

Internet Banking in Sri Lanka

By

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ABSTRACT

The banking and finance sector of Sri Lanka is one of the earliest Information and Communication Technology users in Sri Lanka. It has now become one of the heaviest users of the technology. The Information technology used for core business functions in the banking sector began in the late 1980s, and created a paradigm shift in the industry, by extending advanced financial services to a section of population, for whom such facilities were not accessible till then whilst not making the customer services richer.

Information technology creates internet. The internet was available for commercial purposes in the early 1990's. Internet Commerce appeared in the mid 90s. Financial Services over the Internet, or in other words E- Commerce has now been accepted as a global standard in electronic transactions.

Internet Banking was first introduced to the country in late 1998. Sri Lankans are now enjoying both Internet Banking through Credit Card payment Gateway services over the Internet. Not surprisingly, they are still in their inception. For a country with one Internet user per every 200 in the total population it will take few more years for exclusive on-line banks and fully pledged Internet Banking services to come into existence.

The way a Bank uses Internet to offer services to its customers can vary either through using Internet for promotional purposes only or by and using Internet for financial transactions.

Though almost all the commercial banks in the island offer the first two categories of services, only five local banks are offering the Internet Banking services at transactional level. However, due to legal and technical limitations, the transactions are confined within their own banking networks. The dark side of Internet Banking in Sri Lanka is, that only a small fraction of banking population have shown interest in using the new services. Under the context, this paper examines few strategic areas that trigger the thinking processes aimed at developing the Sri Lankan Internet Banking Industry firm from the perspective of both Financial Service Institutions and policy maker

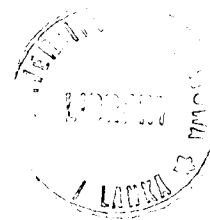
This paper concentrates on :

- The history of Internet banking in Sri Lanka
- The Internet Banking Services offered by the Sri Lankan Banks at present
- The advantages of Internet banking services to the customers and banks
- The challenges in developing the Internet Banking services in Sri Lanka

Making use of event-study methodology, the net impact caused by setting up of an additional Internet service channel is assessed and how well a bank will cater to its' customers and also on itself. The following was found.

1. Nearly all the banks do not want their most important data value revealed to the public.
2. Internet channel investments are positive net-present-value investments: the present value of the expected cash inflows is greater than the present value of the anticipated cash outflows.

The banks' introduction-strategy, and marketplace characteristics that influence the direction and magnitude of the how well bank can perform was analyzed. The results indicate that powerful banks with a larger number of branches achieve greater gains in performance than less powerful banks with a less number of branches through Internet channel offering. In terms of introduction timing, early followers have a competitive advantage vis-à-vis on both innovators and later followers. It was also found that banks, which provide additional advertising support to their Internet services, achieve greater financial gains. Finally, in terms of marketplace characteristics, firms operating in a fast-growing Internet environment benefit more than players operating in less munificent markets.



DECLARATION

“I certify that this thesis does not incorporate without acknowledgement any material previously submitted for a degree or diploma in any University to the best of my knowledge and belief and it does not contain any material previously published, written or orally communicated by another person except where due reference is made in the text.”

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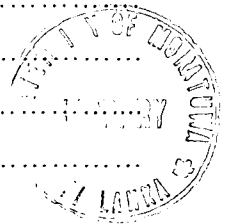
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