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Digital Transformation of Trading Strategies through Fintech: Evidence from Trade Sector SMES in Mannar District

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ABSTRACT

The aim of the study is to examine the impact of the adoption of digital accounting systems enabled by FinTech on the performance of firms in the trade sector among SMEs in the Mannar District. A quantitative method has been used to collect the data from the sample of 50 SMEs using a structured questionnaire. The system's characteristics, accuracy, efficiency, and ease of use, and their relationships with the nature of the performance indicators, were analyzed. The analysis of the data has been done using the SPSS tool. The results of the analysis have shown that ease of use has a significant impact on the profitability of the firms, whereas accuracy has a negative relationship with the profit margins. Efficiency has no impact on the profit margins. The results are in line with the fact that the adoption of FinTech leads to the digital transformation of the trading strategies, whereas the ease of use of the digital accounting system plays a critical role in the performance of the firms. The implications of the study are valuable to the owners of SMEs, policymakers, and the government in promoting the use of digital accounting systems enabled by FinTech..

Keyword: FinTech, digital transformation, digital accounting, trading strategies, SMEs, performance.

Introduction

SMEs are the driving force that helps the trade sector of Sri Lanka grows, providing jobs, distributing wealth, and making the markets and stores crowded with activity. SMEs such as traders, wholesalers, and retailers, among others, are quite significant within the town of Mannar, where trade-themed SMEs are concerned. Despite these SMEs being quite significant within the town of Mannar, they still carry out their operations traditionally and manually carry out their accounting activities and operations, doing things as usual. This makes them sluggish, causing them to make poor financial decisions. However, financial technology, such as FinTech, has changed everything. When SMEs use digital accounting,

things move faster, fewer errors are made, and finally, real-time data is available to make decisions.

SMEs within the trade sector of Mannar are facing challenges, such as keeping track of their sales, managing their expenditures, and making financial decisions at the right time, due to their confidence in manual accounting.

Although digital accounting, enabled by FinTech, has the potential to help SMEs overcome these challenges, its uptake is limited by partial digital literacy, communications barriers, and high execution costs. In addition, there is a paucity of research on how individuality in systems affects firm presentation, particularly within the context of rural trade sector SMEs. The research aims to examine whether FinTech helps improve productivity and ready efficiency within trade SMEs and, if so, what system individuality has more impact.

Research Questions

1. How does digital transformation through FinTech affect the performance of trade sector SMEs in Mannar District?

Research Objectives

- To examine the influence of FinTech-enabled digital accounting adoption on firm performance among trade sector SMEs.
- To assess how digital transformation of trading strategies through FinTech affects of profitability.

Literature Review

Financial technology (FinTech) has reshaped business operations by providing digital accounting systems that improve transaction management, reporting accuracy, and decision-making (Ghasemi et al., 2011; Ahmi et al., 2019). In the trade sector, firm performance depends on profitability, cost control, and prepared efficiency, all of which can assistance from the digital transformation of trading practices.

Accuracy reduces human errors and ensures reliable monetary data (Alsufy, 2019). Efficiency enables quicker contract processing and lowers prepared costs (Wilkinson et al., 2000). Ease of use, one of the major determinants of system espousal (Davis, 1989), is of particular importance for SMEs where owners may have incomplete technical expertise. Past literature in developing countries has already identified a positive correlation between the adoption of digital accounting and firm performance. Hla & Teru, 2015; Chong & Nizam, 2018.

FinTech and digital accounting systems contribute to better SME performance and sustainability through improved operation efficiency, accuracy of financial reporting, and increased access to financial services. Core determinants affecting SMEs' intention to use FinTech services include performance expectancy, social influence, facilitating conditions, and effort expectancy. According to a 2025 systematic study, all these factors have a positive effect on the intention to use FinTech services, showing that digital readiness is an issue in leveraging

FinTech for firm outcome improvements (Campanella et al., 2025). Similarly, studies on the digital transformation of accounting information systems reveal that FinTech innovation, including block-chain and automated processes, is of essence in driving small business forward with regard to accounting accuracy and transparency in its operations. Empirical evidence from Sri Lankan SMEs also shows that perceived ease of use, usefulness, security, and trust are some key factors that inspire FinTech adoption and financial inclusion; it therefore supports financial activity and performance in developing contexts. IJCSRR, 2025.

Nevertheless, in any organization that adopts FinTech technology, it makes the services more accessible and reduces the cost of transactions, hence improving the efficiency of financial management and, in turn, improving the general performance of firms (Hidayat & Faradina, 2024). However, challenges like those involving digital literacy and information technology infrastructure and cyber security concerns remain key drivers of the use of technology in general and hence the exploitation of the advantages of FinTech technology (Waliullah et al., 2025).

However, there is a scarcity of literature focusing on digital transformations facilitated by FinTech, which influences trading strategies within the trade sectors of the rural economy, emphasizing the need to conduct research and case studies as exemplified within Mannar District.

Methodology

This study adopts a quantitative research approach in assessing the impact of digital accounting on firm performance in the trade sector within the Mannar District. The unit of analysis in this study consists of SMEs engaged in trading activities in the Mannar District. The target population under study comprised SME owners and managers in service within the trade sector. A simple random sampling technique was utilized, and data were collected from a total of 50 respondents, which were measured sufficient to guarantee reliability and statistical validity. The conceptual framework integrates the Technology Acceptance Model, Resource-Based View, and the DeLone & McLean Information Systems Success Model.

Regression Model

$PMi=\beta0+\beta1ACi+\beta2EFi+\beta3EUi+\varepsilon i$

Where:

- PMi = Profit Margin of firm
- ACi = Accuracy score
- EFi = Efficiency score
- EUi = Ease-of-use score
- β0 = Intercept
- εi = Error term

Findings and Analysis

The analysis begins with descriptive statistics to summarize respondent perceptions, followed by correlation and regression analyses to discover associations and analytical influences among the variables.

Descriptive Analysis

Table 1: Descriptive Analysis

	Minimum	Maximum	Mean	Std. Deviation	Skewness	Kurtosis
Accuracy	3	5	4.951	0.159	-4.906	28.920
Efficiency	3	5	4.949	0.119	-5.007	30.473
Ease of use	3.8	5	4.961	0.124	-5.363	40.068
Profit margin	3.2	5	4.963	0.103	-3.710	17.575

The above result shows that all variables recorded very high mean values, representative strong accord among respondents. Accuracy mean values are 4.951, efficiency 4.949, ease of use 4.961, and profit margin 4.963 all lie close to the maximum value of 5, reflecting a high level of digital secretarial adoption and enhanced performance. The low standard deviation values (below 0.16) indicate consistent responses.

Correlation Analysis

Table 2: Correlation Analysis

The above table mentioned that correlation analysis indicates a strong positive relationship

Variables	Accuracy	Efficiency	Ease of use	Profit margin
Accuracy	1			
Efficiency	0.708	1		
	0.000	…….		
Ease of use	0.327	0.473	1	
	0.000	0.000	……	
Profit margin	0.031	0.196	0.419	1
	0.000	0.000	0.000	……..

between accuracy and efficiency (r = 0.708), signifying that higher accuracy in digital accounting systems is closely associated with better efficiency. All relationships are statistically significant at the 0.01 level, representative meaningful associations among the variables.

Table 3: Regression Analysis

Model	B	Std. Error	Beta	t	Sig.	Tolerance	VIF
(Constant)	3.510	0.296		11.844	0.000		
Accuracy	-0.168	0.061	-0.256	-2.759	0.006	0.471	2.125
Efficiency	0.026	0.063	0.045	0.411	0.682	0.341	2.929
Ease of use	0.286	0.068	0.344	4.239	0.000	0.613	1.631
R Squred			0.216	F			10.714
Adj R Squred			0.196	P value			0.000
Std. Error of the Estimate			0.092	Durbin-Watson			2.012

The regression results indicate statistically significant (F = 10.714, p = 0.000), explaining 21.6% of the difference in profit margin (R^2 = 0.216; Adjusted R^2 = 0.196). Ease of use has a significant positive impact on profit margin. Accuracy shows a significant negative effect , while efficiency has no significant influence of profit margin. Multicollinearity is not a concern, as VIF values are below 3, and the Durbin–Watson value (2.012) confirms no autocorrelation.

Conclusion

The study finds that FinTech-enabled digital accounting systems play a key role in the digital transformation of trading practices among SMEs in the Mannar District. Ease of use emerges as the most influential factor affecting profitability, highlighting the importance of user-friendly systems for successful adoption. Although accuracy and efficiency enhance operational performance, their contribution to profitability depends largely on how effectively managers use financial information in decision-making. The study recommends encouraging the adoption of accessible and intuitive FinTech solutions and strengthening digital literacy training for SME owners.

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