in the apparel industry in North Western Province. The existing research on factors that influence workplace spirituality on employee commitment in general, might be a lack of research specifically focusing on the apparel industry in North Western province. Therefore, the research attempts to answer the research problem; "Is there a significant impact of workplace spirituality on employee commitment in the Apparel Industry in North Western Province? In answering such the research specifically aims to address the main objective (1) to identify the impact of workplace spirituality on employee commitment. And further identify three other sub objectives (1) Meaningful work (2) Sense of community (3) Alignment on values. The research findings of this study, there are strongly positive relationships between meaningful work, a sense of community and alignment of values on employee commitment. Therefore, the organization should pay more attention to the spirituality of the employee at all working hours. Here highlighted that the most influencing factor is a sense of community in employee commitment. In Sri Lankan context there is a certain degree of concern on the issue of lack of workplace spirituality in comparison to other countries of the world.

Keywords: Alignment on Values, Employee Commitment, Meaningful Work, Sense of Community, Workplace Spirituality

1. INTRODUCTION

Nowadays organizations are more competitive, and they are trying to become pioneers in their fields. Under that situation, they are trying to increase employees" commitment to achieving their objectives. But employees" commitment towards the organization has been different from the expectations. Background of this study to understand whether there is an impact of workplace spirituality on commitment of executive level employees in the Apparel Industry. The core of spirituality is about people sharing and experiencing some common attachment, attraction and togetherness within their work unit and the organization as a whole (Marschke, Preziosi, & Harrington, 2009). It is about care, compassion and support of others; about integrity and people being true to self and others. Evidence is mounting that major transformations are currently increasing in many organizations. In what is called spiritual influence it appears that organizations that have long been considered rational systems are considering making room for spiritual healing (Ashmos & Duchon, 2000). Workplace spirituality has been a common issue with the increasing market competition (Altaf & Awan, 2011). Workplace spirituality generates positive outcomes for employees and employers as the great organization effectiveness and high commitment of employees. Further universal work-place spirituality leads to a positive relationship with religion and positive outcomes (Gilligan & Furness, 2006). Stated that spirituality in the workplace is a basic requirement for employees in the world of business (Altaf & Awan, 2011). Therefore, lack of workplace spirituality leads to employee stress, turnover, absenteeism, poor employee creativity, etc. (Ranasinghe & Samarasinghe, 2019). Past researchers have studied employee commitment under the other factors in Sri Lankan Apparel industry but might consider workplace spirituality then this study is designed to fill the context and knowledge gap. Further, this study is expected to investigate the impact of workplace spirituality on employee commitment in the tone of the leading Apparel companies in Sri Lanka.

In Sri Lanka, the Apparel Industry has evolved drastically. Manufacturers are very competitive, and this has resulted in coming up with measures geared towards attracting new customers and retaining the existing ones to have a larger market share. Also are now bringing in more profits by being customer-focused. To attain this, they have increased their opening hours, introduced more products, and opened new branches for innovation This has led to their employees working longer hours as overtime and greater and more complex workload, are there to complete, Therefore, employees have to face a lot of work pressure and many issues under poor work-place spirituality. Their employees become highly dissatisfied with their jobs and it finally leads to creating an employee-no-commitment situation in the organizations.

Spirituality in business having quietly blossomed for decades is an established trend that is about to metamorphose into a mega trend. Most organizations are affected by an abundance of disgruntled and demotivated employees who lack a deep sense of commitment towards organizational purpose and vision. The truth is that most employees consider work as a means to earn a livelihood. One

of the main reasons for this is that the current motivational paradigm does not incorporate the spiritual dimension of employees, and this missing link in the current understanding is considered to be the key to addressing the problems of low motivation and the ensuing organizational underperformance and ineffectiveness.

In this study, we attempt to explore whether there is an impact of workplace spirituality on commitment.

The major research question to be tested in the study by the author is as follows.

- *What is the impact of workplace spirituality on employee commitment?*
- *What is the impact of Meaningful work on employee commitment?*
- *What is the impact of a Sense of community on employee commitment?*
- *What is the impact of the Alignment of values on employee commitment?*

The major objective of conducting the study is noted as follows.

- *To identify the impact of workplace spirituality on employee commitment.*

Followed by the research questions aforementioned, the study further intends to achieve sub-objectives by the end of the study as follows.

- *To identify the impact of Meaningful work on employee commitment.*
- *To identify the impact of Sense of community on employee commitment.*
- *To identify the impact of Alignment of values on employee commitment*

Accordingly, by the completion of the study, the aforementioned objectives would be achieved providing insights for all the research questions identified.

2. LITERATURE REVIEW

In literature review, information has been collected from secondary sources of data which are available such as journal, thesis, articles and reports. According to the study in this chapter our main purpose is to review the relationship between workplace spirituality and employee commitment. And also, the relationship of these independent variables and dependent variables towards the problem. A theory is a statement that is a confirmation of well-argued concepts. This means correctly explaining a condition after specifying the rules that link each variable. On the other hand, it can be called a collection of interrelated ideas based on theories. Two theories, namely; spiritual leadership theory and Maslow's hierarchy of needs theory can be pointed out.

2.1. Spiritual Leadership Theory

Spiritual leadership theory was developed by (Louis & Mark, 2009). Basically, comparable to the motivation-based concept transformational leadership concerned with the relevance of the initiative can be called motivation. It can

be pointed out that motivation primarily affects employee performance and job performance. And when discussing further, he went ahead and defined religious concepts as a collection of characters, qualities and attitudes that one should naturally exercise, At the end of the day, both or several of them can be shown to realize a creative sense of spiritual well-being through one person and motivating other people to do the same. According to the (Louis & Mark, 2009) they proposed that the management and the whole organization. Organize this and the employees follow the spiritual sense of inner work life, performance ratio and such an organization always as a result, they create a desire for transparency in the organization. Always there is a positive or negative customer satisfaction from his/her seller. (Louis & Mark, 2009) Have improved their model of spiritual leadership to include life satisfaction. This model perfectly explains the work life and spirituality of an employee.

2.2. Maslow Hierarchy of Needs Theory

Abraham Maslow (1954) developed the theory of the hierarchy of needs. It assumes that a person can grow and develop until he attains the best dimension of the hierarchy of needs which is called self-actualization. It indicates that a person moves from one need level to another higher level until he/she reaches the highest level of personal need. According to Maslow's theory, the base of the hierarchy is physiological needs, which include biological needs, for example, water, oxygen and food. This category is essential to a person because a person without all needs would not exist. Personal safety needs come at the second level of needs of the individual and it comes after all the physical needs are met.

2.3 Employee Commitment

Employee commitment is defined by various authors from time to time. According to (Mowday, Porter, & Steers, 1982) employee commitment means a strong favorability to remain as a member of a particular organization, a desire to contribute high levels of effort on behalf of the organization, and work towards to achieve the values and goals of the organization. Three different forms of employee commitment were recognized by (Allen & Meyer, 1991) such as affective commitment, normative commitment, and continuous commitment. They show the varying degrees of employee relationships with organizations. Affective commitment denotes an emotional attachment to, an identification with, and involvement in the organization, whereas normative commitment is a feeling of obligation to be in the organization, and continuous commitment measures the cost attached with leaving the organization (Allen & Meyer, 1991) Stated that the Organizational 7 Commitment is a psychological condition linking determinants of employee relationship in the organization and implications for decision to stay in the organization.

2.4. Types of Employee Commitment

2.4.1. Affective Commitment

Affective commitment relates to how many employees want to stay with their organization. If an employee has an affective commitment towards their

organization, it means that they want to stay in their organization and often identify with the organization's goals, that they feel they fit in with the organization and are satisfied with their work. Affectively committed employees are valued and act as leaders in the organization and are often the greatest assets for the organization (Allen & Meyer, 1991).

2.4.2. Continuous Commitment

Continued commitment refers to how employees feel they want to stay with their organization. In employees who are continuously committed, the reason that elicits their commitment and the primary reason for commitment is the need to stay in the organization. Organizations vary with the need to stay in place, but the main reasons are the lack of work alternatives and remuneration. When employees feel they need to move to another organization they can move (Allen & Meyer, 1991).

2.4.3. Normative Commitment

Normative commitment relates to how much employees feel they need to stay at their organization. Employees are those who feel they have to be normatively engaged. Normatively committed employees feel that their organization will have disastrous prospects and feel a sense of guilt about leaving. Such guilt for reasons may vary. However, they are often associated with employees feeling that they will create a void in their knowledge/skills, which will increase the pressure on their colleagues. Such feelings can and do negatively impact the performance of employees in an organization (Allen & Meyer, 1991).

2.5 Workplace Spirituality

Workplace spirituality is one workplace feature which is likely to enhance multiple forms of employee well-being. There is high power to affect all things. Further, he has indicated that people have different orientations to religion and spirituality as well some people see spirituality and religion as positive and negative and also have found five different ways to be spiritual. Workplace spirituality means that employees understand each other employee's mental situation and also (Ashmos & Duchon, 2000) emphasized that there are three dimensions of workplace spirituality. The first one is a relationship that the employee has with other human beings in the company, the second one is about launching activities at work that give meaning to the person's life, and the third one is concerning the understanding of one's power and its use in the workplace studies of Workplace spirituality has been increased because of the confluence of disparate events and social economic and environmental problems are generated through human greed and lack of love and compassion, therefore, a lot of companies have more concerned to workplace spirituality. (Neck & Milliman, 1994) Have identified that people are concerned about spirituality at present as well and they have identified that workplace spirituality creates positive behaviour in employees and builds interaction with the universe to reach a potential level. (Mitroff & Elizabeth, 1999) have indicated that people don't have to be religious instead to be spiritual then spirituality is a basic belief to controlling the unique region, therefore, there is high power to affect all

things further he has indicated that people have different orientations to religion and spirituality as well as some people see 9 spirituality and religion as positive and negative and also have founded five different ways to be spirituality.

The relationship between workplace spirituality and employee commitment then workplace spirituality affects organizational performance, reduces employee turnover, employee development, and high profit (Petchsawanga & Duchon, 2012) as well as there is a widespread belief that for companies to survive into the 21st century in the face of the economic downturn and global competition, leaders and employees must tap into their spiritual resources. Workplace spirituality predicts the interrelation of each employee and it affects the development of a feeling of trust between employees and the organization further this is integrated cooperative feeling with employees therefore cumulative performance of employees can be improved through employee motivation. According to (Afsar & Rehman, 2015) religion and workplace spirituality are people apart as well as workplace spirituality is concerned about patience, the feeling of interrelation, purpose, and acceptability of the mind to the norms of the organization, integrated to shape personal values, whereas religion is marked by a specific belief system, a particular system of faith and set of beliefs and emphasized that workplace spirituality is affected to develop sustainable work environment and inspire the employee's work.

2.5.1. Meaningful Work

Although the term spirituality is new to the workplace, finding meaning in the workplace is not new to employees (Ashmos & Duchon, 2000). Meaningful work comes out at individual level in the organization. Meaningful work is doing something that connects with our values, sparks our interest and engages our moral sense and for many workers it describes a job where their everyday efforts are valued and connected to something. Meaningful work is fostered when employees understand their strengths, interests, and abilities and how they can do the job well and support the organization's mission. According to the (Ashmos & Duchon, 2000) Understanding the meaning of work means recognizing employees as spiritual beings.

Individual Level	**Meaniningful Work** Enjoy work Energized by work
Group Level	**Sense of community** Sense of connection with co-workers Employee support each other
Organizational Level	**Alignment of Organizational Values** Feel connected to organizations goals
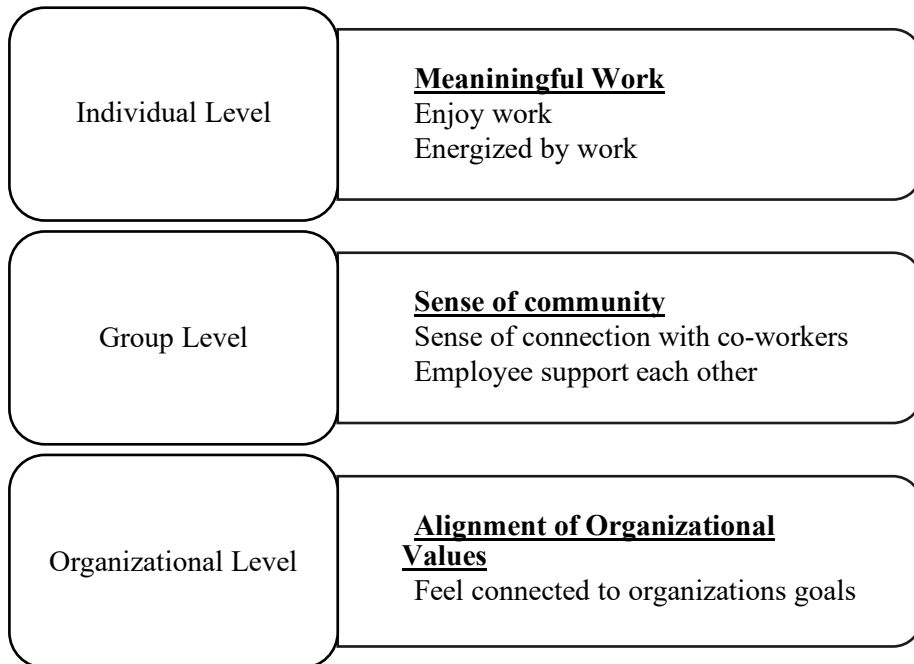
Figure 1. Workplace spirituality and work environment

Source: (Czaplewski, Ferguson, & Milliman, 2003)

2.5.2. Sense of Community

Sense of community is a concept in community psychology, social work as well as several other research disciplines such as urban sociology that focuses more on the characteristics of community experience than on the structure, formation or otherwise of community. A spiritual dimension at the level of a certain employee group or work unit in an organization, which expresses not only the search for meaning in a spiritual person's work, but also the need to connect with other employees. Spirituality in the workplace is not always about individuals' desire to engage in work that they believe is important.

2.5.3. Alignment of Values

According to the (Milliman.J, Czaplewski, & Ferguson, 2003) , this part of workplace spirituality emphasizes the congruence between organizational values and the values of individual employees. The alignment of the values of the organization and the people happens when the individual recognizes that he has a responsibility towards the society based on his self-concept. On the other hand, when they believe that they are working for the common good rather than being selfish in achieving their profit goals through their organization (Ashmos & Duchon, 2000).

2.6. Workplace Spirituality and Employee Commitment

Employees who are able to investigate the meaning of their assigned function, bring their whole selves to work, engage their full potential and work diligently to achieve organizational goals (Gavin & Mason, 2004). Commitment mindsets are generally influenced by spiritual culture and the potential outcomes are in the form of a sense of calling and sense of membership with one's profession and organization (Pradhan & Jena, 2022). WS in the context of employee commitment, such as linking the job or profile (affective bonding), feeling obligated to one's organization (normative conformity) and living up with a sense of obligation to one's organization (continuance choice) need to be explored across different contexts and cultures (Allen & Meyer, 1991).

2.7. Conceptual Framework

The following figure depicts the conceptual framework for the study. The intention of developing a conceptual diagram for the study is to identify the dependent and independent variables of the study for the data analysis purpose. According to the variables identified above, meaningful work, sense of community, and alignments of values are identified as the independent variables under the major variable of workplace spirituality.

Independent Variables   **Dependent Variable**
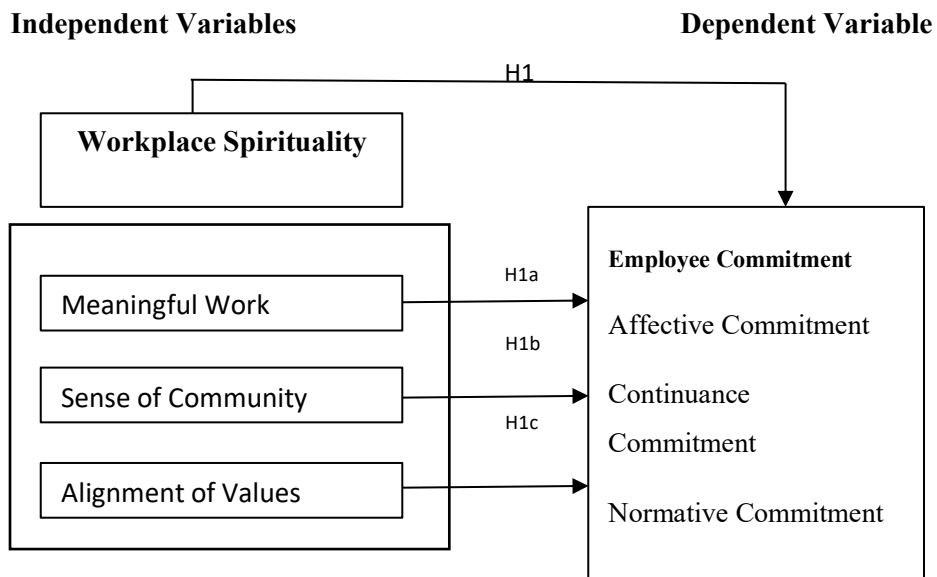
Figure 2. Conceptual Framework of the Study

Source: Author, 2023

Development of Hypothesis

The following hypotheses are developed and are expected to be tested in the 'Analysis and Discussion' section of the study. The development of the hypotheses was based on the theoretical foundation and the variables identified in relevance to the preceding studies discussed.

- *H1: There is a significant impact of workplace spirituality on employee commitment.*
- *H1a: There is a significant impact of Meaningful work on employee commitment.*
- *H1b: There is a significant impact of Sense of community on employee commitment.*
- *H1c: There is a significant impact of Alignment of values on employee commitment.*

3. METHODOLOGY

Research Methodology is a systematic approach to solving research problems, and some researchers regard it as a science that studies how research is conducted scientifically. Accordingly, the contemporary chapter intends to elaborate on the scientific approach to the study (i.e., the impact of workplace spirituality on employee commitment in the apparel industry in North Western Province).

3.1. Research Approach

This study is an experimental study because this study wishes to know whether there is an impact of workplace spirituality on employee commitment. Since the author has followed the quantitative method for data collection. In a quantitative study, the researchers are utilizing a deductive approach to identify the relationship associated between two or more variables and the data contrast the supporting evidence for the developed hypotheses of the study. Predominantly a quantitative research methodology was followed, where the research variable measurement was done through historical data and this analytical survey was mainly based on a 5-point Likert scale. So according to research circumstances experimental investigation type is the most favorable type for this research study.

3.1.1. Research Philosophy

Research philosophy addresses the origin, nature, and progression of knowledge. Thus, it is defined as a view about how facts regarding a phenomenon should be obtained, assessed, and used. According to this study, the author used the positivist philosophy since it is based on quantitative observations that lead researchers to statistical analysis.

3.1.2. Unit of Analysis

In this research study, the analyzing unit is the executive-level employees who are working at ABC Group. Each and every response of the respondents can be treated as an individual data source.

3.2. Operationalization of Variables

Table 1 Operationalization of Variables

Variable	Dimensions	Source
Workplace Spirituality	Meaningful work	(Ashmos & Duchon, 2000)
(Independent Variable)	Sense of community	
	Alignment of values	
Employee Commitment	Affective	(Allen & Meyer, 1991)
(Dependent Variable)	Continues	
	Normative	

(Source: Created by Author, 2023)

3.3. Population, Sample, and Sampling Technique

3.3.1. Population

The entire group of factory network is located in North Western Province. Which has 5 large-scale manufacturing Factories. Accordingly, the population will be all the executive level employees in ABC Group in the Apparel Industry and the total population of this survey is 150 executive level employees.

3.3.2. Sample

According to Sekaran (2010) collecting data from a sample was more efficient and effective than collecting data from the entire population as it tends to generate more reliable results. There are 150 executive-level employees in the ABC Group of company and 110 of those employees were selected for the sample.

3.3.3. Sample Technique

The researcher used simple random sampling as the sampling technique. Simple random sampling means every element in the population has a known and equal chance of being selected as a subject. The reason for selecting this sampling technique is that it has the least biases and offers the most generalizability.

3.4. Data Collection and Analysis

Data collection is a vital part of a research study. It can determine the cost and success of a research project. Different data collection methods Data collection methods can be classified into primary data and secondary data.

3.4.1. Data Collection

Primary data is defined as those collected the first time collected. Primary data is used for the purpose of the study Data can be obtained from observation, direct communication with the respondent, survey or questionnaire. Mostly, the researcher will prefer to use the questionnaire. In this study, the questionnaire is chosen as a primary data collection method and it gives the opportunity to collect more data at once. It is more convenient for researchers and it is the best time-saving technique.

Secondary data can be gathered from books, journals, newspapers, magazines, magazines and internet resources. Internet resources and Journals are used to retrieve journals and articles. Secondary data can be collected by using journals, directories, articles, and periodicals. Not only that, in this highly 20 technologically developed environment researchers can use electronic sources to retrieve data and directly store it digitally. It is easier to research and collect data and analyse results.

3.4.2. Data Analysis

The research is a quantitative study and the quantitative technique used to analyze this research. The author expects to use a special data analysis software package for the data analysis process and it will be done by using IBM SPSS Statistics. Moreover, the author will present the findings through the data analysis method of regression analysis. Due to the use of statistical and primary data, the quantitative approach is used to determine the conclusions of this data analysis. As a result, the statistical technique is thought to be a good fit for such research.

4. RESULTS AND DISCUSSION

4.1. Demographic Variables

The descriptive statistics on each of the demographic variables are conducted as follows.

4.1.1. Gender of the Respondents
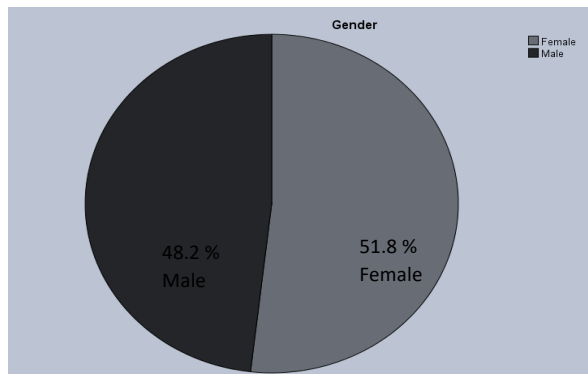
Figure 1 Gender of Respondents

(Source – Based on survey data)

As per the above diagram, it could be noted that the majority of the respondents of the sample are female with a percentage of approximately fifty-one point eight (51.8%) and the rest of the sample are males with a percentage of forty-eight point two (48.2%). However, as the study does not significantly rely on the gender of the individuals, instead focusing on the workplace spirituality which would be similar for both the genders, having a female majority in the sample is expected to be justifiable.

4.1.2. Age of the Respondents
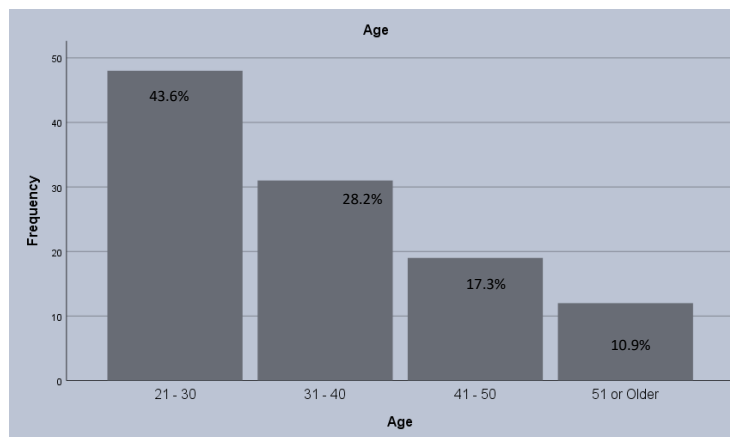
Figure 2 Age of the Respondents

(Source – Based on Survey Data)

The majority of the sample are noted to be in the age group of 21-30 years holding a percent of approximately sixty-five (43.6%) and the minority of 51 and above with a percentage of eight (10.9%). Less significant differences are noted in the two age categories notably 31-40 years and 41-50 years with

percentage values eighteen (28.2%) and sixteen (17.3%) respectively. However, this composition consists of different age groups and it is not expected to have a significant impact on the survey and it means most of the respondents of the sample are in their young and strong age.

4.1.3. Educational Qualifications of the Respondents
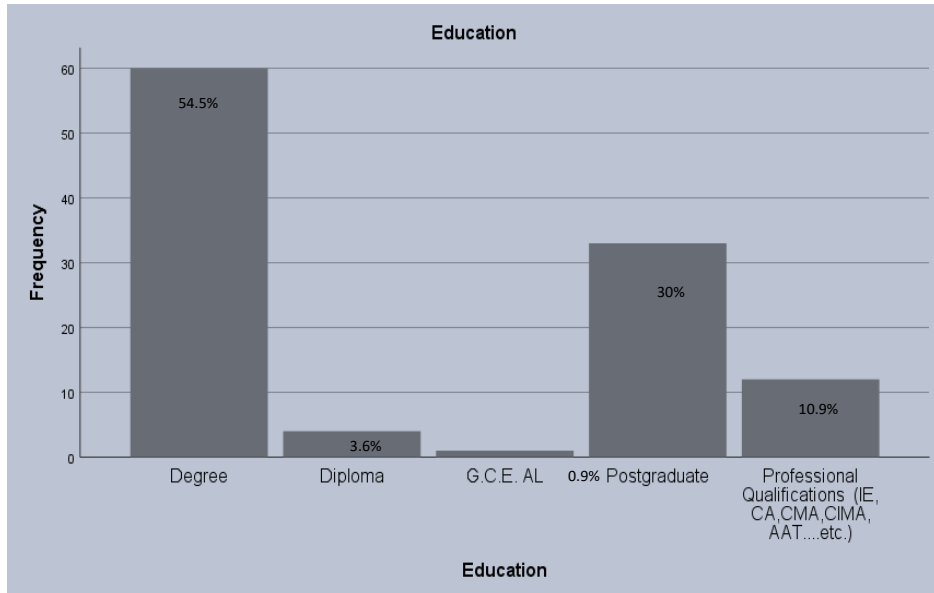
Figure 3 Educational Qualifications of the Respondents
(Source – Based on survey data)

According to the above figure, it shows the majority of the sample having a degree with a percentage of 54.5% and 0.9% percent of the sample having G.C.E AL qualification. And also, only 3.6 % have a diploma and only 10.9% have professional Qualifications and approximately thirty percent (30%) of the respondents holds a postgraduate's degree

.

4.1.4. Marital Status of the Respondents
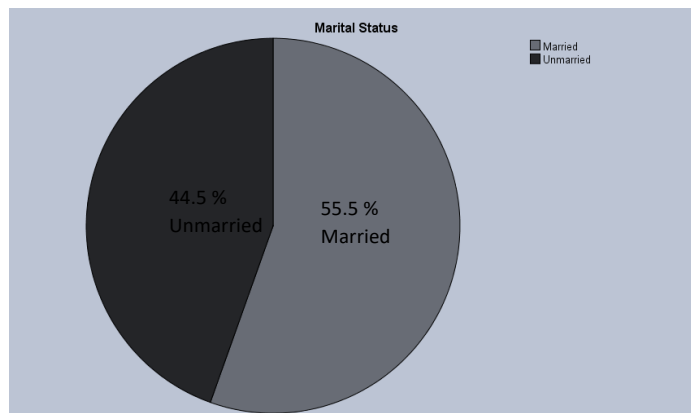
Figure 4 Marital Status of the Respondents
(Source – Based on survey data)

The majority of the sample are noted to sixty-one (61) respondents are unmarried employees and forty-nine (49) respondents are unmarried employees

4.1.5. Work Experience of the Respondents

Figure 4 Work Experience of the Respondents

(Source – Based on survey data)

As the study was majorly focused on the executive level employees of this Group in North Western Province in Sri Lanka, the work experience was recorded with 29.1 % executive level employees as noted in the above figure as

young employees and minority of less than one year experienced with a percentage of three point six (3.6%). However, it was another highlighted fact that the figure shows that there are equal experienced respondents in years between 3 to 5 and 5 to 10 in percentage of 20%. This group consists with well experienced employees around 27.3%.

4.2. Reliability of the study

Reliability is generally examined through the interpretation of Cronbach's alpha, which is a reliability coefficient that indicates how well the items of set are positively correlated to one another.

Table 2 Reliability Statistics

Variable	Dimension	No of Items	Cronbach's Alpha
Employee Commitment	Affective commitment	5	0.880
	Continuance commitment	5	0.904
	Normative commitment	5	0.866
Workplace Spirituality	Meaningful work	5	0.852
	Sense of community	5	0.865
	Alignment of values	5	0.874

(Source – Analyzed Data – 2023)

According to the above test, it is clear that all the variables are very reliable. Questionnaire used to collect data in the independent variables and dependent variables as Cronbach's alpha value of all independent and dependent variables is greater than 0.8 as mentioned above.

4.3. Regression Analysis

A regression analysis is performed to determine whether there was an effect on the dependent variable represented by the independent variable as the regression coefficient value. Constant, regression coefficients in the model represent the mean change in the dependent variable per unit of change independent variables.

4.3.1. Impact of Workplace Spirituality on Employee Commitment

The following hypotheses were developed and tested to measure the level of impact of the independent variable (i.e., Workplace spirituality) on the dependent variable, Employee Commitment.

- *Objective*: To identify the impact of workplace spirituality on employee commitment of executive-level employees in the Apparel Industry in North Western Province.

Hypothesis 01

H1: There is a significant impact of workplace spirituality on employee commitment.

Table 3 Coefficient of Workplace Spirituality

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.058	.264		.220	.826
	WS	.979	.057	.857	17.280	.000

a. Dependent Variable: EC

(Source – Based on survey data)

There is a significant impact of workplace spirituality on employee commitment. The standardized coefficient Beta being 0.857 denotes that there is a strong relationship between the workplace spirituality and employee commitment as it is greater than 0.700. Hence, hypothesis (H_1) is accepted at 0.05 significant level which proved that there was a significant and a strong positive impact from workplace spirituality on employee commitment.

4.3.2. Impact of Meaningful work on Employee Commitment

The following hypotheses were developed and are tested to measure the level of impact of the independent variable (i.e., meaningful work) on the dependent variable, Employee Commitment.

- *Objective*: To identify the impact of meaningful work on employee commitment of executive level employees in the Apparel Industry in North Western Province.

Hypothesis 02

H1a: There is a significant impact of meaningful work on employee commitment.

Table 4 Coefficient of Meaningful Work

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.963	.292		3.297	.001
	MW	.782	.063	.769	12.512	.000

a. Dependent Variable: EC

(Source – Based on survey data)

There is a significant impact of meaningful work on employee commitment. According to the results of regression, the Beta being 0.769 denotes that there is a strong relationship between Meaningful Work and Employee Commitment. Hence hypothesis (H_2) is accepted at a 0.05 significant level which proved that there was a significant and strong positive impact from meaningful work on employee commitment.

4.3.3. Impact of Sense of Community on Employee Commitment
The following hypotheses were developed and tested to measure the level of impact of the independent variable (i.e., sense of community) on the dependent variable, Employee Commitment.

- *Objective*: *To identify the impact of a sense of community on employee commitment of executive-level employees in the Apparel Industry in North Western Province.*

Hypothesis 03

H1b: There is a significant impact of a sense of community on employee commitment.

Table 5 Coefficient of Sense of Community

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.011	.259		3.908	.000
	SC	.788	.057	.802	13.937	.000

a. Dependent Variable: EC

(Source – Based on survey data)

There is a significant impact of sense of community on employee commitment. According to the results of regression the beta being 0.802 denotes that there is a strong relationship between Sense of Community and Employee Commitment

Hence, hypothesis (H_3) is accepted at 0.05 significant level which proved that there was a significant and a strong positive impact from sense of community on employee commitment.

4.3.4. Impact of Alignment of Values on Employee Commitment

The following hypotheses were developed and are tested to measure the level of impact of the independent variable (i.e., alignment of values) on the dependent variable, Employee Commitment.

- *Objective*: *To identify the impact of alignment of values on employee commitment of executive level employees in the Apparel Industry in North Western Province.*

Hypothesis 04

H1c: There is a significant impact of alignment of values on employee commitment.

Table 6 Coefficient of Alignment of Values

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	1.005	.288		3.487	.001
	AV	.772	.062	.770	12.534	.000

a. Dependent Variable: EC

(Source – Based on survey data)

There is a significant impact of alignment of values on employee commitment. According to the results of regression, the beta being 0.770 denotes that there is a strong relationship between the Alignment of Values and Employee Commitment Hence hypothesis (H_4) is accepted at 0.05 significant level which proved that there was a significant and strong positive impact from alignment of values on the employee commitment.

5. CONCLUSION

The current study was designed and conducted by the researcher to identify the nature of impact of workplace spirituality on employee commitment in the apparel industry in the north western province of Sri Lanka. The research findings of this study, there are strong positive relationships between meaningful work, a sense of community and alignment of values on employee commitment. Therefore, the organization should pay more attention to the spirituality of the employee at all working hours. Here highlighted that the most influencing factor is a sense of community on employee commitment. In Sri Lankan context there is a certain degree of concern on the issue of lack of workplace spirituality in comparison to other countries of the world.

Therefore, the relevant authorities and decision makers of the organizations can organize and arrange several programs which would provide a ground to enhance the employee well-being programmers and awareness sessions which would enable them to improve their commitment effectively. Furthermore, the findings of the study would give guidance to the relevant authorities to execute appropriate procedures with suitable criteria on appraising the performance where the employees would be much more motivated to improve their commitments. As a whole, the proper implementation of these recommendations is expected to provide the organizations with positive impacts which would benefit not only in the short-term, but also in long-term.

The major limitation is the respondents were limited to one industry and not having enough time to find another industry. Researcher expectation is collecting data randomly and it is also a limitation because not having enough time to collect respondents from all of the executives in this company. Moreover, future researchers can also study the not only impact of workplace spirituality on commitment for but also impact of meaningful work, sense of community and alignment of values on commitment for the whole Apparel industry in Sri Lanka. And also, different characteristics of the studies can be included for future research and furthermore can be add moderator or mediator. Apart from this concept can also be used in banking and service delivery sectors.

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Effect of Financial Literacy and Psychological Factors on Individual Investment Decisions of Small and Medium Entrepreneurs in Colombo District

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ABSTRACT

This study examines the impact of financial literacy and psychological factors on investment decisions among small and medium entrepreneurs in the Colombo district in Sri Lanka. When concerning a small and medium entrepreneur, investment decisions play a pivotal role as one of the crucial decisions. With the prevailing crisis situation, it is important to assess the investment decisions of SME, because there may be significant structural changes. To assess the investment choice decision, fixed deposits, equity, government securities and unit trusts were used. Moreover, psychological factors overconfidence, economic expectation, personality, and past behavior were considered. Number of employees used as the criteria to identify a SMEs. A total of 380 entrepreneurs from Colombo district were selected for the study using convenient sampling techniques. The findings revealed that financial literacy, economic expectation and overconfidence significantly impact investment choice decisions. It was further identified that among all independent variables financial literacy is the most influential variable for investment choice decisions of SMEs. Finally, the study provides some suggestions to develop financial literacy, and future researchers may incorporate psychological factors for their studies.

Keywords: Financial literacy, Overconfidence, Economic expectation, Personality, Past behavior

1. INTRODUCTION

Small and Medium Enterprises (SMEs) are considered as the backbone of the economy. They are contributing significantly to employment, poverty reduction, GDP, economic growth etc. According to the Sri Lanka Export Development Board, SMEs contribute to 45% of employment and 75% of total enterprises in the economy. SMEs play a pivotal role in the economic development of a country (Perera, 2018). With the prevailing economic crisis, higher interest rates make modifications of investors' behaviors (Lodhi, 2014). Higher interest rates impact small businesses' cash flow and their ability to borrow, reinvest, and even hire workers (Lauria, 2022). As a result, the SME sector is a significant niche in the market and they focus more on higher return investment alternatives to invest their available capital without doing business. Even though SME is that much influential sector, there is no exact definition

for SME. Number of employees, value of machinery, capital employed, value of assets other than buildings and lands, export value are some criteria. The study used mostly used criteria to define SME. i.e. number of employees. Moreover, there are some barriers for SMEs such as lack of access to information and technology, lack of market information and marketing skills, lack of adequate infrastructure, lack of professional management skills, etc. However, the success and sustainability of SMEs are highly dependent on various factors, including the investment choices made by individual entrepreneurs. As a result, that study focuses on investment choice decisions of SMEs.

Individual investment choice refers to, among various investment alternatives, individual investor has to invest in a particular source or in a portfolio of investments. According to (De Silva & Lasantha, (2019), an individual has a wide variety of choices for investments ranging from equity, corporate debt instruments, government debt instruments, saving deposits, retirement plans, etc. Investment choice decisions depend on various factors. (Aren & Aydemir, (2015) explains investment decisions depend on demographics, investment decision criteria and financial literacy level. For this study used fixed deposits, government securities, equities and unit trust to measure the investment choice decision of small and medium entrepreneurs.

However, De Silva & Lasantha, (2019) state that their research has been limited to undergraduate students and therefore, further research needs to be conducted and also the research can be further improved by incorporating psychological variables that may affect investment decision making. According to (Gill, et al., 2018) revisit all citations investors are not always rational and their investment decisions are influenced by different psychological factors such as emotions, attitudes and biases and also further research can be conducted on the variables influencing on decisions making behavior of investors. Psychological factors are the critical factor for decisions but up to now there is no empirical evidence to prove the impact of psychological factors on investment choice decisions. (Gill, et al., 2018; Bakara & Yi, 2015, and Lodhi, (2014) studied the psychological impact of investment decisions in stock markets. For this study overconfidence, economic expectation, personality and past behavior are used as psychological factors.

Financial literacy, on the other hand, represents a critical skill set that can empower individuals to make informed financial decisions. It encompasses knowledge and understanding of financial concepts, tools, and strategies. Despite its importance, the level of financial literacy among SMEs' entrepreneurs in Colombo District on investment choices remains relatively Underexplored.

Understanding the impact of financial literacy and psychological factors investment choices can have significant practical implications. It can inform the development of tailored financial literacy programs for SME entrepreneurs, helping them make more informed and rational investment decisions.

Additionally, insights gained from this research can aid financial institutions and policymakers in designing more effective support mechanisms for SMEs.

The Colombo district, being the commercial capital of Sri Lanka, hosts a substantial number of SMEs. Study selected the Colombo district as the geographical area for the study. Colombo district represents the highest contribution (to what) district among formal industries (Nishantha, 2018). Study examined the financial literacy and psychological factors effect on individual investment choice decisions of small and medium entrepreneurs in Colombo district. Moreover, study evaluates the small and medium entrepreneurs' investment choice decision with the prevailing economic crisis situation.

As the country suffers from a forex crisis due to debt, the country struggles to find essential imports. Moreover, inflation has hit a record high and food restriction has already begun because of the pending economic crisis (CBSL, 2022). With the prevailing crisis (which) policy rate increased drastically compared to last decades (CBSL, 2022). Higher rates impact small businesses' cash flow and their ability to borrow, reinvest, and even hire workers (Lauria, 2022). As a result of that, the SME sector is a significant niche in the market and they focus more on higher return investment alternatives to invest their available capital without doing business. Hence, SMEs' investment decisions are a considerable segment in the present context. As a result, researchers examined the impact of financial literacy and psychological factors on the investment choice decision of SME in Colombo district.

2. LITERATURE REVIEW

The purpose of this literature review is to give a rapid summary of what is currently known about this topic. Therefore, the preceding literature review summarizes existing theoretical and empirical knowledge about moderating the role of financial literacy and psychological factors such as overconfidence, economic expectations, personality, past behavior and investment choice.

2.1 Theoretical Literature

Prospect theory, rational choice theory and expected utility theory are the main underpinning theories for the study. Some theories are directly related to the variables and some are support to the relationship. However, the following theories solidify the research study by providing the literature for the study.

Prospect Theory

According to prospect theory people make investment decisions on the basis of gains and losses, instead of relying on final outcomes and set reference points accordingly as well. Kahneman and Tversky explain investors value the gains and from different angles. (Waweru, et al., (2008); mentioned this theory focuses on the investors' subjective decision making that is influenced by the value system of investors. By adopting Prospect Theory as an underpinning

theory for the influence of psychological factors on investment decisions, the research acknowledges that these decisions are not made in a vacuum but are rather influenced by cognitive and emotional considerations. The theory provides a robust framework for understanding why certain investment choices may be preferred over others, especially in situations of uncertainty, which is common for SME entrepreneurs. In summary, Prospect Theory enriches the research proposal by emphasizing the subjective nature of investment decision-making and the role of psychological factors in shaping these decisions. It offers a lens through which to explore how SME entrepreneurs in Colombo District perceive gains and losses in their investment choices and how this perception influences their ultimate decisions, aligning perfectly with the central theme of the research.

Rational Choice Theory

By incorporating Rational Choice Theory into the research, it emphasizes that investment decisions are not purely emotional or psychological but are also grounded in rational calculations and expectations. Entrepreneurs, especially those with higher levels of financial literacy, may apply rational choice principles when evaluating investment options and assessing their potential benefits and risks. In summary, Rational Choice Theory provides a theoretical foundation for understanding how financial literacy and rational expectations can influence the investment decisions of small and medium entrepreneurs in Colombo District. It connects the research to the broader economic and policy context, offering a comprehensive perspective on the factors shaping investment choices in this specific region.

Expected Utility Theory

By integrating Expected Utility Theory into the research, it recognizes that investment decisions are complex and multifaceted, extending beyond the mere pursuit of financial gains. Entrepreneurs consider the overall utility and satisfaction derived from their investments, and this consideration is influenced by psychological factors. In summary, Expected Utility Theory provides a theoretical framework that accounts for the subjective and multifaceted nature of investment decisions among small and medium entrepreneurs. It underscores the importance of assessing utility beyond monetary values alone and highlights the role of psychological factors in shaping entrepreneurs' utility functions and, consequently, their investment choices. This theory enriches the research by offering a deeper understanding of the decision-making processes involved in investments in Colombo District.

Portfolio Theory

Even though the Prospect theory, rational choice theory, expected utility theory explains some relationship between variables. There is no perfect theory to explain the financial literacy and psychological factors on investment choice decisions. Even though the prospect theory and expected utility theory explains the psychological impact, the theory does not explain the exact impact.

Overconfidence, past behavior and personality is not backed by any theory. Therefore, researchers identified that there is a theoretical gap in this research.

2.2 EMPIRICAL LITERATURE

In empirical literature, the empirical evidence to the financial literacy and psychological factors impacts on investment decisions. Investment choice decisions depend on various factors. (Aren & Aydemir, (2015) explains investment decisions depend on demographics, investment decision criteria and financial literacy level. Demographic factors influence research already researched. Specially depend on religion (Muslims and Non-Muslims) investment decision effect explained (Jamaludin, 2013). (Geetha & Ramesh, 2012) stated the influence of demographic factors. Addition to that Baruah & Parikh, 2015; Patel & Modi, 2017; Sharma, 2020; Istanti & Lestari, 2023) stated the demographics factors influence on investment choice decision. (Amutha, 2014) analyzed the relationship between demographic factors such as age, income, occupation, gender and investment choice of the investors. (Pradita & Wiwik, 2019) stated the demographic factors on investment decisions with generations. After the covid-19 demographic factors influence (Wahyuni & Astuti, 2021) stated.

Other than the demographic factors Aren & Zengin, 2016; Aren & Hamamci, 2020 researched the impact of risk investment intention, risk tolerance (Istanti & Lestari, 2023) on the investment choice decision. Portfolio characteristics risk and return influence on investment decisions. Anderson & Settle, 1996 stated. The researcher highlighted the various factors that affect an individual's investment choice. (De Silva & Lasantha, 2019) analyze the impact of financial literacy and risk aversion on investment choices of undergraduates in Sri Lanka and also investment choice was measured in terms of an unordered categorical variable that includes investment in equity & corporate debt instruments, investment in government securities, investment in retirement plans and savings deposits.

Psychological factors influence explains on investment decisions (Waweru et al., 2008). Nofsingerv, 2017 explain how psychological factors influence investment decisions. It emphasizes the importance of psychological factors to the decision. Further, Masom & Ghayekhloo, 2010; Weixiang, et al.,2022; Gambetti & Giusberti, 2012 stated that there is a relationship between psychological factors and investment decisions.

2.2.1 Financial Literacy

(De Silva & Lasantha, 2019) citation errors analyzed the relationship between financial literacy and individual investment choice, from that study researcher identified that there is a significant influence towards the choice of equity and debt instruments relative to savings deposits. According to (Tang & Baker, 2016) financial literacy is the combination of subjective financial literacy and objective financial literacy. (Kumari, 2020) stated that financial literacy

impacts investment decisions with special reference to undergraduates. (Firdaus, et al., January 2022) shows that financial literacy has a significant positive influence on investment decisions. Al-Tamim & Kalli, 2009, stated that there is a significant relationship between financial literacy and investment decisions. in developed countries.

2.2.2 Overconfidence

The researchers concluded with negative as well as positive relationships between overconfidence and investment decisions. Lim, 2012 and Bashir, et al., 2013 have found overconfidence has a positive significant impact on investors' decision making. According to the Bakara & Yi, 2015 findings show that overconfidence, conservatism and availability bias have significant impacts on the investors' decision making and also the researcher found that psychological factors are dependent on an individual's gender.

2.2.3 Economic Expectations

(Gill, et al., 2018) analyzed the relationship between overconfidence and economic expectation toward the investment decision. There is a positive and significant relationship between economic expectations and investment decision making behavior. Using structural equation models Hassan, et al., 2021 identified that overconfidence, economic expectation, and social factors have a positive and significant relationship with investment decision making behavior.

2.2.4 Personality

According to (Parashar, 2010) there are nine basic personality types and based on the personality investment choices are different. (Yadav & Narayanan, 2021 findings suggest that significant impact of personality traits (5 personality traits considered) on the vulnerability of individuals while making investment decisions. (Aren & Aydemir, 2015) explain the personality traits and emotions having risk aversion investment choice.

2.2.5 Past Behavior

Past behavior considerably applied to many researchers to determine intention and behavior. (Nurmelia, et al., 2020), ((Raut, 2020) stated that past behavior has no influence on the intention to invest in the capital market. (De Silva & Lasantha, 2019) emphasized the gap in empirical literature and suggests for future researchers to conduct research with further improvement by incorporating psychological variables that may affect investment decision making. There is no evidence to study the SME sector investment choice decision in the Sri Lankan context. In addition to that there is an empirical gap of studying the psychological effect on investment choice decisions. Moreover, the current economic scenario is different from the normal economic scenario. Political and macroeconomically instability make changes in investors' preferences about investments (Lodhi, 2014). There is no empirical evidence of investment choice decisions in crisis scenarios.

3. METHODOLOGY

Based on empirical and theoretical literature, researcher identified questions that need to be answered. Following are the questions that researchers need to be addressed in this study How far financial literacy impacts an individual's investment choice decision?

1. *How far does overconfidence impact an individual's investment choice decision?*
2. *How far does economic expectation impact an individual's investment choice decision?*
3. *How far personality impacts an individual's investment choice decision?*
4. *How far past behavior impacts an individual's investment choice decision?*

Data collection procedures This research will utilize primary data as collection methods. The original information acquires to address the research objective is known as primary data. According to 2021 CBSL annual report highest mid-year population of 28.1 % represent from the western province. Based on the 2020 labour force survey employment rate in Colombo district is much significant than other areas. As a result of that researcher will be focus on geographical scope as Colombo district. Therefore, for the purpose of this study researcher consider the target population as the small and medium entrepreneurs in Colombo District. Unit of analysis is an individual small and medium entrepreneur. Moreover, researcher use randomly select the sample from population for the study. Researcher will collect data from 380 individuals with reference to Morgens table value.

To answer above questions, researchers developed following conceptual framework for the study using empirical and theoretical literature.
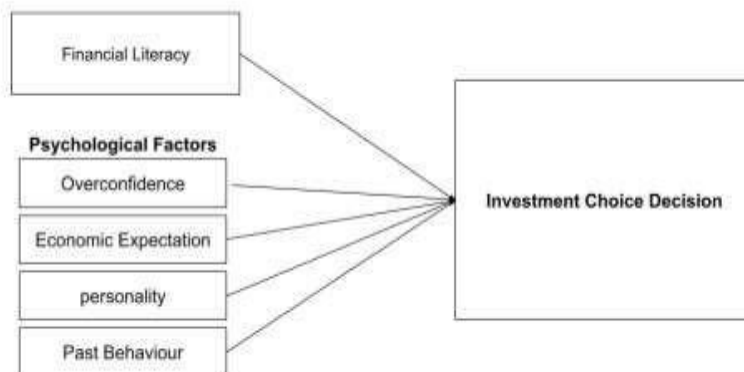
Figure 1: Conceptual Framework

Researcher used five independent variables as financial literacy, overconfidence, economic expectation, personality and past behavior. Investment choice decision is the dependent variable of the study.

Researcher developed seven (5) hypotheses to measure the impact of independent variables to the dependent variable.

- *H1: There is a significant impact of financial literacy on investment choice.*
- *H2: There is a significant impact of overconfidence on investment choice.*
- *H3: There is a significant impact of economic expectation on investment choice.*
- *H4: There is a significant impact of personality on investment choice.*
- *H5: There is a significant impact past behavior on investment choice.*

The philosophy of this study is epistemological - positivism because this approach can be used to assess information authenticity and reliability. Moreover, positivism is a philosophical viewpoint that relies on empirical scientific evidence. Also, it promotes hypothesis testing as a strategy for producing and verifying scientific knowledge in general. Deductive approach used as the approach by the researcher for this study. Moreover, the research strategy will be centered on questionnaires and the time horizon will be cross - sectional because it allows the researcher to focus on collecting data from different individuals at a single point in time. Finally, data collection and analysis will be based on quantitative research methods. Unit of analysis is a small and medium entrepreneur in Colombo district.

For the study researcher collected primary data using questionnaire. To test the above hypothesis researcher developed questionnaire to evaluate independent and dependent variables. According to 2022 CBSL annual report highest mid-year population of 28.1 % represent from the western province. Based on the 2020 labour force survey employment rate in Colombo district is much significant than other areas. As a result of that researcher will be focus on geographical scope as Colombo district. Therefore, for the purpose of this study researcher consider the target population as the small and medium entrepreneurs in Colombo District. Unit of analysis is an individual small and medium entrepreneur. Moreover, researcher use convenient sampling to select the sample from population for the study.

For this analysis researchers used primary data collected through questionnaires from 380 entrepreneurs based on Morgan's Table. Since the research - based on quantitative data, a comprehensive statistical analysis will be done because as (Lazar, 2017) stated, it is a sophisticated tool that assists in the discovery of similarities, discrepancies, and correlations between variables. For the study researcher used multiple regression and correlation analysis to assess the impact and the relationship among variables. For that hypothesis testing researcher used regression.

Regression analysis is a collection of statistical methods that are utilized to estimate the impact of variables. This method is commonly employed in

research studies to determine the strength between variables and model the relationship. Through multiple regression analysis, an ANOVA table, coefficients, and a model summary for the variables can be produced. This analysis generates a regression equation where the coefficient value represents the relationship between each independent and dependent variable. The present research will also utilize regression analysis to conduct an in-depth analysis of the impact among the variables. To test the hypothesis researcher used t-value, p-value and beta value. As the threshold limit 0.05 used with 95% confidence level.

4. RESULTS AND DISCUSSION

4.1 Data presentation and Discussions

The demographic characteristics were sought in the first section (section A) of the questionnaire with three elements which were deemed as important elements for study and generalize the results into the population. In this study, the demographic profile was examined using age, gender and marital status. Section A of the questionnaire was designed to collect the demographic factors.

As per the gender, the respondents of the sample were mainly represented by male respondents. The distribution was reported as 76.8% male and 23.2% female. Age was considered as the first demographic factor which was categorized into 4 categories based on the age. According to the gathered data, most of the respondents were in the 48-57 years age category which represented 42.4%. Age above 57 years represents 25.3%. The age group 38-47 years was represented by 27.4% and years 28-37 represent only 5%. Marital status of collected sample 77.6% married and rest represent the unmarried SME entrepreneurs.

4.2 Descriptive Analysis

The descriptive analysis provides an overview of the key statistics for the dependent variables, shedding light on the central tendency, variation, and range of scores. Here are the interpretations of the descriptive statistics for each of the dependent variables.

Table 1: Descriptive Statistics

	N	Min	Mean	SD	Variance	Max
Financial Literacy	380	4.330	4.9193	0.198	0.039	5.000
Overconfidence	379	1.00	1.4412	.44555	.199	2.00
Economic Expectation	380	3.20	3.7316	.15152	.023	4.00
Personality	380	3.40	3.9547	.17571	.031	4.20

Past Behavior	379	2.80	3.4691	.19619	.038	3.80
Investment Choice	378	2.75	3.6958	.35733	.128	
Valid N (listwise)	376					

Source: Author's Estimation

Mean: The mean value is approximately 3.9547, indicating that, on average, respondents perceive a moderately but somewhat positive personality among small and medium entrepreneurs.

Std. Deviation: The standard deviation of 0.17571 suggests that the scores are relatively consistent around the mean.
Variance: The variance of 0.031 quantifies the extent of spread in the scores.

Mean: The mean value is approximately 3.4691 indicating that, on average, respondents perceive moderately and somewhat positive past behavior among small and medium entrepreneurs.
Std. Deviation: The standard deviation of 0.19619 suggests that the scores are relatively consistent around the mean.
Variance: The variance of 0.038 quantifies the extent of spread in the scores.

4.3 Correlation Analysis

The process of conducting correlation analysis involves assessing the relationships between dependent variables and independent variables. The correlation coefficient value which is denoted by r and the range of the coefficient is between +1 and -1. In research studies, this analysis helps to identify if a relationship is present between the variables of interest. Among the available correlation calculation methods, for this research study the Pearson correlation technique is used to find the relationship between the independent and dependent variables.

Table 2: Correlation

Correlations							
		TCH	**TFL**	**TOV**	**TEE**	**TPS**	**TPB**
Pearson Correlation	**TCH**	1.000					
	TFL	0.731	1.000				
	TOV	-0.904	-.499	1.000			
	TEE	.872	.696	-.789	1.000		

TPS	.343	.338	-.235	.463	1.000	
TPB	.755	.606	-.711	.779	.321	1.000

Source: Authors Estimates Based on Survey Data

There is a strong positive correlation ($\rho = 0.731$) between financial literacy and individual investment choice decisions. This suggests that as financial literacy increases, individual investment choice decisions tend to increase as well. Overconfidence and individual investment choice decisions having strong negative correlation ($\rho = -0.904$) between. This indicates that as overconfidence increases, investment choice decisions tend to decrease. There is a strong positive correlation ($\rho = 0.872$) between economic expectation and individual investment choice decisions. This suggests that higher economic expectations are associated with more active investment choices. There is a moderate positive correlation ($\rho = 0.343$) between personality and individual investment choice decisions. This correlation is relatively weak compared to the other variables. There is a strong positive correlation ($\rho = 0.755$) between the impact of past behavior and investment choice decisions. This indicates that as the impact of investment choice decisions increases, individual investment choice decisions tend to increase as well.

In summary, the correlation analysis suggests that there are positive correlations between financial literacy, economic expectation, personality, past behavior, and negative relationship between overconfidence and the individual investment choice decisions among small and medium entrepreneurs. However, it's important to note that the correlation between personality and investment choice decisions, is relatively weak compared to the other variables. These findings suggest that these psychological factors and financial literacy indeed play a role in investment decisions, with varying strengths of influence.

4.4 Regression Analysis

Prior to the regression analysis, the reliability of the questionnaire items was measured by conducting a Cronbach's Alpha test. Initially, the reliability of the items was checked by conducting a pilot test where the questionnaire was distributed among 30 small and medium entrepreneurs (more than 5% of the sample size), and based on the responses, the Cronbach Alpha value was tested. After ensuring that the reliability is in an acceptable range, the questionnaire was distributed to the sample size. The reliability analysis provides insights into the internal consistency of the measurement scales used for dependent variables.

It is crucial to ensure the validity of the measuring instrument in order to accurately measure the intended concept. Face validity is a method used to assess the content of a measuring instrument and determine if the items effectively measure the intended concept . It is a fundamental validity test

commonly employed in research studies. In order to ensure face validity in this study, the researcher has carefully selected measurement indicators for the questions based on prior similar research studies. To ensure criterion validity, this study incorporates Kaiser-Meyer-Olkin measure of sampling adequacy calculated using the SPSS tool. Moreover, Regression Analysis Suitability is checked by multicollinearity, linearity, normality, homoscedasticity.

Researchers used multiple regression to test the research model and develop the regression equation for the current study. Further, take the P value, t value to identify the significance of the hypothesis.

Table 3: Regression Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
		B	Std. Error	Beta			VIF
1	(Constant)	0.024	.227		.105	0.916	
	TFL	.563	.036	.302	15.452	<0.001	2.030
	TOV	-.494	.019	-.622	-25.904	<.001	3.055
	TEE	.400	.076	.166	5.284	<.001	5.247
	TPS	.040	.033	.020	1.226	.221	1.351
	TPB	-.012	.043	-.007	-.285	.776	2.799

a. *Dependent Variable: TCH*

Source: Authors Estimates Based on Survey Data

Y=0.24 + 0.563*FL -0.494*OV + 0.400*EE + 0.040*PS - 0.012*PB

   FL-Financial Literacy
   OV- Overconfidence
   EE-Economic Expectation
   PS- Personality
   PB-Past Behavior

Financial literacy positively predicts the investment choice decision (B=0.563). If financial literacy increases by one unit, investment choice decisions increase by 0.563 units. T value is 15.45 and P value <0.001. P values lesser than the 0.05 and t value higher than 1.96 depict that null hypothesis rejected and alternative hypothesis accepted. That means "There is a significant impact of financial literacy on investment choice ".

Overconfidence negatively predicts the investment choice decision (B=-0.494). If Overconfidence increases by one unit investment choice decision decreases by 0.494 units. T value is -25.904 and P value <0.001. P value is lesser than the 0.05 and t value higher than 1.96 depict that null hypothesis rejected and alternative hypothesis accepted. That means "There is a significant impact of overconfidence on investment choice ". Economic expectation positively predicts the investment choice decision (B=0.400). If economic expectation increases by one unit, investment choice decisions increase by 0.400units. T value is 5.284 and P value <0.001. P value is lesser than the 0.05 and t value higher than 1.96 depict that null hypothesis rejected and alternative hypothesis accepted. That means "There is a significant impact of economic expectation on investment choice ".

Personality positively predicts the investment choice decision (B=0.040). If personality increases by one unit investment choice decisions increase by 0.040 units. T value is 1.226 and P value 0.221. P value is greater than the 0.005 and t value lesser than 1.96 depict that null hypothesis accepted and alternative hypothesis rejected. That means "There is a no significant impact of personality on investment choice".

Past behavior positively predicts the investment choice decision (B=-0.012). If past behavior increases by one unit, investment choice decisions increase by 0.012 units. T value is -0.285 and P value 0.776. P value is greater than the 0.05 and t value lesser than 1.96 depict that null hypothesis accepted and alternative hypothesis rejected. That means "There is a no significant impact of past behavior on investment choice ".

Table 4: Hypothesis Testing

Hypothesis	Objective	t Value	P Value	Accept / Reject	Achieved /Not Achieved
H1: There is a significant impact/influence of financial literacy on investment choice	Investigate the financial literacy impact on an individual's investment choice decision.	15.452	<.001	Accept	Achieved

H2: There is a significant impact/influence of overconfidence on investment choice	Investigate the overconfidence impact on an individual's investment choice decision.	-25.904	<.001	Accept	Achieved
H3: There is a significant impact/influence of economic expectation on investment choice	Investigate the economic expectation impact on individual's investment choice decision	5.284	<.001	Accept	Achieved
H4: There is a significant impact/influence of personality on investment choice	Investigate the personality impact on an individual's investment choice decision.	1.226	.221	Reject	Not Achieved
H5: There is a significant impact/influence past behaviour on investment choice	Investigate the past behaviour impact on and individual's investment choice decision.	-.285	.776	Reject	Not Achieved

5. CONCLUSION

This research has provided valuable insights into the factors influencing investment choice decisions among small and medium entrepreneurs in the Colombo District. By examining the interplay of financial literacy, psychological factors (overconfidence, economic expectation, and personality traits and past behaviour), we have enhanced our understanding of the dynamics that shape entrepreneurial investment decisions.

The key findings of this study, as discussed in previous sections, highlight the significant roles played by financial literacy, overconfidence, economic

expectations and past behavior in influencing investment choices. These findings have practical implications for entrepreneurs, policymakers, financial institutions, and educators. They underscore the importance of financial education, awareness of behavioural biases, and the need for a balanced approach to economic expectations in fostering more informed and effective investment decisions.

While this research has achieved several of its objectives by exploring the direct relationships between these factors and investment choices, further analysis is needed to address the objectives related to the personality and past behavior on investment choice decisions. These aspects represent promising areas for future research and expansion upon the current findings. Moreover, researchers suggest to future researchers that comparative research between different types of entrepreneurs, such as tech startups, traditional businesses, and social enterprises, can unveil unique decision-making patterns within various entrepreneurial contexts.

In conclusion, this study contributes to the growing body of knowledge in the field of entrepreneurship and financial decision-making. It underscores the significance of financial literacy and psychological factors in shaping investment choices among small and medium entrepreneurs. The recommendations provide a roadmap for stakeholders to enhance decision-making processes, ultimately fostering a more conducive environment for entrepreneurial growth and success in the Colombo District. As we move forward, continued research and collaboration can further refine our understanding of these complex dynamics and lead to more effective strategies for entrepreneurial investment decision-making.

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Impact of cost control and cost reduction techniques on organizational performance: Evidence from small and medium enterprises in Sri Lanka- Gampaha District

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ABSTRACT

In every developing country, Small and Medium-sized businesses (SMEs) play a significant role in the expansion of the economy. This study sought to identify the impact of cost control and cost reduction techniques on the organizational performance of SMEs in Sri Lanka: Special Reference to Gampaha District. Cost control techniques and cost reduction techniques were identified as independent variables and Organizational Performance of SMEs was identified as the dependent variable of this study. Under cost control techniques, this study used Budgetary Control, Standard Costing, Target Costing, Activity Based Costing, and Benchmarking. Furthermore, under cost reduction techniques, Quality Control, Inventory Management, and Kaizen Costing Systems are used for this study. Both independent and dependent variables were measured by using the 5-point Likert Scale. According to the Department of Census and Statistics (2013/2014), 32,561 SMEs related to the industry and construction (manufacturing) sector in the Gampaha district, Sri Lanka were identified as the population of this study. According to Morgan's Table, 380 SMEs were selected as the sample based on convenience sampling techniques which is a non-probability sample method and the final sample was 310 manufacturing SMEs operating in the Gampaha District. Data was collected through a structured questionnaire distributed among SMEs functioning in the Gampaha District. Descriptive statistics and inferential statistics like Pearson correlation analysis and multiple regression analysis were used to analyze data using the Statistical Package for the Social Sciences (SPSS) software package. From the correlation analysis, all constructs are positive and significant between each other. Results of the study revealed that there is a positive impact of cost control and cost reduction techniques on the organizational performance of manufacturing SMEs in the Gampaha District. Among cost control techniques, budgetary control and standard costing have a significant positive impact on the performance of SMEs and among cost reduction techniques, quality control, inventory management, and kaizen costing have a significant positive impact on SMEs performance. This study recommends that SMEs should consider those cost control and cost reduction techniques in their operations to mitigate their failures.

Keywords: Cost Control Techniques, Cost Reduction Techniques, Organizational performance, Small and Medium Enterprises (SMEs)

1. INTRODUCTION

Small and Medium-sized Enterprises (SMEs) have been recognized as a strategically important sector in Sri Lanka's economy, and they contribute to generating high economic jobs, enhancing innovative skills, employment generation, and promoting regional development. However, the SME sector has not contributed to the extent that was expected and has a high failure rate globally due to the absence of the optimal combination of resources and opportunities, poor management, restricted access to financing (Rathnasiri, 2015), unfavourable liquidity positions, unfavourable market conditions (Stewart and Raphael, 2003), unbeatable competition, isolation, inadequately skilled labour (Lussier et al.,2016), erroneous pricing, a lack of institutional support and demand, a lack of innovation, and a lack of the essential entrepreneurial skills (Drucker, 2007; Richard et al., 2006; Jayasekara et al., 2020). A series of studies (Olalekan and Tajudeen,2015; PwC, 2017; Abdul and Isiaka, 2015; Ayodele and Alabi,2014; Siyanbola and Raji, 2013) recognized that cost control and cost reduction techniques are necessary to ensure that the SMEs economic resources are used efficiently and effectively in search of its goals. Efficient management accounting practices are essential for SMEs to reach the growth stage of the firm as it has a major effect on performance, (Yogendrarajah, et al., 2017). According to Silva and Jayamaha, 2012; Balagobeic, 2020; Bandara, 2016; Janaki and Madhumali, 2021 budgetary control positively and significantly impacts organizational performance. Furthermore, prior studies concluded that there is a positive and significant impact between target costing and organizational performance (Student et al., 2015; Cletus and ThankGod, 2015; Edwards et al., 2002; Akenbor and Agwor, 2015). In Total Quality Management (TQM) research literature, most firms argue the positive relationship between the TQM improvement program and performance (Al-Dhaafri, et al., 2016; Bou & Beltrán, 2005; Curkovic, et al., 2000; Konecny & Thun, 2011; Prajogo & Hong, 2008; Sadikoglu & Zehir, 2010). Most studies conducted related to inventory management and organizational performance mentioned that there is a positive and significant association between these two variables (Kontus, 2014; Wild, 2004; Bacchetti et al., 2010; Anichebe 2013; Rajeeev, 2018; Dudunu and Werasinghe, 2018). According to Ndesri, 2012; Hassan et al., 2016; Chembo et al., 2022; Sokefun and Oginni, 2012, kaizen costing significantly impacts organizational performance. Though all previous studies focus on global and local contexts, they considered a few variables, and their findings are insufficient to get a better understanding. Therefore, this study seeks to fill the gap by providing information about cost control and cost reduction techniques' influence on organizational performance. Also, it is hard to find research studies in the Sri Lankan context and there is a lack of research studies related to this topic in the Sri Lankan context (Somathilake and Pathirawasam, 2020, Karunananda and Jayamaha, 2011, Yogendrarajah et al., 2020). Therefore, this study intends to carry out to fill this research gap by identifying the impact of cost control and cost reduction techniques on organizational performance in SMEs in the Gampaha District.

2. LITERATURE REVIEW

This paper aims to explore the impact of cost control and cost reduction techniques on organizational performance of manufacturing SMEs. The literature reviews the available literature to develop an understanding of the concepts used in the study; namely small and medium enterprises, cost control and cost reduction techniques and its adoption on organizational performance of SMEs.

2.1. Theoretical Review

Several theories have been advanced about cost control and cost reduction techniques on the organizational performance of Small and Medium Enterprises in Sri Lanka. However, this study is guided by mainly transaction cost theory and contingency theory.

2.1.1. Transaction Cost Theory

The study was guided by the transaction cost theory developed by Commons (1931). Instead of either human conduct or the "exchange" of commodities, he claimed that these individual activities are truly transactions. The transition from the classical and hedonic schools to the institutional schools of economic thought is characterized by this change from commodities and people to transactions and the operating principles of collective action. The alteration is a modification of the main unit of economic research.

Ronald Coase is widely recognized for coining the phrase "transaction cost" in 1970. He used it to create a theoretical framework for forecasting when specific economic tasks would be carried out by enterprises and when they would be done on the market. Through transaction Cost Economics, transaction Cost reasoning gained the most popularity (Williamson, 1981). Today, a variety of behaviors are explained by transaction cost economics. According to Williamson, the determinants of transaction costs are frequency, specificity, uncertainty, limited rationality, and opportunistic behavior. According to the transaction cost theory, managing costs inside an organization is made possible by an efficient, well-established system of transactions. The transaction cost theory provides that profitability is dependent on a system set in the organization such as cost controls that support the organization's occupations and working environment (Ronald, 2019).

2.1.2. Contingency Theory

In 1964, Fred Edward Fiedler introduced the concept of contingency theory, an organizational theory that holds that there is no one best way to run a business or make decisions and that the best course of action depends on both internal and external factors. According to Emmanuel, Otley, and Merchant (1990), no system of cost management practices is universally suitable and works equally well for all enterprises in all situations. This is the foundation of the contingency theory of cost management practice. This implies that the specific

characteristics of a suitable costing technique will rely on the unique situations in which enterprises must discover it.

To support managers in accomplishing goals, a costing technique's design must be flexible enough to respond to changes in both internal and external elements. According to contingency theory, organizational and environmental elements determine the requirement for effective organizational structures, procedures, and costing systems. These forces affect changes in the structure and cost management practices such as Activity Based Costing, target, and standard costing, which improves business performance (Cagwin & Bouwman,2002); Drury & Tayles, 2005). Therefore, small and medium enterprises should have already evaluated cost management practices to be adopted in terms of emergence such as; changes in the internal and external environment in line with the ideology of contingency theory.

2.1.3. Small and Medium Enterprises (SMEs)

The term 'enterprise' is defined to include any business activity or enterprise engaged in industry, agri-business, and/or service whether single proprietorship, partnership or corporate venture (SME White Paper, 2002).

Small and Medium-sized Enterprises (SMEs) are a significant component of many economies. They have considered the backbone of an economy given the fact that in some economies SMEs contribute to more than 50% of the Gross Domestic Product (GDP) (ACCA, 2010). Particularly in the European Union, SMEs constitute 99.8% of all firms and employ around 76 million people representing around 67.4% of total employment in 2010 (Ayyagari et al. 2011). In the US, SMEs constituted more than 50% of the non-farm private GDP and created 75% of net new jobs in the economy (ACCA, 2010). Therefore, it is clear that SMEs play an important role in promoting inclusive growth in countries. SMEs are a crucial and fast-growing sector in every economy. The contribution of SMEs is highly beneficial for the economy.

SMEs play a vital role in Sri Lankan economic growth and sustainable development in developed countries as well as developing countries (Zacharakis et al., 2002). As a developing country, Sri Lanka is also the same. There are different industries in SMEs; including the apparel industry, agricultural sector, mining, manufacturing, retail sector, construction, and the service sector (Maseko and Manyani, 2011; Balagobei 2020).

There isn't an exact single definition for SMEs in Sri Lanka and the factors used to identify SMEs are different country-wise. SMEs are recognized according to the annual turnover and number of employees by the National Policy Framework for Small and Medium Enterprise (SME) Development (Ministry of Industry and Commerce, 2015). According to the Central Bank of Sri Lanka (CBSL), SMESs are defined as entities that have less than Rs. 600 million of annual turnover and below Rs. 200 million in borrowings. For this study, SME is defined according to the SME white paper 2002. The task force defined SMEs with asset values not exceeding Rs. 50 Million per enterprise excluding land and buildings. This value is to be adjusted for inflation once in

five years based on the implicit GDP deflator. The task force also gave a demarcation between Small and Medium Scale enterprises based on asset values (excluding land and building) i.e. asset values not exceeding Rs. 20 million for small-scale enterprises and Rs. 50 million for medium-scale enterprises (Karunananda and Jayamaha, 2011; Thrikawala,2009).

2.1.4. Cost Control & Cost Reduction Techniques

Cost control techniques refer to the numerous techniques used by different organizations to control costs. The accounting department is responsible for developing the techniques, with the cost and management section at the core of implementation. This study used budgetary control, targeting costing, standard costing, activity-based costing, and benchmarking as cost control techniques.

There are several tools for cost reductions; most of them are based on different kinds of financial and operational analyses, but they also include straightforward ideas like idea generation and a variation to the standard budgeting system. All of them have been employed by businesses with great success. This study used quality control, inventory management, and kaizen costing systems as cost-reduction techniques.

There are two types of management accounting practices. They are Cost Control and Cost Reduction Techniques. Under this research, Budgetary Control, Target costing, Standard Costing, Activity Based Costing, and Bench Marking are considered for Cost Control Techniques, and Quality Control, Inventory Management, and the Kaizen Costing System are considered for Cost reduction techniques.

2.1.5. Organizational Performance

According to Li, Rao, Ragu-Nathan, and Ragu-Nathan (2005), an organization's performance is measured by how well it achieves its financial objectives and market standards. The efficiency with which an organization meets both its financial and market-oriented objectives is referred to as organizational performance. Organizational performance is defined by Maduenyi, Oke, Fadeyi, and Ajagbe (2015) as a collection of financial and non-financial indicators that reveal the extent of goal and outcome achievement. Effectiveness and efficiency, as well as the amount and quality of work, are all factors in organizational performance (Olumuyiwa, Adelaja, & Chukwuemeka, 2012). Increased revenue, increased costing accuracy, and enhanced departmental, supplier, and customer coordination are all pertinent metrics that can be used to assess the effectiveness of an organization. Supply chain management is one organizational activity that should ultimately result in improved organizational performance (Maduenyi et al., 2015).

These performance indicators have been utilized in numerous research to examine organizational performance (Hassan et al. 2013, Hagedoorn and Cloodt 2003, Gunday et al. 2011). According to Tontiset and Usshawanitchakit's 2009 study, which examines the relationships between cost management effectiveness, cost information usefulness, corporate

competitiveness, and firm success, cost management effectiveness contributes to higher corporate competitiveness and firm success.

2.2. Empirical Review

The main goal of this research is to determine how much cost control and cost reduction techniques can be employed to address the increasing organizational performance of SMEs in Sri Lanka (Gampaha District). Olalekan and Tajudeen (2015) examined the significance of cost control, its varied strategies, and their impact on the survival of Nigerian businesses in their article titled "Cost Control and Its Impact on the Survival of Nigeria Firms: A Case Study of Nigeria Bottling Company Plc." To meet production and sales demands, the paper advised the use of Just-in-Time (JIT) techniques. It also advised the establishment of a good budgeting process and mechanisms for conducting value analysis (which included value engineering permanently) as well as mechanisms for cost control. According to the study's findings, a business interested in implementing cost management measures must also be serious about cutting costs (PwC, 2017). Again, this research confirms the findings of Abdul and Isiaka (2015), Ayodele and Alabi, (2014), and Siyanbola and Raji (2013).

A study on The Impact of Cost Control on the Profitability of Manufacturing Industries was conducted by Siyanbola and Raji (2013). The focus of the study was West African Portland Cement Plc (WAPCO), where cost containment was seen strategically. The data were analyzed using the Pearson correlation model, and the tested hypotheses supported the finding that cost control increases industry profitability. The results of this study make it clear that cost control improves business profitability and that workers' behavior, as well as cost components like materials, labor, and overhead costs, can be strategically managed through the use of tools like responsibility accounting, data collection, and data reporting.

There are empirical studies in the literature on cost control and reduction with different findings. Some of these studies include Siyanbola and Raji, (2013), Olagunju, et al. (2014), Olalekan and Tajudeen (2015), and Abdul and Isiaka (2015), these discussions have been extensively centered on cost control with little or no reference to profitability. Additionally, these researchers were unable to assess the impact that efficient cost control had on a manufacturing organization's profitability in Nigeria. Additionally, cost management has been studied by scholars such as Oparanma and Ohaka (2015), Kwon et al. (2014), and Hazarika (2010). However, these studies addressed the concept without reference to cost control. Empirical studies associating cost management practice and performance have mixed conclusions. For example, Tabitha & Oluyinka, (2012), Cokins, (2002), Akinola, (2009), Anthi, (2001), and Islam & Kantor, (2005), found a positive significant relationship between costing practice and profitability of manufacturing firms. However, the studies of Pavlato & Paggies, (2008), Tayles et al. (2007), Baird (2007), and Alleyne & Weekes (2011) on cost management practice and financial performance indicate mixed results of significant and no significant relationship between cost management practice and financial performance.

According to Barbole, Nalwade, and Parakh (2013), the cost of materials is the main cost component in the manufacturing unit. For the objective of cost reduction, manufacturing businesses favor methods such as value engineering, quality control, and budgetary control. This method satisfies the company's goal of being a "Low-Cost Manufacturer." Further Oluwagbemiga et al., (2014) suggested that cost management strategies and company performance in the manufacturing organization have a strong positive relationship. Therefore, it is recommended that a cost-reduction strategy be implemented with a focus on production overhead costs and administrative overhead costs if their goal of profit maximization and wealth creation is to be accomplished.

In the Sri Lankan context, Cooray et al., (2019) examined, cost control techniques used on building construction projects in Sri Lanka and concluded that among the cost control strategies chosen for the study, forecasting, and project cost value reconciliation are strategies that have an impact on the project delivery. Further Malkanthi et al., (2017) examined the cost control techniques for cost overruns in construction projects. Balagobei (2020), examined how accounting practices of budgeting practices, record keeping, and payroll accounting influence the organizational performance of small and medium enterprises in Sri Lanka. He found that only budgeting practices and record-keeping have a significant positive influence on the organizational performance of SMEs in Sri Lanka.

3. METHODOLOGY

The present study lies within the positivist paradigm and follows the deductive approach leading to quantitative findings. Accordingly, a cross-sectional survey was carried out among the sample respondents to collect primary data. The population of the present study consisted of the manufacturing (Industry and construction) owners of the SMEs in the Gampaha District, Sri Lanka, and the sample size was determined as 380 SMEs following Krejcie and Morgan (1970) with a 95 percent confidence level. Furthermore, a convenience sampling technique was adopted in choosing the sample. However, due to the non-responsiveness and incompleteness, 70 questionnaires were excluded respectively from the analysis. Therefore, the sample for the study was adjusted to 310. Accordingly, 81.58% of the response rate was recorded for the present study. The study used primary data to collect data for the study. The questionnaire was developed based on existing literature and prior quantitative studies. All measures were graded on a five-point Likert scale (Janaki and Madhumali, 2020; Mohammad, 2021; Zaman, 2019; Somathilake and Pathirawasam, 2020). The following conceptual framework was developed based on the research problem.
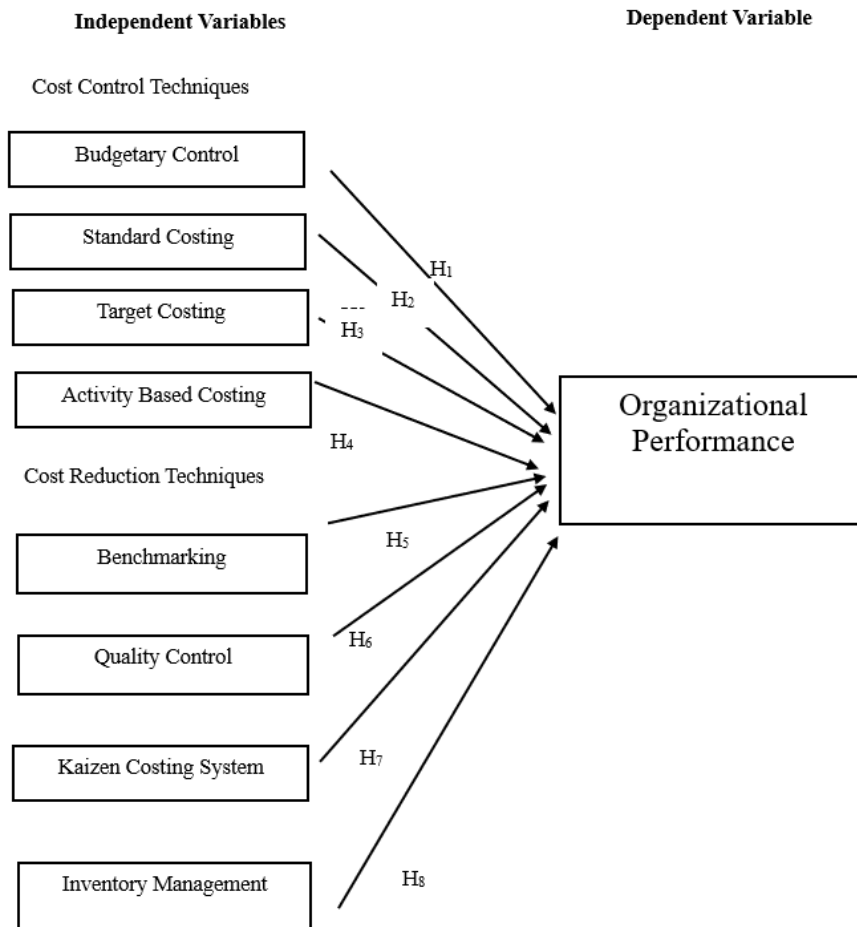
Figure 1: Conceptual Framework

To examine the impact of the identified independent variables on the organizational performance of manufacturing SMEs in Gampaha District, Sri Lanka, the following hypotheses were tested.

Hypotheses:

H1: Budgetary Control has a significant impact on the organizational performance of manufacturing SMEs in the Gampaha district, Sri Lanka.

H2: Standard Costing has a significant impact on the organizational performance of manufacturing SMEs in the Gampaha district, Sri Lanka.

H3: Target Costing has a significant impact on the organizational performance of manufacturing SMEs in the Gampaha district, Sri Lanka.

H4: Activity Based Costing has a significant impact on the organizational performance of manufacturing SMEs in the Gampaha district, Sri Lanka.

H5: Benchmarking has a significant impact on the organizational performance of manufacturing SMEs in the Gampaha district, Sri Lanka.

H6: Quality Control has a significant impact on the organizational performance of manufacturing SMEs in the Gampaha district, Sri Lanka.

H7: Inventory Management has a significant impact on the organizational performance of manufacturing SMEs in the Gampaha district, Sri Lanka.

H8: The Kaizen Costing System has a significant impact on the organizational performance of manufacturing SMEs in the Gampaha district, Sri Lanka.

The study employed both descriptive and inferential statistical measurements for the data analysis.

4. FINDINGS AND DISSCUSIONS

The reliability of internal consistency about independent variables is examined with Cronbach's Alpha test (Table 1). Cronbach's Alpha analysis was used to evaluate the reliability of the instrument. As a result, the study conducted a reliability test to assess inter-item correlation in each of the questionnaire variables. The Cronbach's alpha values ranged from 0.771 to 0.925 which showed an acceptable level. Descriptive statistics describe the behavior of the data. If the data points are close to the mean, indicating that the responses are fairly uniform, then the standard deviation will be small.

Table 01: Descriptive Statistics

	N	Mean	Std. Deviation	Cronbach's Alpha Value
Budgetary control	310	3.8254	.49018	0.887
Standard Costing	310	3.9556	.28594	0.880
Target Costing	310	3.8733	.44831	0.920
Activity Based Costing	310	3.3028	.68268	0.925
Benchmarking	310	3.9479	.29703	0.855
Quality Control	310	3.9194	.39123	0.870
Inventory Management	310	4.0194	.33154	0.849
Kaizen Costing	310	3.7948	.39997	0.771
Performance	310	3.8365	.34546	0.888
Valid N (listwise)	310			

Source: Researcher Constructed,2023

Table 2, shows the correlation coefficients between dependent and independent variables. Overall, due to the positive correlation between BC, SC, TC, ABC, BM, QC, IM, KC, and performance. In the analysis, every Pearson correlation value is positive, and also every P value is less than 0.01, therefore, every hypothesis is accepted according to the correlation result.

Table 02: Correlation Analysis

	BC	SC	TC	ABC	BM	QC	IM	KC
Budgetary Control (BC)	1							
Standard Costing (SC)	.403**	1						
Target Costing (TC)	.407**	.497**	1					
Activity Based Costing (ABC)	.561**	.275**	.413**	1				
Benchmarking (BM)	.431**	.660**	.510**	.344**	1			
Quality Control (QC)	.674**	.456**	.426**	.490**	.529**	1		
Inventory Management (IM)	.454**	.589**	.452**	.258**	.602**	.593**	1	
Kaizen costing (KC)	.495**	.444**	.355**	.452**	.507**	.588**	.594**	1
Performance (PR)	.548**	.531**	.369**	.396**	.516**	.626**	.672**	.655**

Source: Survey Data, 2023

Table 03 shows the output of the regression analysis. Hence, the Adjusted R-Square value is 0.596, which indicates a moderate degree of correlation. The R^2 value (the "R Square" column) indicates how much of the total variation in the dependent variable, and the impact of organizational performance can be explained by the independent variables, cost control, and cost reduction techniques. In this case, 60.7% of the variance can be explained, which is very large. The p-value of the F statistic is 0.000. It suggests that the overall model is statistically significant at 95% confidence level and the independent variables are reliably predicting the dependent variable of the study.

Table 03: Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.318	.192		1.659	.098
BC	.088	.037	.125	2.359	**.019**
SC	.169	.063	.140	2.698	**.007**
TC	-.047	.035	-.061	-1.327	.186
ABC	.022	.024	.044	.932	.352
BM	-.019	.063	-.017	-.308	.758
QC	.130	.050	.147	2.583	**.010**
IM	.324	.057	.311	5.653	**.000**
KC	.232	.044	.269	5.314	**.000**
R^2	0.607				
Adj R^2	0.596				
F Value	58.099				0.00

Source: Researcher Constructed,2023

Regression analysis was used to predict the organizational performance and all eight independent variables were put together simultaneously. There are only five independent variables of the model that are significant at the 95% significance level. Accordingly, BC, SC, QC, IM, and KC have indicated a significant positive impact on the organizational performance of manufacturing SMEs in Gampaha. In contrast, TC and BM have shown an insignificant negative impact on the dependent variable while ABC has a positive insignificant impact on the performance of SMEs.

Table 04: Summary of hypothesis testing

Hypothesis	Result of the analysis	Hypothesis is supported or not supported
H_1: Budgetary Control has a significant impact on the organizational performance of manufacturing SMEs in the Gampaha district, Sri Lanka.	Positive and significant	Supported
H_2: Standard Costing has a significant impact on the organizational performance of manufacturing SMEs in the Gampaha district, Sri Lanka.	Positive and significant	Supported
H_3: Target Costing has a significant impact on the organizational performance of manufacturing SMEs in the Gampaha district, Sri Lanka.	Negative and insignificant	Not supported
H_4: Activity Based Costing has a significant impact on the organizational performance of manufacturing SMEs in the Gampaha district, Sri Lanka.	Positive and insignificant	Not supported
H_5: Benchmarking has a significant impact on the organizational performance of manufacturing SMEs in the Gampaha district, Sri Lanka.	Negative and insignificant	Not supported
H_6: Quality Control has a significant impact on the organizational performance of manufacturing SMEs in the Gampaha district, Sri Lanka.	Positive and significant	Supported
H_7: Inventory Management has a significant impact on the organizational performance of manufacturing SMEs in the Gampaha district, Sri Lanka.	Positive and significant	Supported
H_8: Kaizen Costing has a significant impact on the organizational performance of manufacturing SMEs in the Gampaha district, Sri Lanka.	Positive and significant	Supported

Source: Researcher Constructed,2023

According to Table 04, it is concluded that H1, H2, H6, H7, and H8 are supported by the research objectives, and H3, H4, and H5 are not supported by the objective of the present study.

5. CONCLUSION

The results revealed that budgetary control, standard costing, quality control, inventory management, and kaizen costing systems have a statistically significant impact on the organizational performance of manufacturing SMEs in the Gampaha District, Sri Lanka. However, target costing, activity-based costing, and benchmarking have an insignificant impact on the organizational performance of manufacturing SMEs. Further, all variables are rated by the respondents at agreeable and neutral levels.

The findings of the correlation analysis show that all constructions are positive and significant between each other. So, the results and findings of this study are supported by the research objectives. Therefore, the study concludes that there

is an impact of cost control and cost reduction techniques on business performance amongst small and medium scale enterprises in Sri Lanka. In addition, cost control techniques, budgetary control, and standard costing can significantly influence organizational performance, leading to improving the firm's performance and reducing the failures of manufacturing SMEs in the Gampaha district. Furthermore, under cost reduction techniques, quality control, inventory management, and kaizen citing systems can significantly influence the performance of manufacturing SMEs.

It is suggested that future researchers explore the study area with a qualitative perspective. Specially, the data collection techniques like in-depth interviews will discover any important considerations behind the implementations of cost control and cost reduction techniques in Sri Lankan SMEs.

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Digitalization of HR Practices; Overcoming Barriers & Achieving Competitive Advantages

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Abstract

Every organization in this current economic environment is gaining a competitive advantage by enhanced usage of new technology. Businesses are moving towards embracing digitalization as a result of globalization and development of the global economy, since they greatly affect productivity and efficiency. The firms are striving to adapt to the most recent technological advancements due to the fact that the current business practices are closely tied to the internet and online platforms. Accordingly, the main objective of this study is to conduct a comprehensive analysis of how the digitalization of Human Resource Management Practices gain a competitive advantage and overcome barriers in the current business settings. In Sri Lanka, there is lack of evidence in studies conducted on the human resource practices in companies, and it has been chosen as the gap in this study. Digitalized HR practices have a significant impact on the growth and prosperity of enterprises. The main objective of this research is to identify the impact of digitalized Human Resource practices on achieving a competitive advantage and overcoming barriers. This study was conducted utilizing a multiple-structured interview guide design and a qualitative technique with an inductive approach. The primary information was gathered by conducting in-depth interviews with human resource managers and executives in Sri Lankan manufacturing companies. After collecting data, the researcher identified codes and themes. According to that, the researcher finalized five themes, and through that, the analysis has been done. The result showed that moving to digital Human Resource is enhancing operational efficiency through digital tools. In conclusion, the ongoing process of digitizing Human Resource procedures is incredibly promising for businesses looking to gain a competitive edge in the digital era. Organizations can put themselves at the forefront of the future of work, where human capital and digital ability are the essential elements of success, by embracing technology, actively addressing challenges, and cultivating an innovation culture.

Key words - Competitive advantage, Digitalization HRM, HRM, Technologies

1. INTRODUCTION

Organizations aim to get a competitive edge in the competitive environment by enhanced integration of new technology. Digitization resulting from globalization and economic developments has a big impact on productivity and efficiency thus, businesses are now adopting it increasingly.They have a strong connection to the internet and online platforms (Kraus, 2022). Businesses are compelled to ditalized need to go digital in order to thrive in the modern business environment. Apart from posing a challenge to the company, digitalization results in increased productivity, decreased transaction costs, and improved operational management. As a result of the significant technical breakthroughs that have impacted every facet of life, the entire society has undergone quick and strong transformations (kumar, 2022). Technology has advanced to the point where this modern era is referred to as "the Digital era." (Georgios Doukidis, 2024) It has long been accepted that elements like production capacity,Research and development, distribution networks, financial resources, and economies of scale can provide an organization a competitive edge. The term "digitalization" in Human Resource Management (HRM) describes how digital technologies are integrated and used to improve and simplify certain HR procedures inside a company. This innovative strategy makes use of technology to enhance HR operations, boost productivity, and support the success of the company as a whole. A variety of hardware, software, and data-driven tactics are included in the digitalization of HRM, which aims to manage, develop, and engage the workforce. The achieving of a competitive edge and overcoming business obstacles and issues linked with rivalry are significantly influenced by the digitization of HR operations (Sylivia Atwijuka, 2017). The study indicates that digital HRM practices have an effect on HRM effectiveness through internal consistency in HR procedures and external social networking of HR managers with line managers. The effectiveness of digital HRM initiatives depends on how developed an organization's HRM skills are. This also determines the business firm's competitive advantage. The effectiveness of digitalized HRM procedures to improve firms' superior performance is further supported by this research. Therefore, the goal of this current research is to determine how digital HR practices help businesses gain a competitive edge. Every organization needs to have effective human resource management. It has a big impact on how well workers perform. The growing competitiveness of companies has led to a considerable growth in the importance of methods. As a result, consideration is being put into developing new HR procedures that consider worldwide trends.

Organizations have to adopt digitalization because of the rapid developments in technology that impact every element of their operations (marr, 2023).This tendency also affects HRM, which today plays a big role in how a corporation is run. This turns into a crucial requirement for any company looking to gain a competitive edge. Digital HR procedures have a significant impact on a company's growth and performance. The use of the internet and digital HRM has changed HR functions in recent years and has several advantages for the company. Industries in Sri Lanka is not sufficiently aware of the advantages of

using digitalized HR practices to gain a competitive edge (Shift to digital Human Resource Management vital, 2018), despite the fact that numerous studies regarding these practices have been undertaken in an international setting (Transformation of HR in the digital world). In order to fill this knowledge vacuum and produce information on digitalized HR practices and how they affect a company's competitive advantage, modern research has taken up this task. The purpose of this specific study is to look into how firms can obtain a competitive edge by digitalizing their HR procedures and how to get around obstacles in order to do so. The main purpose of this research is to answer the research objective "To identify the impact of digitalized HR practices on achieving a competitive advantage and overcoming barriers. The corporate world is now more competitive than ever because of globalization, which also pushes companies to develop survival strategies. These days, businesses are concentrating on creating policies and procedures that offer them a stronger competitive edge. One such area is human resource management, which has expanded due to the notion that effective people management gives companies a competitive edge. Successful HR practices generate loyal employees, which can support corporate growth (Narang, 2014). Information Technology has enabled HR professionals to provide greater services while simultaneously reducing administrative burdens. Nowadays, "digitalization" is the most popular in the corporate world, and it's widely accepted as a tactic that keeps a company competitive.

2.   LITERATURE REVIEW

2.1.   Digitalization and Digitization

Data digitization is the process of transforming information into a digital format that a computer can understand (Yasar, n.d.)**.** This is the process of transferring data from analogue to digital format, to put it simply. The digital equivalent of information is what digitalization produces. The use of digital technologies to alter the business model and open up new chances for the company to produce value is known as "digitalization." (Digitization vs digitalization, n.d.) The key difference is that digitalization employs digitization techniques in a wide organizational and social framework, digitization is a technical process. In contrast, digitalization is an entire socio-technological process. (Katuu, 2020)). Digitalization, defined as utilizing digital opportunities, is framed by digitization. "digital transformation" is used to characterize the process of reconstructing economies, institutions, and society as a whole. (Rachinger, 2018). Adopting this technology ensures organizational development and success. Further, without complying with the newly introduced technologies, businesses are not able to sustain the competition. Globalization and technology are making the country's economy more complex and unstable. In order to gain a competitive advantage, organizations in this scenario need to be more innovative than their rivals. In order to meet business problems, overcome obstacles, and gain a competitive advantage, digitalization of the company becomes essential. (Kimachia, 2018)

2.2.   Digitalized HR practices

The organization's digital performance, effect on society, and workflow have all improved due to technology's rapid expansion. All company levels are impacted by the digital revolution. Additionally, it places pressure on businesses and their staff to adjust to a constantly changing environment and the advancement of digital technologies. (Ali A. M., 2022), The term " (Ali A. M., 2022)" refers to the use of technology in HRM procedures, which is now regarded as necessary for performing HRM tasks. It has been shown that digitizing HRM procedures improves employee performance and productivity while also enhancing overall organizational performance. (Haque & Nishat, 2022). Stated differently, digital HRM refers to the method of carrying out or overseeing all human resource-related tasks via the utilization of internet-based apps, soft technologies, and applications. (Halid et al., 2020).HR professionals can use digital HRM approaches to assess employee and company performance, as well as to aid managers in making strategic decisions. The digital transformation of HR processes and procedures known as "digital human resource management" makes use of information technology, mobile, analytics, and electronic media to increase the effectiveness of HRM.

2.3.   Benefits of Digitalized HR Practices

The modern issues that HR managers in firms confront can be better managed by digitalizing HR procedures. It increases efficiency and offers firms a host of operational benefits. Reducing the amount of time employees must spend on HR-related tasks is seen as a significant method of lowering the cost of HR procedures. It improves efficiency in addition to cutting costs. Moreover, digital HR practices can encourage and boost worker productivity while expediting the company's decision-making process. (Baykal, 2020). Digitalized HR practices allow the effective achievement of the company goals and objectives. It facilitated all the HR functions such as recruitment, Training and development, Compensation, Performance Evaluation etc. Human Resource Information Systems (HRIS) are also a product of the digitalized Human Resource process which facilitates information management related to HR and facilitate decision-making related to managing Human resource (Neeraj, 2018). Learning and development are also greatly enhanced by digital HR practices. Online learning platforms and e-learning modules enable employees to acquire new skills and knowledge at their own pace, hence facilitating training and skill development. Professional growth and lifetime learning are encouraged by this. In the context of the evolving workplace, digital HR regulations are crucial for permitting remote employment. These protocols provide virtual onboarding, remote performance management, and flexible scheduling—all critical components that support distant and hybrid work arrangements. Cost-cutting is another benefit of digital HR initiative (Acko, 2019). Automation of processes and the adoption of paperless practices can result in significant cost savings for organizations. These measures also reduce administrative expenditures, printing costs, and errors related to payroll and benefits administration.

2.4.   Competitive Advantage

A company's ability to manufacture goods or provide services more effectively than its rivals is referred to as its competitive advantage. It enables an organization to produce value for both the business and its shareholders and to attain higher margins (Peterdy)**.** The idea of being in competition advantage is a vital but underutilized component of any business's success. The study examines the economics of the company's operations, with a particular emphasis on the company's potential to yield a higher return on invested capital and its long-term plan relation to the major financial markets. A company gains a competitive edge when it develops and obtains a set of distinctive qualities that allow it to outperform and outcompete competitors (Wang, 2014). A strong competitive strategy is necessary to implement these actions and ensure that the company has an advantage over competitors. A competitive strategy summarizes an organization's view of its rivals. (Yuleva, 2019). A competitive advantage is a benefit obtained over rival businesses by providing customers with superior value, either through lower prices or through the inclusion of extra products and services that make comparable or possibly higher prices justifiable (Competitive Advantage, 2021). Competitive Advantage can simply have defined as the capacity of a certain business to have superior performance to its competitors in terms of operations and profitability (Porter, 1990). The foundation of competitive Advantage is dramatically changing in the modern day because of advancements in digital technologies. Using digital tools enables businesses to think differently about their industry and increase the range of potential problem-solving strategies. (Weinman & Euchner, 2015). In HRM, high-performance or high-commitment work habits are commonly mentioned as possible sources of sustained competitive advantage. Using the latest technological advancements assures a competitive advantage and has a significant impact on professional life. Therefore, gaining a competitive edge and overcoming obstacles and hurdles related to the competition's business environment are greatly aided by the digitalization of HR operations.

2.5.   Perceptions of HR managers on the Impact of Digitalized HR practices on Achieving Competitive Advantage

It has been widely accepted and asserted that people or Human resources are the most important organizational Resource and the key to achieving outstanding performance in businesses, which achieve a competitive advantage. (Delaney & Huselid, 1996). But a contradictory conclusion was also made by some scholars, such as Park et al.., (2004), based on the perceptions of HR executives in the Asia Pacific region. According to their study, it stated that Static HR procedures have a lower likelihood of becoming effective sources of long-term competitive Advantage. (Park et al., 2004). The study by Wang et al. (2022) indicates that digital HRM practices have an effect on HRM effectiveness through internal consistency in HR procedures and external social networking of HR managers with line managers. Whether digital HRM

activities have positive or negative effects depends on how developed the enterprise's HRM skills are. Which determines the business firm's competitive advantage as well. The capacity of digitalized HRM procedures to improve organizations' outstanding performance is further supported by this research (Zhou et al., 2022)

2.6.   Challenges Faced by HR Managers when adopting the Digitalize HR

A major challenge HR managers encounter when introducing digital HR practices is resistance to change (Barisic, 2021) . The introduction of new processes and technologies may cause employees, as well as certain HR personnel, anxiety. This hesitation could undermine the smooth implementation of digital technology; thus, a well-thought-out change management strategy is needed to ease concerns and encourage acceptance. The digital HR landscape's top concerns are data security and privacy. Strong security measures are required when managing sensitive employee data electronically in order to prevent data breaches and maintain compliance with privacy laws like general data protection regulation (GDPR) or protected health information (HIPAA). To safeguard sensitive information, HR managers must make investments in security techniques and technology. (Meet Colony, 2020). And also, the two primary problems that the digital HR industry is experiencing are data security and privacy (Bhat, 2023). Strong security measures must be taken when managing sensitive employee data electronically in order to prevent data breaches and maintain compliance with privacy laws like GDPR and HIPAA. To safeguard sensitive data, HR managers n (Laura, 2022)need to make technological and security investments. HR managers have to decide how much automation is enough and how much human interaction is necessary. They also need to make sure that the digital HR tools and systems they use are easy to use. Ensuring that HR processes retain a human element requires careful balance; although digitalization can boost productivity, it shouldn't take the place of customized interactions that are crucial for HR tasks like employee relations and support. (The HR challenges of digital transformation, n.d.)

3.   METHODOLOGY.

The research's study design is its comprehensive strategy or method for conducting systematic research (Khanday, 2023) Additionally, it explains the study methodology, research technique, and research topic design. The methods of conducting the research and how appropriate design options are taken into consideration to fulfil the specific research objectives will be effectively covered in the research design. As such, the current research is a phenomenological investigation that looks at human experiences and how they understand the research problem. Research in these areas will be beneficial to the fields in which little is known (Lester, 1999).To better understand their experiences with the influence of digitalized HR practices on gaining a competitive edge and overcoming obstacles, this study collects the perspectives of HR managers in the specific industrial enterprises located in the Pallakale BOI. The research study has chosen a qualitative research method to address

current research and achieve its goal, taking into consideration the respondents' perspectives on how digital HR practices help businesses gain a competitive edge and overcome obstacles. As a result, this study used an inductive approach.

3.1. Population, Sample, and sampling technique

Population describes the set of elements to which the research's findings can be applied and to which the group findings can be generalized in order to achieve the study's goals. Consequently, the target group for this study is HR executives or managers working for Sri Lankan manufacturing enterprises. In statistical analysis, samples are used when the population sizes are too large for the test to include all possible participants or observations. (Shukla, 2020) A sample can be identified as a group of respondents, objects, or items taken from a larger population for measurement (Bhardwaj, 2019).The HR managers or HR executives of the chosen manufacturing enterprises in the BOI make up the research sample for this study. As a result, one HR manager from a single manufacturing company is chosen to represent the sample of responders, which ranges from 10. The researcher employed judgmental sampling in this modern investigation. The researchers' knowledge and discretion are used to select the respondents in this non-probability sampling technique. In this study, the researcher uses judgmental sampling since it facilitates gathering respondents' perspectives in a way that is more suitable for the research topic.

3.2. Data Collection

Accurate data collection is the process of obtaining relevant information from multiple sources in order to assess the results and identify solutions to research questions. In order to respond to research questions and assess the process of creating knowledge, it involves obtaining and analyzing data pertaining to specific factors. Getting high-quality evidence to support rich data analysis is the primary goal of gathering data for research. Accordingly, this contemporary research uses Qualitative data to gather information about the perceptions of HR managers in manufacturing companies about the impact of digitalized HR practices on achieving competitive advantage and overcoming barriers. In-depth interviews conducted using an interview guide served as the research tool in this study. The researcher conducted interviews with the respondents to learn more about their perspectives on the significance of gaining a competitive edge and overcoming obstacles, as well as suggestions for enhancing digitalized HR procedures and gaining a competitive advantage. The interview guide includes open-ended questions as well as a series of inquiries that can probe respondents' perspectives.

Transcripts from the interviews and other data sources are applied to the theme analysis method in this qualitative study to examine the collected qualitative data. Utilizing the gathered perspectives on the study topics, this thematic analysis (Braun, 2012) will carefully review the data to find recurring themes, concepts, and patterns of meaning. Initially, the investigator become familiar with the gathered information, and in the next step, the initial codes will be expanded upon by incorporating the significant important data. The discovered

codes are grouped into themes in the third stage of the analysis, given names, and given descriptions that include the theme's interesting elements and the reasons they are thought to be interesting. And finally, relevant findings are derived and conclusions are presented while ensuring the validity and accuracy of the demonstrated findings.

4. RESULTS AND DISCUSSION

4.1. Results and discussion

Theme 1 - Digitalization HR Activities

The first theme shows the activities that have been digitalized as a whole in the HR Department. Employee recruitment, training and development, payroll and administrative activities are among the top of digitization HR activities.

Theme 2 - Competitive Advantage

In the second theme, the identification of competitive advantage, which is the primary objective of this study, will be explained. Many organizations will gain a competitive advantage by digitalizing their HR department. Many HR managers with prior expertise in this digital HR transition have stated that, through digitalization improving employee trust can enhance staff loyalty towards the organization and that data accuracy can be attained.

Theme 3 – Barriers

In the third theme, it is possible to identify what are the obstacles that a company has to face when it comes to digitalization of human resource practices. According to the table given above, it is shown what obstacles a business has to face in terms of grants.

Theme 4 - Overcome Barriers

Overcoming obstacles to digitization in HRM requires a strategic approach and thorough planning. Theme 4 explores what actions businesses can take to address these issues. As a example, we can identified those are,
1.Before implementing the digitalized system to the HR department, we need to do assessment evaluation.
2.Need to aware employees and officers regarding that
3.Should be give it related training programme

Theme 5 - Future Directions

Future direction provides an overview of the new technology tools that business is using today. Accordingly, facilities to apply digital dashboard, use of AI – driven decision-making tools, use of virtual reality programs for training development are important among them.

4.2.   Selected themes

First Order Themes		Second order Themes (Sub Themes)
1.Digitalization HR Activities	→	1.Recruitment – Using Social media 2.Employee Training and development – 3.Administarion Activities – Transport/Meal 4.Payroll system – Wages Calculate system Through 5.Employee relation activities – Introduce WhatsApp technology 6.Complince Activities 7. Labor law Activities – Using Online platform
2. Competitive Advantage	→	1.Improves accuracy of data 2.Develop employee trust 3.Improve employee loyalty 3.Increse efficiency of decisions
3. Barriers	→	1.High cost of digitalization 2.Adaption to the systems by users 3.Mismatch of expectations and actuals 4.Low contribution of top management 5.Low awareness of lower-level managers and employees 6.Technical problems 7.Difficulty in transforming some HR factors 8.Resistance to change 9.Lack of digital Skills 10.Cultural change 11. Data security issues
4. Overcome Barriers	→	1. Need assessment 2. Clear vision for HRM's digitalization 3.IT related employee training 4.Awareness of importance of Digitalization HRM 5.To safeguard sensitive HR data, impose strict data security and privacy protocols 6.Adhere to local and industry labor laws and regulations. 7. Leadership support
5. Future Directions	→	1.Predictive analytics 2.AI-driven decision-making tools 3.Using virtual reality programme for training 4.Introducing Smart apps and Web sites

Figure 1: Results of Thematic Analysis

Source: Author generated (2023)

Thematic analysis results showed digital HR practices, competitive advantages, challenges, and HR practices' progress towards digitization. Figure 1 displays the identified primary themes and sub-themes.

5.   CONCLUSION AND RECOMMENDATION

To conclude, the analysis of how digitalized HR practices affect gaining a competitive edge and getting beyond organizational barriers indicates a significant change in the field of HRM. Technology integration has changed efficiency, strategic leadership, training, and recruitment, creating a tapestry of interwoven themes. This life-changing experience demonstrates the enormous potential as well as the complex difficulties organizations must overcome to adjust to the digital age. One important lesson to learn is that digital practices

play a critical role in improving decision-making, staff development, and HR efficiency. Despite the need for ethical considerations, the use of internet platforms and artificial intelligence (AI) tools has revolutionized recruitment by increasing candidate pools and fostering inclusion. The incorporation of e-learning platforms endows employees with the option to customize their learning experiences, hence enhancing their skill set and flexibility. Moreover, data-driven insights and improved HR procedures have improved productivity and guided strategic decision-making. Future developments like artificial intelligence (AI), virtual reality, and predictive analytics have the potential to significantly alter HR procedures. To fully benefit from digitalization, businesses should invest in employee digital skills, foster an innovative culture, match HR strategy with business objectives, and regularly assess digital projects.

According to the above findings and conclusions of the research study, there are some recommendations that are suggested by the researcher. To make some important decisions to succeed when moving to digitalization HRM. Accordingly, before implementing Digitalization human resource management (DHRM need to identify alignment with business goals. It is imperative for organizations to ensure that their digital HR strategies are well matched with their overall company goals. And also, to optimize the benefits of digital HR practices, organizations should engage in personnel training and upskilling in digital skills. This requires the collaboration of HR professionals and all other departments that interact with digital HR systems. Also, it is essential to encourage a culture of innovation within the organization. Employees should be given opportunities to propose and experiment with digital solutions that can improve HR processes and the employee experience. In addition, it is recommended for organizations to establish a mechanism to continuously assess the results of digital HR efforts. Regular evaluations can help identify problem areas and improve strategies.It is essential to address the reluctance towards change. To help stakeholders and staff make the shift to digital HR practices, strong change management plans should be in place. It is also essential to pay attention to ethical considerations. When implementing AI and other digital tools in human resources, ethical issues must be considered first. Establishing rules and procedures will help organizations ensure that decision-making procedures are transparent, fair and less biased. Furthermore, ethical issues need to be addressed initially while implementing AI and other digital tools in HR. For decision-making processes to be fair, transparent, and less biased, organizations should set up rules and procedures. Finally, it must be emphasized that organizations must continue to be flexible in light of rapid advances in technology. They must keep up with current developments in the field of HR and be ready to adapt as new technological advances become relevant.

Main limitation of this research is that the findings of the research is limited only for one industry, that is based on the manufacturing industries and considers only the companies in Board of Investment (BOI) in Pallekale. This is cause for the less generalizability of the findings to other contexts. Also, it was difficult to organize interviews with HR managers and executives in the factories due to their hectic and demanding schedules, which made data collection a challenging task. The interviewee withheld certain confidential information about items that were private to the company. The quality of the analysis is impacted by this limitation. Future researchers can conduct longitudinal study rather than cross sectional study to track the changes over a period of time. Moreover, conducting research covering a wide array of industries rather than limiting to one industry helps to identify specific trends and challenges related to the digital HR practices and can conduct quantitative research to quantify the relationship between the Digitalized HR practices and the Competitive advantage.

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IMPACT OF CHARACTERISTICS OF SOCIAL MEDIA INFLUENCERS ON CUSTOMERS' COSMETICS PURCHASE INTENTION IN SRI LANKA

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ABSTRACT

The rapid rise of social media as a powerful marketing tool has dramatically influenced consumer behavior, especially in markets where consumers are constantly seeking validation and recommendations from peers. This study explores the impact of social media influencers on customers' purchase intentions in Sri Lanka's cosmetic market. The Theory of Reasoned Action and Social Comparison Theory were used to underpin the research, providing a robust framework for understanding the relationship between influencer characteristics and consumer purchasing behavior. The research focused on four key objectives: (1) examining the impact of expertise attributed to social media influencers on consumers' cosmetic purchase intentions, (2) assessing the role of trustworthiness in shaping these intentions, (3) analyzing the effect of likeability on consumer choices, and (4) investigating how interactivity between influencers and followers influences purchasing decisions.

Through an extensive literature review, four primary characteristics of influencers were identified as significant factors in shaping consumer intentions. Findings suggest that expertise, trustworthiness, and likeability significantly influence consumers' decision-making processes, while interactivity plays a moderating role in enhancing the relationship between influencers and their audiences. The results indicate that consumers in Sri Lanka are highly influenced by the opinions and behaviors of social media influencers, with these factors driving their cosmetic purchase intentions.

This study contributes to the limited body of research on influencer marketing in Sri Lanka, highlighting the importance of influencer characteristics in the context of the Sri Lankan cosmetic market. Marketers can leverage these insights to craft more targeted and effective strategies for engaging with consumers through influencers. The research also underscores the need for further studies to explore the nuances of social media influence in emerging markets like Sri Lanka.

Keywords **Purchase Intension, Social Media Influencers, Expertise, Trustworthiness, Likeability, Interactivity**

1. INTRODUCTION

There's no longer any debate over whether or not to have an online presence, as most customers now regularly spend time online. For most companies, having a web presence is now more of a need than a benefit. However, most businesses confront substantial difficulties when venturing into the internet world (Wang, Wang, & Wang, 2018). It's common knowledge that people exercise discretion when it comes to their habitual behaviors. Each and every day, consumers make countless selections about what to buy (Kotler, 2012). This purchase decision is the result of careful thought given to numerous factors, including wishes and necessities (Alves, Fernandes, & Raposo, 2016). A person's social circle, including their friends, coworkers, and family, can have a significant impact on their purchasing decisions. It has become increasingly obvious in recent years that influential people on social media can have an impact on whether or not a consumer makes a purchase.

There is a continuous need for growth and change in response to the ever-evolving nature of the internet world. The benefits of shifting from conventional to online media advertising have been recognized by several businesses. As a result, businesses began investing more money in influencer marketing and other forms of social media advertising. Linqia showed that in 2017, 86% of marketers engaged in influencer marketing, with 92% finding it effective. The fact that influencer marketing keeps getting more and more popular shows that it's here to stay as a serious element of the marketing mix. Everyone's access to news has shifted since the rise of social media platforms. When it comes to reaching new consumers and informing existing ones, social media platforms are second only to traditional news outlets (Jin, et al., 2019). Before the broad use of social media platforms, businesses relied on more traditional ways to disseminate information about their products, and consumers accepted this information without question. It has always been important for businesses to provide superior products and services, but now that customers can join the dialogue by posting reviews online, it is more crucial than ever. It is estimated that more than half of the world's population is currently using some type of social media (Chetioui, Benlafqih, & Lebdaoui, 2020) making it simple for firms to disseminate information about their products to clients. Customers are less likely to trust companies than they once were and are more likely to trust the opinions of their peers when it comes to evaluating the quality of a company's products and services (Lamberton & Andrew, 2016). Customers want to know what other people think of a product or service before they commit to buying it, so they look for reviews and comments online. Facebook, Instagram, and Twitter, as well as business pages and marketplaces like Taobao, Alibaba, and Amazon, are where customers are most comfortable leaving feedback and posting product evaluations. Such feedback can influence both new customers' purchasing decisions and the opinions of current ones. Djafarova and Rushworth (2017) found that new users are more likely to trust consumer and third-party reviews (Djafarova & Rushworth, 2017).

Influencer marketing is a novel approach that calls for innovative strategies for getting your message out. According to research by Xiao, Wang, & Chan-Olmsted (2018), the influencer marketing model will be distinct from more conventional approaches like celebrity spokesperson campaigns. To be successful with this strategy, brands will need to rethink their approaches to communication and selecting brand influencers (Xiao, Wang, & Chan-Olmsted, 2018). Persuasive communication success should be measured by more than just how far a message travels thanks to an influencer. Selecting the opinion leader who's popular, trustworthy and holds high value can greatly enhance the impact of a message. Therefore advertisers face the challenge of finding an influencer who's not effective but also suitable, for promoting their product (Veirman, Cauberghe, & Hudders, 2017).

The study focuses on the impact of media and the popularity of social media influencers, in the cosmetics industry in Sri Lanka. Social media platforms have become tools for marketing allowing brands to connect with a range of consumers. In this context social media influencers have emerged as figures who strongly influence consumer purchasing decisions. Sri Lanka's cosmetics industry has experienced growth due to changing beauty trends, higher disposable income and increased shopping popularity. With the use of social media platforms consumers are exposed to cosmetic related content such as product reviews, tutorials and endorsements from influencers. These influencers with their following and persuasive abilities have the potential to greatly shape customer attitudes and behaviors towards products (Perera & Sajeewanie 2020). Despite their growing importance in the cosmetics industry in Sri Lanka there is still limited research on the characteristics of influencers that impact customers purchase intentions. It is crucial for brands and marketers to understand these factors in order to effectively utilize influencer marketing strategies and enhance customer engagement and sales (Rathnayake & Lakshika, 2022).

Hence the objective of this research is to fill in the gaps by examining how the qualities of social media influencers affect customers' intention to buy cosmetics in Sri Lanka. By exploring the connection between influencers and customer behavior this study seeks to offer insights into how influencers influence consumer perceptions, preferences and purchasing choices in the market of Sri Lanka.

1.1 Research Objectives

1. To identify the key characteristics of social media influencers that influence customer's cosmetic purchase intention

2. To examine the relationship between social media influencer and customer's cosmetic purchase intention in Sri Lanka

3. To analyze the impact of social media influencer on customer's cosmetic purchase intention in Sri Lanka

4. To provide recommendations and strategies for cosmetic brands and marketers to effectively leverage social media influencer marketing to

enhance customer's purchase intention in the Sri Lankan cosmetic market

1.2 Research Questions

1. What are the key characteristics of social media influencers that have a significant impact on a customer's cosmetic purchase intention in Sri Lanka?

2. How is the relationship between social media influencers and customer's cosmetic purchase intention in the context of Sri Lanka?

3. What is the extent of the impact of social media influencers on customer's cosmetic purchase intention in Sri Lanka?

4. What recommendations and strategies can be suggested to cosmetic brands and marketers in Sri Lanka to effectively utilize social media influencer marketing and enhance customer's purchase intention in the cosmetic market?

2. LITERATURE REVIEW

2.1 Social Media Marketing

As technology on the Internet has progressed we have witnessed the emergence of an intricate and diverse society. In this paradigm the distribution of information has transitioned from a centralized to a model (Ma, Liu, & Chi, 2018). According to a recent study (Xiao et al., 2018), 91% of internet users use social media at least once every day. Social media sites like Facebook, Twitter, and LinkedIn have become integral parts of people's daily life (Ma et al., 2018), as have Sina Weibo, Wechat, and Zhihu, the three most important sites in China. There were several shifts in behaviour after the advent of social media. The advent of social media has altered people's routines and accelerated the rate at which news travels (Ma et al., 2018). Consumers' widespread embrace of social media has made developing a social media strategy and presence an absolute need for modern businesses.

The ever-evolving nature of social media necessitates that users be flexible and responsive at all times. In addition, every business faces its own unique obstacles while developing a social media strategy. Business-to-business (B2B) and business-to-consumer (B2C) sectors have different opportunities and problems for social media marketing (Felix, Rauschnabel, & Hinsch, 2017). It's challenging for businesses in this environment to find a social media strategy that works for both the company and its stakeholders. The social media strategy framework developed by Felix et al. (2017) focuses on four main aspects: social media marketing culture, scope, governance, and structure. Companies can be located anywhere on a four-dimensional scale between two extremes: fully integrated, where social media is seen as an essential component of the business, and strictly restricted, where it is seen as a nuisance (Felix et al., 2017). According to Felix et al. (2017), most businesses pick a middle ground between the extremes on each dimension. When navigating this ever-changing landscape, it is essential for teams to work together across the four dimensions

of social media marketing (Felix, Rauschnabel, & Hinsch, 2017). The proliferation of social media has altered people's routines and the way news travels (Ma, Liu, & Chi, 2018). Due to the pervasive nature of social media and the constant connectivity of today's consumers, businesses must treat social media planning as an integral part of their operations. Even though many marketers are aware that "likes" do not always translate into meaningful outcomes, the research conducted by Vanmeter et al. (2018) shows that many are still operating in the dark and making educated guesses as to what motivates social media behaviour like "liking" and sharing brand-related content.

In reality, social media marketing is too intricate to be handled by a single person or even a single team (Felix, Rauschnabel, & Hinsch, 2017). Furthermore, the results of Vanmeter et al. (2018) imply that as a result, companies and organizations are unable to create efficient plans for boosting significant social media behaviour or determine suitable metrics to gauge performance. Linking to a restaurant's social media page is an example of a token behaviour, whereas recommending the restaurant on one's own social media page is an example of a significant action taken within the context of social media (VanMeter, Syrdal, Powell-Mantel, Grisa, & Nesson, 2018).

Increasing the number of followers on a brand's social media accounts does not guarantee a rise in revenue. Therefore, it is essential for businesses to establish the goals of their social media marketing plan as substantial rather than superficial actions. Marketing managers may identify and target consumers with a stronger attachment to social media in order to increase the likelihood that these individuals would connect with and engage with their brand or organization via social media.

2.2 Influencer Marketing

Social media influencer marketing, as defined by the academic literature (Xiao et al., 2018), is a form of viral marketing in which a popular online figure influences customer opinion using social media platforms including Twitter, Facebook, Instagram, YouTube, and blogs. There is evidence that eWOM, or word-of-mouth advertising, influences consumer behavior more than more conventional forms of marketing (Veirman, Cauberghe, & Hudders, 2017).

Most people will follow the advice of their friends when making a purchase. While consumers have traditionally placed a high value on the recommendations of their peers, the emergence and continued growth of social media has magnified the benefits of peer recommendations by enabling customers to share their thoughts and experiences with a much wider audience. The emergence of influencer marketing is a response to the limitations of traditional advertising methods, such as avoidance and resistance (Veirman et al., 2017), by capitalizing on the benefits of word-of-mouth. With influencer marketing, firms are able to get their messaging over to customers through the eyes and ears of someone they respect or look up to. Opinion leaders, who have disproportionate influence over others, must be identified for eWOM to spread, a fact that has been known for decades (Veirman et al., 2017). Digital opinion leaders or influencers now have the power to sway the beliefs, opinions, and

actions of their followers through their online activities (Veirman, Cauberghe, & Hudders, 2017).

Influencers are content creators who have amassed a sizable following. By blogging or producing other forms of short-form content, they provide their readers a window into their regular lives, experiences, and opinions (e.g., Instagram, SnapChat). To build their audiences, influencers talk about themselves and their opinions on current events. Influencers are easier to relate to than traditional celebrities because they reveal the private, normally inaccessible portions of their lives with their fans and engage with them in person ((Veirman, Cauberghe, & Hudders, 2017).An emotional connection with an influencer is distinct from that with a star. Traditional advertising and the use of a high-profile spokesperson are not always parallel to the influencer marketing approach (Xiao et al., 2018).

Using social media, businesses may find important consumers to support their products and services through their followers (Veirman, Cauberghe, & Hudders, 2017).Finding the right influencer or endorser to help spread your message is a vital part of influencer marketing (Li & Lai, 2014). Finding the right opinion leader or influencer is crucial to the success of any word-of-mouth marketing campaign (Veirman, Cauberghe, & Hudders, 2017).When it comes to influencer marketing, the decision of which influencer to work with may shift the paradigm between message reach and influencer connection. Because a larger number of followers might potentially lead to a wider reach of the (commercial) message, and can thus utilize the power of this particular kind of word-of-mouth at scale, follower counts are often employed nowadays to identify social media influencers (Veirman, Cauberghe, & Hudders, 2017).An opinion leader's influence can grow with the size of their audience, since more people will hear and discuss their ideas (Veirman, Cauberghe, & Hudders, 2017).It is unclear, nevertheless, whether or not consumers take this into account when evaluating a social media influencer, especially in terms of opinion leadership (Veirman, Cauberghe, & Hudders, 2017).In addition, an individual's influence should not be the primary consideration while trying to convey a message. To increase the impact of your message, you should seek out the most likable, trusted influencer who also has high value as an opinion leader (Veirman, Cauberghe, & Hudders, 2017).Therefore, marketers face the challenge of selecting an influencer whose audience is a good fit for the product they're trying to sell (Veirman, Cauberghe, & Hudders, 2017).

Finding influential people to spread the (commercial) message remains a challenge. Consequently, numerous studies were performed to determine the most vital factors for choosing influencers. In order to demonstrate the worth of influencer networks, Li et al. (2017) created a diffusion planning mechanism that considers factors such as the compatibility of the influencer and brand, the viability of the message, the scope of the message's dissemination, and the diffusion channel. To execute the algorithm provided by Ma et al. (2018), the study employed the variables of number of followers, number of posts, level of active days (whether the user logs regularly in the account), and weighting among active and inactive days to determine the most significant nodes in a

social network. The audience's propensity to participate with and disseminate the message is consistent across studies that look at both real and abstract metrics, such as the number of likes. Not only should the message be given, but it should be passed down individually, producing a chain reaction of knowledge. It's crucial to consider not just the clout of the intended buyers, but also that of their networks. There is no use in focusing a marketing effort on the most influential clients if their networks are unable to propagate word of mouth (Roelens, Baecke, & Benoit, 2016).

2.3 Purchase Intention

Wu and Chan (2011) define purchase intention as the probability that a consumer will make a purchase. Researchers in the cosmetics business have applied the term "purchase intention" to describe the ways in which female consumers make known their plans to buy and use the products and services offered by merchants. (Wu & Chan, 2011).

Consumers' decision-making processes and shopping habits have seen tremendous shifts over the past several years, regardless of the items or services in question. Consumers are adapting their lifestyles to reflect their desired personality, which has far-reaching implications for their spending habits (Jaffari & Hunjra, 2017). Wu and Chan's (2011) consumer choice process postulates that shoppers evaluate and think about factors such store type, shopper demographics, prior shopping experiences, and store reputation before settling on a final purchase. Consumers' attitudes, purchase intentions, behaviour, levels of satisfaction, and loyalty are all influenced by these factors (Wu & Chan, 2011).Cautious consumers, for example, use these to guide their purchasing decisions by actively seeking out information pertinent to their purchases, evaluating the quality of the services they receive, and selecting products that align with their self-concept and values. Now that we live in a digital age, customers may go online to shop, talk about their experiences, and read feedback left by other buyers. The cosmetics sector, like many others, has had to adapt to the new reality. Companies in the cosmetics industry are under pressure from rising market size and consumer demand to improve product satisfaction via innovation and a deeper understanding of customer wants and needs (Eze, Tan, & Yeo, 2012). Eze et al. (2012) found that modern customers have a sophisticated understanding of what they need from a product before making a purchase. To ensure the product meets their requirements, they would look it up online. To this end, businesses should be cognizant of the need for an efficient integrated marketing effort to disseminate information about their products, be it through ads or clear labels.

The advent of the internet, however, has also brought about a more open and honest method of interaction between businesses and their customers. If a client develops a favourable impression of a product after using it and finding it satisfying, he or she is more likely to make more purchases and recommend the product to others (Wu & Chan, 2011). This desire develops into a need to tell one's loved ones and pals about the occasion (Wu & Chan, 2011). Ultimately, individuals will be inspired to engage in social commerce when they have faith in the market (Hassan, Iqba, & Khanum, 2018). If the marketplace is able to

earn people's confidence, then we may expect to see widespread adoption of social commerce. Individuals' willingness to purchase online and their views of the risks involved can both benefit from increased trust in the marketplace (Hassan et al., 2018). According to research by Samuel and Chandra (2014), customers' evaluations of their trust in a brand might influence their decisions to buy that brand's items (Semuel & Chandra, 2014).

2.4 Rationalization of the Variables

2.4.1 Expertise on the purchase intention towards cosmetic products

As defined by Kim and Min (2016), "expertise" is "the extent to which a communicator is perceived to have the ability to make a valid assertion about a specific topic". Perceived expertise is formed when a communicator is seen as competent in a certain subject, has relevant experience, or holds a legitimate academic degree such as a doctorate (Kim & Min, 2016). Expertise plays a role in shaping consumers purchasing decisions when it comes to products. According to research, consumers view influencers as sources of information due to their knowledge and credibility in the cosmetics field. Studies have shown that influencers who showcase their expertise through product reviews, demonstrations and beauty tips have an impact on consumers purchasing choices. Consumers tend to trust influencers who possess expertise and are perceived as experienced in the industry. Therefore the level of expertise displayed by an influencer significantly influences consumers' intention to buy products (Xiao, Wang, & Chan-Olmsted, 2018).

2.4.2 Trustworthiness on the purchase intention towards cosmetic products

Trustworthiness plays a role when it comes to influencing consumers' purchase decisions. People tend to trust influencers who they perceive as trustworthy and honest. Studies show that trust, in influencers is built on factors, like transparency, authenticity and credibility. Influencers who openly disclose sponsored content offer reviews. Consistently behave in a reliable manner are able to establish trust with their followers. These trustworthy influencers are seen as sources of information and their recommendations hold sway over consumers' buying decisions particularly when it comes to cosmetic products (Xiao, Wang, & Chan-Olmsted, 2018).

2.4.3 Likeability on the purchase intention towards cosmetic products

The likability factor plays a role in influencing consumers' decision to purchase cosmetic products. When it comes to influencers' likability refers to their reliability, attractiveness and overall appeal. Consumers are more likely to be swayed by influencers they find likable because they feel a connection and see similarities between themselves and the influencer. Research indicates that consumers tend to trust and follow influencers who possess a personality and share content that resonates with them. The likability factor enhances the power of influencers. Has a positive impact on consumers' inclination to buy cosmetic products (Xiao, Wang, & Chan-Olmsted, 2018; Kim & Min, 2016).

2.4.4 Interactivity on the purchase intention towards cosmetic products

The concept of interactivity relates to the extent of involvement and communication, between influencers and their followers. Influencers who actively interact with their audience by leaving comments, giving likes and engaging in communication have an influence, on consumers' inclination to make purchases. Interactivity allows influencers to establish a personal connection with their followers, fostering a sense of trust and loyalty. Research suggests that high levels of interactivity positively influence consumers' engagement with influencers' content and increase their likelihood of purchasing cosmetic products recommended by the influencer (Yoon, 2018). The recipient's interpretation of information is heavily influenced by the relationship between the sender and the receiver. The method and consequences of word of mouth communication are determined by the connections between communication counterparts rather than the arguments themselves (Yoon, 2018). Network analysis studies using early adopters of an idea found that strong ties, strong opinion leaders, and strong connections all contributed to the argument's popularity. As a result, consumer interest in purchasing cosmetics is significantly influenced by interactivity (Xiao, Wang, & Chan-Olmsted, 2018).

2.5 Conceptual Framework

Measurable data, such as the number of likes and follows, are readily available for examination of social media influencers' profiles. In reality, these metrics are often utilized as measures of success and, as a result, are deciding factors in the selection of influencers as brand ambassadors. While price is certainly a component in a consumer's decision to make a purchase, previous studies have shown that other elements, such as expertise, trustworthiness, likeability, and interactivity may play a more significant effect. To determine which social media influencer attributes most strongly predict consumers' propensity to buy cosmetics, the following framework was developed.
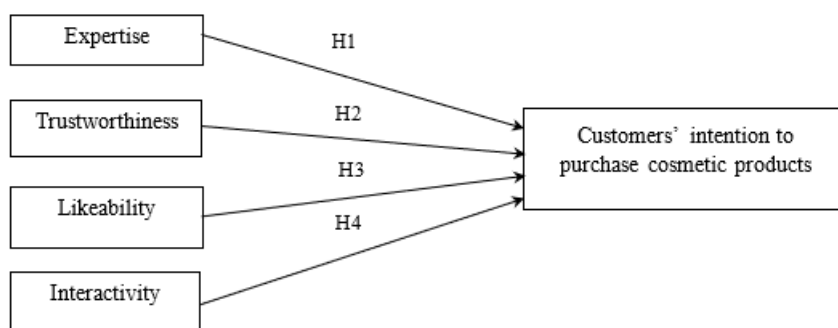

Figure 2.5.1: Research Model

2.6 Hypotheses

The hypotheses were developed based on the theoretical underpinning and factors identified as relevant to the previous studies presented.

H11 – Expertise has significantly correlated with the Purchase Intention towards Cosmetic Products in Sri Lanka

H12 – Trustworthiness has significantly correlated with the Purchase Intention towards Cosmetic Products in Sri Lanka

H13 – Likeability has significantly correlated with the Purchase Intention towards Cosmetic Products in Sri Lanka

H14 – Interactivity has significantly correlated with the Purchase Intention towards Cosmetic Products in Sri Lanka

3. METHODOLOGY

This study aims to explore the influence of social media influencers' characteristics on customers' intention to buy cosmetics in Sri Lanka, using a research methodology that aligns with the topic's nature for reliable results.

3.1 Study Design
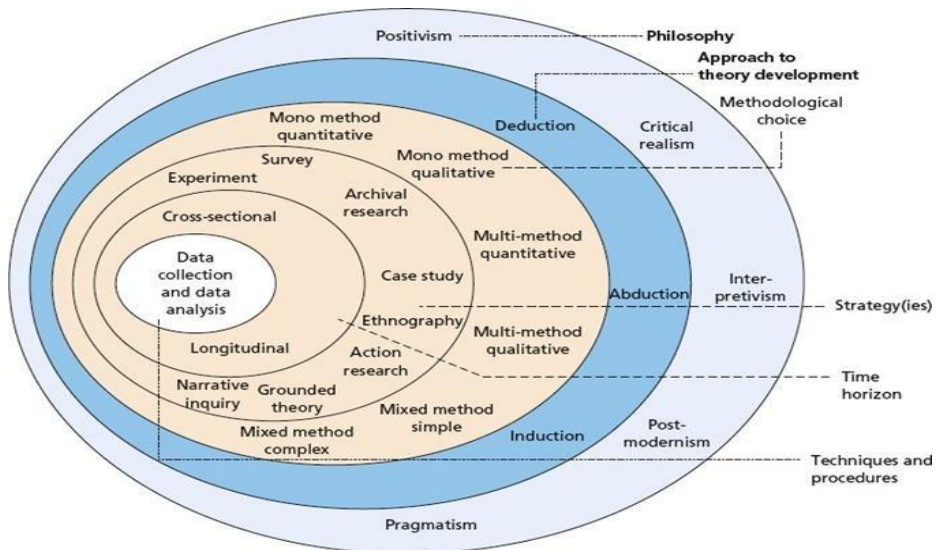
Figure 3.1.1: Research onion

Source: Saunders et al, 2007

3.1.1 Research Philosophy

This study uses positivism as a research philosophy to examine the influence of social media influencers' characteristics on customers' intention to purchase cosmetics in Sri Lanka. Positivism emphasizes objective knowledge discovery and causal relationships between variables (Crowther & Lancaster 2008). The study aims to determine indicators of expertise, trustworthiness, likeability, and interactivity of influencers on customer purchase intentions.

3.1.2 Research Approach

Inductive and deductive research approaches are used to study patterns and generalizations in various fields. Inductive reasoning starts with observations, while deductive reasoning develops hypotheses based on existing theories and uses empirical evidence to confirm or refute them (Tsung, 2016). This study aims to use inductive reasoning to enhance understanding and generalize findings to a larger population, specifically in Sri Lanka.

3.1.3 Research Strategy

The study uses a quantitative research approach to analyze data from Sri Lankan customers, using questionnaires to assess social media influencer attributes and their intention to purchase cosmetics, providing measurable insights.

3.1.4 Methodological Choice

This study will use survey research, a method of gathering data from a group of participants through the distribution of questionnaires or surveys.

3.1.5 Time Horizon

The study's timeframe is cross sectional meaning it focuses on a point, in time or a short period. In this research data was collected from customers in Sri Lanka at a moment to investigate how the characteristics of social media influencers affect customers' intention to purchase cosmetic products.

3.2 Population, Sample & Sampling Technique

3.2.1 Population

The study examines Sri Lankan customers, spanning various age groups, genders, and socioeconomic backgrounds, who are influenced by social media influencers when purchasing cosmetic products.

3.2.2 Sample

The sheer size and variety of the population makes it difficult to reliably sample everyone. The quantity of survey replies has an effect on the reliability and originality of study results. Having a sufficient sample size is crucial for ensuring accurate findings. Research sample sizes can be calculated using a variety of methods. Five respondents are recommended for each variable or item being measured, as stated by Hair et al. (2017). The 10:1 sample size to subject ratio is the most common and widely accepted method. Researchers like Schreiber et al. (2006) recommend using at least ten people for each criterion to assure reliability (Schreiber, Nora, Stage, & Barlow, 2006). In the case of multivariate analysis, the sample size should ideally be several times larger (preferably ten or more times) than the number of variables, as advised by Roscoe (1975) as a general guideline. In this study, the sample selection method developed by Hair et al. (2017) has been employed (Hair Jr, Matthews, & Matthews, 2017).

(Number of indicators + number of latent variables) × (estimated parameters)

Based on the above equation the minimum sample size for this study is:

Minimum Sample = (20 + 5) × 5 = 125 respondents

3.2.3 Sampling Technique

Researchers need to understand the significance, scope, and context of their research to determine a sample size and select appropriate analysis tools. Convenience sampling is used in this study, as it allows for efficient data collection within time and resource constraints (Baig & Shahzad, 2022) . This method allows for generalizability of findings to a broader population of customers in Sri Lanka exposed to social media influencers and interested in cosmetic products.

3.3 Operationalization

Table 3.3.1: Operationalization Table

Variable	Indicators	References	Measurement
Expertise	Industry Knowledge Product Recommendations Demonstrated Skillset Industry Recognition	(Xiao, Wang, & Chan-Olmsted, 2018)	Q2.1.1- Q2.1.4
Trustworthiness	Authenticity Creditability Transparency Customer Feedback	(Xiao, Wang, & Chan-Olmsted, 2018)	Q2.2.1- Q2.2.4
Likeability	Related to the audience Personality Attractiveness Engaging Content	(Xiao, Wang, & Chan-Olmsted, 2018; Kim & Min, 2016)	Q2.3.1- Q2.3.4
Interactivity	Responsiveness Collaborative Engagement Live Streaming and Q&A Sessions Surveys	(Yoon, 2018; Veirman, Cauberghe, & Hudders, 2017)	Q2.4.1- Q2.4.4
Purchase Intention towards Cosmetic Products	Attitude towards Cosmetic Products Intention to Purchase Perceived Value Purchase Decision-Making	(Xiao, Wang, & Chan-Olmsted, 2018; Ma, Liu, & Chi, 2018)	Q2.5.1- Q2.5.4

3.4 Data Collection Method

This study collected data from Sri Lankan customers interested in cosmetic products exposed to social media influencers. A questionnaire survey was conducted to understand their perceptions of social media influencers, including trustworthiness, expertise, likability, interactivity, and intention to purchase. The survey included 25 questions spread across three sections, with a five-point Likert scale for agreement. The percentage of respondents who agreed with each question was calculated.

Section 1	Demographic Variables	05 Questions
Section 2	Expertise	04 Questions
	Trustworthiness	04 Questions
	Likeability	04 Questions
	Interactivity	04 Questions
Section 3	Purchase Intention towards Cosmetic Products	04 Questions

Source: Author

Inclusion criteria for selecting participants in this study are as follows:

1. Age: Participants must be adults aged 18 years or older.

2. Gender: Participants of all genders are eligible to participate.

3. Social Media Usage: Participants should actively use at least one social media platform (e.g., Facebook, Instagram, TikTok, etc.).

4. Following Social Media Influencers: Participants must follow at least one social media influencer on the chosen platform.

5. Consent: Participants should provide informed consent to participate in the study.

6. Availability: Participants should be available to complete the survey or engage in the research activities within the designated time frame.

The study focuses on the influence and impact of social media influencers by selecting participants who actively engage with them on media. The survey asks respondents if they follow at least one influencer, ensuring only those who meet the inclusion criteria complete the questionnaire.

3.5 Measuring Scales

The researcher conducted a small survey to assess the accuracy and validity of a questionnaire involving 20 women who follow a cosmetic influencer on Facebook in Sri Lanka. The study aimed to understand how female Facebook users perceive and experience the identified factors.

4. RESULTS & DISCUSSION

The Cronbach's Alpha Values of all the variables included in the study are higher than 0.7, which indicates that the items in the scale are closely related and are reliably measuring the intended construct (Sekaran & Bougie, 2016)

Reliability Statistics

Cronbach's Alpha	N of Items
.923	5

Source: Author

Table 4. 1: Summary Table of the Reliability of Variables

The Variable	Cronbach's Alpha	Reliability	Conclusion
Purchase Intention towards Cosmetic Products	.861	.861>0.7	Reliable
Expertise	.926	.926>0.7	Reliable
Trustworthiness	.956	.956>0.7	Reliable
Likeability	.901	.901>0.7	Reliable
Interactivity	. 980	980>0.7	Reliable

Source: Author

Table 4.2: Descriptive Statistics

		Expertise	Trustworthiness	Likeability	Interactivity	Purchase Intention towards Cosmetic Products
N	Valid	125	125	125	125	125
	Missing	0	0	0	0	0
Mean		3.8075	3.8775	3.8875	3.875	3.8725
Median		3.75	3.75	4	3.75	3.75
Mode		3.75	4	4	3.75	3.75
Std. Deviation		0.41871	0.43301	0.41496	0.37856	0.42417
Minimum		2.75	2.75	2.75	3	2.5
Maximum		4.75	4.75	4.75	4.75	4.75

The table 4.1 presents descriptive statistics for five variables: Expertise, Trustworthiness, Likeability, Interactivity, and Purchase Intention towards Cosmetic Products, based on data from 125 respondents with no missing values. On average, respondents scored these variables around 3.75 to 3.90, with slightly higher values for Likeability. The most common value (mode) for all variables is 3.75. Standard deviation values indicate relatively tight clustering of responses around the mean, ranging from 0.37856 to 0.43301. Minimum and maximum values show that responses vary within a range of 2.75 to 4.75.

Table 4.3: Demographic Characteristics Analysis

Characteristics	Results	Percentage
Gender	Male	60.8%
	Female	39.2%
Age Category	18-24 years	14.4%
	25-34 years	44.8%
	35-44 years	20.0%
	45-54 years	17.6%
	55 and above	3.2%
Education Level	High School or Equivalent	44.0%
	Bachelor's Degree	20.0%
	Master's Degree or Higher	31.2%
	Prefer not to say	4.8%

Occupation	Student	20.0%
	Employed (Full-time)	28.8%
	Employed (Part-time)	32.8%
	Self-employed / Entrepreneur	15.2%
	Unemployed	3.2%
Do you currently use cosmetic products?	Yes	75.2%
	No	24.8%
How frequently do you purchase cosmetic products?	Very frequently (several times a month)	19.2%
	Frequently (once a month)	30.4%
	Occasionally (a few times a year)	28.0%
	Rarely (once a year or less)	20.0%
	Never	2.4%
How often do you follow social media influencers for beauty and cosmetic related content	Daily	17.6%
	Several times a week	56.8%
	Once a week	22.4%
	Occasionally	3.2%

Table 4.4: Correlation of Expertise

		Expertise	Purchase Intention towards Cosmetic Products
Expertise	Pearson Correlation	1	.876
	Sig. (2-tailed)		.000
	N	125	125
Purchase Intention towards Cosmetic Products	Pearson Correlation	.876	1
	Sig. (2-tailed)	.000	
	N	125	125

Source: Author

Table 4.5: Correlation of Trustworthiness

		Trustworthiness	Purchase Intention towards Cosmetic Products
Trustworthiness	Pearson Correlation	1	.758
	Sig. (2-tailed)		.000
	N	125	125
Purchase Intention towards Cosmetic Products	Pearson Correlation	.758	1
	Sig. (2-tailed)	.000	
	N	125	125

Source: Author

Table 4.6: Correlation of Likeability

		Likeability	Purchase Intention towards Cosmetic Products
Likeability	Pearson Correlation	1	.978
	Sig. (2-tailed)		.000
	N	125	125
Purchase Intention towards Cosmetic Products	Pearson Correlation	.978	1
	Sig. (2-tailed)	.000	
	N	125	125

Source: Author

Table 4.7: Correlation of Interactivity

		Interactivity	Purchase Intention towards Cosmetic Products
Interactivity	Pearson Correlation	1	.897
	Sig. (2-tailed)		.000
	N	125	125
Purchase Intention towards Cosmetic Products	Pearson Correlation	.897	1
	Sig. (2-tailed)	.000	
	N	125	125

Source: Author

Table 4.8: Multiple Regression Analysis: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.163	1.168		4.420	.000
	Expertise	.054	.107	.054	3.507	.003
	Trustworthiness	.020	.110	.021	6.184	.004
	Likeability	.082	.123	.081	3.670	.044
	Interactivity	.217	.126	.194	7.725	.008

a. Dependent Variable: Purchase Intension Towards Cosmetic Products

The t-values and significance levels for each predictor (Expertise, Trustworthiness, Likeability, and Interactivity) demonstrate their statistical significance in predicting "Purchase Intention towards Cosmetic Products." Trustworthiness and Interactivity stand out as strong predictors with higher t-values, indicating their notable influence on purchase intention. Likeability, while statistically significant, appears to have a comparatively weaker impact. In summary, all predictors play a significant role in predicting purchase intention, with Trustworthiness and Interactivity being particularly influential. The mention of "Demographic Analysis" hints at further data exploration based on demographic factors, although specific details are not provided.

Table 4.9: Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.894a	.838	.003	.42477	2.061

a. Predictors: (Constant), Interactivity, Trustworthiness, Expertise, Likeability

b. Dependent Variable: Purchase Intention towards Cosmetic Products

The multiple correlation coefficient (R value) for this model is 0.894, indicating a strong positive linear association between the dependent variable (Purchase Intention towards Cosmetic Products) and the combined predictors (Interactivity, Trustworthiness, Expertise, and Likeability). This R value of 0.894 signifies a significant and substantial linear relationship between the variables.

Table 4.10: Anova Table

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.671	4	.168	56.929	.000b
	Residual	17.141	95	.180		
	Total	17.812	99			

a. Dependent Variable: Purchase Intention towards Cosmetic Products
b. Predictors: (Constant), Interactivity, Trustworthiness, Expertise, Likeability

The F-statistic with a value of 56.929 signifies the significance of the regression model, indicating its ability to account for the dependent variable's variability. The significance (Sig.) value, or P value, further confirms the model's statistical significance when predicting "Purchase Intention towards Cosmetic Products" based on predictors (Interactivity, Trustworthiness, Expertise, and Likeability). With a very low P-value, the model is considered highly significant.

4.1 ACHIEVEMENT OF THE OBJECTIVES

OBJECTIVE 01

The research identifies key characteristics of social media influencers that influence customers' cosmetic purchase intentions. These include perceived expertise, trustworthiness, likeability, and interactivity. Expertise is crucial, as it influences consumer decisions. Trustworthiness is essential, as it promotes open communication. Likeability is also important, as it helps influence consumer decisions. Interactivity increases influencers' persuasiveness. This study combines literature review results to understand the influence of influencers in the cosmetics industry.

OBJECTIVE 02

The study investigated the relationship between social media influencers and Sri Lankan consumers' cosmetics purchase intentions. It found that knowledgeable, competent influencers positively impact consumers' intentions, as they are perceived as authorities. However, the study also found a strong correlation between likeability and purchase intentions, but refuted this by showing a substantial correlation between purchase intentions and interaction. The study emphasizes the importance of authenticity and honesty in influencer marketing.

OBJECTIVE 03

The study reveals a strong positive relationship between social media influencers and cosmetic purchase intention in Sri Lanka. Expertise, trustworthiness, likeability, and interactivity are key factors in influencing consumer behavior. Influencers with greater expertise in cosmetics are more likely to drive higher purchase intentions. Trustworthiness and likeability also play a significant role in influencing purchasing decisions. Active engagement between influencers and their audience also significantly influences purchase intentions.

OBJECTIVE 04

The research provides actionable recommendations for cosmetic brands and marketers in Sri Lanka to effectively utilize social media influencer marketing, identifying expertise, trustworthiness, likeability, and interactivity as key predictors of cosmetic purchase intentions.

5. CONCLUSION

The study examines the connection between Sri Lankan consumers' intentions to purchase cosmetics and the attributes of social media influencers. It provides an overview of the main conclusions drawn about how consumer decisions are influenced by influencer attributes such as knowledge, reliability, likeability, and interaction. Expertise and reliability stand out as critical components, but likeability and interaction also have a big impact on judgments about what to buy. The study addresses the consequences for academics and industry, outlining potential avenues for future research that include qualitative research, cross-cultural analysis, longitudinal studies, influencer selection models, and studies of emerging markets.

This study offers a platform for further scholarly research on influencer marketing by creating a theoretical framework. The study's conclusions have consequences for firms, particularly those engaged in Sri Lanka's cosmetics industry, from a practical standpoint. This thorough analysis offers insightful information on the influencer marketing industry. Marketing strategy can be influenced by an understanding of the factors that social media influencers use to affect consumers' desire to buy. Sales may ultimately increase as a result of more successful influencer marketing campaigns. The survey also emphasizes how crucial honesty and sincerity are in influencer marketing. Authenticity in influencer partnerships can promote long-term client retention and favorable word-of-mouth.

The major limitation of the study is that the findings may not be directly applicable to other industries or markets outside the cosmetic sector or other geographical contexts. Generalizing the results should be done cautiously. Since the study relies on self-reported data obtained through surveys and questionnaires, which may be subject to response biases and social desirability effects. Also, it is important to note that this sample may not fully represent the diverse population of cosmetics consumers in the country. The results could be influenced by factors such as demographics, socioeconomic status and personal preferences of the participants who were selected. Further, the study's focus on influencer characteristics might limit our understanding of all the factors contributing to customers' intentions when buying cosmetics and other crucial factors like cultural influences, brand reputation and product attributes.

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