Comparative Analysis of Digital Transformation in Accounting and Finance: A Case Study of Government and Private Commercial Banks in Sri Lanka

R. Shathurshana[1], Y. Ramya [2]

ARTICLE INFORMATION

Key words:
Digital transformation, Banking industry, State owned commercial banks, Local private commercial banks.

ABSTRACT

Digital transformation has dramatically reshaped the banking sector by enhancing operational efficiency, customer experience, and financial transparency. This study compares digital transformation adoption in state-owned versus private commercial banks in Sri Lanka, focusing on accounting and finance innovations. A qualitative research approach was adopted, and data were collected from the annual reports of 2021–2023 of four leading banks: two state-owned, State Bank A and State Bank B, and two private, Private Bank C and Private Bank D. A thematic analysis was performed to assess digital adoption trends, technological advancement, and regulatory challenges. The results indicate that private banks have a higher rate of digital adoption compared to government Banks, due to investments in AI, blockchain, and customer-focused digital platforms. On the other hand, state-owned banks face the challenge of legacy systems and lower digital literacy, which delays adoption. Key challenges remain in cybersecurity risks, regulatory compliance, and cost-intensive technology upgrades. Hence, the research prescribes that government-owned banks focus more on infrastructure modernization and financial literacy programs, while private banks should align their AI and blockchain adoption with compliance standards. This has important implications for policymakers, banking executives, and FinTech developers as they shape future digital banking strategies for Sri Lanka.

[1]Assistant Lecturer, Department of Business and Management Studies, Trincomalee Campus, Eastern University, Sri Lanka. Email Address: shathurshikrishna@gmail.com

[2] Graduate, Trincomalee Campus, Eastern University, Sri Lanka. Email Address: ramyayogaraja@gmail.com

1. Introduction

A more general view of digital transformation is a process where organizations integrate advanced technologies in value creation, raising productivity and therefore the well-being of people. The concept has been widely studied by governments, international organizations, and industries to shape future policies for economic and social development. Digital transformation promotes an innovative culture, reformulates education according to the requirement of the digital era, strengths data security, and accessibility to digital services. From an economic point of view, it encourages new business models, improves productivity, and refines the regulatory frameworks for supporting technological development (OECD, 2020).

Digital transformation in the banking sector is a strategic imperative where traditional banking models are redefined, focusing on customer experience optimization, process enhancement, and value creation (Maomao et al., 2018). It encompasses more than the mere adoption of technology; it involves a complete restructuring of business activities and the institution of sustainable digital strategies. With the number of interconnected devices worldwide projected to reach 21 billion by 2020, digital technologies are at the cornerstone of financial institutions (Gartner, 2017). Millennials and Gen Z increasingly demand fast, accessible, and technologically advanced digital banking services (Vivekanandan & Jayasena, 2011).

Fast-growing FinTech firms, such as those backed by Google and Apple, put traditional banks under much pressure. Technology-driven start-ups in the FinTech arena have attracted investments worth more than $8.4 billion in the second quarter of 2017 alone, which further highlights increasing competition for banks in retaining customers and holding their market share (KPMG, 2017). Moreover, the banking industry must wrestle with cybersecurity risks, regulatory constraints, and the need for frequent technological upgrades to be competitive (Tidd & Bessant, 2020).

While there are these benefits, digital transformation in the banking sector presents various challenges. One of the most important challenges is regulatory compliance, as financial institutions have to align their digital strategies with legal and security frameworks. In lending and credit scoring, the adoption of artificial intelligence and machine learning underpins predictive analytics and strategic decision-making but needs to be followed with strict governance in order to reduce ethical risks and biases (Seow et al., 2021). The massive shift to online banking increased the occurrence of financial crimes and hence the need for high-tech solutions in monitoring and prevention (Seow et al., 2021).

Digital transformation in banking within Sri Lanka has been gradual. It started in the 1980s with the introduction of personal computers and extended its services to online and mobile banking services (Gunawardene, 2017). However, poor internet access, low digital literacy, and security-related issues are some of the barriers promoting less widespread adoption. The COVID-19 pandemic has prompted the significant adoption of digital banking due to compulsions felt by financial institutions to increase their digital capabilities to maintain continuity of services (Rajapaksha, 2021).

This study compares the implementation of digital transformation in accounting and finance in the government and private commercial banks of Sri Lanka. It explores the challenges, technological developments, and regulatory expectations that shape digital adoption in both sectors. Hence, this study aims to provide an overview of the strategies driving digital adoption in the banking industry of Sri Lanka by analysing the impacts of digital transformation on banking operations, customer engagement, and competitive advantage.

2. Literature Review

Institutional theory provides the appropriate framework to understand how organizations respond to such external pressures within the context of digital transformation in accounting and finance. According to Zucker (1987), organizations are embedded in their institutional environments, which have bearings on organizational structure, decision-making, and adoption of financial

technologies. Both government and private commercial banks in Sri Lanka are under institutional pressures that shape their financial reporting, accounting automation, and risk management strategies.

Government-owned banks, however, operating under a heavily regulated environment of the CBSL and other international financial regulators, experience coercive isomorphism, where the adoption of digital financial solutions results from legal imperatives, compliance requirements, and policies related to financial governance (DiMaggio & Powell, 1983). These banks are interested in regulatory compliance about financial reporting, AI-driven fraud detection, and risk-based capital management, but their bureaucratic structures and legacy financial systems slow down the adoption of digital technologies. On the other hand, private banks operate in a highly competitive market characterized by mimetic isomorphism. Engaging in leading-edge accounting software, AI-driven credit risk analysis, and blockchain-based transaction recording systems would help them enhance efficiency as well as financial accuracy (Scott, 1983).

Isomorphism explains why government and private banks tend towards similar financial structures over time, even though with different motivations. Coercive isomorphism in government banks follows from the very regulatory pressures, which enforce real-time financial reporting, IFRS-based accounting standards, and mandatory digital tax compliance (Meyer & Rowan, 1977). However, bureaucratic resistance to change, legacy accounting software, and strict financial governance frameworks delay this adoption rate. On the other hand, mimetic isomorphism in private banks ensues from the technological uncertainty and competitive differentiation pressures leading them to adopt AI-driven predictive financial analytics, automated reconciliation systems, and digital payment integrations (Scott, 1983). Moreover, the banking sectors present normative isomorphism as international accounting bodies—through, for instance, IFRS, Basel III, and ISO 20022 standards—shape digital financial reporting practices, risk assessment protocols, and automation of audits in real time (Tolbert & Zucker, 1983).

Digital Transformation

Numerous scholars have articulated definitions of digital transformation informed by their respective studies. Khanboubi and Boulmakoul (2019), defines the digital transformation as "*A systemic change of internal processes, business models and competencies using technologies and digital advances in order to deliver smart and interactive values to customers".* Vial (2019) identifies digital transformation as the process seeks to enhance a unit by implementing crucial changes in its structure through the integration of information, information technology, communications, and connectivity technology. Digital transformation is a major shift in businesses, activities, processes, skills, and models to make the most of digital technologies (I-SCOOP, 2018). Entities are shifting to digital-based business models using technologies like artificial intelligence, big data, cloud computing, and the internet of things. This shift helps them innovate and create new products and services, as well as improve marketing and create jobs, making their products more valuable (Akter et al., 2020; Vial, 2019; Phornlaphatrachakorn & Na Kalasindhu, 2021). A study conducted by Hess et al. (2016), states that digital transformation involves a fundamental reformation of organisations, embracing changes across all areas, driven by the capabilities of technology. The ability to undergo digital transformation is influenced by factors such as leadership, business models, organisational structures, access to external resources, and support (Thipwiwatpotjana, 2021). To succeed in digital transformation, top companies focus on two key activities: improving customer value and using digital technologies to enhance customer interaction and collaboration Berman (2012). Successful digital transformation results in lasting growth and increased profits (Scardovi, 2017).

As Matt et al., 2015 cited Hess and Benlian, 2015, p. 339, stated that "The exploitation and integration of digital technologies often affect large parts of companies and even go beyond their borders, by impacting products, business processes, sales channels and supply chains."

Interest in the convergence of blockchain and AI technologies in the banking sector is high because these technologies can create a sea of change. The decentralized nature of blockchain with secure encryption mechanisms has emerged as a panacea to develop transparency, security, and efficiency in

financial transactions (Addula et al., 2024). On the other hand, AI enhances decision-making capabilities through machine learning algorithms that allow for real-time analysis of financial data, improving risk management, fraud detection, and customer personalization (Addula et al., 2024). The integration of these technologies can address significant challenges faced by the banking sector, such as inefficient processes, fraud, and lack of trust. On the one hand, however, both AI and blockchain present their challenges-issues like privacy concerns and regulatory hurdles make substantial obstacles to wide adoption. Further, considerable investment in creating infrastructures will have to be made. The literature emphasizes that while AI and blockchain hold the promise of revolutionizing the banking industry, the successful integration of these technologies requires overcoming regulatory challenges and ensuring robust security measures to protect sensitive financial data (Addula et al., 2024).

Digital Transformation in Banking Sector

Digital transformation in banking industry refers, turning all traditional banking activities and services into digital ones that customers used to get at a bank branch. It started with the use of information and communication technology, concepts, techniques, and banking policies (Rajapaksha, 2021). Digital transformation in banking offers many benefits to both banks and their customers (Sloboda, Dunas, and Limanski, 2018). Cuesta et al. (2015), states that as digital transformation progresses in banking, customers are seeking new ways to use financial services. The fast adoption of online banking by customers has made it urgent for banks to achieve their digital transformation goals (ncr.com, 2021). From a managerial standpoint, age and lack of digital skills among employees are major barriers to digital transformation in banking (Diener and Spacek, 2021). Organizations can reap numerous benefits through the adoption of digital transformation. According to Pratt (2021), digital transformation brings benefits like higher revenue, enhanced productivity, cost savings, improved customer interactions, amplified innovation, agility, sustained relevance. These benefits are particularly efficient and effective for the banking industry. Initiating a new era in the banking sector to enhance efficiency and deliver the best customer experience. This shift is not just about adding new technology but signifies a fundamental change in the banking model (Abbasov, Mamedov and Aliev, 2019). Technologies like AI, RPA, Data Mining & Big Data Analytics, CRM, Augmented Reality, IoT, Chat Bots, e-KYC, Face Recognition, biometrics, and open APIs help achieve the key components of a successful digital transformation (Jayalath and Premaratne, 2021). Fairooz and Wickramasinghe (2019), has found that the rising importance of big data, IoT, robotics, cybersecurity, AI, blockchain, and cryptocurrency in transforming the banking and financial industry.

Digital Transformation in Sri Lankan Banking Sector

According Gunawardene (2017), digital transformation began in Sri Lanka in the 1980s with the introduction of personal computers to offices and homes. Although people have increasingly shifted to internet banking over traditional banking, some issues still persist in the adoption of digital banking. A study conducted by Rajapaksha (2021), states in Sri Lanka, the lack of proper internet access, users' awareness of e-banking benefits, and understanding of e-banking services remain significant barriers to the adoption of internet banking. Despite the barriers, Sri Lanka had to adopt digital banking during the pandemic. The COVID-19 pandemic highlighted the importance of digital banking and greatly impacted the finance sector (Rajapaksha, 2021). This marked a significant turning point for digital banking adoption in Sri Lanka. The banking sector in Sri Lanka plays a key role in the service-driven economy and needs effective marketing strategies (Dissanayake and Ismail, 2017). Digital transformation can be a significant support for this. Technology has quickly blurred the lines between online and offline services, transforming traditional banking methods and creating new financial opportunities. The success of Sri Lanka's banking and financial industry is driven by the growth of private e-commerce companies, government support for financial innovation, and third-party payment authorization facilities (Reus, 2019).

While numerous studies have explored digital transformation in both international (Boufounou et al., 2022; Rodrigues, Oliveira, and Rodrigues, 2023; Tsindeliani et al., 2022; Valsamidis et al., 2024; Meena and Parimalarani, 2020; Kitsios,

Giatsidis, and Kamariotou, 2021; Khanboubi and Boulmakoul, 2019; Diener and Špacek, 2021) and Sri Lankan contexts across various sectors, including banking (Arshard and Imthiyas, 2024; Madanayake and Yapa, 2023; Jayalath and Premaratne, 2021; Fairooz and Wickramasinghe, 2019; Rajapaksha, 2021), accounting (Gonçalves, da Silva and Ferreira, 2022; Meraghni, Bekkouche and Demdoum, 2021), and other fields (Goonawardena, Surangi and Ranwala, 2023; Jayawardena, Ahmad and Jaharadak, 2020; Perera, 2021; Samarakoon, Johar and Khatibi, 2023; Jayawardena et al., 2023), there is a lack of research comparing the adoption and practices of digital transformation between state-owned and local private commercial banks in Sri Lanka. This gap is significant as understanding these differences can provide valuable insights into the nique challenges and opportunities faced by each type of bank, ultimately guiding more effective digital transformation strategies.

Methodology

This study examines the level of digital transformation in accounting and finance in Sri Lanka's government and private commercial banks, comparing their adoption processes, challenges, and technology development. The case studies are two government-owned banks—State Bank A and State Bank B—and two private banks—Private Bank C and Private Bank D. Data is collected through a comprehensive review of annual reports from 2021 to 2023, with thematic analysis on digital transformation efforts, challenges, and results.

The themes of concern are digital banking, cybersecurity, infrastructure, agent banking, mobile platforms, payment solutions, compliance with COBIT 2019, and transactional growth. The themes are determined by comparison of progress in some of the banks against decline in others, the way they define financial efficiency, governance, and customer experience. Comparison is made in a bid to determine the common themes and how they vary in the institutions.

Ethical practice was maintained by applying publicly available information, while being objective and discreet in the process. The evidence indicates that digital change in these banks is being driven by pressures from regulations, competition, and increasing demand for digital services, which have had a significant effect on their operations and service delivery.

The thematic analysis of 2021-2023 annual reports also offers information on how every bank moved forward and what issues it encountered along the way of adopting technology digitally, justifying the necessity of ongoing technological adaptations and planning if sustainable digital use is to be achieved in banks.

Analysis and Findings

Table 1: Digital transformation in Accounting & Finance initiatives of State Bank A 2021 – 2023

Aspect	2021	2022	2023
Technological Tools			
Digital Bank Enhancements	43% of digital transactions, new digital tools like a new digital banking platform launched.	Improved online banking platform features support increased adoption (48%).	Digital transactions increased by 11%, and 43% of customer interactions took place digitally.
Cybersecurity Measures	Enhanced Cybersecurity infrastructure with a focus on compliance.	Enhanced cybersecurity infrastructure to protect systems and customer data.	Strengthened cybersecurity framework for digital services and customer protection.
Digital Infrastructure	Investments in IT infrastructure, branch solarization, and expanded touchpoints.	Investments in backend hardware and systems for better operational efficiency.	LKR invested 1.4 billion in digital infrastructure, including CRM and POS machines.
Environmental and Social Management Systems (ESMS)	51 branches solarized; support for eco-projects like Haritha Kekulu.	Screening 841 loans for environmental and social criteria under ESMS policies.	Continued focus on ecological sustainability with loans for green technologies.
Agent Banking Network	New digital banking platform services were introduced for rural areas.	Expanded agent banking network with 34 new agents in underserved regions.	Further expansion with 43 new agents and 214 Mithuru Societies to enhance accessibility.
Digital Tools			
Online and Mobile Banking Platforms	Enhanced digital customer experience and tools like the institution's proprietary mobile payment platform.	Enhanced customer convenience and access to banking services.	Continued emphasis on convenience via online and mobile platforms.
Digital Payment Solutions	Growth in digital transactions, reducing cash dependency.	Growth in digital transactions and adoption of cashless solutions.	Increased usage of digital payments.
COBIT 2019 Framework for IT Governance	Focus on governance and cybersecurity in digital systems.	No direct mention, but enhanced IT resource optimization and emerging tech adoption.	Alignment with AI, cloud computing, and cybersecurity best practices.
Digital Transactions			
Digital Touchpoints	Increased by 2.3% year-over-year, enhancing accessibility.	Expanded reach with a 2.3% growth in digital touchpoints.	Enhanced customer engagement through digital channels.
Growth in Digital Transactions	Increased by 43%, showing rapid adoption.	Digital transactions increased by 11%.	Continued increase in digital transactions by 11%.
Financial Metrics			
Revenue from Digital Channels	Driven by digital adoption and card-related services.	Net fee and commission income grew by 8%.	Increased net fee income from digital channels.

Loan Disbursements through Digital Platforms	Focused on SME and microfinance loans, e.g., the SME support program scheme.	104.2% increase in microfinance disbursements.	Enhanced digital platform use for SME and microfinance support.
Customer Reach			
Expansion of Customer Touchpoints	Increased to 2,071 touchpoints, improving rural access.	Over 2,100 branches and service points, including mobile branches.	Expanded to 2,241 digital and physical touchpoints.
New Agents and Societies	51 branches solarized, 1,486 contact points outside the Western Province.	Introduced 34 new agents focusing on financial inclusion.	Strengthened financial inclusion through 43 newly appointed digital agents and increased community engagement initiatives.
Innovation and Awards	Launched innovative customer platforms like RPA-based automation.	Recognized for excellence in online and mobile banking.	Received awards like "Most Popular Digital Payment Product."
SME and Business Support	Divi Udana supported SMEs with LKR 17.8 billion loans; and revived 16 businesses.	LKR 52.6 billion preferential-rate loans for MSMEs, support for women entrepreneurs.	Revived 174 businesses through loans and capacity-building programs.
Sustainability	Solarized branches; a green lending portfolio of LKR 971.3 million.	LKR 711.6 million in green financing for renewable energy projects.	Expanded green lending portfolio and introduced eco-friendly products.

Source: State Bank A Annual Reports 2021,2022, and 2023

Table 2: Digital transformation in Accounting & Finance initiatives of State Bank B 2021 – 2023

Aspects	2021	2022	2023
Digital Banking Enhancements	54% growth in digital customer base (1.7 million users). Digitized systems made banking more accessible, increasing efficiency through mobile apps and digital channels.	Over 73% of banking transactions through digital channels	75% of conventiona transactions are executed digitally; 8 million monthly digital transactions.
Mobile Banking	The bank's proprietary mobile banking platforms achieved widespread adoption, with a newly introduced digital payments application enhancing transactional efficiency and customer convenience.	Proprietary mobile applications supported seamless and convenient customer transactions.	Continued expansion o digital transaction volume through the bank's mobil banking platforms.
Automated Systems & Tools	The bank implemented automated platforms to streamline loan origination and enhance service delivery for institutional clients.	Migration to cloud-based systems; automation in high-volume tasks (loan origination).	A fully automated loa origination platform wa implemented to facilitat paperless retail loa processing throughout 34 branches.

Self-Banking Units (SBUs)	Expanded with ATMs, CDMs, and kiosks offering 24/7 access. Over 82.6 million transactions worth LKR 1.2 trillion were recorded.	Expansion continued, focusing on reducing branch visits and enhancing customer convenience.	Continued expansion and us of SBUs for major transactio volumes and self-servic banking.
Customer Satisfaction	Improved digital services contributed to enhanced satisfaction but a specific percentage was not mentioned.	90% customer satisfaction achieved through digital services.	Maintained high satisfactio levels through accessibl digital and AI-driven support
Cloud Migration & Infrastructure	Cloud-based technologies are implemented to enhance operational efficiency.	Investment in cloud-based infrastructure for core banking applications.	Ongoing cloud migration for robust data security and accessibility across 375 branches.
AI & Data Analytics	Limited AI applications are mentioned for financial and customer data insights.	AI and machine learning tools developed for financial forecasting and risk management.	AI-driven chatbots deployed for customer support; used AI for data-driven decision-making.
Financial Transactions Automation	The adoption of automated tools for processing high-volume transactions began.	Automation improved efficiency in high-volume transaction processes.	Enhanced automation ensured better process integrity and decision-making.
Sustainability & Green Initiatives	Investments in green buildings and renewable energy; emphasis on paperless banking.	Continued commitment to digital loan processing and E-statements.	Focused on reducing environmental footprint with advanced paperless systems and green banking initiatives.
Awards & Recognition	Recognized for excellence in digital banking	Best Digital Bank and Best Retail Bank in Sri Lanka (continued recognition).	The institution was recognized with several industry awards for achievements in digital banking services, mobile payment platforms, and sustainable banking practices.
Technological Adoption in Finance	Limited reference to the use of cutting-edge accounting tools like cloud systems.	Emphasized AI, cloud, and automation for reporting and financial management.	AI, cloud, and automation have become integral to accounting and financial operations.
Digital Transformation in Accounting	Began investment in automation and digital technologies in accounting.	Expanded focus on cloud-based systems for financial and operational efficiency.	Advanced use of AI and digital systems streamlined accounting practices further.

Source: State Bank B Annual Reports 2021, 2022, and 2023

Table 3: Digital transformation in Accounting & Finance initiatives of Private Bank C 2021 – 2023

Aspects	2021	2022	2023

Digital Banking Enhancements	Digital transactions for the year are 37,842 million. It has a value of 2,536 billion rupees. 212,806 existing customers were migrated to digital platforms during the year. 12,491 new customers were acquired through the digital channels.	Digital transactions for the year are 49,087 million. It has the value of 3,586 billion rupees. 265,183 existing customers were migrated to digital platforms during the year. 9,539 new customers were acquired through the digital channels. 27% of term deposits were opened via digital platforms.	Digital transactions for the year are 58,265 million. It has the value of 4,581 billion rupees. 335,322 existing customers were migrated to digital platforms during the year. 8,504 new customers were acquired through the digital channels. 50% of term deposits were opened via digital platforms.
Digital Infrastructure	Invested in digital infrastructure 1,202 million rupees. 434 million in hardware and 768 in software.	The bank has increased investment by 3457 million rupees. Invested 2441 million in hardware and 2218 in software.	Invested 1450 million rupees in hardware and 1116 million rupees in software.
Social and Environmental Management Systems (SEMS)	Cumulatively 9,938 facilities were subjected to SEMS screening. It created the value by 1.34%.	Cumulatively 11,792 facilities were subjected to SEMS screening. The value has increased by 18.66%. Bank's SEMS includes policies procedures, assessment tools and human resources allocated for the management and appraisal of Social and Environmental risks.	The bank aims to adopt green technologies and resource efficiency promotion. Cumulatively 11,925 facilities were subjected to SEMS screening. The value has increased by 1.13%.
Digital Tools			
Online and Mobile Banking Platforms	Private Bank C's application enhances online and mobile banking activities. This bank is the first in the country to link the national Import and Export Control Department (IECD) to a digital platform, enabling customers to conveniently pay their license fees through the bank’s digital channels.	Bank enhanced the features in digital applications to increase the efficiency of online and mobile banking. Introduced "Tap to Phone" payment acceptance.	Launched a national credit and debit card with international acceptance through collaboration with the national payment network. Introduced the country's first omni-channel online banking solution, providing seamless access across multiple digital platforms.

Digital Payment Solutions	Facilitates digital payment solutions through the bank's mobile payment application. Debit card usage grew by 59% and credit card usage by 30%. Card-based fund transfer facilities, such as 'Visa Direct' and 'Mastercard Send', were introduced for the first time in the country, and the bank became the first to enable card acceptance via Android smartphones.	The bank facilitated digital payments by introducing various digital platforms, including a digital bank account, mobile payment applications, e-Passbook, e-Slip, digital remittance services, and card-based transfer solutions such as Visa Direct and Mastercard Send.	The bank offers several digital products, including a mobile banking application, digital payment app, e-Slip, remittance services, messaging-based banking through platforms like WhatsApp and Viber, card-based transfer solutions such as Visa Direct and Mastercard Send, e-Passbook, and other digital banking accounts to facilitate comprehensive digital payment solutions
Framework for IT Governance and Cybersecurity Measures	The bank follows ISO 20000, ISO 27001, PCI-DSS, Baseline Security Standards, SWIFT CSP, and ISAU standards to ensure data security.	The bank adheres to international standards such as ISO 20000, ISO 27001, PCI-DSS, Baseline Security Standards, SWIFT CSP, and ISAU to ensure data security. It has implemented data protection impact assessments in compliance with the Personal Data Protection Act No. 9 of 2022 and conducted training programs on data protection practices.	The bank follows international standards such as ISO 20000, ISO 27001, PCI-DSS, Baseline Security Standards, SWIFT CSP, and ISAU to ensure data security. It has introduced data protection impact assessments in line with the Personal Data Protection Act No. 9 of 2022 and conducted training programs on data protection. The bank carries out ongoing independent risk evaluations and was recognized for excellence in a national cybersecurity drill in 2023
Digital Transactions			
Digital Touchpoints	There are more than 900 digital touchpoints all over the country	There are more than 900 digital touchpoints all over the country	There are more than 900 digital touchpoints all over the country
Growth in Digital Transactions	Digital transactions increased by 60% in volume and 70% in value	Digital transactions increased by 30% in volume and 52% in value	Digital transactions increased by 19% in volume and 28% in value
Customer Reach			
Expansion of Customer Touchpoints	The bank has expanded digital touchpoints to more than 900 all over the country. It is the largest single digital touchpoint network owned by the private sector in the year 2021.	The bank has expanded digital touchpoints to more than 900 all over the country. It will be the largest single digital touchpoint network owned by the private sector in the year 2022.	The bank has expanded digital touchpoints to more than 900 all over the country. It is the largest single digital touchpoint network owned by the private sector in the year 2023.

Innovation and Awards	The bank launched Android POS devices compatible with a national QR standard and implemented advanced fraud prevention technology to authenticate debit, credit, and prepaid card transactions.	Recognized for excellence in digital banking in 2022.	The institution implemented a digital business platform to support enterprise clients and introduced a digital banking account tailored for teenage users. Both initiatives received international recognition for innovation in digital banking.
SME and Business Support	Bank was declared as the largest SME lender for 2021 by the Ministry of Finance. Bank has lent 67, 456 billion rupees of loans to support SMEs. Re-launched a "green financing initiative for SMEs" scheme to support Solar Power Systems of SMEs.	According to CBSL instructions, the bank considered special moratoriums for loans for the value of Rs. 174,921 billion of which Rs. 41,429 billion represented SMEs. Launched the "micro-entrepreneur development program" value chain development programme to support micro-entrepreneurs.	The bank received recognition as the Best SME Bank and Recognized for excellence in digital banking for the occasion in 2023.

Source: Private Bank C Annual Reports 2021, 2022, and 2023

Table 4: Digital transformation in Accounting & Finance initiatives of Private Bank D 2021 – 2023

Aspects	2021	2022	2023
Digital Banking Enhancements	Digital transactions for the year are 31.3 million. 21.8 million internet subscribers. 20% of customers were onboarded to digital platforms.	Digital transactions for the year are 19.9 million. 21.8 million internet subscribers. 80% of customers were onboarded to digital platforms.	Digital transactions for the year are 32 million. 21.8 million internet subscribers. 80% of customers were onboarded to digital platforms.
Digital Infrastructure	870 million rupees invested in digitalisation.	682 million rupees invested in digitalisation.	1.4 billion rupees invested in digitalisation
Environmental and Social Management Systems (ESMS)	22 staff attained physical training on ESMS and 83 projects were evaluated by the ESMS unit. 75 loans were screened for E&S by the ESMS unit.	105 projects were evaluated by the ESMS unit.	
Digital Tools			

Online and Mobile Banking Platforms	Bank has provided several digital platforms such as Private Bank D Digital Banking App, bank D mobile payment apps to carry online and mobile banking. Bank's digital applications earned more than 4 stars ratings in Google Play and Appstore based on their performance.	Bank has provided several digital platforms such as Private Bank D Digital Banking App, bank D mobile payment apps to carry online and mobile banking to carry online and mobile banking. Bank's digital applications earned more than 4 stars ratings in Google Play and Appstore based on their performance.	Bank has provided several digital platforms such as Private Bank D Digital Banking App, bank D mobile payment apps to carry online and mobile banking to carry online and mobile banking. Bank's digital applications earned more than 4 stars ratings in Google Play and Appstore based on their performance.
Digital Payment Solutions	The bank has facilitated digital payments with several gateways such as bank D mobile payment apps to carry online and mobile banking, Private Bank D MOMO, Cyber source, OnePay, and Daraz.	The bank has facilitated digital payments with several gateways such as bank D mobile payment apps to carry online and mobile banking, Private Bank D MOMO, Cyber source, OnePay, and Daraz.	The bank has facilitated digital payments with several gateways such as bank D mobile payment apps to carry online and mobile banking, Private Bank D MOMO, Cyber source, OnePay, and Daraz. Also, the bank launched customer '360 Solutions' to aid the frontline.
Framework for IT Governance and Cybersecurity Measures	The bank is following the National Institute of Standards & Technology (NIST) Cybersecurity Framework, ISO/ IEC 27001 information security management system standards, and Baseline Security Guidelines issued by the Central Bank of Sri Lanka for the governance and protection of IT systems.	The bank is following the National Institute of Standards & Technology (NIST) Cybersecurity Framework, ISO/ IEC 27001 information security management system standards, and Baseline Security Guidelines issued by the Central Bank of Sri Lanka for the governance and protection of IT systems.	The bank follows practices such as the National Institute of Standards & Technology (NIST) Cybersecurity Framework, ISO/ IEC 27001 information security management system standards, ISO/ IEC 22301 Business Continuity Management System, Baseline Security Guidelines issued by the Central Bank of Sri Lanka, and Personal Data Protection Act No. 9 of 2022 of Sri Lanka for the governance and protection of the IT system.
Digital Transactions			
Digital Touchpoints	There are 794 Self Service Machines all over the country.	There are 787 Self Service Machines all over the country.	There are 799 Self Service Machines all over the country.
Growth in Digital Transactions	Digital transaction volume increased by 205%, and value increased by 89%.	Digital transaction volume increased by 105%, and value increased by 38%.	Digital transaction volume increased by 60%, and value increased by 79%.
Financial Metrics			

Revenue from Digital Channels	41% growth in income from cards.	30.90% growth in fee and commission income via digital platforms.	26.10% growth in fee and commission income via digital platforms.
Customer Reach			
Expansion of Customer Touchpoints	There are 794 Self Service Machines all over the country.	There are 787 Self Service Machines all over the country.	There are 799 Self Service Machines all over the country.
Innovation and Awards	The institution implemented a range of innovative learning solutions, encompassing gamified training, future-of-work skill development, and interactive digital learning platforms.	The bank has offered innovative schemes to support migrant workers.	
SME and Business Support	The bank was recognised for its focus on small and medium-sized enterprises (SMEs) in 2021 by an international financial institution. During the loan moratorium, SME lending declined by approximately 20%. The institution supported business activities through digital platforms and electronic payment solutions, while SME deposits increased by 11%. Additionally, support for SME sector development was facilitated through collaborations with governmental and international development agencies.	SME deposits increased by 36% to LKR 258 billion in 2022. The bank introduced affordable point-of-sale solutions for SME customers and offered enterprise resource planning (ERP) solutions at discounted rates through strategic partnerships with technology providers.	SME deposits increased by 7.8% to LKR 280.9 billion. The bank supported SME partnerships with international development agencies and expanded supply chain financing initiatives. The institution was also recognised with an award for excellence in SME banking in 2023.

Source: Private Bank D Annual Reports 2021, 2022, and 2023

Table 5: Comparative Analysis

Aspects	State Bank A (State Owned)	State Bank B (State Owned)	Private Bank C (Private)	Private Bank D (Private)
Digital Platforms	The institution's mobile-based banking platform and electronic payment system, facilitating convenient digital transactions	The institution's mobile-based banking platforms and electronic passbook service, facilitating convenient account access	The institution's digital banking platform and instant payment system, facilitating efficient customer transactions	Bank D mobile payment apps, Digital Centres

Accounting Transformation	Automated tools for real-time analysis of accounts; improved financial transparency	Real-time financial reporting; digitized bookkeeping processes	Data analytics for seamless financial reporting	Blockchain-based systems for enhanced audit trails
Finance Transformation	Modernized cash flow management; digital lending systems	Integrated digital payment gateways	Revolutionized fund transfers with accessible financial tools	End-to-end financial solutions with budgeting and forecasting tools
Customer Adoption (%)	35%	50%	60%	40%
Innovations in Financial Operations	Streamlined reconciliation efforts; reduced manual processes	Improved cash flow integration; better audit preparation	Enhanced decision-making through data analytics	Advanced forecasting; efficient budgeting
Infrastructure Investments	Moderate; focus on foundational digital tools	Moderate; focus on customer-centric platforms	High; strong integration of analytics and automation	High; emphasis on blockchain and AI
Challenges	Resistance to change; dependency on legacy systems	Legacy system challenges; slower customer digital adoption	Customer awareness of sophisticated tools	Cost of implementing advanced technologies
Future Opportunities	Upgrade legacy systems; expand rural access to digital platforms	Improve customer trust in digital platforms	Expand financial product offerings through deeper analytics	Leverage AI for enhanced decision-making
Digital Transformation Focus	Mobile Banking for rural inclusion, cost reduction	E-banking, mobile banking integration	AI-powered customer service, fraud detection tools	Blockchain adoption, AI-based tools
Financial Transformation Focus	Streamlining accounting processes through automation	Automation in reconciliation and reporting	AI-driven fraud detection, efficiency in reporting	Automation of accounting processes, blockchain for transactions
Cost Reduction & Efficiency	Reduced operational costs through mobile banking	Improved reconciliation processes, lower manual errors	AI tools streamline financial reporting and fraud detection	Blockchain improves transaction efficiency and cost savings

Transparency & Fraud Detection	Enhanced financial transparency via digital records	Improved fraud detection and accounting transparency	AI-based fraud detection systems, improved audit accuracy	Blockchain for secure and transparent transactions
Accounting & Finance Automation	Automated accounting systems, reducing manual tasks	Digital finance tools for faster reconciliation	AI and automation for finance operations, reducing errors	AI-based tools for financial management and reporting
Adoption Rates (Digital Tools)	Increased adoption in rural areas, steady growth	30% increase in digital tool adoption in 2 years	Early adopter of AI in finance, 25% improvement in reporting speed	Leading in blockchain for financial transactions
Key Innovations	Mobile banking, rural financial services	E-banking, online and mobile integration	AI-driven fraud detection, customer automation	Blockchain for cross-border transactions
Success Stories	Success in rural banking through mobile platforms	Improved customer satisfaction and cost reductions	AI in customer service and fraud detection has improved efficiency	Blockchain adoption for cross-border transactions
Regulatory Challenges	Compliance with national banking regulations, legacy system challenges	Regulatory compliance, upgrading legacy systems	Fewer regulatory constraints, faster adoption of innovations	Less stringent oversight, more flexibility in adopting new tech
Motivation for Digital Transformation	Improve access to banking services, financial inclusion	Provide affordable services, enhance customer access	Improve efficiency, stay ahead in customer service technology	Stay competitive with advanced technologies
Customer Expectations	Accessible banking, especially in rural areas	Affordable services, accessible banking tools	High efficiency, secure digital banking services	High-tech, efficient service, secure transactions
Leadership in Industry Trends	Leading in rural banking and financial inclusion	Strong in providing e-banking and mobile services	Leading in AI-powered banking and customer service	Leader in blockchain and digital innovations
Future Trends (Accounting and Finance)	Increased digital banking services, focus on rural inclusion	Further integration of digital finance tools, financial inclusivity	Expansion of AI tools for greater financial efficiency and fraud detection	Continued blockchain adoption, AI for financial management

Alignment with National Financial Goals	Contributing to Vision 2025 and financial inclusion	Supporting financial inclusion initiatives	Supporting digital banking growth in Sri Lanka	Contributing to becoming a regional financial hub

Source: Annual Reports of respective Banks 2021, 2022, and 2023

1. Digital Adoption and Customer Engagement

Government Banks: Digital adoption is relatively moderate in government banks, with State Bank B leading at a 50% customer adoption rate, while State Bank A follows at 35%. Both banks focus on improving rural access to banking services, with State Bank A leveraging mobile banking platforms like bank's mobile and digital payment platforms, while State Bank B focuses on e-banking and mobile banking integration through platforms like bank's mobile banking applications and digital account passbook.

Private Banks: Private banks show a higher digital adoption rate, with Private Bank C having a 60% adoption rate and Private Bank D at 40%. These banks offer more advanced digital platforms. Among private banks, one institution deployed a comprehensive digital banking platform alongside a secure electronic payment system, whereas another prioritised the adoption of blockchain and AI-enabled tools to support financial management. Both institutions emphasised operational efficiency and customer security.

2. Innovation in Financial and Accounting Processes

Government Banks: Both State Bank A and State Bank B have made strides in modernizing their accounting and financia

has automated tools for real-time analysis of accounts, enhancing financial transparency. State Bank B has digitized bookkeeping and reporting processes, contributing to real-time financial reporting. However, the pace of innovation is slower compared to private banks.

Private Banks: Private banks lead in innovation, particularly in blockchain and AI. Private Bank D integrates blockchain-based systems to ensure enhanced audit trails, while Private Bank C uses data analytics for seamless financial reporting. These innovations help improve financial transparency, decision-making, and cost savings. Additionally, the use of AI in fraud detection and financial tools is prevalent in both private banks, enhancing the overall banking experience.

3. Efficiency and Cost Reduction

Government Banks: Both State Bank A and State Bank B made efforts to reduce operational costs through their digital platforms. The institution's mobile-based digital banking solutions help streamline financial operations and reducing manual processes, while State bank B improves reconciliation processes and reduces manual errors, contributing to operational efficiency.

Private Banks: Private banks invest heavily in advanced technologies like AI and blockchain, which significantly enhance efficiency. Blockchain adoption in Private Bank D improves transaction efficiency and cost savings, while Private bank C's AI-driven tools streamline financial reporting and fraud detection, contributing to both cost reduction and operational efficiency.

4. Challenges in Digital Transformation

Government Banks: The major challenges for government banks include legacy systems and resistance to change. These challenges hinder the speed and extent of digital transformation. State Bank B faces slower customer adoption of digital tools, and State Bank A is still dependent on legacy systems, which limits the full potential of its digital platforms.

Private Banks: While private banks have fewer regulatory constraints, the cost of implementing advanced technologies is a significant challenge for both Private bank D and Private Bank C. Private Bank D faces high costs associated with the integration of blockchain and AI tools, while Private Bank C is investing in AI-powered tools

and analytics for better efficiency but also facing high implementation costs.

5. Regulatory and Compliance Challenges

Government Banks: Government banks such as State Bank A and State Bank B face stricter regulatory compliance, with State Bank A especially dealing with challenges related to national banking regulations. Additionally, the presence of legacy systems complicates the upgrading process to meet modern regulatory standards.

Private Banks: Private banks have greater flexibility in adopting new technologies due to fewer regulatory constraints. However, the challenge lies in maintaining compliance while implementing innovations like blockchain and AI, which may not be fully regulated or tested in the Sri Lankan context.

6. Future Trends and Opportunities

Government Banks: The future opportunities for government banks lie in upgrading legacy systems, expanding digital platforms to rural areas, and improving customer trust. State Bank A can enhance its mobile banking service, while State Bank B can increase digital tool adoption by focusing on customer education and trust-building.

Private Banks: Private banks, with their higher investment in technology, can continue leading in blockchain adoption and further incorporate AI for decision-making and fraud detection. Private Bank C has a chance to expand its digital offerings and improve customer service through AI-powered tools. Private bank D can leverage its blockchain technology for more efficient cross-border transactions, positioning itself as a leader in technological banking services.

7. Alignment with National Financial Goals

Government Banks: Both government banks are aligned with Sri Lanka's national financial inclusion goals, with State Bank A focusing on increasing rural access to banking services and State Bank B providing affordable digital services to enhance customer access.

Private Banks: Private banks like Private Bank D and Private Bank C contribute to the goal of making Sri Lanka a regional financial hub by adopting cutting-edge financial technologies such as AI, blockchain, and advanced data analytics. Their innovation helps in expanding financial inclusion and offering new services.

Conclusion & Discussion

The digitization of government versus private banks in Sri Lanka shows a very distinct approach and outcome. On the other hand, government banks, namely, State Bank A and State Bank B, are implementing financial inclusion, especially for rural areas, by using mobile banking and e-banking services. However, challenges remain for these banks—for instance, reliance on legacy systems and internal resistance to change—that slow the pace of their digitization. Despite these structural challenges, government pressure for greater financial inclusion continues to push the needle.

In this context, private banks such as Private Bank D and Private Bank C have been more aggressive in adopting digital tools, including AI and blockchain. These banks are benefited by more flexible regulation, with higher investments in infrastructure to lead the race in adopting innovative technologies. For instance, Private Bank D uses blockchain to provide greater transparency on transactions, whereas Private Bank C uses artificial intelligence for detecting fraud and also for data analytics. However, these advanced technologies involve high investment costs, a factor that points to the direction of government banks with their base-level digital tool kit (Addula et al., 2024).

AI and blockchain can be tremendous in improving operational efficiency, security, and customer service. On one hand, blockchain is perfect for modern digital banking due to its very secure and transparent nature; on the other hand, AI can be applied in fraud detection and optimization of operations in business areas like supply chain finance. Integration will also bring challenges, such as concerns related to privacy and issues of regulatory compliance, especially in the Sri Lankan context. With the evolution of these technologies,

data protection and regulatory frameworks will be very instrumental in their effective implementation (Addula et al., 2024).

The rate of customer adoption of digital banking also varies across government and private banks. The rates are higher for private banks due to their customer-friendly platforms and efficient marketing campaigns. Private Bank C stands at 60%, and Private Bank D has a 40% adoption rate. However, government banks also face some barriers in rural areas, where there is a lack of digital literacy and access to the internet, which impedes adoption. Government banks are also more affected by the regulatory challenges since they are under much stricter compliance rules, affecting their ability to adopt newer technologies swiftly. On the other hand, private banks are more flexible and can innovate faster but have oversight challenges with new technologies such as AI and blockchain (Yapa, 2022).

Conclusion

This comparative analysis of digital transformation in the accounting and finance sections of government and private commercial banks in Sri Lanka reflects two paths that the sectors have taken towards the adoption of digital technologies. The results of the study have clearly outlined that, whereas the government banks, namely State Bank A and State Bank B, have been instrumental in promoting financial inclusion and accessibility through their digital transformation, private banks such as Hatton National Bank and Commercial Bank have emphasized adopting leading-edge technologies such as AI, blockchain, and data analytics to enhance efficiency and security.

The application of institutional theory allows understanding these differences in depth. Government banks face coercive isomorphism emanating from strict regulatory pressure by the CBSL and global financial compliance. This makes them slower in technology adoption since prior to integrating new digital solutions, they ensure that compliance has been fully assured. On the other hand, private banks work in the competitive market, and under the influence of mimetic isomorphism, they must move to adopt the latest state-of-the-art technologies of AI-powered fraud detection and blockchain-based financial transactions in order to keep up with the industry. Furthermore, normative isomorphism takes place in both sectors, as international accounting standards such as IFRS and Basel III impel all banks toward increased digitalization in financial reporting and governance.

Despite these developments, challenges persist for both sectors. Government banks have the issues of legacy systems, bureaucratic inefficiencies, and lower customer digital literacy, which slows down the rate of digital adoption. Private banks are nimbler but face high implementation costs and uncertainty in regulatory compliance for AI and blockchain integration. These banks enjoy greater flexibility in terms of regulatory compliance and have invested heavily in digital infrastructure. However, the cost of implementing these technologies is very high, especially for smaller institutions. The result of this research would be that, though the government banks in Sri Lanka have taken major steps in digital transformation, they should find a way to solve the problems related to the legacy system and develop the required digital literacy among their customers to compete with private banks

For policymakers, there is a significant requirement to modernize regulatory frameworks in a manner that allows emerging technologies such as AI, blockchain, and cloud computing to be implemented while ensuring cybersecurity and financial stability. To the banking executives, a balanced approach is vital for the long term, where government banks will focus on modernizing infrastructure and digital literacy among citizens, while private banks increase efforts in AI-driven financial services. Besides, the collaboration between banks, FinTech companies, and regulatory bodies would also be sharing knowledge and standardization, hence making the digital transition smoother. Increasing digital banking literacy and accessibility—particularly in rural areas—will push financial inclusion and build confidence in the use of digital financial services. These strategic interventions will help the Banking Sector of Sri Lanka navigate the Digital Transformation in a

much more effective way and bridge the gap between traditional banking systems and modern financial innovations.

Recommendations

Recommendations for Government Banks (State Bank A & State Bank B):

1. Enhance mobile banking platforms and digital literacy programs in order to reach those rural communities that have limited access to physical banks.
2. Upgrade digital payment systems, mobile banking, and core banking systems in order to improve operational efficiencies and enhance customer experience.
3. Build customer trust by improving transparency on digital platforms, ensuring that security features are clear and well-communicated to users.
4. Organize campaigns to educate customers about the benefits and proper use of digital banking tools, detailing the security protocols.
5. Harmonizing digital transformation initiatives with national banking guidelines, focusing on safe data handling and encryption, ensuring there is protection of user data and no security breach.

Recommendations for Private Banks (Private Bank D & Private Bank C):

1. Leverage AI and blockchain in fraud detection, personalized financial services, customer support, and the transparency and security of transactions.
2. Personalized Financial Services with AI, design tailored services with budgeting tools, investment counsel, and dynamic loan offers to improve customer satisfaction and loyalty.
3. Implement real-time financial reporting tools and data analytics platforms to support internal decision-making and improve customer confidence.
4. Utilize blockchain technology in cross-border transactions, reducing costs while aiming at greater transparency and efficiency within international remittances.
5. Leverage AI-driven automation for repetitive tasks in order to reduce human errors, improve efficiency, and free up staff to engage in more complex and value-added services

References

Abbasov, A. M., Mamedov, Z. F. & Aliev, S. A. (2019). Digitalization of the banking sector: New challenges and prospects. *Economics and Management*, *6*, 81–89. https://doi.org/10.35854/1998-1627-2019-6-81-89

Addula, S.R., Meduri, K., Nadella, G.S. & Gonaygunta, H., (2024). AI and Blockchain in Finance: Opportunities and Challenges for the Banking Sector. *International Journal of Advanced Research in Computer and Communication Engineering*, *13*(2), 184-190. https://doi.org/10.17148/IJARCCE.2024.13231

Akter, S., Michael, K., Uddin, M. R., McCarthy, G. & Rahman, M. (2020). Transforming business using digital innovations: The application of AI, blockchain, cloud and data analytics. *Annals of Operations Research 308*, 7–39. https://doi.org/10.1007/s10479-020-03620-w

Arshard, A. & Imthiyas, M. (2024). DIGITAL INNOVATION AND IMPLEMENTATION OF FINTECH ON BANKING AND FINANCIAL SECTOR IN SRI LANKA, *Инновационные исследования в современном мире: теория и практика,* *3*(1), 95-102. https://doi.org/10.5281/zenodo.10578923

State Bank A. (2021). *Annual Report 2021*. Colombo: State Bank A. https://www.boc.lk/financial/annual-reports.

State Bank A. (2022). *Annual Report 2022*. Colombo: State Bank A. https://www.boc.lk/financial/annual-reports.

State Bank A. (2023). *Annual Report 2023*. Colombo: State Bank A. https://www.boc.lk/financial/annual-reports.

Berman, S. J. (2012). Digital transformation: opportunities to create new business models. *Strategy & Leadership*, *40*(2), 16–24. https://doi.org/10.1108/10878571211209314

Bharadwaj, A., El Sawy, O. A., Pavlou, P. A. & Venkatraman, N. (2013). Digital Business Strategy: Toward a Next Generation of Insights. *MIS Quarterly*, *37*(2), 471–482. http://www.jstor.org/stable/43825919

Boufounou, P., Mavroudi, M., Toudas, K. & Georgakopoulos, G. (2022). Digital Transformation of the Greek Banking Sector in the COVID Era. *Sustainability*, *14*(19), 11855. https://doi.org/10.3390/su141911855

Centobelli, P., Cerchione, R., Del Vecchio, P., Oropallo, E. & Secundo, G. (2022). Blockchain technology design in accounting: Game changer to tackle fraud or technological fairy tale? *Accounting, Auditing & Accountability Journal*, *35* (7), 1566–1597. https://doi.org/10.1108/AAAJ-10-2020-4994

Central Bank of Sri Lanka. (2024). *Licensed Commercial Banks*. Central Bank of Sri Lanka. https://www.cbsl.gov.lk/en/authorized-financial-institutions/licensed-commercial-banks

Commercial Bank PLC. (2021). *Annual Report 2021*. Sri Lanka: Commercial Bank PLC. https://cdn.cse.lk/cmt/upload_report_file/369_1646645087138.pdf

Commercial Bank PLC. (2022). *Annual Report 2022*. Sri Lanka: Commercial Bank PLC. https://cdn.cse.lk/cmt/upload_report_file/369_1680176832035.pdf

Commercial Bank PLC. (2023). *Annual Report 2023*. Sri Lanka: Commercial Bank PLC. https://cdn.cse.lk/cmt/upload_report_file/369_1709636062232.pdf

Cuesta, C., Ruesta, M., Tuesta, D. & Urbiola, P. (2015). *The Digital Tansformation of the Banking Industry*. BBVA Research, 1–10. https://www.bbvaresearch.com/wp-content/uploads/2015/08/EN_Observatorio_Banca_Digital_vf3.pdf

Diener, F. & Špacek, M. (2021). Digital Transformation in Banking: A Managerial Perspective on Barriers to Change. *Sustainability*, *13*(4), 2032. https://doi.org/10.3390/su13042032

DiMaggio, P. J., & Powell, W. W. (1983). The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. *American Sociological Review*, *48*(2), 147–160. https://doi.org/10.2307/2095101.

Dissanayake, D. R. & Ismail, D. N. (2015). *Relationship between celebrity endorsement and brand attitude: With reference to financial services sector brands in Sri Lanka*. In Conference Proceedings of 6th International Conference on Business and Information (ICBI), 472–487.

Fairooz, H. M. M. & Wickramasinghe, C. N. (2019). Innovation and Development of Digital Finance: A Review on Digital Transformation in Banking & Financial Sector of Sri Lanka, *Asian Journal of Economics, Finance and Management*, *1*(1): 69-78. https://www.journaleconomics.org/index.php/AJEFM/article/view/9

Gartner. (2017, February 7). *Gartner Says 8.4 Billion Connected 'Things' Will Be in Use in 2017, Up 31 Percent From 2016.* https://www.gartner.com/newsroom/id/3598917

Gonçalves, M.J.A. da Silva, A.C.F. & Ferreira, C.G. (2022). The Future of Accounting: How Will Digital Transformation Impact the Sector? *Informatics*, *9*, 19. https://doi.org/10.3390/informatics9010019

Goonawardena, E., Surangi, H. & Ranwala, R. (2023). Impact of Digital Transformation on Small and Medium Enterprises Performance in The Sri Lankan Apparel Sector, *Sri Lanka Journal of Marketing by Department of Marketing Management*, *9*(2), 161-180. https://doi.org/10.4038/sljmuok.v9i2.123

Gunawardene, N. (2017). Digital Transformation in Sri Lanka: Opportunities and Challenges in Pursuit of Liberal Policies. Friedrich Naumann Foundation Sri Lanka. http://www.rticommission.lk/web/images/pdf/DigitalTransformationinSriLankareportFINAL-30Nov2017.pdf

Gunawardene, N. (2017). Digital Transformation in Sri Lanka: Opportunities and Challenges in Pursuit of Liberal Policies. Friedrich Naumann Foundation Sri Lanka. Retrieved from http://www.rticommission.lk/web/images/pdf/DigitalTransformationinSriLankareportFINAL-30Nov2017.pdf

Hatton Natioanl Bank. (2021). *Annual Report 2021*. Sri Lanka: Hatton National Bank. https://www.hnb.net/images/annual_reports/2021/integrated-report-2021.pdf

Hatton Natioanl Bank. (2022). *Annual Report 2022*. Sri Lanka: Hatton National Bank. https://www.hnb.net/images/annual_reports/2022/integrated-report-2022.pdf

Hatton Natioanl Bank. (2023). *Annual Report 2023*. Sri Lanka: Hatton National Bank. https://www.hnb.net/images/annual_reports/2023/integrated-report-2023.pdf

Hess, T., Benlian, A., Matt, C. & Wiesböck, F. (2016). Options for formulating a digital transformation strategy. *MIS Quarterly Executive*, *15*(2), 123–139.

I-SCOOP, (2018). Digital Transformation: Deep Dive Into The Customer Experience. https://www.i-scoop.eu/digital-transformation/digital-transformation-deep-dive-customer experience/

Jayalath, J. A. R. C. & Premaratne, S. C. (2021). Analysis of Digital Transformation challenges to overcome by Banks and Financial Institutions in Sri Lanka, *International Journal of Research Publications*, https://doi.org/10.47119/IJRP100841920212260

Jayawardena, C., Ahmad, A. & Jaharadak, A. A. (2020). The Leadership and Technology Acceptance perspective of Digital Transformation in Sri Lankan Hotels: A pilot study, *Solid State Technology*, *63*(2), 3782-3801.

Jayawardena, C., Ahmad, A., Valeri, M. & Jaharadak, A, A. (2023). Technology acceptance antecedents in digital transformation in hospitality industry, *International Journal of Hospitality Management*, *108*, 103350. https://doi.org/10.1016/j.ijhm.2022.103350

Khanboubi, F. & Boulmakoul, A. (2019) Digital transformation in the banking sector: surveys exploration and analytics, *International Journal of Information Systems and Change Management*, *11*(2), 93–127. https://doi.org/10.1504/IJISCM.2019.104613

Kitsios, F., Giatsidis, I. & Kamariotou, M. (2021). Digital Transformation and Strategy in the Banking Sector: Evaluating the Acceptance Rate of E-Services. *J. Open Innov. Technol. Mark. Complex.* *7*(3), 204. https://doi.org/10.3390/joitmc7030204

KPMG. (2017). *'The pulse of Fintech Q2 2017'*, Global Analysis of Investment in Fintech, KPMG International, pp.5–6. https://assets.kpmg.com/content/dam/kpmg/xx/pdf/2017/07/pulse-of-fintech-q2-2017.pdf

Madanayake, S. & Yapa, S. R. (2023). Factors influencing Digital Transformation Success: A Study on a Sri Lankan Commercial Bank, *SLIIT Business Review*, *3*(1), 103-138 https://doi.org/10.54389/ONHU3795

Maomao, C., Xinyuan, L., Jing, Z. & Yuanxiang, L. (2018). 'The impacts of digital business strategy on firm performance: the mediation analysis of e-collaboration capability', *International Journal of Information Systems and Change Management*, *10*(2), 123-131. https://doi.org/10.1504/IJISCM.2018.094603

Meena, M. M. R. & Parimalarani, G. (2020). IMPACT OF DIGITAL TRANSFORMATION ON EMPLOYMENT IN BANKING SECTOR, *INTERNATIONAL JOURNAL OF SCIENTIFIC & TECHNOLOGY RESEARCH*, *9*(1).

Meraghni, O., bekkouche, L. & demdoum, Z. (2021). IMPACT OF DIGITAL TRANSFORMATION ON ACCOUNTING INFORMATION SYSTEMS – EVIDENCE FROM ALGERIAN FIRMS, *Economics and Business*, *35*, 249–264. https://doi.org/10.2478/eb-2021-017

Meyer, J. W., & Rowan, B. (1977). Institutionalized organizations: Formal structure as myth and ceremony. *American Journal of Sociology*, *83*(2), 340–363. https://doi.org/10.1086/226550.

Ncr.com, (2021). Why banks must increase tech spend and invest in digital first. https://www.ncr.com/banking/increased-tech-spending

OECD. (2020). The Digital Transformation of SMEs. Organisation for Economic Co-operation and Development. Retrieved from https://www.oecd.org/digital/digital-transformation-smes.pdf

State Bank B. (2021). *Annual Report 2021*. Colombo: State Bank B. https://www.peoplesbank.lk/roastoth/2024/05/Peoples-Bank-Annual-Report-2023.pdf.

State Bank B. (2022). *Annual Report 2022*. Colombo: State Bank B. https://www.peoplesbank.lk/roastoth/2023/04/Peoples-Bank-Annual-Report-2022-1.pdf.

State Bank B. (2023). *Annual Report 2023*. Colombo: State Bank B. https://www.peoplesbank.lk/roastoth/2024/05/Peoples-Bank-Annual-Report-2023.pdf.

Perera, N. (2021). IMPACT OF DIGITAL TRANSFORMATION IN MEASURING BUSINESS PERFORMANCE OF SMALL & MEDIUM SCALE BUSINESSES IN SRI LANKA, *International Journal of Economics, Business and Management Research*, *5*(7), 1-25.

Phornlaphatrachakorn, K. & NaKalasindhu, K. (2021). Digital Accounting, Financial Reporting Quality and Digital Transformation: Evidence from Thai Listed Firms. *The Journal of Asian Finance, Economics and Business*, *8*(8), 409–419

Pratt, M. K. (2021). 10 digital transformation benefits for business. https://searchcio.techtarget.com/tip/Top-10-digital-transformation-benefits-for-business

Rajapaksha, T. (2021). Investigating the Acceptance of Digital Banking Applications in Rural vs City in Sri Lanka. Retrieved from https://doi.org/10.13140/RG.2.2.30632.08969

Reus, D. L. L. P. (2019). China's New regulation of third party payment services. http://diazreus.com/will-paypalthrive-in-china-chinas-new-regulation-ofthird-party-payment-services

Rodrigues, L. F., Oliveira, A. & Rodrigues, H. (2023) Technology management has a significant impact on digital transformation in the banking sector, *International Review of Economics and Finance*, *88*, 1375–1388. https://doi.org/10.1016/j.iref.2023.07.040

Sajić, M., Bundalo, D., Bundalo, Z. and Pašalić, D. (2018). *Digital technologies in the transformation of classical retail bank into digital bank*, 2017 25th Telecommunication Forum (TELFOR), Belgrade, Serbia. 1–4. https://doi.org/10.1109/TELFOR.2017.8249404

Samarakoon, S. M. D. D., Johar, M.G.M. & Khatibi, A. (2023). The impact of digital transformation adoption towards broadcasting industry in Sri Lanka, *Journal of Print and Media Technology Research*, *12*(2), 73-96. https://doi.org/10.14622/JPMTR-2227

Sathananthan, S., Hoetker, P., Gamrad, D., Katterbach, D. & Myrzik, J. (2017). Realizing digital transformation through a digital business model design process, *Internet of Things Business Models, Users, and Networks*, https://doi.org/10.1109/ctte.2017.8260996

Scardovi, C. (2017). *Digital Transformation in Financial Services*, Springer International Publishing, Cham, Switzerland, 1-5. https://doi.org/10.1007-978-3-319-66945-8

Scott, W. R. (1983). The organization of environments: Network, cultural, and historical elements. In J. W. Meyer & W. R. Scott (Eds.), *Organizational Environments: Ritual and Rationality* (pp. 15

R. Shathurshana, Y. Ramya

Seow, P. S., Goh, C., Pan, G., Yong, M. & Chek, J. (2021). *Embracing Digital Transformation in Accounting & Finance*. Research Collection School of Accountancy, Singapore Management University. https://ink.library.smu.edu.sg/soa_research/2020

Sloboda, L., Dunas, N. & Limanski, A. (2018). Contemporary Challenges and Risks of Retail Banking Development in Ukraine. *Banks and Bank Systems*, *13*, 88–97.

Tharinthu rajapaksha, (2021). INVESTIGATING THE ACCEPTANCE OF DIGITAL BANKING APPLICATIONS IN RURAL VS CITY IN SRI

LANKA, https://doi.org/10.13140/RG.2.2.30632.08969

The Digital Transformation of SMEs. Paris: Organisation for Economic Co-operation and Development. https://www.oecd.org/digital/digital-transformation-smes.pdf

Thipwiwatpotjana, S. (2021). *Digital Transformation of Accounting Firms: The Perspective of Employees from Quality Accounting Firms in Thailand*. Human Behavior, Development and Society, Conference proceedings, *22*(1), 53–62.

Tidd, J. & Bessant, J. R. (2020). *Managing innovation: Integrating technological, market, and organizational change*. John Wiley and Sons.

Tsindeliani, I. A., Proshunin, M. M., Sadovskaya, T. D., Popkova, Z. G., Davydova, M. A. & Babayan, O. A. (2022). Digital transformation of the banking system in the context of sustainable development, *Journal of Money Laundering Control*, *25*(1), 165-180. https://doi.org/10.1108/JMLC-02-2021-0011

Tsindeliani, I.A., Proshunin, M.M., Sadovskaya, T.D., Popkova, Z.G., Davydova, M.A. & Babayan, O.A. (2022). Digital transformation of the banking system in the context of sustainable development. *Journal of Money Laundering Control*, *25*(1), 165-180. https://doi.org/10.1108/JMLC-02-2021-0011

Valsamidis, S., Tsourgiannis, L., Perdiki, F. & Ferelis, V. (2024). DIGITAL TRANSFORMATION IN BANKING INDUSTRY: A 3-LEVEL APPROACH, *INTELLECTUAL ECONOMICS*, *18*(1), 106–131.

Vial, G. (2019). Understanding digital transformation: A review and a research agenda. *Journal of strategic information*, *28*(2), 118-144. https://doi.org/10.1016/j.jsis.2019.01.003

Vivekanandan, L. & Jayasena, V. (2011). *Link between the expectations of retail banking customer and electronic banking solutions*, IEEE International Summer Conference of Asia Pacific Business Innovation and Technology Management, Dalian, 226-230. https://doi.org/10.1109/apbitm.2011.5996328

Yapa, R. (2022). Digital Transformation in Sri Lanka: A Sectoral Analysis of Banks. *Sri Lanka Journal of Economics and Finance*, *6*(1), 101-115.

Zucker, L. G. (1987). Institutional theories of organization. *Annual Review of Sociology, 13*, 443–464. https://doi.org/10.1146/annurev.so.13.080187.002303