

THE IMPACT OF DIGITALIZATION ON CUSTOMER LOYALTY IN GOVERNMENT COMMERCIAL BANKS IN COLOMBO DISTRICT, SRI LANKA

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ABSTRACT

Digitalization is crucial for the banking sector, as it transforms traditional processes to offer enhanced convenience and accessibility. As the industry rapidly moves towards digital transformation, driven by the need to remain competitive and meet evolving customer expectations, banks are focusing on online value creation, hybrid interactions, and blockchain technologies. This shift operates at both strategic and customer-oriented levels, impacting business models and customer adoption of new technologies. This transition impacts both strategic and customer-oriented levels, influencing business models and the customer adoption of new technologies. The shift from traditional to digital services, fueled by advancements in information technology, has significantly altered how banks communicate, deliver services, and foster customer loyalty. This study examines the impact of digitalization on customer loyalty in government commercial banks in Colombo District, Sri Lanka. The study employed a comprehensive methodology, including a review of the relevant literature, primary data collection through a self-created questionnaire, and statistical analysis. Due to challenges in obtaining precise digital banking user data from Colombo District's population of 632,543, a sample of 300 was selected using convenience sampling, adjusted based on Morgan's (1970) table. Reliability and validity tests were conducted to ensure data accuracy and consistency. Data collection was conducted using an online questionnaire employing a quantitative methodology to gather and analyze the numerical data. The findings revealed strong positive correlations between six predictor variables: privacy, security, convenience, functional quality, accessibility, speed of delivery, and customer loyalty. Privacy and security, along with the speed of delivery, exhibited the strongest correlations. All correlations are statistically significant, supporting the hypothesis that these factors significantly influence customer loyalty in the government banking sector. The findings indicate that privacy and security, convenience, functional quality, accessibility, and speed of delivery are significant predictors of customer loyalty. These results align with the existing theories, reinforcing the importance of these factors in the context of government banking. This study provides empirical evidence that supports and strengthens the theoretical framework of this field. It recommends that the banking sector prioritize digitalization efforts to enhance customer loyalty.

Keywords: Privacy & security, convenience, functional quality, accessibility, speed of delivery