

## **ICT Usage, Bounded Rationality and Business Performance: An Empirical Investigation of SMEs in Sri Lanka**

R.V.S.P.K. Ranatunga<sup>1\*</sup>, H.M.S. Priyanath<sup>2</sup>, and R.G.N. Megama<sup>3</sup>

<sup>1</sup>*Faculty of Graduate Studies, Sabaragamuwa University of Sri Lanka, Belihuloya, Sri Lanka*

<sup>2</sup>*Department of Economics and Statistics, Sabaragamuwa University of Sri Lanka, Belihuloya, Sri Lanka*

<sup>3</sup>*Faculty of Applied Sciences, University of Sri Jayewardenepura, Sri Lanka*

\**spkr@ccs.sab.ac.lk*

In the present knowledge economy, SMEs have the possibility to access sufficient information through Information and Communication Technology (ICT). Consequently, ICT leads to increase the rationality and safeguard their transaction from opportunism and thereby improve their Business Performance (BP). Nevertheless, empirical evidence on how the use of ICT makes effects on bounded rationality and thereby BP of SMEs do not appear in the past literature. Therefore, this study intended to explore the effect of ICT usage on BR and BP of SMEs in Sri Lanka. The deductive approach has been utilized to establish the conceptual research model based on ICT, BR, and BP which generates working hypotheses and tested those applying the quantitative method. Survey method employed to collect data from the selected sample of 400 manufacturing SMEs from 81,531 SMEs in Sri Lanka by applying the Inverse Square Root Method. Pre tested structural questions used for data collection having face to face interviews. Partial Least Square - Structural Equation Modelling (PLS-SEM) utilized to analyse the data by using Smart PLS V3. The results discovered ICT usage has a negative impact on BR and a positive effect on the BP of SMEs in Sri Lanka. Consequently, BR has a mediating effect on the relationship between ICT usage and the BP of SMEs. Thus, the study recognizes that ICT usage makes an avenue to eliminate the information asymmetry and reduce the BR thereby increases the BP of SMEs in Sri Lanka. The study strongly recommends SMEs to reinforce the usage of ICT especially, mobile technology with applications that plays a dominant role to enhance performance. Finally, the study provides useful insight into the role of ICT on the BP of SMEs by minimizing BR as a novel perspective.

**Keywords:** *Bounded rationality, Business performance, ICT usage, SMEs*