

**AN EMPIRICAL STUDY ON THE EFFECT OF  
PRODUCT INNOVATIONS ON ORGANIZATIONAL  
PERFORMANCES**

**(With special reference to banking sector in Sri Lanka)**

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# **An Empirical Study on the Effect of Product Innovations on Organizational Performances**

**(With Special Reference to Banking Sector in Sri Lanka)**

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## **Abstract**

This 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 represents the ten most valuable banking brands based on the Brands Annual 2009. Product innovations carried out by banks are identified through the questionnaire while DB and LAB are obtained from the annual reports of the banks. The data are collected for four years commencing from year 2005 to year 2008. The collected data are then analyzed using the descriptive and inferential methods in optimizing the objectives of the study.

The results show that Liability Product Innovations (LPIs) and Asset Product Innovations (APIs) have a strong positive effect on the Deposit Base (DB) and Loans and Advances Base (LAB) respectively. Overall findings indicate that innovation is significantly and positively effect to superior performance of the banking sector. Thus, as Sri Lanka is still a developing country, it is worthwhile to increase the rate of innovation capability as a critical driver for their future business success in the banking sector performance.

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