

An Empirical Study on the Effect of Product Innovations on Organizational Performances in the Banking Sector of Sri Lanka

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Innovation plays a pivotal role in guiding any industry towards dynamism. The study empirically identifies the effect of banks' product innovations on the banking sector performance. Further, the study identifies two main types of product innovations in banks as Liability Product Innovations (LPIs) and Asset Product Innovations (APIs). The study explores the organizational performance with respect to Deposit Base (DB) and Loans and Advances Base (LAB). The sample was derived based on the Brands Annual 2009 and ten most valuable banking brands were taken for the study. Product innovations carried out by banks are identified through a structured questionnaire while DB and LAB are obtained from the annual reports of the banks within the period from year 2005 to year 2008. Both descriptive and inferential methods were used in analyzing the data in optimizing the objectives of the study. The results show that LPIs and APIs have a strong positive effect on the DB and LAB respectively. Overall findings indicate that innovation is significantly and positively affect superior performance of the banking sector. Thus, the study concluded that it is worthwhile to increase the rate of innovations as a mode of reaching superior business performances in the banking sector.

Keywords: Innovations, Organizational Performances, Banking Sector