

## **Chapter - 01**

### **Introduction**

#### **1.1 An Overview**

In recent years e-banking has been growing rapidly and it has taken advancement in banking sector. The impact of technology on people of our country has been described in many ways such as Internet, e-mail, e-commerce, e-business, e-learning, e-banking etc. In banking industry one such impact is e-banking. By using technological advancement, time-to-time banks are launching technology-based products and services to their customers. Today the e-banking is the fastest growing banking channel in Sri Lanka, in the perspective of customers as well as banks. The development is no longer just driven by the banks' desire to save money: first and foremost it is a manifestation of customers' demand to access bank services on-line - at any time and from any terminal connected to the Internet.



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The importance of e-banking is obvious for several reasons: it offers a cost effective alternative to telephone and branch banking due to the relatively low maintenance and update expenses. It can be accessed at any time from any Internet connection, and does not require any human interaction at the bank end.

Technology has been changing the world at hitherto unprecedented rate, leaving very little unchange in its relentless path. It transfers our life from a slow traditional life to a fast digital changeable life. In this view this research study examines a topic related to the technology in the banking field. Banks now heavily rely on technology. They use it to enhance their business operations and activities and to reach their customers in order to satisfy their needs as soon as possible in the high quality and convenient way. Banks now have many alternative ways to promote their products and services and to deal with business events, suppliers and customers more effective than in the past. One of the important alternatives is e-banking.

In Sri Lanka, the banking industry has tried to capitalise on e-banking to enter the new age of banking revolution, in order to give customers a better service in order to attract many of them. This has spread all over the world including Sri Lanka. In Sri Lanka from 2000 on wards banks started to implement e-banking, to increase the effectiveness of banking operations. The importance and usage of e-banking in Sri Lanka increase day to day. The Central Bank report (2004) has emphasized the importance of e-banking pattern in Sri Lanka. The following Table 1.1 and the Figure1.1 show the volume and value of e-banking transactions in Sri Lanka. Due to that, this research study will investigate the effectiveness of e-banking in the banking sector in Sri Lanka.

Table1.1: E-banking in Sri Lanka -Volume and Value of Transactions

Year	Volume ('000')	Value (Rs.bn)
2002	71	58.1
2003	188	80.9
2004	439	110.0

(Source: CBSL - 2004)

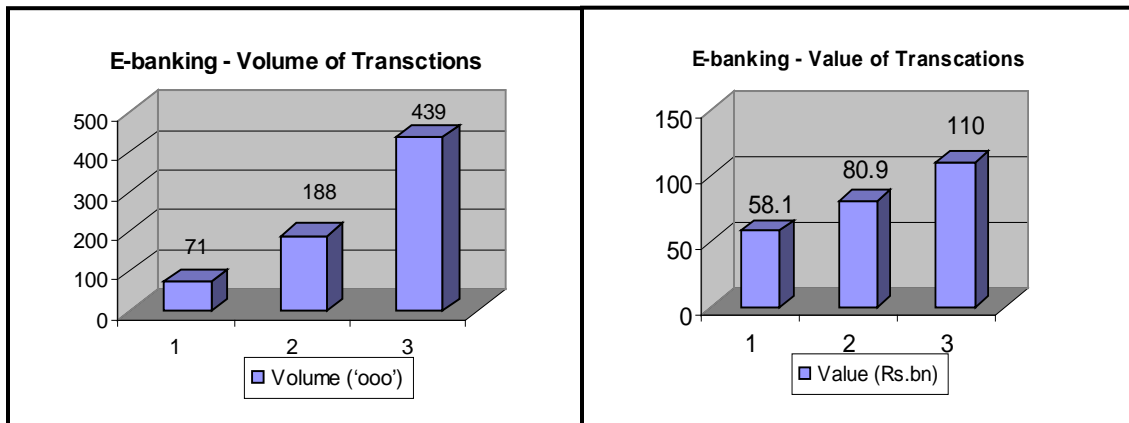


Figure 1.1 E-banking in Sri Lanka – Volume and Value of Transactions

## **1.2 The Research Problem**

In Sri Lanka many banks are providing banking services to their customers using e-banking. Initially certain banks launched e-banking services as a value added services in the commercial banking sector in Sri Lanka. Afterwards some other commercial banks introduced e-banking, due to competitive pressure. When banks introduce these technological advancements, customers also try to adopt these facilities. It is important at this juncture to investigate the extent to which these e-banking services have been successful in achieving the objectives of the banks and satisfying the customers. Therefore, first of all we have a responsibility and necessity to clarify the current status of such e-banking applications in Sri Lanka. Based on that clarification, we can find out the level of effectiveness in terms of customer and bank perspectives. Then we can think about how to improve e-banking further in the future if it is in a low level of effectiveness. Hence, this research problem is formulated as follows:



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Given the limitations in technology and infrastructure, can e-banking be improved to a higher level of effectiveness in the commercial banking sector in Sri Lanka?

## **1.3 Objectives of the Research**

The main objective of this research study is to explore the current status of e-banking in Sri Lanka, the level of its effectiveness and the factors that mostly affect its effectiveness in Sri Lanka. We can summarize the specific objectives of this study as follows:

1. To describe the current level of effectiveness of e-banking in the Sri Lankan banking sector.
2. Identify the key factors affecting the effectiveness of e-banking in Sri Lanka.
3. Develop strategies to improve effectiveness of e-banking in the banking sector in future.

## **1.4 The Scope and Depth of the Research**

This research is carried out in the Sri Lankan banking sector and is limited in its scope to this sector. Generalisations from findings may not be applicable to relate other sectors. The depth of this investigation is limited to looking at the effectiveness of e-banking using a number of key dimensions.

## **1.5 Significance of the Study**

This study attempts to provide a better empirical understanding of the antecedents of e-banking effectiveness in the customer's perspective as well as bank's perspective in Sri Lanka.

This study also tries to investigate the factors affecting the effectiveness of e-banking in both perspectives in terms of selected variables for level of e-banking effectiveness in Sri Lanka. Users of e-banking (customers) and implementers of e-banking (banks) need to have the necessary awareness and knowledge about e-banking and in what ways it satisfy both parties ultimate objectives in an excellent manner in the most critical aspect in the success of e-banking in Sri Lanka. This research is ultimately focused on the above aspect. Therefore we believe at least certain extent this research refresh the customers as well as banks awareness and knowledge about e-banking in Sri Lanka. It is with the above observations in mind we decided to incorporate both perspectives in measuring the level of e-banking effectiveness in Sri Lanka.

This study has two theoretical contributions. First, it empirically examines the different influences of e-banking effectiveness in Sri Lanka. Second, it provides a theoretical framework that figure out adoption, usage and implementation based on theories of attitude formation and relevant success criteria. Findings in the study will help banks formulating e-banking strategies by emphasizing the relevant criteria at each level necessary to further improve the e-banking effectiveness and reduce the pitfalls and drawbacks belong to the e-banking scenario in Sri Lanka.

In the above ways this research study is very useful to the banks as well as customers and society. This research will reveal the current status of e-banking effectiveness in Sri Lanka. The customer's perspective of this research will help the banks to plan their e-banking operations in the future to satisfy customer's expectations and real needs in this IT world. The bank's perspective of this research also will describe extent to which the banks have achieved their objectives through e-banking, where they are weak or strength? In what aspect they have strength or weak? All these information can be captured through this research. By using this critical information we can make better foundation for e-banking in Sri Lanka. This research will be useful to get right understanding about role of e-banking in the perspectives of customer and bank in Sri Lanaka. In this context, in order to build right strategy for banks we must get right understanding about role of e-banking, its effectiveness and factors affecting level of e-banking effectiveness. These entire informational requirements can be fulfilled by this research.



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## **1.6 The Organisation of the Chapters**

This dissertation is consists of seven chapters.

Chapter 1 introduces the overview of the study, research problem, its objectives and significance.

Chapter 2 reviews selective literature on the theories and concepts of e-banking. And also deals with the factors influencing on the e-banking effectiveness.

Chapter 3 deals the research model that has been established in conducting this research study with the supporting views and arguments selected from the reviews of selective literature about e-banking.

Chapter 4 deals with two aspects: the methodology and the data evaluation procedure. This chapter introduces the basic procedures used, and addresses issues such as sample selection procedures and size, data collection and evaluation.

Chapter 5 addresses the steps in analysing the data and interpreting the output. The statistical package: SPSS 14 for Windows was used in this study and figures tables that have been incorporated in to the text to facilitate interpreting the output which were originated from the analysis.

Chapter 6 discusses the findings of the study in comparison with relevant research and information about e-banking.

Chapter 7, the concluding chapter, concluded the study by giving recommendations and strategies along with limitations and future research directions.



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