



**A STUDY OF IMPACT OF RISKS AND BENEFITS OF IT
OUTSOURCING TOWARDS THE BUSINESS
PERFORMANCE IN FINANCIAL INSTITUTIONS IN
SRI LANKA**

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ABSTRACT

Increasingly, financial institutions are jumping into the Information Technology (IT) outsourcing in an effort to enhance the business performance with the booming of IT in present scenario. The purposes of this research work are to identify the impact of Benefits and Risks of IT outsourcing towards the IT outsourcing and, to identify the impact of IT outsourcing towards the performance in the financial institutions in Sri Lanka. Researcher used developed model (Lawrence L. and Venkatraman N. 1995) for the study. 20 financial institutions were taken as the sample and primary data were gathered using questionnaire, filled by Chief Information Officers (CIO). Data was analyzed by descriptive statistic and inferential statistics. The result showed that Benefits of IT outsourcing highly impacts on IT outsourcing positively while Risks of IT outsourcing highly impact on IT outsourcing negatively and IT outsourcing highly impact on Business Performance positively. Management attitudes, Government policies (taxes), Size of the institution and Technological leverage are the other variables, affect to IT outsourcing. Financial institutions then need to increase Degree of IT outsourcing to enhance the Business Performance and Risks are mitigated in strong contract with IT vendors.

Keywords – Information Technology (IT), Outsourcing, Business Performance, Chief Information Officer (CIO), Financial Institutions