**Impact of Digital Marketing on the Performance of SMEs: Special Reference to Kandy District**

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Digital marketing is one of the strategies that 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 on business performance in the context of Small and Medium Enterprises (SMEs) in the Kandy district. The research objectives were a) to explore digital marketing tools among SMEs in selected Divisional Secretariate divisions of Kandy, b) to explore factors that influence moving from non-digital tools to digital tools for marketing, and c) 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 / Tik Tok were identified as commonly used strategies. The binary regression results revealed that relative advantage, time, and cost-effectiveness positively influence SMEs' move from non-digital tools to digital tools. To investigate the relationship between digital marketing and the performance of SMEs, calculate 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, the performance of SMEs is significantly affected by Influencer marketing, Facebook marketing, online advertising, and Instagram/TikTok marketing. In contrast mobile marketing is not significantly affect the performance of SMEs. Digital marketing allows 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

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