INTERNATIONAL JOURNAL OF ACADEMIC RESEARCH IN BUSINESS & SOCIAL SCIENCES
www.hrmars.com
ISSN: 2222-6990

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To Link this Article: http://dx.doi.org/10.6007/IJARBSS/v11-i8/10625 DOI:10.6007/IJARBSS/v11-i8/10625

Received: *22* June *2021,* ***Revised:*** *28* July *2021,* ***Accepted:*** *17* August *2021*

Published Online: 25 August 2021

In-Text Citation: (AlMomani & Alomari, 2021)

To Cite this Article: AlMomani, A. A., & Alomari, K. F. (2021). Financial Technology (FinTech) and its Role in Supporting the Financial and Banking Services Sector. *International Journal of Academic Research in Business and Social Sciences*, *11*(8), 1793–1802.

Vol. 11, No. 8, 2021, Pg. 1793 - 1802

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ISSN: 2222-6990

Financial Technology (FinTech) and its Role in Supporting the Financial and Banking Services Sector

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Abstract
Fintech is a business and banking company that translates to financial technology. It is the technology used and applied in the financial services sector including its involvement in mobile payments, money transfer, loans, fundraising and asset and property management.
Fintech investment has grown exponentially recently in the world and is likely to continue to increase, given that Fintech is not only related to the financial services sector, but all companies that deal with the financial services industry and Fintech startups are usually smart and capable of causing disruption. . The big impacts that organizations can have. Conventional finance can innovate very quickly.
Fintech is described as those products and services that rely on technology to improve the quality of traditional financial services. They are quick and easy. In most cases, these services and products are developed by startup companies, which seek to improve retail and corporate banking in cooperation or competition with existing financial service providers.
This paper seeks to shed light on the concept and importance of financial technology and how banks and financial technology companies benefit from the existing cooperation between them for the benefit of both parties.
Keywords: Banks, Financial Technologies, Financial Services, Information Systems.

Introduction
The current stage is a critical stage for workers in the financial services sector. With this huge amount of technological innovations that have changed the way of doing business, transferring money and daily transactions, the financial technology sector is one of the most important sectors that receive support from decision makers around the world. With the increasing ability to bring about a technological revolution in this vital sector, and the more innovation and efficiency it is witnessing to achieve prosperity and growth, it is not surprising that the expectations of investments in this sector reach 15 billion US dollars by the year 2022.

Innovating more advanced financial technology services to meet the needs of customers growing.

Any country that seeks to allow a new industry to grow and develop, must create an environment that helps startups and entrepreneurship grow as well because the right business systems help the emergence of global centers for emerging companies in the technology industry.

Perhaps the main components of creating a positive environment are building the ecosystem and regulatory frameworks that make it easy to do business in a country or region and in this context, some countries has taken the lead when it comes to encouraging the development of startups in the Fintech industry. This research paper seeks to answer the following main question: How can financial technology contribute to improving traditional financial services? Under this main question, the following sub-questions fall:

1- What is financial technology?

2- How can banks benefit from financial technology companies?

3- What are the challenges facing the fintech industry?

In order to answer the main question and sub-questions, a number of points will be addressed in this article, and then a set of recommendations will be made.

The Concept of Financial Technology

The term “FinTech” denotes companies or representatives of companies that combine financial services with modern, innovative technologies (Dorfleitner, Hornuf, & M., 2017). Financial technology is closely related to information and communication technology (Yusuf, 2005), and it is an activity through which institutions use information and communication technologies in order to distribute financial services in a more effective and less costly manner.

The term Fintech refers to every institution that intervenes in this field in order to propose innovative or innovative technological solutions to its customers. They are start-up companies that try to acquire market shares at the expense of traditional players in the financial services sector (Peter, Robert, Chris, & Weber, 2018).

Banks are trying to invest in order to resist competition from new entrants who are generally not from the banking and financial sector (Claessens, 2009). Here, it was possible to talk about the ultimate goals of the economic intelligence of enterprises, which is largely based on information technology, which they share among themselves, but it remains difficult in some sectors less exposed to the risks of competition and commercial than others, to understand that the process of economic intelligence does not depend only on a single study of competitors or on the protection of Excessive information systems. Therefore, it must be emphasized that the ultimate goals of economic intelligence expanded to include management as a whole, as it was possible to talk about a model of management through economic intelligence, since institutions develop in a knowledge and information intensive economy where they are formed Its capacity of collected and produced information that is disseminated in official and unofficial channels, and the way this information is managed determines the economic performance of institutions (ferrini, 2012).

The concept of economic intelligence arises at the same time from the strategies of institutions, which are slowly structuring according to administrative innovations, and this is what made the status of information systems become necessary in the management of institutions, as it knew four stages in its development:

Stage one from 1960-1980: Economic information.

Stage two from 1980-1990: Vigilance and the means of collecting and processing strategic information.
Stage three from 1990-2000: Organizing the network of economic intelligence in institutions and between institutions.
The 2000s: The Everyday Culture and Practice of Economic Intelligence.
In this context, economic intelligence has turned into a very effective way to manage informational risks, and therefore there is now a strong relationship between economic intelligence and risk management in institutions. In fact, administrative innovations contribute to reducing the state of uncertainty, as decision-makers in institutions are aware with various risks that can be exposed, because risks that cannot be managed or controlled will accumulate over time to eventually lead to crises.

The way Financial Technology Institutions Work
It can be summed up in the following points (Kelvin & Anna, 2018):
- The use of innovative technologies, especially mobile phones, a computer or digital tablet connected to the Internet or any other communication network in order to offer the end customer products and services that are richer and/or less expensive than those of other operators are. Significant in the costs of entering the market;
- Evolution of customer behavior (connected mobile phones, geo-tagging on social networks); creating an appropriate regulatory and legal environment;
- Creating a good partnership and relationship with banks;
- New innovations in the field of financial and banking services.

Characteristics of Financial Technology Companies
They can be mentioned as follows (Shu Zhang, 2020)
1- Access to all users: In traditional financial services, the customer is evaluated on the basis of his ownership of large assets or his periodic receipt of huge income, which makes these services limited to certain social classes, while emerging companies target all classes and groups and continuously enhance their capabilities through partnerships or redesign of products designed for low-income customers.
2- Flexibility and affordability: Fintech startups have several offers and plans to pay for goods and services, especially clean energy, that are flexible enough to suit customers on their differences on a daily, weekly or even monthly basis.
3- Customer-centric design: Fintech companies focus on user demands and design simple, easy products.
3. Speed: Powerful analytics allow fintech companies to move quickly, with transactions completed in a few minutes using big data, algorithms and machine learning, and compared to traditional small insurance companies that can take several days before a new policy is approved or a loan is approved, this applies in lending and when verifying digital identity.
4- Data policy first, mobile phones first: This policy can improve the products and services provided to design suitable services for them. There is no doubt that powerful analytics allow business owners to make better decisions and seize opportunities.

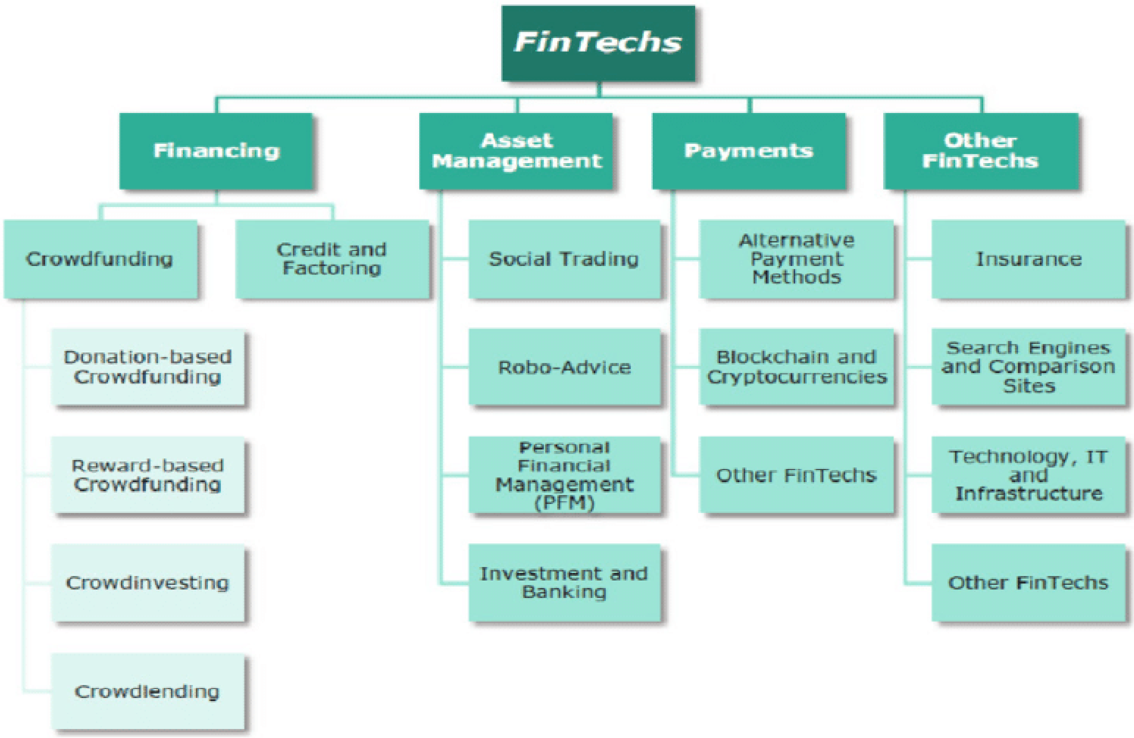
Areas of Financial Technology and its Importance
Despite its late start, financial technology is gaining at the present time, especially in some countries of the Middle East and North Africa many benefits. Among the benefits that financial technology gives, can be summarized in the following points (Emilio Segura, 2020):

- Promoting financial inclusion, inclusive growth and diversification of economic activity through innovations that help provide financial services to those who do not interact with the banking system.
- Facilitate the availability of alternative sources of financing for small and medium enterprises.
- Achieving financial stability through the use of technology to ensure regulatory compliance and risk management.
- Facilitating foreign trade and remittances by workers abroad by providing efficient and cost-effective mechanisms for cross-border payments.
- The use of electronic payment methods increases the efficiency of government operations, which calls for further reforms to bridge the gaps in the frameworks related to regulations, consumer protection and information security.

Global investments in financial technology have achieved rapid growth in the past five years, and expectations are that they will continue to grow strongly. The value of investments in financial technology has increased more than tenfold between 2012-2015, despite the fact that the integration of institutions operating in the financial technology sector in The United States led to a decline in global investments in 2016. Growth continued in other regions, including the Middle East and North Africa, and investments recorded a strong positive rebound in the first half of 2017.

Companies in the fintech industry can be divided into four main categories, depending on its business models. Which can be clarified and explained through the following figure:

Figure 1: Segments of the Fintech industry



Source: "Fintech in Germany" (Gregor Dorfleitner, Lars Hornuf, Matthias Schmitt, 2017)

Partnership between Financial Technology Companies and Banks (Opportunities and Challenges)

The rapid growth in financial technology represents a challenge or an opportunity for banks depending on the strategy of the start-up company and the bank's strategy, as banks seek to find ways to re-invent and renew the services of the banking sector such as introducing smart automation of banking operations, and this will accelerate the work of banks in terms of performing recurring business that they can Its adoption as tokens, phone banking, and strategic methods that will shape the future of banking and payment transactions through artificial intelligence and smart workflow systems. On the other hand, emerging companies seek to find innovative solutions in the field of financing and lending operations and various financial and banking services in order to attract the largest number of bank customers (McGill, 2008).

The following figures show the most attractive areas for financial technology companies, especially payments and electronic commerce, in addition to the various opportunities and challenges facing this type of company. Among the most important areas of investment in financial technology during 2019, payments accounted for 56% and e-commerce accounted for 36%.

Fintech companies can help banks by finding a partnership between them, which represents 78%, especially in the field of payments and electronic commerce, and among the most important benefits or advantages for the two parties behind this partnership is achieving income, finding new applications, reducing costs and creating new business models especially With the emergence of FinTech Bank, one of the most important advantages of this cooperation is better access to financing, and the banks also have a strong relationship with customers for greater trust.

The Role of Financial Technology in the Banking Sector

Although innovations in FinTech are encouraged and their adoption is gradually increasing, it is not yet clear how receptive and willing to integrate them into the banking sector's multiple channels from process automation and back office solutions to clients. In an effort to clarify the central role of FinTech startups in the banking sector, it is necessary to highlight the great potential inherent in successful collaboration between banks and FinTech companies. The great progress of emerging companies in financial technology and its impact on transforming fields and sectors to increase cooperation with financial institutions around the world, in order to show the true adoption of financial technology and how to take advantage of digital trends to support the growth of this sector (Wilson, creating strategic value through financial, 2017). The banking sector and emerging companies in financial technology push decision makers to provide additional facilities to stimulate business growth and work to provide appropriate and essential information for the development of the field and the dissemination of information on the impact of this technology.

There are opportunities for Fintech and how to engage with digital customers as a digital social platform that offers micro-loans to small-scale entrepreneurs about data collection and analysis is essential to understanding customer behavior. FinTech financing relates to financing innovation not only with investment, but also with providing opportunities for FinTech innovators to build platforms that change the future of financial services, as Fintech startups have received investments of more than $100 million in the last ten years, and the number of startups and money invested in This field will more than double by 2025.

The Financial Technology in the Middle East and North Africa report indicates that startups aim to raise $50 million in funding in 2018, an increase of 270 percent from 2017, when $18 million was announced.

105 fintech startups have launched until the beginning of 2016, a number was rise to 250 by 2020, half of these companies provide payment solutions, while a third of them provide lending and fundraising services, USA or USA companies in the field of fintech remained at the top of the global ranking Top ten companies in the world among the 100 FinTech companies for the year 2020 (Schroer, 2021).

1. Clyde - USA
2. Digit - USA
3. Flywire - USA
4. IHS Markit Digital - USA
5. MANTL - USA
6. Remitly - USA
7. Riskified - USA
8. Spring Labs - USA
9. Robinhood - USA
10. Chime - USA

The transition from a cash-based economy to a cashless economy will increase dramatically. Fintech startups were launched in 12 countries until late 2015 and were distributed between the countries of the Gulf Cooperation Council, the Levant and North Africa, but only four countries host 75% of the startups almost in this area are the Emirates, Lebanon, Jordan and Egypt.

The majority of financial technology companies operate in the UAE, which puts this country in the first place in terms of the number of emerging companies in this field and the quality of their business. (Democrance) and Blockchain Technology (Bit Oasis).

The incubating regional environment witnessed a lot of activity in the past year, with the opening of the doors of two accelerators in Cairo and one in Dubai during 2016, in addition to the launch of the “Regulatory Lab” in Abu Dhabi, which is the first “sandbox” for financial technology in the Middle East and North Africa region. . This increased support fills a gap that emerging companies in this field are trying to overcome on their own. 44% of these companies cooperate with banks and other major institutions, and another 44% aspire to build partnerships in the future. Business accelerators (Wilson, 2017), increased investments, and cross-discipline partnerships are expected to lead to a FinTech renaissance in the coming years.

Fintech opportunities in the Middle East and North Africa region remain subject to the agreement of all decision makers, entrepreneurs, investors and customers, in addition to the central role of governments, as they set legal frameworks and are able to encourage investment and regulate national infrastructure for financial technology. Whereas, fintech startups must avoid risks by cooperating with major companies and understanding the laws that regulate the market in which they operate. Given the diversity in the region’s markets, it appears that every country has a suitable sector for it in financial technology, for example, the opportunity for financial inclusion in Egypt differs from the booming e-commerce sector in the Emirates, and this does not mean that there are no sectors, as start-ups can look to the regional market and not Local, for example, payment services extend to the Gulf Cooperation Council and non-Gulf markets as well.

There is no doubt that the expansion of financial technology is more difficult than the expansion of other fields, but an increasing number of entrepreneurs are succeeding in it. (Lakuma, 2019) Fintech is a distinct field today, yet it has a real potential to change the structure of financial services making them faster, cheaper, safer, more transparent and more accessible. Even in the Middle East and North Africa, governments recognized the potential of fintech, as the Abu Dhabi Global Market launched the "Regulatory Lab" initiative, the region's first fintech pilot space, meaning that start-ups and other companies that will operate in this space will be subject to regulatory framework lighter restrictions.

Fintech can have a measurable impact on different economies, and one of its outcomes is the ability to unlock the potential of all types of startups in the MENA region, because it has the potential to lower market entry cost and failure rates by improving access to finance, technology and customers. Fintech is facilitating capital raising by introducing new forms of financing such as P2P lending, crowdfunding and crowd equity. This is in great demand in the MENA region, where SME lending is 8% of total bank lending compared to the equivalent of 18% in middle-income countries. Zoomaal, a crowdfunding platform for empowering Arab creative projects, has successfully helped its members raise $1.7 million. Similarly, Beehive, the world's first independently certified Shariah-compliant direct finance platform, managed to inject 25 million UAE dirhams (about $7 million) into more than 50 SMEs in its first year.

As for Shariah-compliant crowdfunding, the investment platform Liwwa, which was founded in the Harvard Innovation Lab, lent $1.6 million in just one year in Jordan alone.

Technology contributes to companies' comparative advantage. The more technologically advanced the startups in the Middle East and North Africa are, the more competitive they are at the regional and global levels.

The latest FinTech startups apply new technologies in the financial sector, but these technologies can be applied in other sectors as well. Startups in the Middle East and North Africa can benefit from the growing presence of FinTech in the region by spreading knowledge." The new ones that are developed in this sector and provide new services based on these technologies.

Founded in 2015 in Dubai, BitOasis is a fintech startup that is laying the foundations and infrastructure for new digital payment products using blockchain, and has since contributed to the Dubai-based Global Digital Transaction Council. An initiative that brings together the public and private sectors and encourages the adoption of digital transactions "Blockchain".

Subsequently, in early 2016 the government of Dubai launched the "Blockchain" strategy and announced that by 2021 all of its documents will be digital and 1,000 companies will use digital technologies.

According to the Wamda Research Lab report on Business Development and Expansion, 29% of startups in the Middle East and North Africa reported that their main challenge is to generate revenue. Geographically over a vast area.

Financial technology offers an effective solution to the problems of late payments and provides faster and cheaper payment methods. For example, the electronic payment gateway "PayFort" provides a dedicated payment service for startups called "START" and this service provides security and fast payments to startups, and financial technology increases the number of potential clients promotes financial inclusion through new forms of payments.

Fintech provides new money management services that improve financial planning for startups, lead to better business development and reduce failure rates. For example, the startup "Business Pull" that was established in Saudi Arabia in 2010 develops and manages cloud software services that target Business sector in the Middle East and North Africa.

In 2014, she launched "Dafater", a cloud-based ERP solution designed specifically for companies in Saudi Arabia. This solution performs traditional accounting tasks for those who do not hire an accountant or want an independent expert accountant to conduct an investigation into how employees are using the system.

Conclusion

Financial technology offers many possibilities and advantages, but an enabling environment must be provided, such as providing appropriate regulations for the work of emerging technology companies in this field, in addition to information security and the provision of information and communication technology infrastructure. The development of financial technology also depends on the review of legal and regulatory frameworks, especially the clarity of laws related to the circulation of digital financial products, and the management of risks that arise from newly developed financial and banking products and services, using regulatory laboratories.

Contribution

This study sheds light on the issue of financial technology (FinTech) and its role in supporting the financial sector. Therefore, this study attempted to provide a theoretical framework for the importance of financial technology at the present time. As the financial market has become more important in our daily lives than before, technology has an indispensable base in today's economy. Our study aimed to introduce FinTech companies, and how they can change the financial situation in financial institutions and make services easy. Furthermore, our study provides a broader scope for all financial institutions interested in fintech and its effects. FinTech is critical today and our findings can help financial institutions, particularly banks, who are interested in knowing how FinTech is impacting financial institutions, to adopt this technology more broadly, and how to deal with this impact in order to survive in this rapidly changing environment.

Recommendations

1. Developing effective models for managing risks associated with financial technology innovations, which requires continuous monitoring to identify risks, especially those that threaten financial stability.
2. Establishing protection systems, especially those related to protection against any type of electronic attack, which requires regulatory frameworks for information security and information exchange.
3. Improving the information and communication technology infrastructure.
4. Improving the business environment by easing restrictions on foreign investments in order to provide more capital through FinTech companies.
5. Seeking to increase financial awareness, which will allow more use of digital services.

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