

The Role of Financial Technology in Improving the Profitability

Mounzer A. Mourhij

Department of Business Administration, Faculty of Economics, Lattakia
(formerly Tishreen) University, Lattakia, Syria

Email: mounzer.mourhij@tishreen.edu.sy

Abstract

This study investigates how FinTech transforms traditional bill discounting—a process characterized by prolonged settlement times, high operational costs, and limited accessibility that constrain business liquidity and profitability. Employing a descriptive-analytical approach with primary data from Syria's unique economic landscape, the research demonstrates that digital bill discounting streamlines trade credit, accelerates settlements, reduces costs, and enhances transactional trust. These operational improvements significantly boost sales, optimize liquidity management, and improve profitability margins across all stakeholders. As a pioneering empirical examination of bill discounting digitalization within the Syrian context, this research provides novel insights for modernizing banking services and fostering sustainable economic growth through targeted financial innovation in challenging environments.

Keywords

Financial Technology, FinTech, Trade Credit, Bill of Exchange, Profitability

Introduction

The digital revolution has reshaped financial services, catalyzing FinTech as a transformative force that redefines banking and commercial paradigms (Thakor, 2020; Dorfleitner et al., 2017). This 'FinTech Revolution' is characterized by innovation and disruption across the sector (Gomber et al., 2018), encompassing business models that integrate digital capabilities to restructure the industry landscape (IOSCO, 2017). These innovations represent fundamental changes in financial processes and systems (Puschmann, 2017), accelerated by the 2008 financial crisis which underscored the need for more efficient and resilient financial systems (Anyfantaki, 2016).

This technological transformation presents both disruptive challenges and unprecedented opportunities for traditional financial institutions. FinTech's ascendancy represents a fundamental restructuring of the financial landscape, driven by distinct knowledge sources where IT sector knowledge proves more salient than financial sector knowledge (Cojoianu et al., 2021). This transformative potential is often catalyzed by eroding trust in traditional institutions, creating legitimacy for alternatives (Cojoianu et al., 2021). Consequently, FinTech firms leverage digital platforms to deliver services with exceptional speed, efficiency, and transparency (Al-Ajlouni, 2018), posing existential threats to traditional

Submission: 17 September 2025; **Acceptance:** 4 October 2025; **Available online:** November 2025



Copyright: © 2025. All the authors listed in this paper. The distribution, reproduction, and any other usage of the content of this paper is permitted, with credit given to all the author(s) and copyright owner(s) in accordance to common academic practice. This article is an open access article distributed under the terms and conditions of the Creative Commons Attribution (CC BY) license, as stated in the web [site: https://creativecommons.org/licenses/by/4.0/](https://creativecommons.org/licenses/by/4.0/)

models (Lauren, 2021) while revolutionizing financial management through internet technologies and digital payment ecosystems (Hasan, 2023).

The bill of exchange, a centuries-old financial instrument with roots tracing to the thirteenth century (Czaplicki, 2021), demands urgent digital modernization. These instruments constitute legally binding unconditional orders where one party (the drawer) mandates another (the drawee) to pay a specified sum to a beneficiary (Bhogal & Trivedi, 2019; Abdelrehim et al., 2023), traditionally serving as secure mechanisms for facilitating commercial transactions and monetary exchange (Belovski et al., 2016).

The electronic bill of exchange emerges as the digital successor to traditional instruments, gaining international traction as a modern financial tool (Czaplicki, 2021). This transformation manifests broader innovation forces redefining financial services (Gomber et al., 2018). It offers substantial advantages including enhanced accuracy, accelerated settlement, improved efficiency, and reduced costs, aligning with FinTech's core value propositions (Dorfleitner et al., 2017). Furthermore, it provides strengthened security, regulatory compliance, and risk management capabilities, realizing digital security advantages (Abdelrehim et al., 2023), while optimizing liquidity management and enhancing allocative efficiency (Thakor, 2020). These benefits collectively address persistent inefficiencies in traditional paper-based systems.

The discounting process is an essential short-term credit facility where financial institutions advance the present value of bills to beneficiaries before maturity, later collecting face values from drawees (Abdelrehim, 2023). This mechanism involves bill holders requesting payments, banks disbursing values after commissions, legal endorsement to banks, and original holders maintaining guarantee obligations. Financial institutions discount bills from credible parties, transferring net amounts after deductions (Bhogal & Trivedi, 2019), while sellers adjust forward sale values to mitigate discounting costs.

This innovation operates within trade credit frameworks, functioning as both a strategic marketing tool and a competitive business strategy. Trade credit facilitates product movement through deferred payment structures (Coulibaly et al., 2023), enables strategic price discrimination via extended credit terms (Bougheas et al., 2023), and enhances corporate competitive positioning, particularly within emerging markets (Almunawi et al., 2022).

Despite these robust theoretical foundations, a substantial implementation gap persists between traditional financial practices and digital possibilities. Conventional bill discounting remains plagued by protracted settlement timelines, cumbersome documentation, excessive costs, and limited accessibility (Abdelrehim et al., 2023; Bhogal & Trivedi, 2019). These inefficiencies constrain liquidity management, impede sales expansion, and undermine profitability, particularly affecting wholesalers and retailers in trade credit ecosystems.

This study gains particular significance in the Syrian context, where economic crises have exacerbated structural inefficiencies in traditional financial systems. Conventional bill discounting, characterized by protracted settlement times, procedural complexities, and limited banking access, constitutes a critical impediment to liquidity and profitability. Consequently, this research proposes digital transformation as a strategic remedy, exploring FinTech's capacity to address these operational bottlenecks. Adopting digital solutions like electronic bill discounting presents a vital opportunity to enhance business resilience, improve liquidity management, and stimulate economic growth amid systemic challenges.

This study consequently addresses this critical research gap by examining FinTech's role in revolutionizing bill discounting into a digital, efficient, and secure service. The research objectives focus on: (1) investigating how digital bill discounting enhances payment settlement accuracy, speed, and security; and (2) evaluating its impact on business performance and profitability across stakeholders including merchants, retailers, and banking institutions.

The main hypothesis of this research proposed that financial technology plays a significant role in promoting profitability through the digitalization of bill discounting processes.

The scholarly novelty of this research lies in its empirical examination of bill discounting digitalization, a domain receiving limited attention in FinTech literature compared to payment systems, lending platforms, and financial inclusion initiatives. By providing evidence-based insights into this innovation's operational and economic benefits, the study contributes valuable knowledge for practitioners, policymakers, and scholars leveraging FinTech for sustainable commercial development and economic growth.

Methodology

This study employed a descriptive-analytical design to diagnose traditional bill discounting processes and analyze their digital transformation impact. Adopting a mixed-methods approach, it integrated qualitative and quantitative techniques for comprehensive understanding (Creswell & Creswell, 2018). Primary data were collected directly from sources to ensure authenticity and reliability (Saunders et al., 2019).

Primary data were gathered through structured observation and semi-structured interviews. Observation involved monitoring commercial transactions and bill discounting practices among a purposive sample of wholesalers and retailers over three months, documenting actual practices and challenges in traditional processes.

Semi-structured interviews were conducted with key stakeholders, including senior banking officials (public and private), merchants, and FinTech experts. The protocol included open-ended questions addressing traditional versus digital discounting efficiency, operational challenges, and perceived benefits of FinTech adoption.

The research population comprised various groups (wholesalers, retailers, senior bank employees, merchant/bank clients and FinTech experts) in the Syrian market. A stratified random sampling technique ensured representation across sectors and organizational sizes. Given practical constraints, a non-probability approach combining snowball and quota techniques was utilized, with participants being recruited through initial contacts, who then helped identify other qualified respondents.

The study adhered to rigorous ethical standards, securing informed consent, ensuring anonymity and the right to withdraw, and implementing data pseudonymization. The analytical process focused on identifying key challenges in traditional bill discounting, benefits of digital transformation, and impacts on business performance and profitability. The sample consisted of 15 Banking Officials, 20 Wholesalers, 25 Retailers, and 5 FinTech Experts.

Results and Discussion

The findings demonstrate the operational efficacy of electronic bill discounting through bank-led digital platforms. The process commences when banks deploy applications enabling clients to electronically issue and process bills. The drawer creates a bill with essential details (amount, due date, discount date) and transmits it to the drawee through the bank's system, with execution following drawee approval via a predefined mechanism.

The bank electronically notifies both parties of the bill's acceptance, then proceeds with the discounting process on the drawer's specified date. After deducting commissions and fees, the net value is transferred to the drawer's account, with electronic notifications sent to both parties confirming the completion of the discounting process as illustrated in Figure 1.

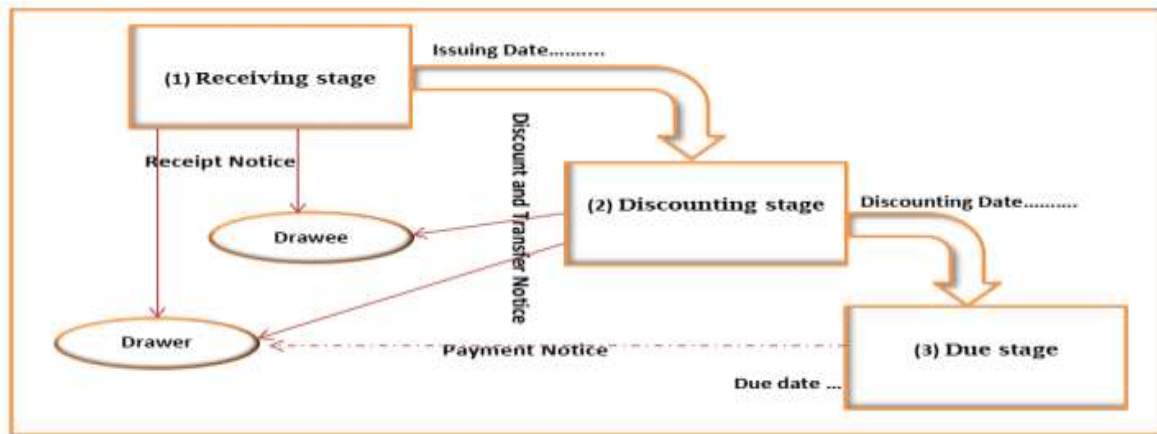


Figure 1: Digital Bill Discounting Process Flow.

The research identified advanced authentication protocols as fundamental to transaction security and legitimacy. Participating banks employ multi-layered verification systems incorporating biometric authentication (fingerprint, facial recognition, iris scanning, voiceprint analysis) complemented by OTP systems. These technologies demonstrate superior security compared to traditional passwords, with voiceprint technology showing particular resilience to environmental and physiological variables.

Empirical data from observation and interviews showed consistent positive feedback from stakeholders. Merchants anticipated significant improvements in sales volumes and revenue streams through enhanced trade credit facilities. Instant liquidity access via discounted invoices enabled improved financial operations while maintaining customer relationships through flexible payment terms.

Banking representatives strongly endorsed these digital services, highlighting profitability through maintained interest margins, increased customer acquisition, and deposit retention. Banks emphasized the self-funding nature of these services, requiring minimal budgetary allocation while modernizing traditional offerings.

The comprehensive analysis of empirical data and stakeholder feedback validates the research hypothesis. FinTech demonstrates significant capacity to improve business performance and sales performance through streamlined discounting processes. The digital transformation creates synergistic benefits: merchants accelerate cash flow while maintaining sales growth, customers benefit from extended payment terms, and banks secure profitable operations with enhanced risk management. This synergy aligns with the disruptive yet complementary effects in fintech innovation (Gomber et al., 2018).

These findings align with and extend previous research. The efficiency improvements support Al-Gabali et al.'s (2021) findings on FinTech's cost-reduction potential, while providing specific evidence for bill discounting. The security enhancements through biometric authentication confirm Abdelrehim et al.'s (2023) emphasis on digital security advantages, and the stakeholder response validates Bhogal and Trivedi's (2019) theoretical frameworks.

The research addresses gaps in FinTech literature by providing empirical evidence for bill discounting digitalization, an area underrepresented in studies focused on payments and lending (Zaikh & Younsi, 2022). The findings also contribute to financial inclusion discourse by demonstrating how targeted digital solutions address service gaps in challenging economic environments.

Conclusion

This study demonstrates that bill discounting digitalization aligns with Fintech's broader trajectory (Puschmann, 2017), representing a significant shift in business models, processes, and systems within trade finance. By enhancing accuracy, speed, and security, it exemplifies how technology induces innovations that reorganize financial services and improve stakeholder profitability.

The study confirms that digitalizing traditional instruments like bills of exchange successfully addresses longstanding trade finance challenges, including protracted settlement times, cumbersome paperwork, and limited accessibility. Biometric authentication and digital encryption have proven particularly effective in enhancing transaction security while maintaining regulatory compliance.

Furthermore, this research makes significant theoretical contributions by demonstrating digital transformation frameworks applied to traditional financial instruments. Practically, it provides actionable insights for financial institutions modernizing services, businesses optimizing financial operations, and policymakers supporting targeted FinTech adoption.

Based on these findings, the study recommends: (1) intensifying efforts to activate electronic payment systems through public awareness campaigns, and (2) strategic adoption of Fourth Industrial Revolution technologies to develop customer-centric digital tools aligned with market requirements.

Future research should explore implementation challenges across diverse economic contexts, examine longitudinal impacts on financial performance, and conduct comparative analyses of technological approaches. Additional studies could investigate social and organizational dimensions, including customer adoption barriers and workforce adaptation strategies.

Acknowledgements

There is no grant or funding bodies to be acknowledged for preparing this paper.

References

- Abdelrehim, G. M. A., Yahaya, M. Z., & Ghani, N. A. R. N. A. (2023). Receiving fees on discounting a bill of exchange: A Sharia analysis. *International Journal of Academic Research in Business and Social Sciences*, 13(5), 819–828. <http://dx.doi.org/10.6007/IJARBS/v13-i5/16617>
- Al-Ajlouni, A. (2018). Financial technology in banking industry: Challenges and opportunities. *International Conference on Economics and Administrative Sciences*. <https://doi.org/10.2139/ssrn.3340363>
- Al-Gabali, W. S. A., & Hussein, M. M. A. (2021). The effect of financial inclusion as a mediating variable on the relationship between financial technology and reducing the cost of banking services: A field study. *Journal of Business Research - Faculty of Commerce, Zagazig University*, 43(3), 47–131.
- Almunawi, M., Farag, H., & Mohamed, E. S. (2022). Trade credit and firm performance: Evidence from emerging markets during the COVID-19 pandemic. *The Quarterly Review of Economics and Finance*, 86, 1-13. <https://ideas.repec.org/a/gam/jijfss/v10y2022i4p85-d921947.html>
- Anyfantaki, S. (2016). *The evolution of financial technology (FinTech)*. Bank of Greece. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4171513

- Belovski, V., Majhosev, A., & Dujovska, I. (2016). The bill of exchange as a means of payment and security. *Journal of Process Management and New Technologies*, 4(3), 39–49. <https://doi.org/10.5937/jouproman4-11436>
- Bhagal, T., & Trivedi, A. (2019). *International trade finance: A pragmatic approach* (2nd ed.). Palgrave Macmillan. <https://doi.org/10.1007/978-3-030-24540-5>
- Bougheas, S., Mateut, S., & Mizen, P. (2023). Trade credit, relational contracting, and price discrimination. *Journal of Corporate Finance*, 78, 102335. https://www.researchgate.net/publication/5020886_Trade_Credit_and_Bank_Lending_An_Investigation_into_the_Determinants_of_UK_Manufacturing_Firms'_Access_to_Trade_Credit
- Cojoianu, T. F., Clark, G. L., Hoepner, A. G. F., Pažitka, V., & Wójcik, D. (2021). Fin vs. tech: are trust and knowledge creation key ingredients in fintech start-up emergence and financing? *Small Business Economics*, *57*, 1715–1731. <https://doi.org/10.1007/s11187-020-00367-3>
- Coulibaly, S. K., Erdemlioglu, D., & Peters, S. (2023). *Trade credit and digitalisation: Firm-level evidence*. OECD Economics Department Working Papers, No. 1765. OECD Publishing. <https://doi.org/10.1787/7d21d5e3-en>
- Creswell, J. W., & Creswell, J. D. (2018). *Research Design: Qualitative, Quantitative, and Mixed Methods Approaches* (5th ed.). SAGE Publications.
- Czaplicki, P. (2021). The electronic bill of exchange concept from an international perspective. *Bialystok Legal Studies*, 26(5), 187–195. <https://reference-global.com/article/10.15290/bsp.2021.26.05.11>
- Dorfleitner, G., Hornuf, L., Schmitt, M., & Weber, M. (2017). Definition of FinTech and description of the FinTech industry. In *FinTech in Germany* (pp. 5–10). Springer. https://doi.org/10.1007/978-3-319-54666-7_2
- Gomber, P., Kauffman, R. J., Parker, C., & Weber, B. W. (2018). On the Fintech Revolution: Interpreting the Forces of Innovation, Disruption, and Transformation in Financial Services. *Journal of Management Information Systems*, 35(1), 220–265. <https://doi.org/10.1080/07421222.2018.1440766>
- Hasan, M. (2023). The impact of financial technology (Fintech) on the financial and banking services sector and its applications in the Islamic financial industry. *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.4369683>
- International Organization of Securities Commissions (IOSCO). (2017). *Research report on financial technologies (FinTech)*.
- Lauren, E. A. (2021). The fourth industrial revolution in banking sector: Strategies to keep up with financial technology. *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.4049913>
- Puschmann, T. (2017). Fintech. *Business & Information Systems Engineering*, *59*(1), 69–76. <https://doi.org/10.1007/s12599-017-0464-6>
- Saunders, M. N. K., Lewis, P., & Thornhill, A. (2019). *Research Methods for Business Students* (8th ed.). Pearson.
- Thakor, A. V. (2020). Fintech and banking: What do we know? *Journal of Financial Intermediation*, 41, 100833. <https://doi.org/10.1016/j.jfi.2019.100833>
- Zaikh, A., & Younsi, M. (2022). The role of financial technology in promoting financial inclusion in the Arab world: Saudi Arabia's experience. *Scientific Research Notebooks*, 10(1), 747–769. https://www.researchgate.net/publication/392760619_The_role_of_financial_technology_in_promoting_financial_inclusion_in_the_Arab_world_-_Saudi_Arabia's_experience_-