IDENTIFYING THE BEST PRACTICES IN TRADITIONAL AND ELECTRONIC BANKING OPERATIONS STRATEGIES IN DEVELOPING ECONOMIES (THE CASE OF JORDAN)

Balancing resources with customer expectations in rapidly developing business environment

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Key Words: Traditional Banking, Electronic Banking, Operations Strategy, Developing Economies, Jordan.

Abstract

The aim of this study is to identify the best practices in traditional and electronic banking operations strategy in Jordan as a case study of developing economies over the period 1999 to 2008. During this period numerous changes faced banks in Jordan: new banking law was launched, the banks were directed towards complying with the Basel Accord II, and the banks adopted more e-banking channels.

Only the practices of all local banks were investigated due to their superior performance. A number of questionnaires were used to collect the data from different individuals in these banks. Further, annual reports were analysed and websites were reviewed.

Two data-analysis approaches were used to identify the key strategies of traditional and electronic banking in Jordan: competitive position analysis and cluster analysis. Analysis revealed eight best practices of traditional banking and four best practices of electronic banking were adopted.

Best practices are presented as prediction models. These models combine actions with capabilities and performance. The traditional banking prediction models are: branches urban accessibility, branches sites accessibility (percentage of sites covered), branches sites accessibility (number of branches sites covered), account transaction time, new credit product flexibility, account customer waiting time, account transaction cost, loan approval costs, and branches layout quality. The e-banking prediction models are: Internet banking transaction time, telephone banking volume flexibility, ATM suburban accessibility, and ATM sites accessibility.

This research revealed that; financial performance achieved by e-banking strategy patterns is significantly lower than traditional banking. Also customers satisfaction, retention, and deposit market of e-banking are significantly lower than traditional banking, which indicates that the best operational practices in Jordan are still more traditional oriented despite the significant direction of banks in Jordan toward adopting e-banking channel.