

# Propensity Adoption of Digital Technology Among Small Medium Enterprises in The Tourism Industry

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## Abstract

Tourism involves people visiting countries or locations outside of the natural environment for personal or business reasons that encompasses products and services. Thus, these days the tourism industry has developed with innovation with an advancement of data and computerized correspondence innovations. This study meantly to identify the factors that influence technology adoption among SMEs in tourism industry. Data were collected using a structured questionnaire that was sent by email to SMEs in the tourism industry in Kelantan, Malaysia. Participants were selected using a convenience sampling technique. A total of 122 responses were analyzed. SmartPLS version 3.2.8 was used for the analysis. Based on the result, it's shown that Effort Expectancy, performance expectancy, and social influence had a positive influence on the intention to use digital technology among SMEs in the tourism industry. There is a positive relationship between intention to use and the adoption of digital technology among tourism SMEs. This study also confirms the mediating role of intention to use on the relationship between effort expectancy, performance expectancy, and social influence on the adoption of digital technology among tourism SMEs in Kelantan. Additionally, the limitation of this study can be used as a reference to produce a better study. Thus, this study may become a reference for those in the industry, especially in the tourism industry to consider performance expectancy, effort expectancy, social influence, and behavioral intention on the adoption of digital technology in their business to gain more profit.

Keywords: *Digital Technology, Tourism, Small medium enterprise, UTAUT model.*

## 1 Introduction

The rapid development of technology has changed the landscape of most industry players in the country. A world without borders and everything at your fingertips is the most appropriate phrase for the purpose of digital application of technology in everyday life. Attaran (2017), as the corporate world becomes more competitive, information technology makes cooperation among remote workers simpler than ever. Organizations can monitor the external operational environment by establishing links between suppliers, distributors, and customers via a centralised location using web-based software. This would encourage coordination across those variables and allow companies to monitor their constantly changing environment. Technology adoption is critical for assisting enterprises. Most adaptation techniques require some sort of technology, which in the widest sense encompasses not just materials and equipment but also many types of knowledge (Chigozie et al. 2016). Jasimuddin et al. (2017), The creation of new applications and services has resulted from the progress of information and communication technologies (ICT), particularly the fast changes in digital technology. In modern knowledge-based culture, the effect of such technology is so broad that successful organisations, whether private or public, have experienced a "digital business transformation."

Law et al (2018), since their introduction in the early 1990s, information and communication technologies (ICTs) have had a significant impact on the hospitality and tourism industries. Websites, social media, and mobile technologies have had the greatest influence on ICTs, as they are significant means via which industry practitioners may reach their clients. Mobile technologies, such as smartphones, tablets, and mobile applications (apps), which combine the benefits of mobility and ICTs, have become the major devices for users to access the Internet and, as a result, have become an important part of consumers' everyday life. As a result of the tourism industry's digitization, so-called digital tourism is growing increasingly popular. Tourism is characterised by the use of various digital innovations (open source systems, platform technology, cloud computing, ultra-fast and efficient search engines, crowdsourcing, crowdfunding, big data, smartphones, and other devices based on wireline and wireless network infrastructure) that enable organisations in this sector to more easily and completely meet the needs of their customers (Simić 2020).

Tourism is dominated by SMEs in emerging nations, and its importance for employment and economic growth has been noted to rise over the previous 40 years. Access to finance remains a key problem for small tourist firms (as it does for other small businesses), particularly in emerging nations. There is a large body of research for small businesses that investigates the contribution of small businesses in general and suggests that access to capital limits their potential all over the world. Tourism businesses in emerging nations confront significant hurdles as a result of an undeveloped financial environment and marketplaces (Hussain et al 2020).

Chigozie et al (2016) explained that technology is a driving force behind the expansion of small and medium-sized businesses (SMEs). Since the industrial revolution, Information Technology (IT) has been seen as the primary driver of the economy. With the exception of information technology, most technologies either

bring small modifications to a broad range of industries or a substantial impact but only to a single industry. In the context of SMEs, technology allows for the growth of new markets in which firms may compete or function as a supply chain partner in a network already built by worldwide conglomerates. Simić (2020), digitalization and digital entrepreneurship create numerous opportunities and challenges for the tourism industry.

Although there have been studies concerning information and communication technologies adoption in the tourism industry, the research trends of mobile tourism (m-tourism) are still not very clear due to the short development time and emerging nature of the technologies (Liang et al 2017). Huang et al. (2016) has identified that there is little understanding about how to effectively market tourism destinations to virtual world participants who are technology users as well as potential consumers. While Haseeb et al (2019) mentioned that technology adoption is always a difficult task for Small and Medium-sized Enterprises (SMEs) due to lack of resources and other market issues. Many technology challenges adversely affect the sustainable business performance of SMEs. Recognizing the significant importance of the role of SMEs in the tourism industry as well as the adaptation of digital technology for the sustainability and resilience of their businesses, this study aims to identify the factors that are influencing the adoption of digital technology among Small Medium Enterprises in the Tourism Industry.

## **2 Literature Review**

### **2.1 Adoption of Technology**

Adopting appropriate technologies helps the organization ensure that their competitive advantage is maintained, skills are further developed, and overall performance is improved. Rapid technological change and increased consumer demands have led companies to look for competitive products. Koskab (2013) argues that innovation gives companies several strategic advantages. The survival of companies depends on their ability to grow or to establish themselves (Nieves & Segarra-Cipres, 2015). Organizations rely heavily on the creativity and innovation of employees themselves to improve the performance of an organization. Innovation in the tourism industry and innovation in management principles and processes have shown an increase in interest in academics in recent years simultaneously analyzing studies with technological innovation (Nieves & Segarra-Cipres, 2015).

### **2.2 Performance Expectancy**

Performance Expectations (PE) can indicate the extent to which a person believes that the performance of a particular system will be improved (Miadinovic, J. & Xiang H., 2016). In the context of this study, this PE can demonstrate to a degree where customers can believe that it is easy to use mobile technology for travel purposes. According to Evon, T. & Lau, J. L. (2016), the characteristics of PE are comparable to other models, which are outcome expectations (SCT), relative advantage (IDT), extrinsic motivation (MM), perceived usefulness (TAM), and job suitability (MPCU). Performance expectancy refers to individuals' perception of how using a technology

assists them to do their tasks better (Venkatesh et al. 2015). It measures how a particular technology caters to the completion of a task more efficiently. When users of technology are aware that it enables them to accomplish their tasks more efficiently, they will likely adopt the technology even if it requires payment. Performance expectancy of a technology or system is posited to have a positive impact on the behavioral intention of users to use and adopt the technology. Hence, the study suggested as follows:

*HX:* There is a positive relationship between Performance Expectancy and intention to use digital technology.

*HX:* Intention to use mediates the relationship between Performance Expectancy and the adoption of digital technology.

### **2.3 Effort Expectancy**

The use of the word 'effort expectation' can be described as a level of convenience that can be associated with the use of the system as observed by Venkatesh et al., (2015) through this ease of use which can be felt to be required from TAM (Davis et al., 2015), this complexity becomes the ease of use to be made the most important component. In addition, effort expectancy can be explained through how easy it is for each user to learn this system easily as well as how it can help the organization to move forward (Venkatesh et al. 2015). In other words, the easier it is for them to learn each system, the higher the intention for each user to use the technology. Effort expectations can also be identified as one of the most important factors with the intention and behavior to use technology (Chong 2017; Venkatesh et al. 2015). Previous studies have also been able to feel that technology is a simple device that is easier to operate by anyone who uses it (Chang et al. 2017) as it allows direct control, interaction, and direct touch with the device (Brasel and Gypsum 2014); which can be seen as tangible evidence can be credited to mobile applications compared to the official website-based accommodation booking system. Hence, users are more likely to use systems that are easy to use and reliable (Tang et al. 2014; Chaw and Tang 2019). A study on the important factors that can influence every use through mobile wallets among Generation Malaysia Y indicates that consumer intention to use mobile wallets is mostly driven by effort expectations (Tang et al. 2016). Hence the following hypotheses are proposed:

*HX:* There is a positive relationship between Effort Expectancy and intention to use digital technology.

*HX:* Intention to use mediates the relationship between Effort Expectancy and the adoption of digital technology.

## 2.4 Social Influence

The Social Influence (SI) can refer to the extent to which a person has trusted each individual concerned to believe that he or she should use each of these systems (Davis, F. D., 2015). Therefore, this also refers to situations where the use of an individual's system is strongly influenced by the suggestions and views of the public (Venkatesh V, et al., 2016). SI has been considered a key predictor in every application in technology in several research contexts. For example, Evon, T. & Lau, J. L. (2016) researches the intention of each user to buy in the app, and they also obtain a general opinion to affect each purchase in the app that the user uses. Furthermore, many studies have found evidence of a positive and significant relationship between social influence and intention on the individual's behavior (D. W. Straub, et al, 2018). Nowadays, every user that uses smartphones and related applications is widely used as a technology in various applications for travel purposes.

## 2.5 Behavioral Intention

As stated by Suki, NM & Suki, NM (2017), these intentions and behaviors can refer to one's own tendency to participate in certain behaviors. To those who are more likely to adopt certain behaviors when they have good intentions for such behavior. In addition, according to Mafe, CR, Blas, SS & Tavera-Mesias, JF (2010), acceptance of mobile services and behavior towards this use can be predicted by intention as well as behavior. In order to achieve and maintain the performance of the desired business, these travel companies need to gain a prior understanding of their customers and know the components of each of their customers' intentions to buy products online Parsaei, F. Et al, (2014).

## Hypotheses

- H1:** There is positive relationship between Effort Expectancy and intention to use digital technology
- H2:** There is positive relationship between Performance Expectancy and intention to use digital technology
- H3:** There is positive relationship between Social Influence and intention to use digital technology
- H4:** There is positive relationship between intention to use digital technology and the adoption of digital technology
- H5:** Intention to use mediates the relationship between Effort Expectancy and intention to use digital technology
- H5:** Intention to use mediates the relationship between Performance Expectancy and intention to use digital technology
- H5:** Intention to use mediates the relationship between Social Influence and intention to use digital technology

### 3 Methodology

This study employed quantitative research design using self-administered online questionnaires. One of the advantages of the quantitative method is their ability to use smaller groups of people to make inferences about larger groups that would be prohibitively expensive to study. Respondents for this study consisted of small tourism sector companies in Kelantan. The list of the SMEs in Kelantan was gathered from three main sources of directories namely, the Federation of Manufactures (FMM), SME Corporation Malaysia (SME Corp. Malaysia), and the Malaysia External Trade Development Corporation (MATRADE). From the directories, we found they were 907065 SMEs organization in Kelantan.

Instrument for this study was adapted and adopted from previous studies. The questionnaires were created using five-point Likert scale from 1- Strongly Agree to 5 – Strongly Disagree. The current study used a convenience sampling method to select the participants among tourism SMEs. According to Kumar et al. (2013), convenience sampling is a process that involves collecting data from a particular population that the researcher can easily access. Generally, a non-probability sampling technique is suitable for studies examining the theoretical influence grounded by a conceptual framework (Hulland et al., 2017; Ngah et al., 2019). Therefore, this study employed this method because it matches the research context.

The data collection was conducted using an online survey; however, to lessen the probable risk of poor return rate, the researcher decided to call on the tourism SMEs representative to help the researcher distribute the questionnaires to the potential respondents. Besides, to minimize common method variance (CMV), a few procedural remedies were also implemented. Firstly, a description of the research project was written in the questionnaire to outline the purpose and significance of the study to the tourism SMEs. Additionally, the respondents were given written instructions and assured that all responses and personal details would be treated with the utmost confidentiality. Besides, their participation in the study was entirely voluntary and they were also encouraged to answer all questions honestly since the questions do not specify any right or wrong answers. Based on Mackenzie et al.'s (2011) suggestion, different anchor scales were used to measure the variables using a five-point Likert scale.

An analysis using Green's (1991) table was carried out before collecting the data in order to identify the minimum sample size needed to sufficiently accomplish statistical power for explaining the relationships within the model as suggested by Hair et al. (2017). Based on the result, this study requires a minimum sample size of 76 for the three predictors, with a medium effect size of 0.15 at a 0.05 confidence level. Thus, the data were deemed sufficient for the research model based on the 122 responses received.

## 4 Findings

### 4.1 Company's Profile

The Company's profile comprising 122 tourism SMEs throughout Kelantan, Malaysia is shown in Table 1. The companies consist of 16(13.1%) sole proprietorship, 45 (36.9%) Private Limited Company, 60 (49.2%) partnership, and Limited Liability Partnership 1 (0.8%). The majority of the companies run accommodation activities which are 35.2% while the least, 2.5% running activities related to medical tourism and sport and recreation. Most of the company, 81 (66.4%) has income between RM20,001-RM100,000.

Table 1: Demographic profile

| Demographic |                       | Frequency                     | Percent |      |
|-------------|-----------------------|-------------------------------|---------|------|
| 1           | Business Registration | Sole Proprietorship           | 16      | 13.1 |
|             |                       | Private Limited Company       | 45      | 36.9 |
|             |                       | Partnership                   | 60      | 49.2 |
|             |                       | Limited Liability Partnership | 1       | 0.8  |
| 2           | Company Activities    | Transportation                | 12      | 9.8  |
|             |                       | Accommodation                 | 43      | 35.2 |
|             |                       | Travel Agency                 | 32      | 26.2 |
|             |                       | Food & Beverage               | 14      | 11.5 |
|             |                       | Medical                       | 3       | 2.5  |
|             |                       | Recreation & Sport            | 3       | 2.5  |
|             |                       | Shopping Mall                 | 15      | 12.3 |
| 3           | Company Income        | Below RM20, 000               | 30      | 24.6 |
|             |                       | RM20,001-RM100,000            | 81      | 66.4 |
|             |                       | RM100,001-RM500,000           | 9       | 7.4  |
|             |                       | RM500,001-RM1,000,000         | 2       | 1.6  |

For data analysis, we used partial least squares (PLS) modeling using the SmartPLS 3.2.8 version (Ringle et al., 2005) as the statistical tool to examine the measurement and structural model as it does not require normality assumption and survey research is normally not normally distributed (Chin et al., 2003).

We followed the suggestions of Anderson and Gerbing (1988) to test the model developed using a 2-step approach. First, we tested the measurement model to test the validity and reliability of the instruments used following the guidelines of Hair et al. (2019) and Ramayah et al. (2018) then we ran the structural model to test the hypothesis developed.

For the measurement model we assessed the loadings, average variance extracted (AVE) and the composite reliability (CR). The values of loadings should be  $\geq 0.5$ , the AVE should be  $\geq 0.5$  and the CR should be  $\geq 0.7$ . As shown in Table 2, the AVEs are all higher than 0.5 and the CRs are all higher than 0.7. Therefore, the convergent validity of this study was established.

Then in step 2, we assessed the discriminant validity using the HTMT criterion suggested by Henseler et al. (2015) and updated by Franke and Sarstedt (2019). The HTMT values should be  $\leq 0.85$  the stricter criterion and the mode lenient criterion is it should be  $\leq 0.90$ . As shown in Table 3, the values of HTMT were all lower than the stricter criterion of  $\leq 0.85$  as such we can conclude that the respondents understood that the 5 constructs are distinct. Taken together both these validity tests have shown that the measurement items are both valid and reliable.

Table 2: Measurement Model for the First Order Constructs

| Constructs             | Items      | Loadings | AVE   | CR    |
|------------------------|------------|----------|-------|-------|
| Effort Expectancy      | <b>EE1</b> | 0.703    | 0.508 | 0.75  |
|                        | <b>EE2</b> | 0.596    |       |       |
|                        | <b>EE3</b> | 0.601    |       |       |
|                        | <b>EE5</b> | 0.557    |       |       |
|                        | <b>EE6</b> | 0.603    |       |       |
| Performance Expectancy | <b>PE1</b> | 0.691    | 0.559 | 0.829 |
|                        | <b>PE2</b> | 0.603    |       |       |
|                        | <b>PE3</b> | 0.763    |       |       |
|                        | <b>PE4</b> | 0.647    |       |       |
|                        | <b>PE5</b> | 0.718    |       |       |
|                        | <b>PE6</b> | 0.582    |       |       |
|                        | <b>SI3</b> | 0.803    | 0.508 | 0.784 |



|                                |             |       |       |       |
|--------------------------------|-------------|-------|-------|-------|
| Social Influence               | <b>SI6</b>  | 0.625 |       |       |
|                                | <b>SI1</b>  | 0.785 |       |       |
| Intention                      | <b>INT1</b> | 0.698 | 0.532 | 0.801 |
|                                | <b>INT2</b> | 0.527 |       |       |
|                                | <b>INT3</b> | 0.736 |       |       |
|                                | <b>INT4</b> | 0.695 |       |       |
|                                | <b>INT5</b> | 0.673 |       |       |
| Adoption of Digital Technology | <b>ADT1</b> | 0.602 | 0.527 | 0.777 |
|                                | <b>ADT2</b> | 0.512 |       |       |
|                                | <b>ADT3</b> | 0.761 |       |       |
|                                | <b>ADT4</b> | 0.560 |       |       |
|                                | <b>ADT5</b> | 0.753 |       |       |

Note: EE4, SI2, SI4, SI5, INT6, and ADT6 were removed due to low loading

Table 3: Discriminant Validity (HTMT)

|                                   | 1     | 2     | 3     | 4     | 5     |
|-----------------------------------|-------|-------|-------|-------|-------|
| 1. Adoption of Digital Technology | 0.646 |       |       |       |       |
| 2. Effort Expectancy              | 0.679 | 0.614 |       |       |       |
| 3. Intention                      | 0.778 | 0.653 | 0.67  |       |       |
| 4. Performance Expectancy         | 0.743 | 0.71  | 0.745 | 0.67  |       |
| 5. Social Influence               | 0.634 | 0.6   | 0.683 | 0.682 | 0.742 |

As suggested by Hair et al. (2017) and Cain et al. (2017) we assessed the multivariate skewness and kurtosis. The results showed that the data we have collected was not multivariate normal, Mardia's multivariate skewness ( $\beta = 7.069$ ,  $p < 0.01$ ) and Mardia's multivariate kurtosis ( $\beta = 46.974$ ,  $p < 0.01$ ), thus following the suggestions of Hair et al. (2019) we reported the path coefficients, the standard errors, t-values and p-values for the structural model using a 5,000-sample re-sample bootstrapping procedure (Ramayah et al. 2018). Also based on the criticism of Hahn and Ang (2017) that p-values are not a good criterion for testing the significance of hypotheses and suggested using a combination of criterions such as p-values,

confidence intervals and effect sizes. Table 4 shows the summary of the criterions we have used to test the hypotheses developed.

First, we tested the effect of the 3 predictors on intention to use digital technology, the  $R^2$  was 0.628 ( $Q^2 = 0.255$ ) which shows that all the 3 predictors explained 62.8% of the variance in Intention. Effort Expectancy ( $\beta = 0.184$ ,  $p < 0.05$ ), Performance Expectancy ( $\beta = 0.418$ ,  $p < 0.01$ ) and Social Influence ( $\beta = 0.287$ ,  $p < 0.01$ ) were all positively related to Intention, thus H1, H2 and H3 were supported. Next, we tested the effect of Intention on adoption of digital technology, with an  $R^2$  of 0.602 ( $Q^2 = 0.234$ ) which indicates that Intention explains 60.2% of the variance in Adoption of Digital Technology which gives support for H4.

To test the mediation hypotheses, we followed the suggestions of Preacher and Hayes (2004; 2008) by bootstrapping the indirect effect. If the confidence interval does not straddle a 0 then we can conclude that there is significant mediation. As shown in Table 5, Effort Expectancy, Intention, Adoption of Digital Technology ( $\beta = 0.143$ ,  $p < 0.05$ ), Performance Expectancy, Intention, Adoption of Digital Technology ( $\beta = 0.326$ ,  $p < 0.001$ ), and Social Influence, Intention, Adoption of Digital Technology ( $\beta = 0.223$ ,  $p < 0.05$ ) were all significant. The confidence intervals bias corrected 95% also did not show any intervals straddling a 0 thus confirming our findings. Thus, H5, H6 and H7 were also supported.

Table 4: Hypothesis Testing Direct Effects

| Hypothesis | Relationship                              | Std Beta | Std Error | t-values | p-values | BCI LL | BCI UL | f <sup>2</sup> | VIF   | Decision |
|------------|---|----------|-----------|----------|----------|--------|--------|----------------|-------|----------|
| H1         | Effort Expectancy - Intention             | 0.184    | 0.109     | 1.685    | 0.046    | 0.024  | 0.378  | 0.043          | 2.123 | Support  |
| H2         | Performance Expectancy - Intention        | 0.418    | 0.111     | 3.772    | p< .001  | 0.223  | 0.582  | 0.186          | 2.536 | Support  |
| H3         | Social Influence - Intention              | 0.287    | 0.092     | 3.134    | 0.001    | 0.124  | 0.432  | 0.113          | 1.969 | Support  |
| H4         | Intention- Adoption of Digital Technology | 0.778    | 0.05      | 15.669   | p< .001  | 0.687  | 0.852  | 1.534          | 1.000 | Support  |

Note: We use 95% confidence interval with a bootstrapping of 5,000

Table 5: Hypothesis Testing Indirect Effects

| Hypothesis | Relationship  | Std Beta | Std Error | t-values | p-values | BCI LL | BCI UL | Decision |
|------------|---|----------|-----------|----------|----------|--------|--------|----------|
| H5         | Effort Expectancy – Intention- Adoption of Digital Technology       | 0.143    | 0.082     | 1.74     | 0.041    | 0.019  | 0.297  | Support  |
| H6         | Performance Expectancy – Intention - Adoption of Digital Technology | 0.326    | 0.093     | 3.483    | P<0.001  | 0.161  | 0.477  | Support  |
| H7         | Social Influence – Intention - Adoption of Digital Technology       | 0.223    | 0.077     | 2.92     | 0.002    | 0.095  | 0.349  | Support  |

Note: We use 95% confidence interval with a bootstrapping of 5,000

Further to that as suggested by Shmueli et al. (2019) proposed PLSpredict, a holdout sample-based procedure that generates case-level predictions on an item or a construct level using the PLS-Predict with a 10-fold procedure to check for predictive relevance. Shmueli et al. (2019) suggested that if all the item differences (PLS-LM) were lower than there is strong predictive power, if all are higher than predictive relevance is not confirmed while if the majority is lower than there is moderate predictive power and if minority then there is low predictive power. Based on Table 6, all the errors of the PLS model were lower than the LM model thus we can conclude that our model has a strong predictive power.

Table 6: PLS-Predict

| Item | PLS   | LM    | PLS-LM | Q <sup>2</sup> _predict |
|------|-------|-------|--------|-------------------------|
|      | RMSE  | RMSE  |        |                         |
| ADT1 | 0.399 | 0.418 | -0.019 | 0.189                   |
| ADT2 | 0.443 | 0.495 | -0.052 | 0.192                   |
| ADT3 | 0.404 | 0.435 | -0.031 | 0.273                   |
| ADT4 | 0.425 | 0.46  | -0.035 | 0.211                   |
| ADT5 | 0.396 | 0.421 | -0.025 | 0.266                   |
| INT1 | 0.456 | 0.496 | -0.04  | 0.251                   |
| INT2 | 0.433 | 0.477 | -0.044 | 0.166                   |
| INT3 | 0.447 | 0.49  | -0.043 | 0.346                   |
| INT4 | 0.425 | 0.462 | -0.037 | 0.294                   |
| INT5 | 0.429 | 0.473 | -0.044 | 0.223                   |

## 5 Discussion

This study explored the factors that affected the adoption of digital technology through the intention to use digital technology. This study verified the significantly positive effect displayed by effort expectancy upon intention to use digital technology (H1). This study consistent with Rabaa'i and AlMaati, (2021). The degree of ease with which the system can be used is referred to as effort expectancy. This means that even if an entrepreneur lacks technical competence, he or she can simply design, implement, and use a technology-based application to assist business operations (such as accepting payments for services, foods and etc). It also overcome the issue of managing cash in the pocket because the sales income is deposited directly into the account. It also reduces the chances of loss or theft. As a result, using digital technology to run a business is easier and more convenient.

Performance expectancy had a positive and significant relationship with an intention to use digital technology (H2). This study consistent with Jang, et al., (2021). The results suggest that the intention to use digital technology was driven by an individual's belief that the system will help improve job performance. Also, a person is more likely to use a new technology if he finds that it improves performance. In other words, the performance expectancy represents belief that using digital technology will improve the performance of the business. In addition, entrepreneurs can do business with peace of mind, as digital technology is an essential tool that helps entrepreneurs to do business with ease. Helps entrepreneurs reduce errors and improve work accuracy.

Social influence had a positive and significant effect on entrepreneurs' intention to use digital technology (H3). This study supports findings from Han, Xiong, and Zhao, (2021). In this sense, social influences such as friends, family and important people in the environment play a decisive role in shaping the perspective on the use of digital technology in the company. Still, people place greater emphasis on the opinions of these external referents (such as suppliers, customers, etc.) about the expected benefits of digital technology. Digital technology can help entrepreneurs increase their business presence and visibility.

Intention to use digital technology had a positive and significant effect on the adoption of digital technology (H4). This study supports the results of Lim, Ahmad, and Talib (2019). which found that the adoption of digital technologies is driven by the intentions of entrepreneurs to use them.

Lastly, the effects of effort expectancy, performance expectancy and social influence on adoption of digital technology among SMEs' entrepreneurs were mediated by the intention to use digital technology (H5, H6 and H7). This study supports Yang et al., (2021) who affirm that the convenience of using digital technologies has led the user to start using them. This means that the ease of use of digital technology will encourage entrepreneurs to use it as one of their business tools. The role of behavioral intention in the use of digital technologies, such as secure and easy transactions through online payments, also has a strong impact on the actual use of digital technologies among entrepreneurs.

## **6 Conclusion**

The objective of this study is to identify the factors that are influencing the adoption of digital technology among Small Medium Enterprises in the Tourism Industry. The study tries to identify what factors influence the adoption of digital technology in their business. Based on the sample obtained among SMEs in the state of Kelantan using PLS-SEM analysis, it was found that performance expectancy has a positive and significant relationship with the desire to use digital technology. Meanwhile, social influence positively and significantly influences the desire of entrepreneurs to use digital technology. In addition, the desire to use digital technology in business operations among SMEs has a positive impact with the adoption of technology. Finally, once the effects of effort expectancy, performance expectancy and social influence on adoption of digital technology among SMEs

'entrepreneurs were mediated by the intention to use digital technology. Findings from this study indicate that the readiness of SME owners in the tourism industry towards the adoption of digital technology to launch their business operations. This is because they are aware of the importance and role of digital technology that enhances the market opportunities of their business. In addition, digital technology also contributes to business visibility that is more accessible to customers.

#### Limitations of the Study

The current study provides valuable insights for practitioners; however, this study also has limitations. As the study is limited to SME in the tourism industry specifically the data has been collected among business owners in Kelantan, therefore, the results cannot be generalized, because the business environment in each state is different based on competition and resources. Thus, it is quite difficult to apply the results of the current study in any other business environment. Moreover, this study is based on survey questionnaires which is one of the limitations of this study. This is because face to face interviews with employees of SMEs may provide better outcomes.

#### Future Research

This study used survey questionnaires in which face to face interaction with managerial employees was not possible. Therefore, the future research should be carried out with the help of a mixed method approach. The interviews with managers may lead to better results. Moreover, since small-scale SMEs have limited resources, therefore, the current model should be applied to High-Tech SMEs. Additionally, future research should consider other elements of digital technology adoption such as the challenge and critical success factors.

#### Implications of the Study

Factors to adapt digital technology among SME owners in the tourism industry are very important to ensure their readiness in the use of technology. Thus, this study has given implications to business owners on the importance of digital technology in their business. This study shows that digital technology has a very big role in ensuring the competitiveness and retention of companies in the industry. It is natural for businesses to always have competition, so the reluctance to adopt digital technology in business will cause them to be left behind by competitors. This study has provided findings for the factors that influence business owners to adapt digital technology, then the relevant efforts can be implemented through knowledge capacity and involvement of business owners to the adaptation of digital technology.

#### Policy Recommendation

It is always challenging to tackle different technological issues, especially for businesses with little resources, such as SMEs. This research is suggested to SME in the Tourism Industry in this direction to manage technological challenges with the aid of Industry 4.0 characteristics. To manage difficulties, SMEs in the tourism industry should adopt digital technology. Improved execution of these aspects has the potential to manage a variety of issues. Before using these technologies, SMEs

must create a supporting culture and infrastructure to accommodate new technology.

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