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PEER EFFECTS AND SOCIAL LEARNING IN JORDANIAN BANKS' INVESTMENTS IN INFORMATION TECHNOLOGY

Abstract:

Using panel data on IT investment choices and outcomes, we perform the first empirical test of the existence of peer effects and social learning in Jordanian banks' IT investment decisions. We fit a linear in means model of social interaction and find evidence of peer effects in banks' choice of IT investment, consistent with the presence of contextual or endogenous effects. Further, a bank's IT investment increases significantly with other banks' lagged IT investments, consistent with the presence of social learning. However, a bank's IT investment does not respond to other banks' lagged profitability, consistent with the presence of the IT productivity paradox.

Keywords:

Information technology, banks, Jordan, social learning, peer effects, IT productivity paradox

JEL Classification: G21, O14, G20