

Social Capital and Operational Performance of Domestic Licenced Commercial Banks in Sri Lanka

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Social capital, a valuable resource for strengthening an organization, yet a less studied concept in Sri Lankan context. This study endeavoured to explore the impact of social capital on operational performance of domestic licenced commercial banks in Sri Lanka with the hypothesis that there is a positive relationship between social capital and operational performance of licenced commercial banks in Sri Lanka. Three dimensions of social capital, relational, structural and cognitive social capital were used as the proxy for the independent variable while the operational performance of the organizations were measured using cost, quality, flexibility and delivery. The study relied on a survey design and a cross-sectional data was collected using a likert scale type questionnaire. Data were collected across 100 branch managers from top five domestic licensed commercial banks, which has their national ratings as "AA" by Fitch Ratings (Lanka) Ltd. using multistage sampling technique. Descriptive Statistics, Pearson Correlation Coefficient, Simple Linear Regression Analysis and Multiple Linear Regression Analysis techniques were used as statistical analysis. The study revealed that all three dimensions of social capital showed a strong positive relationship with operational performance while the cognitive social capital showed the highest positive relationship. Further this study revealed that the social capital significantly and positively impacts on operational performance of domestic licenced commercial banks in Sri Lanka. The outcome of this study recommends managers and the policymakers to have a mechanism to improve the social capital of top management as it leads to enhance the operational performance. Further this study contributes largely to the Sri Lankan literature in the context of social capital.

Keywords: Cognitive social capital; Operational performance; Relational social capital; Structural social capital; Sri Lanka