

## **Adoption of Information Technology to Productivity of Sri Lankan Banking Industry**

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In the current context, the information technology has become one of the crucial elements in economic development and a backbone of knowledge-based economies in terms of operations, quality delivery of services and productivity of services. Information technology can improve bank performance in two ways: IT can reduce operational cost, and facilitate transactions among customers within the same network. Therefore, for a developing country like Sri Lanka, taking advantage of information technologies has become an increasing challenge. Since banks are spending increasing amounts of capital on information technology, it is very important to understand the relationship between information technology investment and bank productivity. Hence, regression model and the correlation technique are used to analyze the relationship between information technology and productivity. This paper presents the adoption of information technology to productivity in the banking industries in Sri Lanka and gives an insight into how productivity of banking has been enhanced via IT. The results are tested on a panel of 10 Sri Lankan banks over 6 years, during the period of 2009-2014. From the analysis it was reviewed that the bank profits increment due to adoption of IT investment, reflecting positive network effects in this industry.

**Keywords:** Information technology, Banking industry