

**Fintech and the performance of Iranian banking network
 (Autoregressive distributed lag)**

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Article Info	Abstract
Original Article Main Object: Economics Scope: Iran Received: 15 April 2023 Revised: 01 May 2023 Accepted: 20 May 2023 Published online: 22 May 2023 Keywords: ARDL, competitive fintech, non-competitive fintech, profitability.	Today, the importance of the presence and emergence of fintech, especially fintech active in the financial field, is not hidden from anyone. The importance of this matter is to the extent that a wide range of recent studies has been conducted on the performance of fintech and their relationship with the banking sector at the international level. In Iran, there are more than 50 fintech companies that have entered into various sectors of the banks' business model. Therefore, their presence can affect the performance of Iranian banks. In this article, using the ARDL model and time series data during 1991-2021, the effect of fintech in the short and long term on the performance of Iranian banks has been investigated. In this article, fintechs are divided into two groups: competing fintech and non-competing fintech. Fintech lifetime has been used as a measure of fintech presence. The return on assets has been used as banks' performance. The results of the accuracy of the model indicate the normality of the distribution of residual, the absence of serial correlation, the existence of homogeneity variance and the existence of the long-term relationship. The results of the survey show a significant relationship between fintech and the banks' profitability. So, in the long run, both competing and non-competing fintech have a negative effect on banks' profitability. But, in the short term, non-competing fintech has a positive relationship, and competing fintech, except for crowdfunding and land techs, has a negative relationship with banks' profitability.

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Extended Abstract

Introduction

Today, the use of new financial technologies has provided opportunities to access financial services. At the same time, the development of new financial technologies in the form of fintech can be accompanied by various risks for financial service providers such as banks and recipients of financial services such as households and companies. In this regard, guidelines have been published at the international level that specify how to deal with fintech issues (Adrian & Wawan, 2018).

Since fintech refers to the application of technology to create innovative and better quality financial services (Thakor, 2020), the development of their activities does not affect the performance of banks. Different existing literature expresses two contrasting views about the relationship between fintech and banks' performance. Some studies emphasize that, since banking is an information- and technology-driven business, the development of fintech helps banks to further expand their business (Campanella et al., 2022), which in turn is likely to improve bank performance. However, the development of fintech can also worsen the performance of banks as their business is reduced and their profitability decreases due to online lending and investment platforms (Buchak et al., 2018; Jagtiani & Lemieux, 2018; Thakor, 2020). Therefore, it is still not possible to judge the positive or negative effect of the presence of fintech on the performance of banks.

Discussion

In Iran, the emergence of fintech companies faces challenges such as regulatory and regulatory challenges, but its importance and application for the financial sector are not hidden from anyone. Fintech companies in Iran are active in various fields such as electronic payment tools, money transfer, wallet, savings, provision of facilities, money transfer, check services, and international payment services. In terms of function, fintech in Iran can be divided into two groups of fintech competing and non-competing with banks. Among the competing fintech, we can mention fintech active in the field of land tech, crowdfunding, remittance, financial management, and wealth tech, which can have an effect on the business model of banks by providing services such as providing facilities and pooling collective resources. Also, fintech active in the field of PSP, bank tech, reg tech, electronic payment, and payment assistance pointed out that by operating in the field of payment and supporting payment and software services, they can be non-competing fintech. In the meantime, Andishehnegar Pars was established as one of the fintech active in the field of electronic payment in 1993, and after that Parsian Electronic Trade Company was established in the field of electronic payment in 2000.

Method

The presence and emergence of fintech in Iran will affect the performance of banks. In the existing studies in the country, the effect of fintech on the performance of banks has not been measured. In this study, this gap has been tried to be resolved by examining the short-term and long-term effects of fintech on the performance of banks. To measure the performance of fintech, as suggested by the World Bank (World Bank Group, 2022), the criterion of creating fintech has been used, and the profitability criterion has been used to measure the performance of the country's banks. Also, the ARDL model has been used to examine the short-term and long-term effects. Considering that the first fintech was created in 1993 with the establishment of Andisheh Nagars Pars Company in the country, the period examined in this article is 1991-2022 and the data is considered annually.

Findings

The most important findings of the article indicate that although non-competing fintech has a positive effect on banks' performance in the short term, they have a negative effect on banks' profitability in the long term. Also, competing fintech has a negative effect on banks' profitability both in the short term and in the long term.

Conflict of interest

The authors declared no conflicts of interest.

Authors' contributions

All authors contributed to the original idea, study design.

Ethical considerations

The author has completely considered ethical issues, including informed consent, plagiarism, data fabrication, misconduct, and/or falsification, double publication and/or redundancy, submission, etc.

Data availability

The dataset generated and analyzed during the current study is available from the corresponding author on reasonable request.

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