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### ROLE OF FINANCIAL TECHNOLOGY IN THE BANKING SECTOR OF SAUDI ARABIA

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#### **ABSTRACT**

Digital transformation is simply the use of technology, talent and innovation to provoke positive change. Digital transformation provides low-cost tools and strategies that enable small and medium sized businesses to compete with major enterprises. Strategy creates competitive advantage people and culture of innovation sustains it technology and communications in the means by which it is delivered. This study has examined the role of financial technology (FinTech) in the banking sector in Saudi Arabia. The methodology of the research is quantitative due to the use of survey questionnaire. The sample populations were 62 consumers banking industry in Jeddah, Saudi Arabia. The data were analyzed in terms of basic statistic. The key findings have shown that the results showed that the financial technology played a significant role in the banking sector of Saudi Arabia. Thus, the advancement of technology and the adaptation of the financial sector towards this improvement has enhanced the overall service provided to its consumers.

#### **INTRODUCTION**

The concept of finance has worked well in terms of globalisation and advanced technology, adding both benefits and challenges to the different aspects of finance [1]. Financial technology (FinTech) is a field that has received popularity for innovative techniques, in addition to being considered as an emerging field that has offered to reduce costs and improve performance in any business in which it is involved [1]. There are different perspectives that FinTech can be associated with, in particular, when it relates to finance and, more specifically, the banking industry [2].

As of not long ago, the part of monetary innovation remained immaculate [2]. This will change with the discovery of organisations that use innovation for budgetary arrangements, e.g., banking, monetary installment and administration of the individual budget. FinTech companies use these association and intend to attract customers with items and administrations that are easier to use, simple, effective and computerised than those currently available [3].

FinTech refers to organisations that consolidate their budgetary administrations with current and imaginative technologies [4]. Financial innovation is a method for the different segments to improve the productivity of their budgetary framework. Furthermore, FinTech is a portmanteau of monetary innovation that depicts the growing segment of money-related administrations in the 21st century [4]. Likewise, the number of ventures in FinTech organisations and new businesses has increased significantly, and this division is taking place with a high level of enthusiasm for the money universe and, subsequently, giving productive soil to foster clever thinking and exploration [5]. The development of new advancements has helped the different monetary areas to have versatility, convenience as well as data representation, exchange rate speed and lower budget administration costs [5].

Financial technology is currently being utilized and is being used by many individuals [6]. Banks are now choosing this type of financing be it credits, stores, and business ventures. The application of financial technology requires infrastructure with advanced applications and sophisticated functions such as financial transactions, financial risk management [6]. With these factors in mind, financial technology has contributed to the new phase of the global banking sector, which has brought many improvements. The banks are using financial technology to catch up with the changing trends of the world by continuously implementing and innovating the technology used for financial transactions [7]. Furthermore, financial technology adds to the bank's unique selling proposition, making it more desirable for customers around the world [7].

The improvement in the financial technology has enabled the banking sector to solve issues and obstacles, which the consumers usually faced in their financial transactions [8]. The rapid growth of FinTech has steadily changed the business scene in the banking industry through innovative arrangements. These ongoing inclinations enable the banks to extend their involvement in FinTech and to re-examine their administration in addition to the distribution networks, in particular the business-to-purchaser models, and so on. In addition, FinTech is known as another revolutionary technique that acquires advances from one monetary company to another level [9], enabling it to advance and change the ideas of cash and banking reasoning itself. This, in turn, gives the people who use banks on a regular basis severe protection as desired. The use of the traditional method has created ordeal and, as a result, many banks want to be as creative as possible in order to attract customers [10].

Banks are known to play an important role in the performance of Saudi Arabia's financial transactions [11]. Technology products are generally inadequate to represent, sustain and replace the role of banking. They are seen as a means of supporting the banking sector, and hence the continuous creation and advancement of banking services with the aid of new technology is extremely important for Saudi Arabia to build innovation for the global financial sector [11]. This also contributed to the concept of online banking in Saudi Arabia. With the goal of promoting companies in Saudi Arabia and creating job opportunities to diversify the local economy, the Saudi Arabian Monetary Agency has launched the FinTech project, which aims to introduce the first version of the Kingdom 's FinTech infrastructure and the foreign FinTech companies [12]. The goal of this initiative is also to develop a diverse collection of activities related to financial technology in the Kingdom. This measure was primarily taken to increase the Kingdom's non-oil revenues [12].

Financial technology products used in Saudi Arabia include ATMs, credit cards, mobile phones and online banking services. There is a rise in demand for financial services that are in line with the personal expectations of different customers [12]. With the trends in digitalisation in the Kingdom, it is necessary for the banking and financial sector of Saudi Arabia to set up their financial technology companies with the creation of asset management as well as insurance companies. Hence, the financial technology in Saudi Arabia seeks to build on the success by FinTech, which is achieved by the financial sector of the Kingdom. Therefore, this paper has examined the role of financial technology in the banking sector of Saudi Arabia.

## METHODOLOGY

For this work, quantitative research technique was applied, whereby questionnaire survey method was used a medium of data collection. The sample size of the research is 62 customers of the banking industry in Jeddah, Saudi Arabia. The primary data of the research includes survey of 62 respondents of customers in banking industry in Jeddah, Saudi Arabia made out of Google form. The data was assessed using the graphical statistical analysis in order to generate the financial technology findings in the banking industry in the KSA.

## RESULT AND DISCUSSION

### *Demographic Characteristics*

The details of the demographic findings are shown in Table 1. Based on Table 1, in terms of age, 79% were in the 18-26 years old age group, 14.5% were in the 27-35 years old age group and 6.5 % were in the age group of 36 years old and above. In terms of gender, 12.9% were males and 87.1 % were females. As for education level, 16.1% have completed high school, 77.4% have completed university degree and 6.5% have completed master's degree.

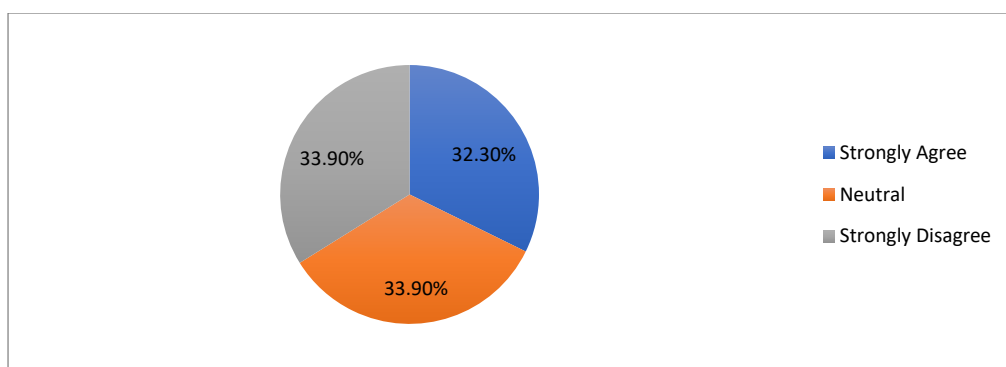
**Table 1.** Demographic Information

Age
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18-26 years old	79%
27-35 years old	14.5%
36 years old and above	6.5%
Gender	
Male	12.9%
Female	87.1%
Education Level	
High school	16.1%
University degree	77.4%
Master's degree	6.5%

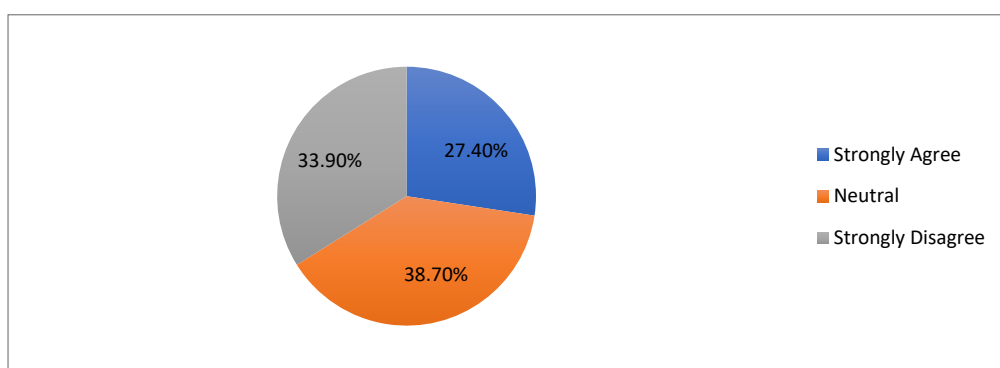
**Questionnaire Analysis**

The results and findings from the survey questionnaire is presented in this section. The respondents were asked if they are aware with the term digitalization. Based on Figure 1, 32.3% strongly agreed, 33.90% were neutral and 33.90% strongly disagreed.



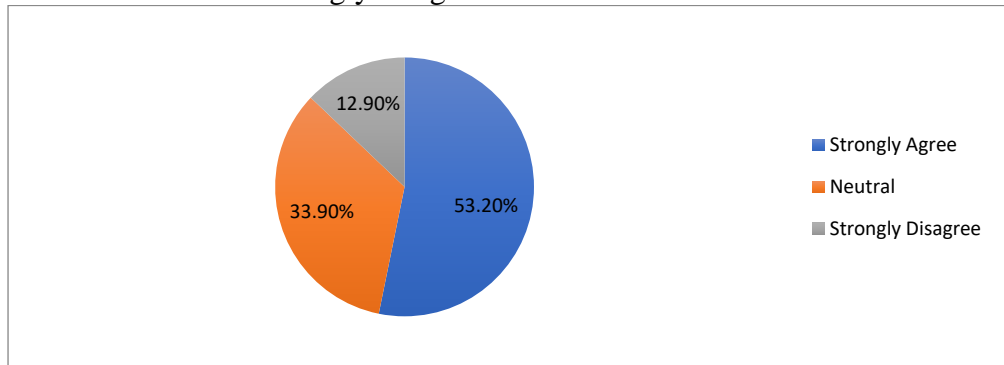
**Figure 1.** Familiar with The Term Digitalization

Next, the respondents were asked if they are aware with the term FinTech. Based on Figure 2, 27.40% strongly agreed, 38.70% were neutral and 33.90% strongly disagreed.



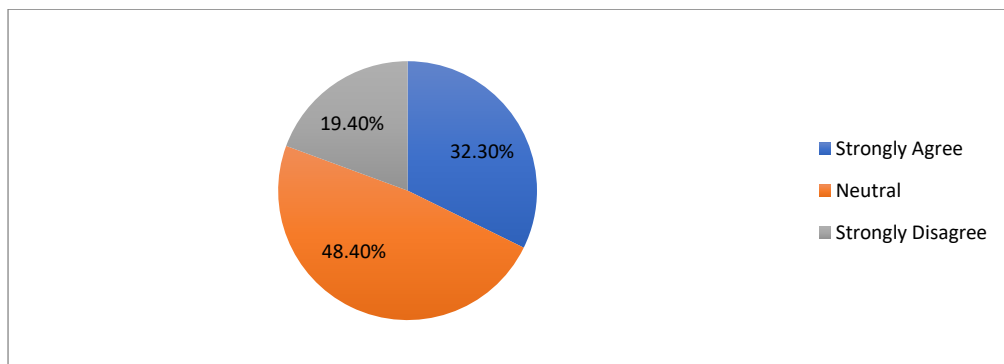
**Figure 2.** Familiar with The Term Fintech

Next, the respondents were asked if the new finance technology is better for customer services. Based on Figure 3, 53.20% strongly agreed, 33.90% were neutral and 12.90% strongly disagreed.



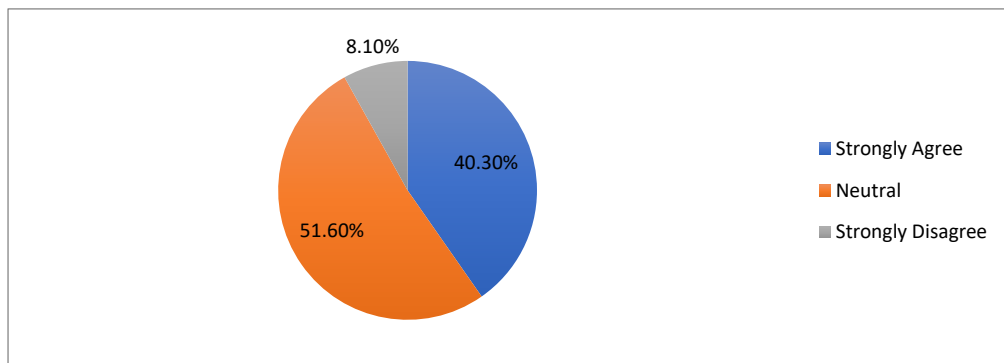
**Figure 3.** New Finance Technology Is Better for Customer Services

Next, the respondents were asked if mobile payment can be used anywhere, where payment is required? Based on Figure 4, 32.30% strongly agreed, 48.40% were neutral and 19.40% strongly disagreed.



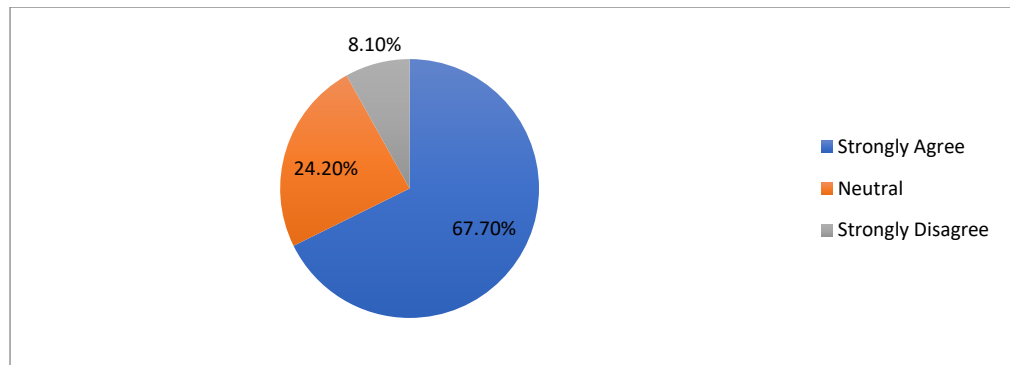
**Figure 4.** Mobile Payment Can Be Used Anywhere

Next, the respondents were asked if involvement in emerging FinTech is necessary for the field of finance. Based on Figure 5, 40.30% strongly agreed, 51.60% were neutral and 8.10% strongly disagreed.



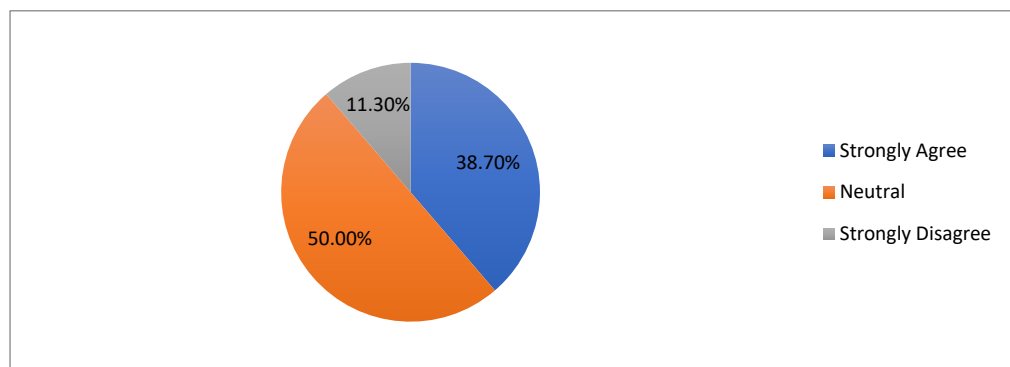
**Figure 5.** Involvement in Emerging Fintech Is Necessary for The Field of Finance

Next, the respondents were asked if FinTech facilitate easy financial transaction. Based on Figure 6, 67.70% strongly agreed, 24.20% were neutral and 8.10% strongly disagreed.



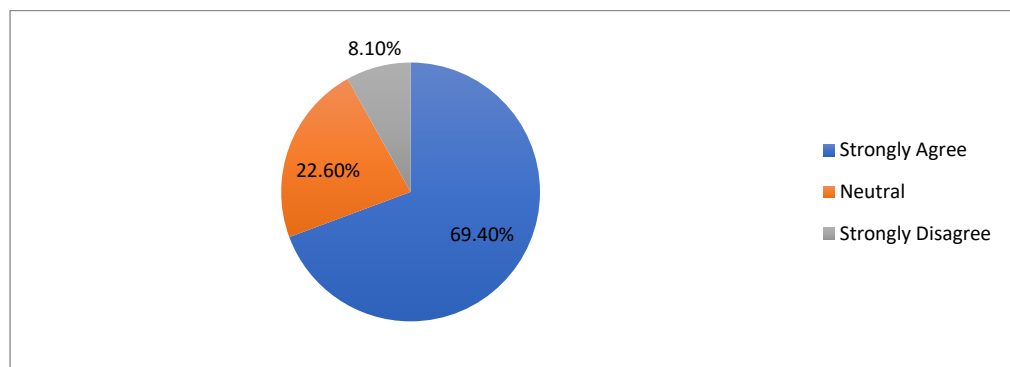
**Figure 6.** Fintech Facilitate Easy Financial Transaction

Next, the respondents were asked if FinTech increases the security of financial transaction. Based on Figure 7, 38.70% strongly agreed, 50% were neutral and 11.30% strongly disagreed.



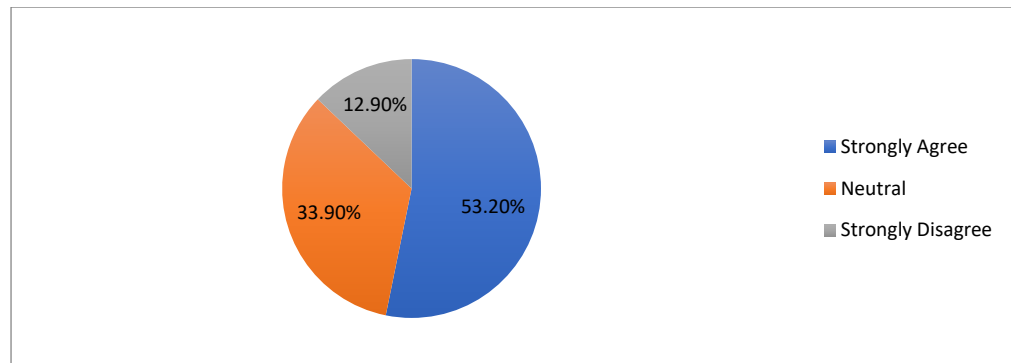
**Figure 7.** Fintech Increases the Security of Financial Transaction

Next, the respondents were asked if FinTech makes financial transaction faster and saves time. Based on Figure 8, 69.40% strongly agreed, 22.60% were neutral and 8.10% strongly disagreed.



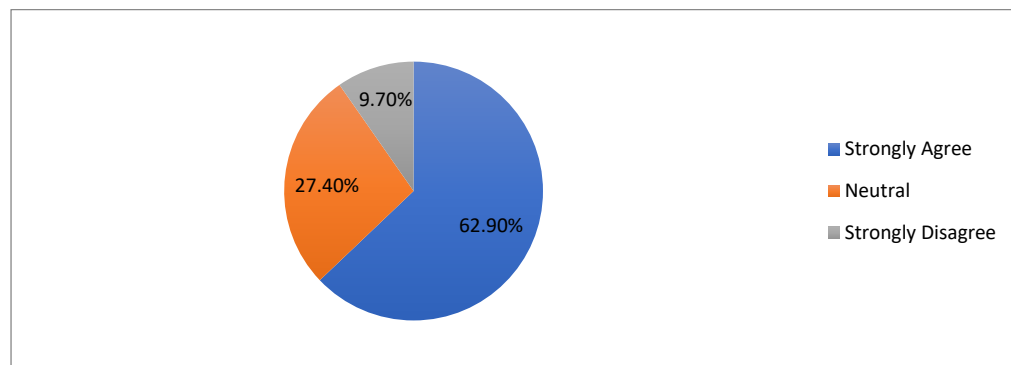
**Figure 8.** Fintech Makes Financial Transaction Faster and Saves Time

Next, the respondents were asked if FinTech would increase the protection of the privacy of the customers. Based on Figure 9, 53.20% strongly agreed, 33.90% were neutral and 12.90% strongly disagreed.



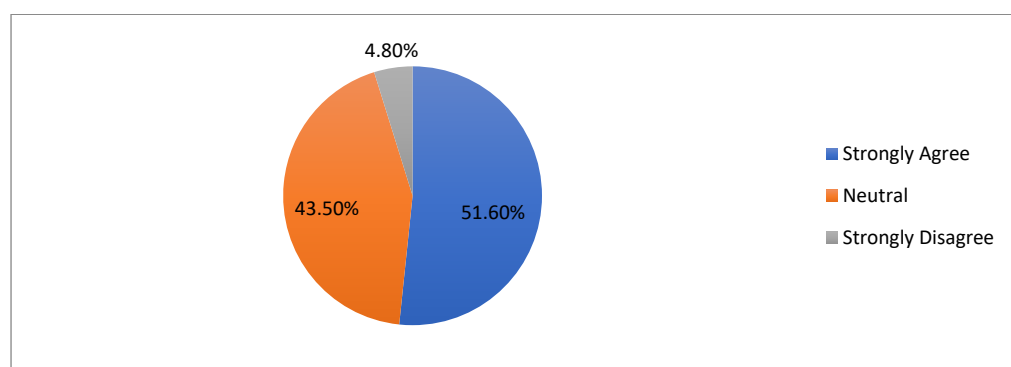
**Figure 9.** Fintech Will Increase the Protection of The Privacy of The Customers

Next, the respondents were asked if FinTech makes use of services easy for the customers. Based on Figure 10, 62.90% strongly agreed, 27.40% were neutral and 9.70% strongly disagreed.



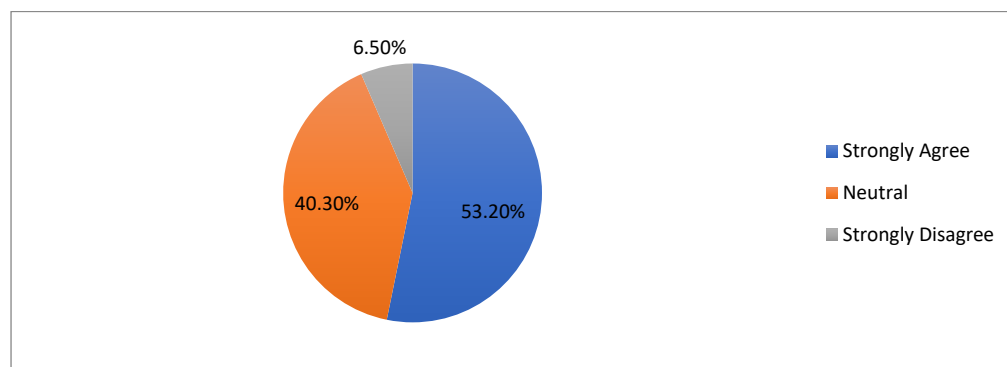
**Figure 10.** Fintech Makes Use of Services Easy for The Customers

Next, the respondents were asked if FinTech has made communication with the bank employees easy. Based on Figure 11, 51.60% strongly agreed, 43.50% were neutral and 4.80% strongly disagreed.



**Figure 11.** Fintech Has Made Communication with The Bank Employees Easy

Next, the respondents were asked if they are satisfied with the FinTech of their banking organization. Based on Figure 12, 51.60% strongly agreed, 43.50% were neutral and 4.80% strongly disagreed.



**Figure 12.** Consumers Are Satisfied with The Fintech Of Their Banking Organization

### OVERALL DISCUSSION

Overall, the findings of this study have shown that FinTech has a positive role in the banking sector of Saudi Arabia. The consumers have understood that digitalization has brought the banking industry new business models, development concepts and areas of improvements, from Internet banking to monetary transactions [13]. Thus, banks in the Kingdom have already adopted digital banking solutions as a core strategy to cater to constantly changing consumer behaviors, especially with the implementation of FinTech [14].

The budgetary innovation in Saudi Arabia tries to expand on the achievement, which is accomplished by the money related segment of the Kingdom. There are three primary destinations, which the budgetary innovation benefits in Saudi Arabia wish to achieve in the financial area. It is to quicken the development and advancement of FinTech so as to make the Kingdom a goal of advancement. Besides, so as to set up an extensive comprehension of the money related innovation and its utilization for the advancement of the financial part of Saudi Arabia. Thirdly, to make items and administrations so as to help the little and medium measured ventures to be represented considerable authority in financial technology.

### CONCLUSION

This study has analyzed the role of FinTech in the banking sector of Saudi Arabia. The overall results have shown that FinTech has improved the banking sector and has exhibited a positive impact in Saudi Arabia. Thus, FinTech has become an integral part of banking in Saudi Arabia. Consumers are benefitting from this advancement and the banks needs to keep up with the evolving technology to provide the best service for its consumers in the long run.



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