

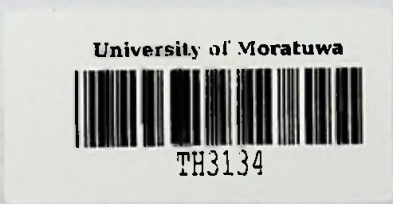
FACTORS AFFECTING ADOPTION OF E-TRADING PRACTICES BY SRI LANKAN STOCK MARKET INDUSTRY

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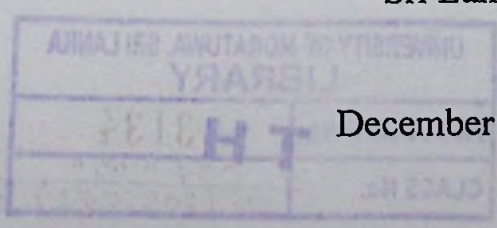
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This is submitted in partial fulfillment of the requirements for the degree Master of Business Administration in Information Technology



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DECLARATION

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The above candidate has carried out research for the Master's Thesis Dissertation under my supervision.

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ABSTRACT

Information technology and e-commerce based activities are popular in the contemporary world. Interest in applying e-commerce to the various aspects of business activities are increasing in the Sri Lankan context. In 2004 the introduction of e-commerce to the Sri Lankan stock market took place by introducing the e-trading practices, the Internet based stock trading activities. Since then, as an industry, e-trading practices have been improving gradually with the participation of investors and stock brokering firms. The study focused on analyzing the current situation of the e-trading practices and finding the significant factors that affect the adoption of e-trading practices from the perspectives of Internet stock trading investors and stock brokering firms. The analysis was carried out by using qualitative and quantitative methodologies.

In order to find the adoption factors from the investor perspective, it used 3 factors extracted from the well known technology adoption based theories known as theory of planned behavior (TPB) and technology acceptance model (TAM). These 3 factors were: (1) Attitude, extracted from TPB, (2) subjective norms, extracted from TPB and (3) perceived ease of use, extracted from TAM. It was found that both theories in common pointed out that the above factors directly affected the behavioral intention and encouraged individuals to adopt the technology. Apart from the above three variables that affected the behavioral intention, the researcher picked up perceived benefit and perceived trust from the past empirical studies. According to the past empirical research findings, the researcher was able to identify five factors that may affect the adoption of e-trading practices of broker companies namely, organizational readiness, relative advantage, demand, network readiness and regulations. Based on the 380 questionnaire responses collected from the Internet based stock trading investors, it was revealed that all five variables significantly affected the adoption of e-trading practices of individual investors. The 26 questionnaire responses collected from the Internet trading stock brokering firms reflected the fact that out of the above five factors organizational readiness and demand were significant for the adoption of e-trading practices by stock brokering firms.

Findings of this study results show that authorities should encourage Internet stock trading by enabling brokering firms to adopt e-trading practices as much as possible which will then attract more and more investors to participate in stock trading which will finally be helpful for the betterment of the industry and as well as for the betterment of the country as a whole.

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TABLE OF CONTENTS

| | |
|--|------|
| DECLARATION | i |
| ABSTRACT..... | ii |
| ACKNOWLEDGEMENT | iii |
| TABLE OF CONTENTS..... | iv |
| LIST OF FIGURES | vii |
| LIST OF TABLES..... | viii |
| LIST OF ABBREVIATIONS..... | x |
| CHAPTER 1 – INTRODUCTION..... | 1 |
| 1.1 Background of the Study | 1 |
| 1.2 E-Trading Practices | 2 |
| 1.3 Significance of the Study..... | 3 |
| 1.4 Research Questions..... | 4 |
| 1.5 Objectives of the Research | 5 |
| 1.6 Research Scope..... | 6 |
| 1.7 Thesis Outline..... | 6 |
| CHAPTER 2 – LITERATURE REVIEW | 8 |
| 2.1 Introduction..... | 8 |
| 2.2 The Stock Market | 8 |
| 2.2.1 Brief history of the stock market | 9 |
| 2.2.2 Brief history of Sri Lankan stock market | 9 |
| 2.2.3 Nature of the stock market & stock trading..... | 10 |
| 2.2.4 The efficient market hypothesis (EMH)..... | 12 |
| 2.3 E-Commerce & Online Trading | 13 |
| 2.3.1 Internet stock trading | 14 |
| 2.4 Theories Applicable for Adoption of E-Commerce | 15 |
| 2.4.1 Technology acceptance model (TAM)..... | 15 |
| 2.4.2 Theory of planned behavior (TPB)..... | 16 |
| 2.5 Adoption of E-Commerce (EC)..... | 18 |
| 2.5.1 Adoption of E-Commerce - individual level | 19 |
| 2.5.2 Adoption of E-Commerce - firm level | 23 |

| | |
|--|----|
| 2.5.3 Adoption of Internet stock trading – investor level | 27 |
| 2.5.4 Adoption of Internet stock trading – stock brokering firms level | 33 |
| 2.6 Literature Summary | 35 |
| CHAPTER 3 - RESEARCH METHODOLOGY AND DESIGN..... | 37 |
| 3.1 Introduction..... | 37 |
| 3.2 Research Methodology | 37 |
| 3.3 Population, Sample Selection and Sample Size | 38 |
| 3.4 Theoretical Framework..... | 38 |
| 3.5 Conceptual Framework..... | 40 |
| 3.5.1 E-Trading adoption factors - individual investor perspective | 41 |
| 3.5.2 Pair Wise Analysis - Individual Investor Perspective | 44 |
| 3.5.3 E-Trading adoption factors - stock brokering firms perspective..... | 46 |
| 3.5.4 Pair wise analysis - stock brokering firms perspective..... | 48 |
| 3.6 Measurement and Measures | 49 |
| 3.7 Research Hypothesis..... | 52 |
| 3.7.1 Hypothesis for stock trading investors' perspective..... | 52 |
| 3.7.2 Hypothesis for stock brokering firms' perspective..... | 54 |
| 3.8 Conceptualization | 56 |
| 3.9 Preliminary Data Collection | 56 |
| 3.10 Method of Data Collection | 57 |
| CHAPTER 4 - DATA ANALYSIS AND RESULTS | 58 |
| 4.1 Introduction..... | 58 |
| 4.2 Rules of Coding | 58 |
| 4.3 Reliability and Validity of the Data Set..... | 60 |
| 4.3.1 Reliability and validity – investor's data set | 60 |
| 4.3.2 Reliability and validity – broker firm's data set..... | 62 |
| 4.4 Data distribution | 64 |
| 4.4.1 Data distribution – investor perspective | 65 |
| 4.4.2 Data distribution – broker perspective..... | 69 |
| 4.5 Findings related to objective-1 | 74 |
| 4.5.1 Analyzing the trend of Internet stock trading..... | 74 |
| 4.5.2 Analyzing the current situation of E-trading practices | 79 |

| | |
|--|-----|
| 4.6 Findings related to objective-2 | 87 |
| 4.6.1 Significance test for investor perspective | 87 |
| 4.6.2 Significance test for stock brokering firms' perspective | 93 |
| 4.7 Summary of hypothesis testing..... | 97 |
| CHAPTER 5 - CONCLUSIONS AND RECOMMENDATIONS..... | 99 |
| 5.1 Introduction..... | 99 |
| 5.2 Conclusions..... | 99 |
| 5.2.1 Trend of Internet stock trading | 100 |
| 5.2.2 Current situation of E-trading practices..... | 102 |
| 5.2.3 Significant factors influencing adoption of E-Trading practices of investor perspective | 104 |
| 5.2.4 Significant factors influencing adoption of E-Trading practices of stock brokering firms' perspective | 107 |
| 5.3 Recommendations..... | 109 |
| 5.3.1 Recommendations for investors | 109 |
| 5.3.2 Recommendations for stock broker firms | 110 |
| 5.3.3 Recommendations for authorities | 112 |
| 5.4 Limitations of the study | 113 |
| 5.5 Future Directions | 113 |
| REFERENCES | 115 |
| GLOSSARY OF ITEMS | 120 |
| APPENDICES | 121 |
| Appendix A – Questionnaire for Investors..... | 121 |
| Appendix B – Questionnaire for Stock Brokering Firms | 125 |
| Appendix C – Rules of Coding – Investors..... | 129 |
| Appendix D – Rules of Coding – Stock Brokering Firms..... | 132 |
| Appendix E – Stock brokering companies | 134 |

LIST OF FIGURES

| | |
|--|----|
| Figure 1.1: Internet & email Growth rate of Sri Lanka | 4 |
| Figure 2.1: Technology Acceptance Model..... | 15 |
| Figure 2.2: Theory of planned behavior | 17 |
| Figure 3.1: Research methodology | 37 |
| Figure 3.2: Conceptual framework | 40 |
| Figure 3.3: E-Trading adoption factors - investors..... | 42 |
| Figure 3.4: Investor Perspective – Pair 1 | 45 |
| Figure 3.5: Investor perspective – Pair 2 | 46 |
| Figure 3.6: E-Trading adoption factors – stock brokering firms | 46 |
| Figure 3.7: Pair wise analysis - stock brokering firm perspective..... | 49 |
| Figure 4.1: Trend of Internet turnover – 2008 to 2012 | 76 |
| Figure 4.2: Trend of internet trades – 2008 to 2012 | 78 |
| Figure 4.3: Trend of Internet trading investors – 2008 to 2012..... | 79 |
| Figure 4.4: Investor - sample demographics - gender | 80 |
| Figure 4.5: Investor - sample demographics – age | 81 |
| Figure 4.6: Investor - sample demographics – trading experience | 82 |
| Figure 4.7: Investor - sample demographics – trading pattern | 83 |
| Figure 4.8: Investor - interest level | 84 |
| Figure 4.9: Broker firms - Internet trading years..... | 86 |

LIST OF TABLES

| | |
|---|----|
| Table 3.1: Sample selection and sample size..... | 38 |
| Table 3.2: Investor Perspective – Pair 1 | 45 |
| Table 3.3: Investor Perspective – Pair 2 | 46 |
| Table 3.4: Pair Wise Analysis - Stock Brokering Firm Perspective..... | 49 |
| Table 3.5: Variable table..... | 50 |
| Table 4.1: Rules of coding..... | 59 |
| Table 4.2: Overall reliability analysis - investors | 60 |
| Table 4.3: Cronbachs’ Alpha for attitude | 61 |
| Table 4.4: Item’s reliability of attitude | 61 |
| Table 4.5: Cronbachs’ Alpha for intention to use E-Trading practices | 61 |
| Table 4.6: Item’s reliability of intention to use E-Trading practices..... | 61 |
| Table 4.7: Variables reliability analysis – Investors..... | 62 |
| Table 4.8: Overall factors reliability analysis – stock broker firms..... | 62 |
| Table 4.9: Cronbachs’ Alpha for organizational readiness..... | 63 |
| Table 4.10: Item’s reliability of organizational readiness | 63 |
| Table 4.11: Cronbachs’ Alpha for relative advantage | 63 |
| Table 4.12: Item’s reliability of relative advantage | 64 |
| Table 4.13: Variables reliability analysis – brokering firms | 64 |
| Table 4.14: Investor – Descriptive statistics of the variables | 65 |
| Table 4.15: Investor – Descriptive statistics for attitude | 66 |
| Table 4.16: Investor – Descriptive statistics for perceived ease of use | 66 |
| Table 4.17: Investor – Descriptive statistics for social influence | 67 |
| Table 4.18: Investor – Descriptive statistics for perceived benefits..... | 67 |
| Table 4.19: Investor – Descriptive statistics for perceived trust..... | 68 |
| Table 4.20: Investor – Descriptive statistics for intention to use e-trading | 68 |
| Table 4.21: Investor – Descriptive statistics for adoption of E-Trading practices by investors | 69 |
| Table 4.22: Broker – Descriptive statistics of the variables | 69 |
| Table 4.23: Broker – descriptive statistics for organizational readiness | 70 |
| Table 4.24: Broker – descriptive statistics for relative advantage | 71 |

| | |
|---|----|
| Table 4.25: Broker – Descriptive statistics for demand..... | 71 |
| Table 4.26: Broker – descriptive statistics for network readiness | 72 |
| Table 4.27: Broker – descriptive statistics for regulations | 73 |
| Table 4.28: Broker – Descriptive statistics for adoption to E-Trading practices | 73 |
| Table 4.29: Turnover - 2008 to 2012..... | 76 |
| Table 4.30: Trades - 2008 to 2012..... | 77 |
| Table 4.31: Investors – 2008 to 2012 | 79 |
| Table 4.32: Investor - sample demographics – gender | 80 |
| Table 4.33: Investor - sample demographics - age | 81 |
| Table 4.34: Investor - Sample demographics – trading experience..... | 82 |
| Table 4.35: Investor - Sample demographics – Trading Pattern | 83 |
| Table 4.36: Investor - interest level | 84 |
| Table 4.37: Broker- Demographics | 85 |
| Table 4.38: Correlation between attitude and intention..... | 88 |
| Table 4.39: Correlation between perceived ease of use and intention..... | 89 |
| Table 4.40: Correlation between social influence and intention | 90 |
| Table 4.41: Correlation between perceived benefit and intention..... | 90 |
| Table 4.42: Correlation between perceived trust and intention..... | 91 |
| Table 4.43: Correlation between intention and adoption..... | 92 |
| Table 4.44: Correlation between organizational readiness and adoption..... | 93 |
| Table 4.45: Correlation between relative advantage and adoption..... | 94 |
| Table 4.46: Correlation between demand and adoption | 95 |
| Table 4.47: Correlation between network readiness and adoption..... | 96 |
| Table 4.48: Correlation between regulations and adoption | 97 |
| Table 4.49: Summary of hypotheses..... | 98 |

LIST OF ABBREVIATIONS

| Abbreviation | Description |
|---------------------|---|
| CDS | Central Depository System |
| CSBA | Colombo Share Brokers Association |
| CSE | Colombo Stock Exchange |
| DPTB | Decomposed Theory of Planned Behavior |
| EC | Electronic Commerce |
| EDI | Electronic Data Interchange |
| EMH | Efficient Market Hypothesis |
| ICT | Information and Communication Technology |
| ISE | International Securities Exchange |
| IT | Information Technology |
| LKR | Sri Lankan Rupees |
| SEC | Securities and Exchange Commission |
| SEHK | Stock Exchange of Hong Kong |
| SME | Small and Medium sized Enterprises |
| SMS | Short Message Service |
| TAM | Technology Acceptance Model |
| TOE | Technology Organization Environment |
| TPB | Theory of Planned Behavior |
| TRA | Theory of Reasoned Action |
| TRCSL | Telecommunications Regulatory Commission of Sri Lanka |
| UK | United Kingdom |
| US | United States |
| VAM | Value-based Adoption Model |