

PalArch's Journal of Archaeology of Egypt / Egyptology

THE EVOLUTION OF COMMERCIAL BANKING

Reham Maghrabi¹, Tahar Tayachi²

^{1,2} College of Business, Effat University, Qasr Khuzam St., Kilo. 2, Old Mecca Road. P.O.BOX
34689, Jeddah 21478, Saudi Arabia

Email: [1emaghrabi@effat.edu.sa](mailto:emaghrabi@effat.edu.sa), [2ttayachi@effatuniversity.edu.sa](mailto:ttayachi@effatuniversity.edu.sa)

Reham Maghrabi, Tahar Tayachi. The Evolution of Commercial Banking -- Palarch's Journal of Archaeology of Egypt/Egyptology 18(13), 258-266. ISSN 1567-214x

Keywords: Commercial Baking, Evolution, Services, Transactions, Customer, Rural Banking

ABSTRACT

Commercial baking has been developed within the past years especially in Saudi Arabia to take its essential place in the world of business and work. In Saudi Arabia, a lot of banks deal with commercial banking in order to service the individuals and the society as general. They offer a lot of services and transactions so as to achieve good levels of dealing with the customer and to obtain their trust and confidence. Therefore, this study aims to identify the evolution of commercial banking on the changes and preferences. This study used quantitative research approach to obtain the primary data through questionnaire survey in Jeddah city, Saudi Arabia. About 100 participants have successfully completed the questionnaire question. The study concluded that the commercial banks play a significant role in rural development. Although they have to surmount in their campaign to improve their operational activities in rural communities to be able to fill in completely with the objective for which the rural banking habit was introduced.

INTRODUCTION

Banking activities were sufficiently important in Babylonia in the second millennium B.C. that written standards of practice were considered necessary. These standards were part of the Code of Hammurabi – the earliest known formal laws. Obviously, these primitive banking transactions were very different in many ways to their modern-day counterparts [1]. Deposits were not of money but of cattle, grain or other crops and eventually precious metals. Nevertheless, some of the basic concepts underlying today's banking system were present in these ancient arrangements. A wide range of deposits was accepted, loans were made, and borrowers paid interest to lenders [2].

Similar banking type arrangements could also be found in ancient Egypt. These arrangements stemmed from the requirement that grain harvests be stored in centralized state warehouses. Depositors could use written orders for the withdrawal of a certain quantity of grain as a means of payment. This system worked so well that it continued to exist even after private banks dealing in coinage and precious metals were established [3].

The modern-day banking can be traced to practices in the Medieval Italian cities of Florence, Venice, and Genoa [4]. The Italian bankers made loans to princes, both to finance wars and their lavish lifestyles, and to merchants engaged in international trade. In fact, these early banks tended to be set up by trading families as a part of their more general business activities. The Bardi and Peruzzi families were dominant in Florence in the 14th century and established branches in other parts of Europe to facilitate their trading activities [5]. Both these banks extended substantial loans to Edward III of England to finance the 100 years' war against France. But Edward defaulted, and the banks failed.

Perhaps the most famous of the medieval Italian banks was the Medici bank, set up by Giovanni Medici in 1397 [6]. The Medici had a long history as money changers, but it was Giovanni who moved the business from a green-covered table in the market place into the hall of a palace he had built for himself. He expanded the scope of the business and established branches of the bank as far north as London. While the Medici bank extended the usual loans to merchants and royals, it also enjoyed the distinction of being the main banker for the Pope. Papal business earned higher profits for the bank than any of its other activities and was the main driving force behind the establishment of branches in other Italian cities and across Europe [7].

Much of the international business of the medieval banks was carried out through the use of bills of exchange [8]. At the simplest level, this involved a creditor providing local currency to the debtor in return for a bill stating that a certain amount of another currency was payable at a future date – often at the next big international fair. Because of the church prohibition on directly charging interest, the connection between banking and trade was essential. The bankers would take deposits in one city, make a loan to someone transporting goods to another city, and then take repayment at the destination [9]. The repayment was usually in a different currency, so it could easily incorporate what is essentially an interest payment, circumventing the church prohibitions. For example, a Florentine bank would lend 1000 florins in Florence requiring repayment of 40,000 pence in three months in the bank's London office. In London, the bank would then loan out the 40,000 pence to be repaid in Florence at a rate of 36 pence per florin in three months. In six months, the bank makes 11.1 percent – that's an annual rate of 23.4 percent. It is also interesting to note that a double-entry bookkeeping system was used by these medieval bankers and that payments could be executed purely by book transfer [7].

Commercial banks and banking has developed all over the world. The operation of commercial banking has been passed by different periods, from

traditional ways of transaction to modern ways including using internet and digital banking [10, 11]. The services is going better and better comparing of the past. The evolution of commercial banking in Saudi Arabia is progressing through supporting the national economy. Also, the commercial banking in Saudi Arabia supports the small project by presenting the financial support. Provide loans for the customers in order to use them in different projects. Lastly, facilitate the commercial banking services by presenting good employees. Therefore, this study identifies the evolution of commercial banking on the changes and preferences in Saudi Arabia.

METHODOLOGY

This study aims to know the commercial banking presented to the customers, the awareness of the customers in dealing with commercial banking, how the staff working in the field of commercial banking responding to the desire of the customers, the evaluation of commercial banking may help in presenting good services to the customers, and the commercial banking services is changing into best than the previous. This study used quantitative research approach to gather the primary data through questionnaire survey among the citizen in Jeddah city, Saudi Arabia.

Data Collection

A survey questionnaire is prepared with series of question regarding the evolution of commercial banking can participate in serving the society. The questionnaire that designed for this study will be limited to Jeddah city. The size of the sample will be 100.

Data Assessment

The primary data were obtained from the questionnaire survey and analyse using the statistical method.

RESULT AND DISCUSSION

This study identifies the evolution of commercial banking on the changes and preferences. The study has reaches to some findings of which 90% of the respondents say that the evolution of commercial banking leads to the progress of society (Figure 1). About 81% of the respondents agree that the evolution of commercial banking leads to the progress of national economy (Figure 2). Concerning with the statement of the problem is that the quality of commercial banking can lead to the satisfaction of the customers. If there is any change in this, this may lead to dissatisfaction of the customers.

Figure 1 shows that about 90% of the respondents are agree, 1% of them are disagree, and 9% replied with to some extent. Thus, conclude that the evolution of commercial banking leads to the progress of society.

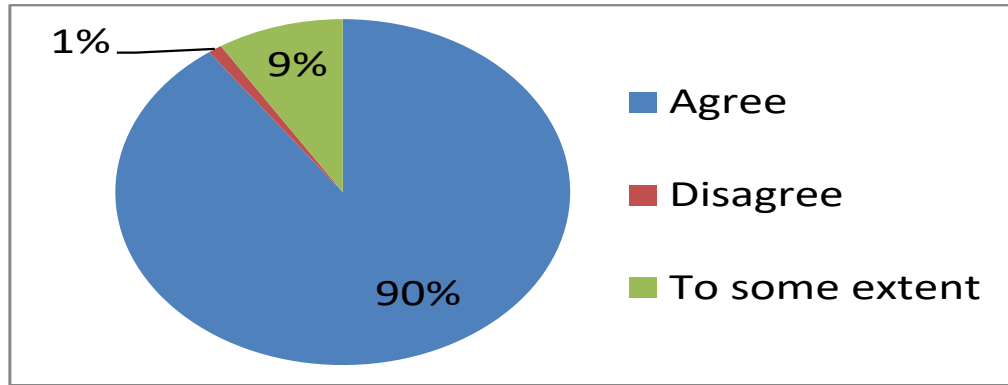


Figure 1. The Evolution Of Commercial Banking Leads To The Progress Of Society?

Figure 2 shows that about 81% of the respondents agree that the evolution of commercial banking leads to the progress on national economy. About 9% disagree, 10% replied with to some extent. Therefore, the commercial banking leads to the progress on national economy.

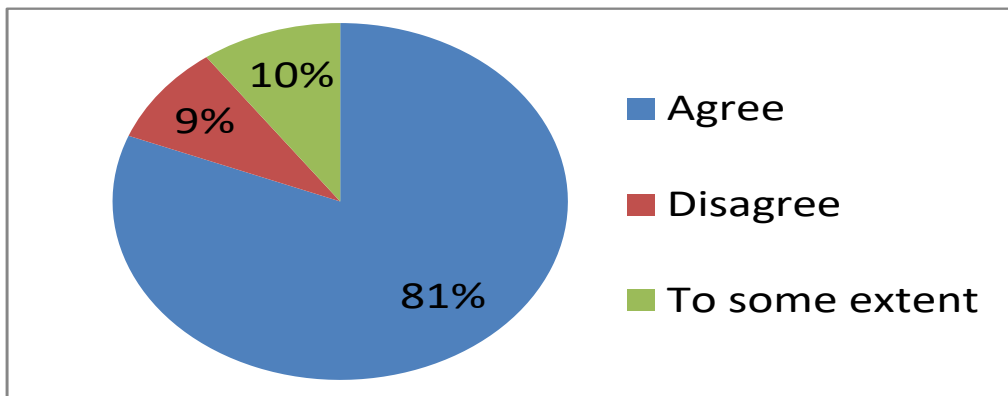


Figure 2. The Evolution Of Commercial Banking Leads To The Progress Of National Economy.

Figure 3 shows that about 50% of the respondents agree that commercial banking supports individuals and small projects. About 20% of them disagree, 30% replied with to some extent. Therefore, the commercial banking supports individuals and small projects.

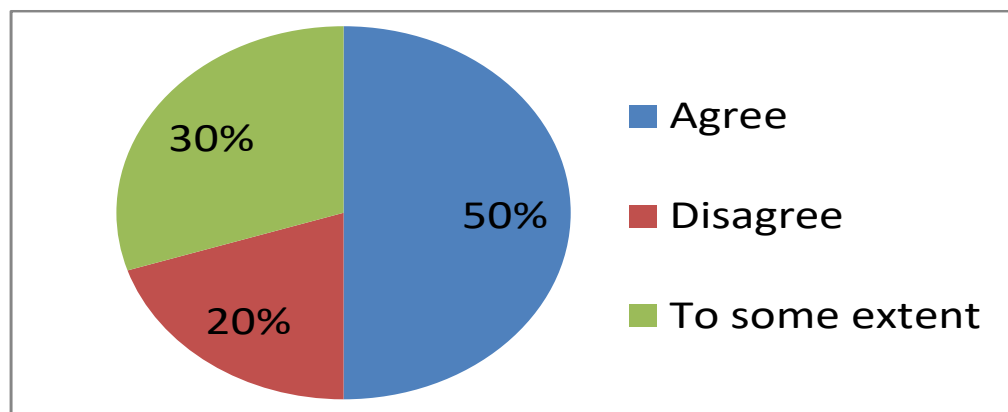


Figure 3. Commercial Baking Supports The Individuals And Small Projects.

Figure 4 shows that about 38% of the respondents agree that the service of commercial banking isn't presented easily by Saudi banks. About 30% of them disagree, 32% of them replied with to some extent. Thus, the service of commercial banking isn't presented easily by Saudi banks.

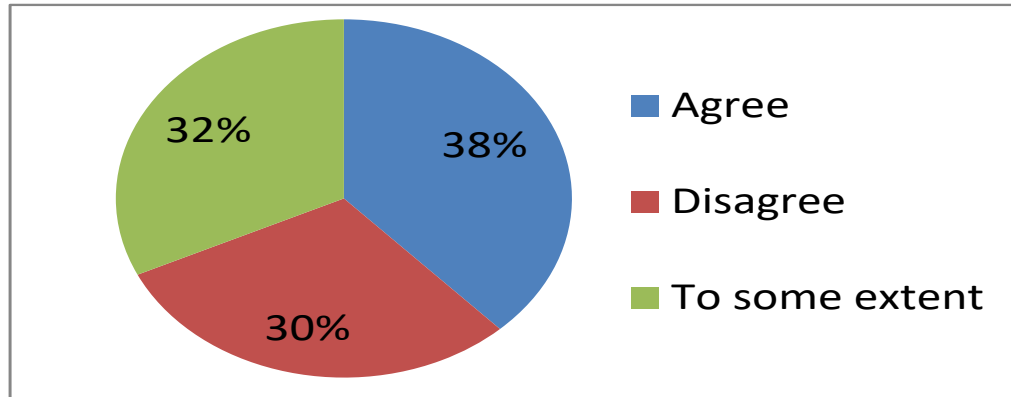


Figure 4. The Service Of Commercial Baking Isn't Presented Easily By Saudi Banks?

Figure 5 shows that about 68% of the respondents are agree that commercial banking is going better than before, 14% of them are disagree, 18% of them replied with to some extent. As a result, the banking is better than before.

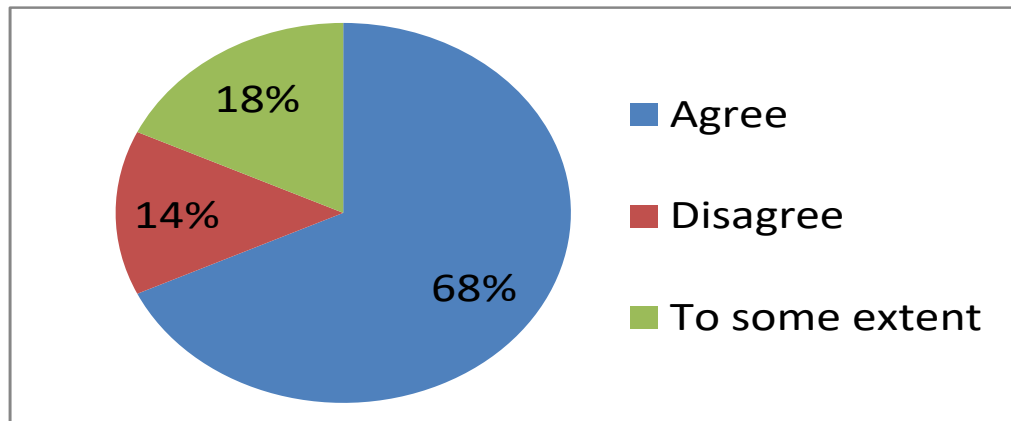


Figure 5. Commercial Banking Is Going Better Than Before?

Figure 6 shows about 42% of the respondents agree that the employees are qualified to deal with the customers. About 24% of them are disagree, 36% are to some extent. Thus, the employees are qualified to deal with the customers.

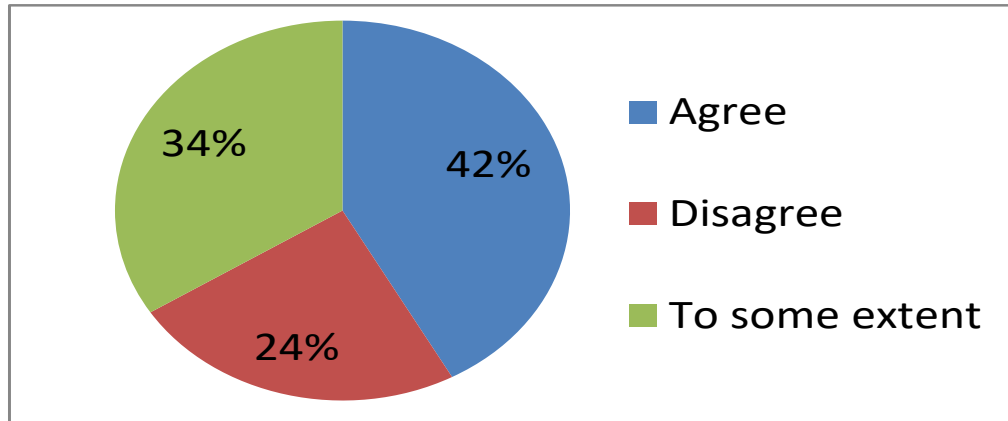


Figure 6. The Employees Are Qualified To Deal With Customers.

Figure 7 indicates about 42% of the respondents are agree that the customers satisfied to the service of commercial banking. About 22% of them disagree, 36% of them replied with to some extent. Thus, the customers satisfied to the service of commercial banking.

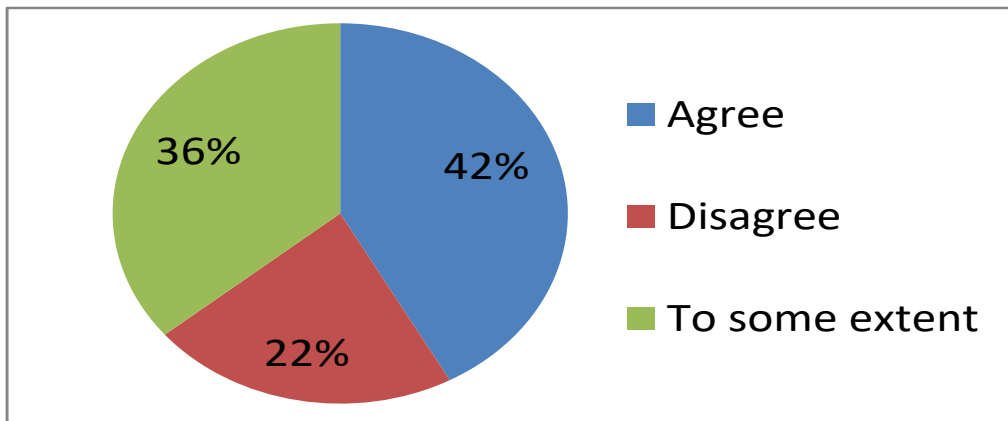


Figure 7. You Are Satisfied To The Service Of Commercial Banking.

Figure 8 shows that about 34% of the respondents are agree that the employee respond to user demands as soon as possible. About 22% of them disagree, 44% of them replied with to some extent. Therefore, the employee responds to user demands to some extent.

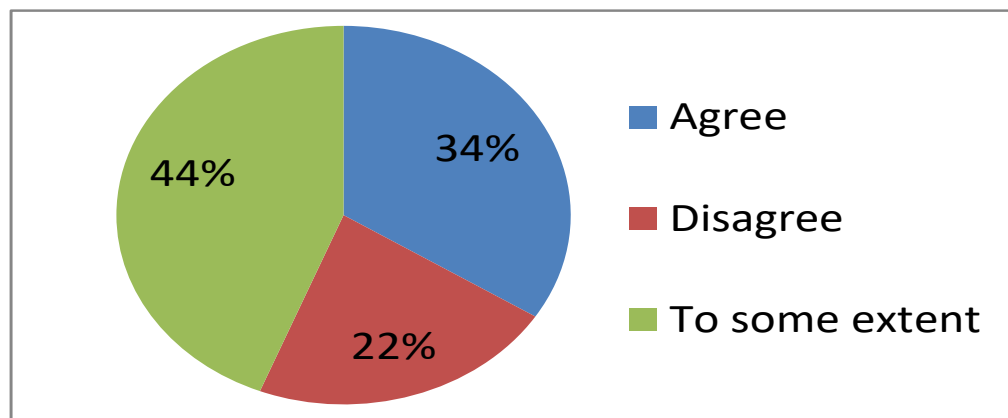


Figure 8. The Employee Responds To User Demands As Soon As Possible.

Figure 9 shows about 22% of the respondents agree that the employees working in the field of commercial banking service don't care about helping the customers. About 50% of them disagree, 28% of them replied to some extents. Therefore, half of the respondents disagree that the employees working in the field of commercial banking service don't care about helping the customers.

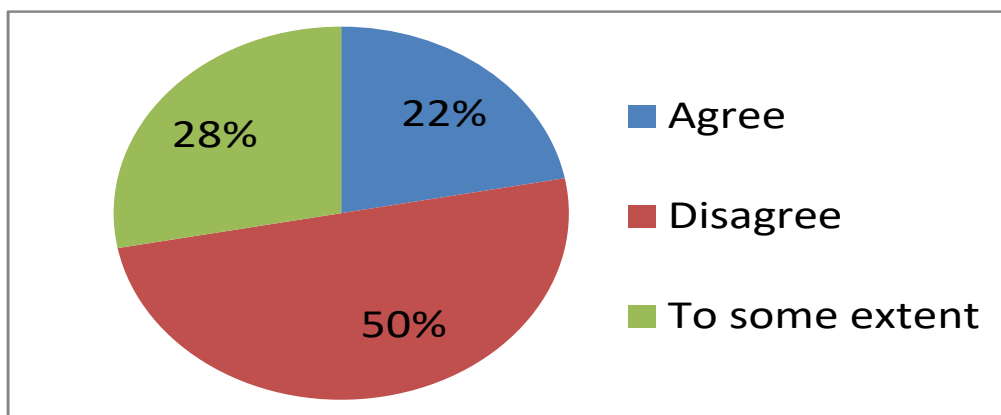


Figure 9. The Employees Working In The Field Of Commercial Banking Services Don't Care About Care About Helping The Customers.

Figure 10 shows that about 38% of the respondents are agree that the customers have a trust with the employees working in commercial banking section, 20% of them disagree, 42% of the rest replied with to some extent. Thus, the customers have a trust with the employees working in commercial banking section to some extent.

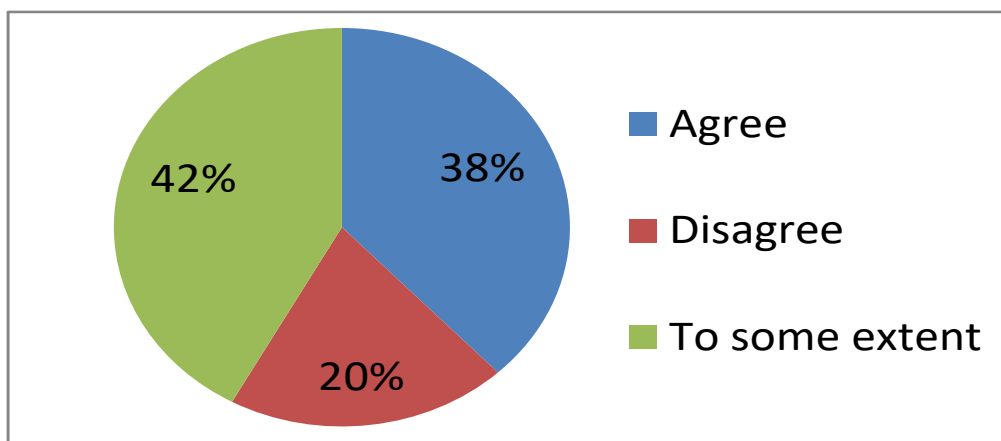


Figure 10. I Have A Trust With The Employees Working In Commercial Banking Section.

As overall, about 90% of the respondents say that the evolution of commercial banking leads to the progress of society. There are 81% of the respondents agree that the evolution of commercial banking leads to the progress of national economy. There are 50% of the respondents agree that commercial

baking supports the individuals and small projects. There are 38% of the respondents agree that the service of commercial baking isn't presented easily by Saudi banks. There are 68% of the respondents agree that Commercial banking is going better than before. About 42% of the respondents agree that the employees are qualified to deal with customers. There are 42 % of the respondents agree that the customers are satisfied to the service of commercial banking. About 44% of the respondents respond to some extent that means the employee sometimes respond to the demand of customers as soon as possible. About 50% of the respondents disagree that the employees working in the field of commercial banking services don't care about care about helping the customers. There are 42 % answered with to some extent that the customers don't have full trust to the employees working in commercial banking section.

CONCLUSION

According to the findings of the questionnaire, it is recommended with that the administration of commercial banking services should offer these services easily. The employees working in the section of commercial banking should be qualified enough to deal with customers. Further effort is required on the commercial banking services in order to attractive more customers. The employees working in the field of commercial services sometimes respond to the demand of customers as soon as possible, perhaps they should be ready to serve the customers on time and with no delay. And finally, trust should be available between the customers and the employees working at commercial banking section.

REFERENCES

- Gareth W. P. and Efstathios P. 2015. Understanding Modern Banking Ledgers through Blockchain Technologies: Future of Transaction Processing and Smart Contracts on the Internet of Money. 1-33.
- The Role of Banks - Principles of Economics. Opentextbc.ca. Retrieved September 9, 2019 from <https://opentextbc.ca/principlesofeconomics/chapter/27-3-the-role-of-banks/>.
- Modern banking system and the obsolete concept of banking system explain and illustrate in the world wide aspect - The Lawyers & Jurists. 2017. *The Lawyers & Jurists*. Retrieved September 9, 2019 from <https://www.lawyersnjurists.com/article/modern-banking-system-obsolete-concept-banking-system-explain-illustrate-world-wide-aspect/>.
- Ismail, A. G. and Che Arshad, N. 2010. Tracking the Pre-And Post-Colonial Banking: The Quest for Islamic Banking. *Prosiding Perkem*. 5, 1, 173 - 184.
- Rajyaguru, J. U. 2016. An exploratory study on evolution of banking in India. *International Journal of Advance Research in Computer Science and Management Studies*. 4, 2, 57-61.
- Fazzini, M., Fici, L., Montrone, A. and Terzani, S. 2016. A Modern Look at the Banco De' Medici: Governance and Accountability Systems. *International Business & Economics Research Journal (IBER)*. 15, 6, 271-286.

- A Brief History of Banking. 2017. Drpramodkm.files.wordpress.com. Retrieved September 9, 2019 from <https://drpramodkm.files.wordpress.com/2017/12/ahistoryofbanking.pdf>.
- The Origin of Money 8 – Bills of Exchange and Banking. *the HipCrime Vocab*. 2017. Retrieved September 9, 2019 from Hipcrimevocab.com. <http://hipcrimevocab.com/2017/09/17/the-origin-of-money-8-bills-of-exchange-and-banking/>.
- Role of finance from a historical Australian perspective. 2010. *Mostly Economics*. Retrieved September 9, 2019 from <https://mostlyeconomics.wordpress.com/2010/08/20/role-of-finance-from-a-historical-australian-perspective/>.
- Yao, M., Di, H., Zheng, X. and Xu, X. 2018. Impact of payment technology innovations on the traditional financial industry: A focus on China. *Technological Forecasting and Social Change*. 135, 199-207.
- Bony, S. and Kabir, F. 2013. Practice of E-banking in commercial bank: An empirical study in Bangladesh. *International Journal of Business and Social Research (IJBSR)*. 3, 5, 168-178.