

# **Impact of Digital Marketing Assisted by Artificial Intelligence (AI) on the Performance of SMEs: Special reference to Kandy District**

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## **Abstract**

Digital marketing is one of the strategies businesses use to reach customers and advertise their products/services. This study focused on generating empirical evidence on the relationship and impact of digital marketing assisted by AI on business performance in the context of small and medium enterprises in the Kandy district. The research objectives were to explore the use of digital marketing tools among SMEs in selected DS divisions of Kandy, to explore factors that influence moving from non-digital tools to digital tools for marketing, and to examine the relationship between digital marketing tools and SMEs' performance. The data were collected from a randomly selected sample of 213 respondents via a structured questionnaire and in-depth interviews. Descriptive statistics and regression analysis were used to analyze the data. Digital marketing methods: online advertising, mobile marketing, and social media marketing with Facebook, Instagram / TikTok were identified as common strategies used. The binary regression results revealed that relative advantage, time, and cost-effectiveness positively influence to move from non-digital tools to digital tools by SMEs, while business orientation is influenced negatively. To investigate the relationship between digital marketing and the performance of SMEs, calculated the overall financial performance score (sales & profitability) and strategic performance (customer satisfaction). Findings also revealed that there was a positive relationship between digital marketing tools and the performance of SMEs. According to multiple regression results, Influencer marketing, Facebook marketing, online advertising and Instagram/Tick Tok marketing significantly affected by the performance of SMEs. In contrast, mobile marketing is not significantly affect the performance of SMEs. Digital marketing opens opportunities for businesses to connect with and engage their target customers more effectively and efficiently. During the pandemic, the need and role of digital tools are enormous to businesses. SMEs in the Kandy district should use digital marketing to improve their performance.

**Keywords:** *Digital Marketing, SMEs, Digital tools, Performance*