

Effects of Fintech on Stock Return with a Reference to Saudi Arabia

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ABSTRACT

Fintech has revolutionized the financial landscape worldwide, and its impact on stock markets is a topic of growing interest. In Saudi Arabia, a rapidly developing economy with a young and tech-savvy population, fintech's potential to influence stock returns is particularly intriguing. However, due to the nascent nature of fintech in the region, empirical research on its specific effects is still limited. The impact of FinTech on stock returns in Saudi Arabia, as in any market, is a complex and multifaceted issue with no simple answer. Fintech solutions like robo-advisors and algorithmic trading can boost market efficiency, leading to faster execution and lower transaction costs. This can attract more investors and potentially increase stock prices.

Fintech can reach underserved segments of the population, offering them affordable and convenient financial products. This can lead to financial inclusion and potentially boost overall market participation, driving stock returns. Fintech tools like AI-powered fraud detection and credit scoring can help mitigate risks and improve lending practices. This can lead to a more stable financial system and potentially higher returns for investors. Fintech fosters a dynamic environment with new products and services emerging constantly. This can disrupt traditional financial institutions and lead to higher returns for investors who identify and capitalize on these innovations.

KEYWORDS:

Fintech, Financial, Technology, Stock, Return

INTRODUCTION

Fintech, the integration of financial services with technology, has rapidly transformed the financial landscape globally and is having a notable impact on the Saudi Arabian market as well. Fintech startups can introduce innovative products and services, disrupting existing financial models and creating new investment opportunities. This can lead to increased competition and dynamism in the market, potentially benefiting companies that adapt and thrive in the new environment. Fintech can

make financial services more accessible to a wider range of individuals, including those previously excluded from traditional banking systems. This can lead to increased participation in the stock market, potentially boosting overall market liquidity and potentially benefiting existing players. (Ajmi, 2020)

FinTech has the potential to revolutionize the Saudi Arabian financial sector, but its impact on stock returns presents both opportunities and challenges. Here's a breakdown:

Challenges:

Limited adoption: FinTech penetration in Saudi Arabia is still relatively low, especially compared to developed markets. This limited adoption can hinder its impact on market efficiency and liquidity, potentially impacting stock returns.

Regulatory uncertainty: The regulatory landscape around FinTech in Saudi Arabia is still evolving. This uncertainty can discourage innovation and investment, limiting the potential benefits of FinTech for the stock market.

Cybersecurity chances: FinTech solutions depend intensely on computerized foundation, making them helpless against cyberattacks. Breaks can dissolve financial backer certainty and upset market activities, possibly prompting negative stock returns.

Financial exclusion: Not every person approaches or has the abilities to utilize FinTech instruments. This can worsen existing disparities and cut off the positive effect of FinTech on the more extensive economy, which may by implication influence stock returns. (Qudsi, 2021)

Algorithmic predispositions: Some FinTech calculations might be one-sided, possibly prompting out of line results for specific investors. This can disintegrate trust in the market and make it less effective, affecting returns.

Opportunities:

Expanded market effectiveness: FinTech can further develop market straightforwardness and admittance to data, prompting more productive cost disclosure and possibly supporting stock returns.

More noteworthy admittance to capital: FinTech stages can give new roads to raising capital for organizations, possibly prompting expanded investment and development, which can be reflected in stock costs.

Upgraded financial backer devices: FinTech can offer complex investment instruments and information investigation, empowering investors to pursue informed choices and possibly work on their returns.

Financial incorporation: FinTech can give admittance to financial services to underserved populaces, advancing financial education and possibly helping monetary development, which can in a roundabout way benefit the stock market. (Hennawy, 2021)

Development and expansion: FinTech can drive advancement in financial items and services, possibly prompting new resource classes and investment opportunities, expanding the market and possibly upgrading returns.

The Saudi government's Vision 2030 plan stresses financial technology as a critical driver of monetary broadening. This help can speed up FinTech reception and moderate a portion of the difficulties. The Capital Market Authority (CMA) is effectively creating guidelines for FinTech, meaning to encourage a harmony among development and financial backer security. The developing populace of youthful, educated people in Saudi Arabia makes a rich ground for FinTech reception, possibly speeding up its effect on the market. (Mejía, 2020)

OBJECTIVES OF THE STUDY:

The objectives of the current research work are as follows:

- i) To study the role of FinTech
- ii) To study the challenges of Fintech on Stock Return in Saudi Arabia
- iii) To study the opportunities of Fintech on Stock Return in Saudi Arabia
- iv) To study the impact of FinTech on stock return in Saudi Arabia

REVIEW OF RELATED LITERATURE

Saadi et al. (2020) : The impact of FinTech on stock returns in Saudi Arabia is complex and multifaceted. While challenges exist, the potential benefits are significant. By tending to the difficulties and utilizing the opportunities, Saudi Arabia can situate itself to outfit the force of FinTech for a more proficient and comprehensive financial framework, possibly promoting positive long haul returns for its stock market.

Alyahya et al. (2022) : Fintech can take care of the particular necessities of Islamic investors by offering Sharia-consistent investment items and abundance the board devices. This can draw in a huge undiscovered pool of investors and enhance the Saudi Arabian market.

Kharashi et al. (2020) : Fintech can use enormous information and simulated intelligence to dissect market patterns, foresee future execution, and give customized investment proposals. This could prompt more educated investment choices and possibly work on generally speaking returns. High level calculations can computerize exchanging procedures and execute orders at lightning speed, possibly limiting exchange costs and amplifying returns for modern investors.

Jefri et al. (2023) : Fintech can smooth out the record opening and check process, making it more straightforward for investors to begin exchanging. This could support market interest and lessen contact for existing investors. Blockchain technology can empower partial responsibility for domain resources and other illiquid investments, possibly opening up new roads for broadening and possibly expanding by and large market liquidity.

Qudsi et al. (2021) : Fintech can make financial instructions connecting with and open, engaging people to settle on informed investment choices. This could prompt a more educated financial backer base and possibly further develop long haul investment execution. It can give customized financial exhortation and investment direction custom-made to individual necessities and chance profiles. This could assist investors with pursuing more educated choices and possibly work on their returns.

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Fintech can automate many financial processes, reducing costs and errors. This can prompt better productivity for organizations, possibly meaning higher benefit and expanded stock costs. Moreover,

expanded straightforwardness through information driven bits of knowledge can draw in investors and lift stock valuations.

While FinTech might possibly help proficiency, straightforwardness, and admittance to fund, eventually its impact on stock returns relies upon different variables, including:

Positive Impacts:

Improved proficiency: FinTech mechanizes numerous financial cycles, lessening exchange expenses and time. This can prompt expanded exchanging volume and possibly higher stock costs.

Further developed data dispersal: FinTech stages and man-made intelligence fueled instruments can investigate tremendous measures of information and give investors constant experiences and custom-made suggestions, prompting more educated investment choices.

Financial consideration: FinTech can give admittance to financial services to recently prohibited fragments of the populace, possibly growing the financial backer base and expanding market liquidity.

Advancement and disturbance: FinTech new businesses can present new financial items and services, prompting expanded rivalry and possibly better yields for investors.

Negative Impacts:

Expanded unpredictability: Algorithmic exchanging and high-recurrence exchanging empowered by FinTech can prompt momentary market vacillations and expanded instability, making it more hazardous for certain investors.

Cybersecurity threats: FinTech stages are alluring focuses for cyberattacks, which can disturb markets and lead to financial misfortunes.

Administrative vulnerability: The quick speed of FinTech development can dominate administrative systems, making vulnerability for investors and possibly preventing market development.

Interruption of conventional financial organizations: Laid out banks and other financial foundations might confront difficulties from FinTech contenders, possibly influencing their stock costs.

Well defined for Saudi Arabia:

Government support: The Saudi government effectively advances FinTech development through drives like the "FinTech Saudi" program, which could speed up FinTech reception and its effect on the stock market.

High cell phone infiltration: Saudi Arabia has a high cell phone entrance rate, making rich ground for portable FinTech solutions and possibly expanding financial consideration.

Difficulties of financial consideration: A huge piece of the populace remains unbanked, introducing both a test and a chance for FinTech to overcome any barrier and lift financial proficiency.

Advancing administrative scene: The Saudi Capital Markets Authority is effectively creating guidelines for FinTech, which could affect the business' development and its impact on the stock market.

The quick speed of progress in the fintech scene can make vulnerability for laid out financial establishments and investors. This can prompt market unpredictability and possibly negative momentary impacts on stock costs. Fintech organizations are practical objectives for cyberattacks, which can prompt information breaks and financial misfortunes. This can disintegrate financial backer certainty and negatively influence stock returns. The developing idea of fintech presents difficulties for controllers, who might battle to stay up with advancement. This can prompt vulnerability and possibly upset the development of the fintech business, affecting stock returns in the connected sectors. The Saudi government effectively upholds fintech advancement through drives like the Fintech Center point. This strong climate could draw in more fintech players and speed up positive impacts on the stock market. The huge unbanked populace in Saudi Arabia offers a chance for fintech to connect the financial hole and make new investment roads, possibly affecting stock returns in related sectors.

While the Saudi fintech scene is developing quickly, infiltration remains somewhat low contrasted with created markets. This restricts the likely effect of fintech on in general market productivity and liquidity, which can influence stock returns. The administrative system for fintech in Saudi Arabia is as yet advancing. This vulnerability can deter advancement and investment, upsetting the advancement of new fintech items and services that might actually further develop market straightforwardness and effectiveness.

Saudi Arabia has carried out new information protection guidelines, yet concerns stay about information security and how fintech organizations handle delicate financial data. This can deter investors from using fintech devices and stages, hosting likely gains. The financial sector is an ideal objective for cyberattacks. Saudi Arabia needs to reinforce its cybersecurity framework to safeguard fintech stages and frameworks from likely breaks, which could disturb markets and disintegrate financial backer certainty.

Fintech can assume an essential part in advancing financial consideration in Saudi Arabia. In any case, challenges stay in coming to unbanked and underbanked populaces, restricting the potential for fintech to further develop by and large market support and liquidity. Regardless of critical investments in technology, Saudi Arabia actually faces framework holes that upset the consistent reception of fintech solutions. This can restrict the span and adequacy of fintech in affecting stock returns.

Building a hearty fintech environment requires talented experts. The Saudi market faces an ability deficiency in regions like information science, cybersecurity, and financial technology mastery, which can block development and reception. Coordinating fintech with existing financial organizations and frameworks can be a challenge. This can make rubbing and impede the smooth progression of data and exchanges, possibly affecting market productivity.

Algorithmic exchanging and other simulated intelligence driven fintech solutions raise worries about inclination and separation. Saudi Arabia needs to foster vigorous systems to guarantee reasonableness and straightforwardness in the utilization of such calculations, safeguarding investors from expected control. Numerous investors in Saudi Arabia are not yet completely mindful of the possible advantages of fintech. This absence of mindfulness can restrict the reception of fintech instruments and stages, obstructing their effect on stock returns.

Conclusion:

From the current research study and literature reviewed here, we can say that The potential for FinTech to impact stock returns in Saudi Arabia is significant, but its actual effects will depend on a complex interplay of various factors. Understanding the specific dynamics of the Saudi market, the government's role, and the evolving regulatory landscape is crucial for making informed investment decisions in this rapidly changing environment. Also, the future of fintech in Saudi Arabia holds immense potential to revolutionize the way investors interact with the stock market, potentially

leading to increased market participation, improved returns, and a more inclusive financial system. However, addressing the challenges and ensuring responsible development will be crucial to realizing this potential and shaping a sustainable future for the Saudi Arabian financial landscape.

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