

Determinants of key performance indicators (KPIs) of private sector banks in Sri Lanka: an application of exploratory factor analysis

Nimalathan, B.

Abstract

An efficient banking system facilitates linkage between mobilization and use of resources, which accelerates the process of economic growth. It is a widely accepted belief that a banking system which relies on a wide array of banking products, is able to carry out this function because it increases the efficiency of a banking systems to a large extent by offering a broader and flexible arrange of services to the benefits of both borrowers and investors. Meanwhile, there are no comprehensive and empirical researches in that field especially in banking sector. In an attempt to fill in this gap, the present s tudy is conducted determinants of key performance indicators (KPIs) of private sector banks in Sri Lanka with samples of hundred respondents in twelve branches in North and Eastern Provinces. Data were collected through a five points Likert type summated ra ting scales of questionnaire from strongly disagree (1) to strongly agree (5) were adopted to identify indicators. Sophisticated statistical model as Exploratory Factor Analysis (EFA) has been used. The results show that eight factors extracted from the analysis that together accounted 73.781% of the total variance. These factors were categorized as 1) Accident Ratio (AR); (2) Opportunity Succession Rate (OSR); (3) Cash Flow (CF); (4) Return on Capital Employed (ROCE); (5) Customer Satisfaction Rate (CSR); (6) Overall Equipment Effectiveness (OEE); (7) Return on Investment (ROI); (8) Internal Promotion (IP).