Department of Economics

University of Kelaniya

Sri Lanka

ANALYSIS OF FACTORS AFFECTING THE ADOPTION OF INTERNET BANKING (IB) IN SRI LANKA

M.Phil. in Economics

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ABSTRACT

Information Technology is the pervasive driving force that has contributed enormously to industrial development and economic growth, today. Most countries use information technology in the fields of education, health-care, manufacturing, banking, transportation, publishing, energy conservation, environmental management, etc. When compared with the development of information and communication technology, the demand for Internet Banking (IB) facilities is not significant in Sri Lanka. The main objective of this research was to identify the factors affecting the adoption of IB in Sri Lanka. IB offers to banks, a new frontier of opportunities, challenges and competition in the global banking market. The current trend in the electronic revolution has also affected the banking sector in developing countries to adopt IB. Despite these possibilities, there are various psychological and behavioural issues, such as, the number of people connected to the Internet, consumer awareness, web content and design, security, cost of adopting the innovation, techno phobia, accessibility, download speed and customer preference or personalized services, which appear to impede the growth of IB. This research has incorporated both primary and secondary data. Primary data were gathered by utilizing semi-structured interviews and a customer survey of three selected banks in Sri Lanka: private bank (Sampath Bank), state bank (Bank of Ceylon) and a foreign bank in Sri Lanka (HSBC). Analysis of the data was based on a Logit Model, Analytic Hierarchy Process (AHP), and Statistical Measurements. McFadden R^2 (R^2_{McF}), P, *Likelihood Ratio (LR) Statistic*, Jarque-Bera (JB) and Cronbatch Alpha tests were utilized for testing the goodness of fit, statistical significance of the parameters, overall significance of the model, normality and for testing the reliability of the questionnaires. In addition, Multicollinearity was tested by running the regression model, omitting one variable at a time and observing how the coefficients and their relevant standard errors change. The IB Index of customer satisfaction has been constructed. The findings of this research have important implications for researchers in the field of IB, banks that are currently offering IB services as well as banks that are planning to offer such services.

Keywords: Internet Banking, Banking in Sri Lanka, Analytic Hierarchy Process, IB Index, Binary Logit Model