

IMPACT OF NEW TRENDS: SWOT ANALYSIS OF ONLINE AND MOBILE BANKING: CASE STUDY OF A DJIBOUTIAN BANK

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ABSTRACT

Banks around the world are taking advantage of the new trends such as new technologies to streamline their operations and provide a better experience to their customers. The collaboration and co-creation of financial services and products are not just a fad, but strong models to develop innovation in a sustainable way to meet the customer's needs ideally. The financial sector of Djibouti has been boosted by the spread out of online and mobile banking offerings but also of the new regulations that support these new trends in the sector. This study focuses on the strategic approach of the new trends by using the SWOT matrix accompanied by a TOWS matrix to ascertain the growth and the future of online and mobile banking. The findings had been compiled and revealed the strengths and opportunities of the new trends as well as the weaknesses and threats. In the end, the use of the TOWS matrix leads to point out the important strategies that should be taken into consideration.

Keywords: New Trends, Online and Mobile Banking, SWOT Matrix Analysis, Djibouti's Banking

JEL Codes: G210, M310, O3

YENİ TRENDLERİN ETKİSİ: ONLINE VE MOBİL BANKACILIĞIN SWOT ANALİZİ: BİR CİBUTİ BANKASI ÖRNEĞİ

ÖZ

Dünyanın dört bir yanındaki bankalar, faaliyetlerini kolaylaştırmak ve müşterilerine daha iyi bir deneyim sunmak için yeni teknolojiler gibi yeni trendlerden yararlanmaktadır. Finansal hizmetlerin ve ürünlerin işbirliği ve birlikte oluşturulması sadece bir heves değil, aynı zamanda müşterinin ihtiyaçlarını ideal şekilde karşılamak için sürdürülebilir bir şekilde inovasyonu geliştirmek için güçlü modellerdir. Cibuti'nin finans sektörü, online ve mobil bankacılık tekliflerinin yayılmasıyla güçlendi aynı zamanda sektördeki bu yeni eğilimleri destekleyen yeni düzenlemeler. Bu çalışma, çevrimiçi ve mobil bankacılığın büyümesi ve geleceğini tespit etmek için bir TOWS matrisinin eşlik ettiği SWOT matrisini kullanarak yeni trendlerin stratejik yaklaşımına odaklanıyor. Bulgular derlenmiş ve yeni eğilimlerin güçlü ve fırsatlarının yanı sıra zayıflıkları ve tehditleri ortaya koymuştur. Sonuç olarak, TOWS matrisinin kullanımı dikkate alınması gereken önemli stratejilere işaret eder.

Anahtar Kelimeler: Yeni Trendler, Online ve Mobil Bankacılık, SWOT Matris Analizi, Cibuti Bankacılığı

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1. Introduction

Most of the players in the financial services industry have recognised the fact that electronic banking is an area of major importance, and various versions of online banking are offered by all the major banks (Hales, 2019).

Africa is a land of innovation, as evidenced by all these initiatives to develop financial services with new trends. Over the years, the Internet has undergone a significant evolution in the world, an evolution that particularly concerns underdeveloped countries such as Djibouti. Djibouti's banking sector has expanded considerably in recent years due to the new players in the market (foreigner banks) whereby they led to competitiveness and expansion of products and services targeting local customers (The Report, Oxford Business Group, 2016).

As Scott Evoy, the US Financial Services Advisory Digital Leader said 'it's not just a technology issue. Financial institutions will need to grapple with big changes to their operating models as they transform their business.

Guyo, the chief financial officer at East Africa Bank and Kayiteshonga, the managing director at Exim Bank Djibouti agreed that the Djiboutian banking sector is facing major changes of new payment plan and digitization of services which are being implemented with support from the World Bank to facilitate the banking services and to lead the sector to a modern system (The Report, 2016, OBG). Nevertheless in 'The Report' of Oxford Business Group, 2018, the digital payment system of Djibouti has been defined as 'a critical development for the sector' because of the new digital payment with a secure digital link that doesn't require a physical process to connect with the bank and reduce time constraints.

In recent years, online banking has been increasingly popular with consumers. The mobile banking sector is also gaining new followers and its market share is growing steadily. Therefore, faced with the users who are now sophisticated and ultra-connected, the banking sector has no choice but to adapt (Chian-Son Yu, 2014). When preparing to implement new trends concept it is essential to analyze the opportunities and threats that may occur in the market environment. Hence, the easiest tool to accomplish analysis can be SWOT/TOWS matrix (Safari & Chanceline, 2019).

The objective of this study is to analyse the implementation of new trends in one of the Djiboutian banks and to find out the opinions as well as the usage of customers. The first section of the paper presents the introduction, the second presents the literature review the third presents the research methodology, the fourth explains the findings and lastly, the fifth section is the conclusion of the study.

2. Literature review

2.1 Definition of Online and Mobile banking

Several terms were used in literature to refer to online banking such as 'internet banking', 'e-banking' or 'web banking' defining its major role: offering internet banking services directly to customers. Shih & Fang, 2006, p. 62, defined online banking as 'a new type of information system that uses emerging techniques such as the Internet and the World Wide Web, and has changed how customers perform various financial activities in virtual space'.

Online banking allows the bank's customers to access their accounts and general information on banking products and services via a computer or other intelligent tool (OCC, 1999).

Moreover, online banking refers to the use of the bank's website by customers to perform financial transactions and obtain information on banking products and

services (Yu et al, 2015, p. 235). Nowadays, online banks is considered as a key to keep satisfying customers, reducing cost such as administrative and operational ones and also retain improving its competitive advantage (Khalfan et al., 2006). According to Ernst & Young, 2011, the online banking transactions have grown at an exponential rate due to the high intensity of competition among banks and non-banking institutions.

In another hand, mobile banking in the strict sense of the term refers to the financial services offered by banks via mobile phones. Thus, it offers many competitive advantages to banks, but also customers. It enables the bank to improve operational effectiveness and efficiency and to increase its market share. It provides fast, accurate, convenient and timely access to the full range of banking services. The customer can at any time and from any place obtain financial services, both informational and transactional such as consulting balance and transaction history, paying bills and telephone top-ups, money transfer, and so on (Safari & Chanceline, 2019).

Today, the diffusion of the online and mobile banking has made it possible to conduct many banking services remotely. These developments have thus conducted Djibouti's banking sector and also the people to a spectacular changing from a modest to a modern way of payment, transactions, etc (The Report, 2016, OBG).

In line with my research, I present below one of the most innovative and fast growing in banking services of the Djiboutian banks.

2.2 Overview of CAC int. Bank

Cooperative & Agricultural Credit Bank (CAC Bank) is a Yemeni bank, established in 1982, as a merger of the Cooperative, Agricultural Credit Bank that was established in 1975 and the Bank of National Cooperation for Development that was established in 1979.

CAC int. Bank has joined the Djiboutian banking sector in 2009 as a retail bank that offers loan, corporate and personal services. It has begun with a modest start with only one branch in the heart of Djibouti city; today the bank holds five branches. The bank is recognized as 'trendsetter leading Djibouti's growing banking sector' as it achieved an impressive success in few years¹. In addition, the bank has won several awards such as²:

- 'Bankers Award' in 2013 held in London,
- 'Bank of the year Djibouti 2016' by 'The Financial Times' held in London,
- 'Innovation and Excellence in Electronic Banking Services' in 2017, and
- 'Djibouti Best Bank 2019' by Global Finance held in Washington.

According to Global Finance magazine, 2019, CAC int. Bank worked hard to be the leader and the pioneer of digitization in the banking sector of Djibouti. The CEO of CAC, Ahmed Hamid Al-Dheeb, said 'We are the frontrunners in delivering digital banking in Djibouti. We were the first to introduce numerous services, including Internet banking and mobile banking. In the trade finance space, our strong correspondent banking network helps us facilitate international trade while economizing on the time and cost of transactions.'

The digitization services of CAC int. Bank are³:

- e-banking, a VIP service for corporate, large scale companies or also for international organisations in Djibouti

¹ <https://CACintbank.com/about-us/>

² <https://CACintbank.com/awards/>

³ <https://CACintbank.com/>

- CAC mobile, a mobile application with several services
- CAC net, a service accessible to control and manage account online.

Al Deib, director-general of CAC bank, affirmed that the real challenge of the Djiboutian banking sector is the development of banking services to make people friendly with new trends. He also added that 'investing in IT and rolling out e-banking would help, and could create user-friendly ways for households to pay their bills electronically' (The Report, 2016, OBG).

3. Research Methodology

Having regard to the literature, the objective of this research is to analyse the positive and negative features as well as the internal and external ones of online and mobile banking in CAC bank using the SWOT matrix. The SWOT is a business strategy tool invented by a group of Harvard professors: Learned, Christensen, Andrews, and Guth to identify strategic options for a company or project. The SWOT acronym stands for strengths, weaknesses, opportunities and threats; it allows a general analysis and development of the company by crossing two types of data: internal and external. The internal information taken into account will be the company's strengths and weaknesses, while for external data it will relate to threats and opportunities (Singh, 2010). The research is conducted to find out the advantages and disadvantages of the new trend (online and mobile banking) as well as its usage in CAC bank.

3.1 Data collection

The data collection of the study is based on a questionnaire of 12 multiple-choice questions. The population is 100 customers of CAC bank and the sampling method is a simple random sample. The questionnaire has been prepared in the official language of Djibouti which is French and submitted to the director of Bawadi Mall branch Mr Abdoukader Warsama. The people had filled the questionnaire themselves through a shared link of Google form.

4. Findings and results

This section is devoted to the presentation and discussion of the research findings and results. The characteristics of my respondents, the SWOT matrix as well as the TOWs matrix are presented in this section.

4.1 Characteristics of respondents

4.1.1 Demographic characteristics

Table 4.1

Variables	Modalities	Frequency	Percentage
Gender	Men	53	54.6%
	Women	44	45.4%
	Total	97	100%
Marital Status	Married	51	52.6%
	Divorced	10	10.3%
	Single	36	37.1%
	Total	97	100%
Age	18 - 25 years	14	14.6%
	25 - 35 years	21	21.9%
	35 - 45 years	27	28.1%
	45 – 55 years	22	22.9%
	55 – 65 years	13	12.5%

	Total	97	100%
Employment status	Student	5	5.2%
	Employed	53	54.2%
	Self employment	20	20.8%
	Retired	6	6.3%
	Unemployed	13	13.5%
	Total	97	100%

The first table shows that 97 people have responded to the questionnaire wherein 53 are men and 44 are women. Most of the people are married as it is shown in the table with a percentage of 52.6 and the average age is between 35 and 45 years old. 53 people are employed while most of the rest are self employment.

4.2 Usage of Online and Mobile Services

Table 4.2

Variables	Frequency	Percentage
CAC e-bank	12	13%
CAC net	22	20.2%
CAC mobile	54	58.7%
None	9	8.1%
Total	97	100%

Table 4.3

Variables	Modalities	Frequency	Percentage
CAC e-bank	Letter of credit	1	1.1%
	Transfer from account to account	6	6.5%
	Foreign Transfers	7	7.5%
	Bill payments	4	4.3%
	Account Statements	9	9.7%
	Exchange Rates Service	6	6.5%
	Do not use CAC e-bank	80	86%
	Total	113	121.6%
CAC net	Account statements	15	16%
	Trace cards transactions	15	16%
	obtain account statement (pdf)	14	14
	Do not use CAC net	66	70.2%
	Total	110	116.2%
CAC mobile	Bills payment	36	38.3%
	Money transfer	31	33%
	Account statement download	14	14.9%
	Exchange rates	11	11.7%
	Request CheckBook	1	1.1%
	Check account statement	28	29.8%
	Request bank statement to mail	11	11.7%
	Do not use CAC mobile	22	24.1%
	Total	154	164.6%

CAC int. Bank provides CAC e-bank, CAC net and CAC mobile respectively for 13%, 20.2% and 58.7% in figure 4.2.

CAC mobile is the service which is mostly used by the customers of the bank. People use mobile banking service principally for bills payment followed by money transfer, checking account statement.

In the second place, CAC net services is used for account statements and tracing cards transactions but the results in figure 4.3 also show that 66 people do not use this service.

Lastly, we have the e-banking service which is less used by the people because it literally concerns the VIP customers such as large scale enterprises or organisations.

NB: The total percentages have exceeded the 100% due to questions which are multiple choices.

Table 4.4

Variables	Modalities	Frequency	Percentage
Raison of using the service	Available 24/7	43	55.1%
	It is free, no commission	27	34.6%
	Easy to use	19	24.4%
	Secured	12	15.4%
	Accessible everywhere	21	26.9%
	Saving time and efforts	28	35.9%
	Total		161
Inconvenient of the service	Risk of security	14	18.2%
	Liquidity problems	4	5.2%
	Limited services	15	19.5%
	Lack of information	16	20.8%
	Network troubles	54	70.1%
	Total		103

According to people responded to the questionnaire, they chose the availability of the service as the major reason of using online or mobile banking, but also because it saves time, efforts and is free (no commission).

Despite the expansion of the telecommunication sector in Djibouti, the network disturbance still one of the main problem that citizens are facing (World Bank Group, 2019). The result in the figure 4.4 confirms the statement and shows that the major inconvenient of using online and mobile banking is the network troubles.

NB: The total percentages have exceeded the 100% due to questions which are multiple choices.

4.3 Economic characteristics

Table 4.5

Variables	Modalities	Frequency	Percentage
Numbers of years as user	1	26	33.3%
	2	31	39.7%
	3	19	24.4%
	4	2	2.6%
	5	0	0%
	Total		78
Amount of transaction	0 to 50\$	10	12.7%
	50 to 100\$	11	13.9%
	100 to 200\$	16	20.3%
	200 to 300\$	25	31.6%
	300\$ and above	17	21.5%
	Total		79

This table shows that the average years of usage of online and mobile banking is 2, this represents that people were not of these trends at their start up. The maximum of transaction is valued to 200 and 300\$, this indicates that the services are used with reliability.

NB: The total of people is not equal to 97 (number of people who responded to the questionnaire) because it depends on their choices and how many of them have responded to the question.

4.4 SWOT Matrix Analysis

This section represents the responses from the questionnaire that were compiled to get the matrix below.

Table 4.6

Variables	Modalities	Frequency	Percentage
Strengths	Availability	24	48.98%
	Save time and efforts	10	20.41%
	Low cost	9	18.37%
	Accessibility	6	12.24%
	Total	49	100%

According to results in table 4.6, the availability anywhere of the services is the main strength with a percentage of 48.9%. Some customers consider these new trends as a benefit for them in term of saving time and efforts, to avoid going to the bank and paying commission. The accessibility of the services is also relevant for customers, for example, the application of mobile banking provides several services easy to use whereby nowadays most people prefer using mobile than a computer.

Weaknesses	Network difficulties	38	82.60%
	Lack of information	3	6.52%
	Limited services	3	6.52%
	Security risk	2	4.36%
	Total	46	100%

According to 82.60% of the respondents, the highest weakness is network difficulties; people are facing problem to connect easily and accomplish their transactions because of the low internet connection in Djibouti. People agreed that they are not enough informed of services and CAC net has limited services. Regarding the weakness, security risk, we can deduce from the results that the percentage 4.36% is not high unlike the network difficulties, thus people trust the system.

Table 4.7

Variables	Modalities	Frequency	Percentage
Opportunities	Fast growing	31	40.77%
	Market diversification	15	19.74%
	Adoption	19	25%
	Reliability	11	14.47%
	Total	76	100%

As the table shows the first opportunity (40.77%) of the new trends is the fast-growing; people got the knowledge and been friendly recently with the system (as the table 4.5 shows). Hence, due to market diversification and growth, the bank can add new services to retain customers. 25% of people are adopting the system

easily and almost 15% trust it in term of transactions such as sending money, bills payment or withdrawal money.

Threats	Networking	54	71%
	Entrance of new trends	5	6.48%
	Disruptive technology	16	21.05%
	Competitive market	2	2.6%
	Total	76	100%

The percentage of the networking disturbance is 71%, where it represents a serious issue that may conduct to the loss of the customers. Most of the people do not know the utility of some services in the system, thus this leads to a disruptive of technology from the Bank. The innovation of services conducts to tough competition in the market whereby the customers may prefer to move to another bank.

NB: The total of people is not equal to 97 (number of people who responded to the questionnaire) because it depends on their choices and how many of them have responded to the question.

4.5 TOWS Matrix Analysis

From the first SWOT analysis, the TOWS matrix helps to find strategic leads and to choose the best marketing approach. The TOWS matrix is the indispensable complement to the SWOT analysis. It leads naturally to the next step: identifying the strategy to be implemented and the priority actions (Emet GÜREL, 2017). The dimensions of TOWS matrix are shown as follow:

- S-O strategy (strengths-opportunities): maximize opportunities by building on forces (called offensive strategy).
- S-T strategy (strengths-treats): use forces to counter threats.
- W-O strategy (weaknesses-opportunities): minimizes weaknesses by maximizing opportunities.
- W-T strategy (weaknesses-threats): minimizes weaknesses and locks out or avoids threats (called defensive strategy).

Table 4.8

S-O (strengths-opportunities) strategy	S-T (strengths-treats) strategies
CAC int. bank providers should take advantage of the growth of the market and create customer awareness and expand their services to a higher level. The bank should also retain its first place as a provider of innovative online services by improving the availability and accessibility of the system.	The bank should find out a solution for the network troubles for example, in case the connection to the internet being cut off while the processing of a transaction, the system could save automatically the last work of the customers.

W-O (weaknesses-opportunities) strategies	WT (weaknesses-threats) strategies
CAC bank should aware and acknowledge the customers of the utility of services provided in the system. It should specially take keep the system secured to expand and retain the reliability of its customers.	The bank should use its services in a good manner and keep innovate to gain a competitive advantage to ascertain its place in the market.

5. Conclusion

The paper studied the place of new trends in Djibouti's banking sector, specifically in CAC int. bank. In a developing country like Djibouti, customers are open to adopt new technologies in all sectors. The study examined the strengths and weaknesses as well as the opportunities and threats of the new trends (online and mobile banking) using the SWOT/TOWS matrix analysis. The results demonstrated that the importance of innovation, availability and accessibility of the services are regarded as a motivation to accept and adopt online and mobile banking. However, mobile banking is the service most frequently used for online services by people who have downloaded the bank's mobile application. In addition, these new trends are also facing some weaknesses and threats such as the network troubles in the country and the high competition in the market. Moreover, the strategies proposed by the TOWS matrix is to keep creating and improving services to satisfy the customer and take in consideration providing some information and instructions of the utility and usage of the services. Banks should design the website as well as the mobile application with security, privacy and usability issues in mind.

In conclusion, joining an online bank means choosing to enjoy unique benefits in exchange for a new way of banking.

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