

Original Article (Mixed)

eISSN: 2980-8359

Presenting the evaluation model of financial technology policies in National Bank of Iran

Vahid Moradi¹ , Changiz Mohammadi Zadeh² , Ali Farhadi Mahali³ 

1- PhD student, Department of Public Administration, Sari Branch, Islamic Azad University, Sari, Iran.
2- Assistant Professor, Department of Public Administration, Sari Branch, Islamic Azad University, Sari, Iran
3- Associate Professor, Department of Public Administration, Gorgan Branch, Islamic Azad University, Gorgan, Iran.

Receive:

14 March 2024

Revise:

10 April 2024

Accept:

11 May 2024

Keywords:

financial technology,
financial policy
evaluation,
fintech,
digital banking

Abstract

The aim of the current research is to provide an evaluation model of financial technology policies in the Melli Bank of Iran. According to its purpose, the research method is applicable-developmental, mixed (qualitative-quantitative) in terms of implementation, and survey-cross-sectional in terms of nature and method. The statistical population of the research in the qualitative part includes 17 experienced managers of Melli Bank of Iran, selected by the purposeful sampling method; and in the quantitative part it includes the managers and experts of the Melli Bank of Iran, with the sample size of 156 people using Cohen's power analysis and using the simple random sampling method. Data collection in the qualitative part was done by semi-structured interviews; and in the quantitative part by the questionnaire. The underlying categories of the research were identified by the grounded theory method and the final model was validated by the partial least squares method. Qualitative data analysis was done with MAXQDA20 software, and the quantitative part was done with Smart PLS. The research findings showed that based on the paradigm model of research; external evaluation, internal evaluation, and evaluation of bank stakeholders have an effect on fintech executive policies. On the other hand, the bank's marketing performance provides background conditions and technology-based risk is also an intervening factor. Finally, the development of fintech and digital banking can be achieved with technological and financial strategies. Also, the GOF index was found to be 0.659, which indicates the good fit of the model.

Please cite this article as (APA): Moradi, V., Mohammadi Zadeh, C., & Farhadi Mahali, A. (2024). Presenting the evaluation model of financial technology policies in National Bank of Iran. *Journal of value creating in Business Management*, 4(2), 366-389.



<https://doi.org/10.22034/jvcbm.2024.448589.1340>

Publisher: Iranian Business Management Association

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Corresponding Author: Changiz Mohammadi Zadeh

Email: ch.mohammadi44@gmail.com

Extended Abstract

Introduction

The development of fintech has significantly influenced the development of the banking industry. On one hand, the adoption of fintech can lead to technological risks and increase the operational costs of the bank. On the other hand, lack of acceptance of financial technology can threaten banks' competitive ability (Tang et al, 2023). The emergence and development of financial technology has a significant impact on financial institutions, especially commercial banks. Traditional commercial banks are potentially lacking in fintech professional talents and need a detailed policy in this field to use financial technology capabilities. This policy enables commercial banks to have more customers in a larger area (Sarraf & Rahimi, 2022). Fintechs or financial start-ups are influencing more and more areas of the financial services value chain every day. The use of fintechs has provided the rulers of the country's financial markets with an irreplaceable opportunity to reform the mechanisms of the financial system. However, the development of technology in the country's financial system is not easy, and the main factor of this problem is policy making and detailed executive policies (Payandeh & Afghahi, 2023). In the field of banking industry, policy making is more important. Maintaining survival and hope for sustainability in the field of competition due to the technological background has made changes and developments in the policies of the banking system an undeniable necessity. On the other hand, not having a long-term policy and attitude is a concern that exacerbates the uncertainty in the competitive environment for banks (Godarzi et al, 2021). Fintech implementation policies are a critical success factor for using this technology in the banking industry. A detailed evaluation of executive policies ensures the achievement of banks' goals in line with the implementation of financial technology. It has also significantly improved the way customers access financial services, and has brought better financial performance (Allen et al, 2021). Therefore, in this research, we are looking for an answer to this question: what is the evaluation model of financial technology policies in the Melli Bank of Iran?

Theoretical Framework

fintech

Fintech or financial technology refers to a set of businesses that use software and hardware to provide innovative financial services. The National Center for Digital Research in Dublin, Ireland defines fintech as innovation in financial services (Owzaei & Sohrabi, 2017).

Policy making and policy implementation evaluation

Policy is a set of interactive decisions of a political actor or a group of them about the selection of goals and means of achieving them in specific circumstances, provided that these decisions are legally made within the framework of the actors' powers. "Policy-making" includes a process that starts from the recognition of the problem or issue, and ends with the stages of formulation, approval, implementation, and finally the evaluation of policies (Hoseini et al, 2023).

Digital banking

Digital banking is the use of technology to provide banking services, a broader term than online or mobile banking. The term digitization at its core indicates that banks are using the latest technologies for efficient banking operations. In general, digital banking is a paradigm shift towards branchless banking where customers and bankers rely on the Internet (Ullah Khan, 2022).

Sadraee et al, (2024) examined the presentation of the fintech market development model with an emphasis on existing challenges and strategies. The results of the research showed that the challenges of fintech market development include insufficient infrastructure, regulatory and legislative barriers, difficulty working with public/general customers, mistrust of technology and fintech, low income levels and product pricing challenges, and cultural barriers. Also, fintech market development strategies include community participation in the marketing process, use of social networks, smart and optimal advertising, useful and valuable content production, branding, adaptation of communication strategies to the nature of the fintech market, geographic and cultural segmentation of the market, as well as customer education.

Mirza et al, (2023) conducted a study titled Fintech's role in promoting green finance and profitability: Evidence from the banking sector in the Eurozone. Technological innovations have disrupted business models, including financial service models. New technologies are optimizing various aspects of banking firms' operations, and it is very important to assess whether they can accelerate green financing while supporting bank profitability. The results show a positive relationship between financial technology investment and green lending, which is attributed to the search efficiency, accuracy, and monitoring of new technologies. Expanding the product base and reducing economic capital. The findings also show the important role of company size, human capital efficiency, market concentration in determining bank profitability, and green loan decision making. These results have important implications for the role of fintech in green finance and sustainability-related goals.

Research methodology

According to its purpose, the research method is applicable-developmental, mixed (qualitative-quantitative) in terms of implementation, and survey-cross-sectional in terms of nature and method. The statistical population of the research in the qualitative part includes 17 experienced managers of Melli Bank of Iran, selected by the purposeful sampling method; and in the quantitative part it includes the managers and experts of the Melli Bank of Iran, with the sample size of 156 people using Cohen's power analysis and using the simple random sampling method. Data collection in the qualitative part was done by semi-structured interviews; and in the quantitative part by the questionnaire. The underlying categories of the research were identified by the grounded theory method and the final model was validated by the partial least squares method.

Research findings

Qualitative data analysis was done with MAXQDA20 software, and the quantitative part was done with Smart PLS. The research findings showed that based on the paradigm model of research; external evaluation, internal evaluation, and evaluation of bank stakeholders have an effect on fintech executive policies. On the other hand, the bank's marketing performance provides background conditions and technology-based risk is also an intervening factor. Finally, the development of fintech and digital banking can be achieved with technological and financial strategies. Also, the GOF index was found to be 0.659, which indicates the good fit of the model.

Conclusion

The present study was conducted with the aim of providing a model for the evaluation of financial technology policies in the Melli Bank of Iran. The results of this research are in agreement with the results of Sadraee et al, (2024), Mirza et al, (2023), Tan et al, (2023), Varma et al, (2022), Khaled Mohammad et al, (2023), Khosravani & Bahman (2023),

Khazaei et al, (2022), Chizari et al, (2022), Morovat & Nazari zadh (2022), Barrio Oton (2021), Kou et al, (2021), Pazhoheshfar & Biabani (2021), and Hammerschlag et al, (2020). Varma et al, (2022) showed that fintech has a huge potential to grow and influence the banking industry in the whole world. The banking industry can benefit from incorporating emerging technologies such as blockchain, artificial intelligence, learning machine or other decision-making layers. However, with the advantages come disadvantages such as increased reliance on technology, high costs, increased job losses, data security risks and fraud, etc. The use of emerging technology and collaboration between fintech companies and banks can improve the financial stability of the entire system while minimizing the negative externalities of disruption and competition. These findings can help regulators, policymakers, academics and practitioners to understand the opportunities and challenges of emerging technologies in the banking industry.

According to the results of this research, the following suggestions are presented:

It is suggested that, first of all, by evaluating the actions of other banks in the field of fintech and the activities of fintech startups, developing new strategies in the evaluation of fintech policies in Melli Bank be compiled. Also, the evaluation of alternative financial institutions also plays an important role in the evaluation of the banking environment. Bank Melli managers can, by evaluating the success and public awareness of fintechs, examine the barriers to entering the fintech and banking arena and ways to overcome them.