

“The Effect of Cyber Risk On Banks Profitability in Egypt”: An Empirical Analysis

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Abstract

The global banking industry has witnessed a remarkable surge in the adoption of financial technology (fintech), leading to notable advancements in products, services, and operations in recent years. Egypt, in particular, has experienced striking growth in the field of financial technology, or fintech. However, this transformative shift is not without its challenges, as the increasing reliance on technology exposes banks to heightened cybersecurity threats, potentially impacting their profitability adversely. This research aims to assess whether cyber risk exerts a statistically significant negative impact on the profitability of banks in Egypt, utilising a sample of 16 banks spanning the years 2017 to 2022. The study employs panel data analysis through STATA 14 for its investigation. The findings demonstrated that cyber risk has a negative significant effect on bank profitability, and this assumption was supported by the study's findings. According to the findings, cyber risk has a significant and negative impact on both ROA and GPM. As a consequence of this, it is necessary to incorporate preventative measures in order to deal with the constantly shifting cyber threat landscape. It is also essential to highlight the significant role that technology and data security play in ensuring that the banking industry remains robust and profitable in the digital era.

Keywords: Fintech, Cybersecurity, Cyber risk, Banks profitability