



# Effect of Knowledge Application and Knowledge Storage on Bank Performance Through Fintech Innovation: A Study of Yemeni Banks

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## ABSTRACT

Yemeni banks are generally performing well in terms of their operations, but their performance needs to be enhanced and developed using knowledge management as there haven't been many studies done yet on them. This article, therefore, aims to investigate the effect of knowledge application (KA) and knowledge storage (KS) on bank performance (BP) of Yemeni banks with mediating role of fintech innovation (FI). A sample size of 360 respondents from the banks were selected for the study. The authors used a Partial least squares structural equation modelling (PLS-SEM) to analyse the data. The study reveals that KA and KS positively and significantly impact bank performance. In addition, fintech innovation positively and significantly mediates the relationship between KA, KS, and BP. This highlights the importance of FI in the effective use of knowledge and its impact on BP. These findings provide valuable insights for banks looking to improve their performance through effective knowledge management (KM) and the implementation of fintech innovations

## KEYWORDS

Bank performance, Fintech innovation, Knowledge application, Knowledge storage

## INTRODUCTION

In recent years, knowledge has been widely recognized as a critical resource for organizational competitiveness. As a result, there has been a significant increase in the adoption of KM within organizations (McClelland et al., 2014). There has been increasing recognition of knowledge as one of the most important organizational assets (Islam et al., 2015). Furthermore, knowledge has also been

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described as a key prerequisite for the advancement of organizations and a key factor in organizational success (Wu & Hu, 2018). As Hanifah et al. (2021) notes, knowledge is the key to organizational productivity, ahead of capital, labor, and production. Nowadays, organizations measure their self-worth in terms of the importance of knowledge assets (Huang et al., 2012), as well as knowledge is considered dynamic and fluid and is also called “knowledge in action” (Rix & Lièvre, 2008).

KM involves a holistic process that includes creating, disseminating, sharing, and utilizing both new and existing knowledge. It also consists of the identification, storage, and evaluation of the impact of knowledge on organizational performance. This process is essential for improving the efficiency and effectiveness of an organization (Cheng & Leong, 2017). KM involves identifying, acquiring, retrieving, sharing, and evaluating all business information assets including databases, documentation, policies, and procedures, as well as implicit and explicit knowledge (Santoro et al., 2018). Organizations adopting a strategic approach to KM can more effectively utilize their knowledge assets to drive performance and achieve their goals. KM is a critical component of organizational success, as it helps organizations to make the most of their collective knowledge and expertise, enabling them to operate more efficiently and effectively (Valmohammadi, 2017). In addition to its strategic role in driving organizational performance, KM also serves a supporting function by helping organizations to convert their resources into capabilities. KM is crucial to an organization's success (Kianto et al., 2016).

The banking sector is an essential contributor to the economic development of a country. It plays a key role in the efficient management of funds and financial investments, and a strong banking sector can help strengthen a country's overall financial and economic system (Ayadi et al., 2015). Moreover, instability, in the banking sector, can have a negative impact on economic growth, according to research by Creel et al. (2015). This is because a strong and stable banking sector is crucial for supporting the flow of credit and financial services, which are essential for driving economic activity. In recent years, the banking sector has become increasingly competitive due to the emergence of new technologies such as FI. As a result, banks are putting significant effort into improving their performance and staying competitive in this rapidly changing landscape (Wonglimpiyarat, 2014). This includes efforts to enhance efficiency, reduce costs, and improve the quality of financial products and services offered to customers. By doing so, banks hope to maintain their market share and continue to play a key role in driving economic growth. Many researchers have argued that KM utilization can contribute to the success of the decision-making process. In the technologically advanced banking industry, it is essential to effectively utilize KM to gain insights into market trends, investment tactics, customer needs, and expectations (Cham et al., 2016). While Yemeni banking is relatively new compared to other banks in developing Arab countries, these recent improvements have not been sufficient to meet the challenges they have faced, despite their significant progress since the Yemeni unification in 1990. Yemeni banks are facing several obstacles due to the recent changes in the banking sector, which need to be overcome, so these institutions can fulfill their roles and their goals (Ayedh & Al-Awdi, 2019). Yemeni banks are generally performing well in terms of their operations, but their performance needs to be enhanced and developed, and additional focus and attention need to be placed on increasing bank performance. Since the concepts of KA and KS are relatively new in Yemen at the moment, there have not been many studies done yet on them, and the ones that have been done tend to concentrate on the educational sector while ignoring other sectors like the banking sector. This study seeks to investigate effect of KA and KS on BP with the mediator role of FI in Yemeni banks.

## **LITERATURE REVIEW**

### **Theoretical Background**

Based on the literature, it appears that different aspects of KM can be identified that can benefit performance (Ode & Ayavoo, 2019; Singh Gaur et al., 2017). Earlier studies focus on KA and KS, two

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