

THE IMPACT OF IMPLEMENTING VALUE ADDED TAX ON THE PRICES OF BANKING SERVICES IN SAUDI BANKS - "AN ANALYTICAL AND APPLIED STUDY "

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Abstract

The study aimed to identify the impact of implementing the Value Added Tax (VAT) on the prices of banking services in Saudi banks. The study relied on descriptive analytical, inductive, and historical methodologies. A questionnaire was used as the primary source for data collection. The study reached several key findings, including that the implementation of VAT leads to an increase in operating costs and, subsequently, an increase in overall costs in Saudi banks. Additionally, Saudi banks adopted strategies such as offering discounts on banking service fees, improving service efficiency to create customer loyalty, and mitigating the impact of VAT on customers. The study also presented several recommendations, the most important of which include the need for expansion and diversification of investments to enhance operational efficiency and reduce the impact of VAT on overall costs, as well as the necessity for transparent disclosure regarding the effect of VAT on the prices of banking services for customers.

Keywords: Value Added Tax, Banking Service, Price of Banking Service, Banking Strategies, Consumer Behavior.

INTRODUCTION

Value Added Tax (VAT) is one of the indirect taxes imposed on goods and services in various countries and is considered an important source of increasing government revenues in the Kingdom of Saudi Arabia. The VAT was first implemented in Saudi Arabia on January 1, 2018, at a rate of 5%. In July 2020, it was raised to 15% as part of government efforts to enhance revenues in light of global economic changes and declining oil prices.

The banking sector plays a vital role in the Saudi economy, offering a variety of financial services, including current and savings accounts, credit granting, loans, and financing. With the implementation of VAT, banks faced new challenges regarding how to price their services, as

this tax directly affected the cost of providing these services. The impact of VAT on the banking sector is primarily reflected in the increase in prices for many financial services, placing an additional burden on consumers. This may affect the demand for banking services, particularly for individuals and businesses that heavily rely on services such as loans, transfers, and financial consulting. In response, banks are seeking to adapt to these changes by adopting strategies that balance maintaining their competitive position with covering the additional costs resulting from this tax.

Study Problem:

The Value Added Tax (VAT) affects the prices of banking services in banks, the demand for those services, and consumer behavior. Therefore, this study aims to understand how banks are dealing with the challenges resulting from the implementation of VAT without negatively impacting their competitive ability. Based on this, the main problem of the study can be formulated through the following key question:

What is the impact of implementing VAT on the prices of banking services in Saudi banks?

From this main question, the following sub-questions can be raised:

1. What is the impact of VAT on the demand for banking services in Saudi banks?
2. What is the impact of VAT on customer behavior in Saudi banks?
3. What strategies are Saudi banks following to address the increase in banking service prices resulting from the implementation of VAT?
4. What strategies are Saudi banks employing to retain customers?

Study Hypotheses:

Based on the research questions, the study's hypotheses are formulated as follows:

Main Hypothesis:

There is a statistically significant relationship between the implementation of VAT and the increase in the prices of banking services in Saudi banks.

From this main hypothesis, the following sub-hypotheses are derived:

1. There is a statistically significant relationship between the implementation of Value Added Tax (VAT) and the increase in operational costs in Saudi banks.
2. There is a statistically significant relationship between the implementation of VAT and the increase in banking service prices.
3. There is a statistically significant relationship between the implementation of VAT by Saudi banks and customer purchasing behavior.
4. There is a statistically significant relationship between the strategies implemented by Saudi banks to mitigate the impact of VAT and the increase in demand for banking services

Study Importance:

The significance of the study is represented in the following:

1. The impact of Value Added Tax (VAT) on the demand for banking services in Saudi banks.
2. The importance of VAT and its role in economic development in the Kingdom of Saudi Arabia.
3. The effect of VAT on a vital sector such as banking.
4. Highlighting the strategies adopted by Saudi banks to mitigate the impact of VAT on the demand for banking services.

Study Objectives:

The study aims to achieve the following objectives:

1. Understanding the impact of Value Added Tax (VAT) on the pricing of banking services in Saudi banks.
2. Studying the effect of VAT on the demand for banking services in Saudi banks.
3. Clarifying the impact of VAT on the purchasing behavior of customers in Saudi banks.
4. Identifying the strategies adopted by banks to mitigate the effects of VAT.

Study Methodology

Theoretical Aspect:

The study adopted a descriptive-analytical approach due to its relevance to the type and nature of the study and its objectives. This approach will be used to analyze data related to the impact of VAT on banking services, review the literature related to the theoretical aspect (books, journals, and articles), previous studies, published research, inductive reasoning, and websites related to the study's topic.

Practical Aspect:

A questionnaire was used as the primary source for collecting the necessary data for the study. It was designed in a manner that aligns with the study's objectives and the variables of the research hypotheses.

Study Limits:

Spatial Limits: The study was limited to a sample of Saudi banks (Al Rajhi Bank, Alinma Bank, Saudi National Bank, Bank Aljazira, Riyad Bank, Saudi Investment Bank, Banque Saudi Fransi, Arab National Bank, Saudi British Bank (SABB), and Gulf International Bank).

Human Limits: The study was limited to employees in the selected sample of banks, as well as other groups related to the subject of the study.

Temporal Limits: The study is set in the year 2024.

Previous Studies:

Many previous studies have addressed the subject of Value Added Tax (VAT) from various perspectives, stemming from its importance and leading role in economic development. A review of some of these previous studies will be presented as follows:-

Study by Obaid et al (2023)¹:

This study aimed to measure whether the imposition of Value Added Tax (VAT) or the increase in the VAT rate has an impact on the profitability of Saudi joint-stock companies in the Saudi financial market (Tadawul). As it is known, VAT was imposed in Saudi Arabia at the beginning of 2018, followed by an increase in the tax rate from 5% to 15% in mid-2020. The study covered a time series for the years (2017–2021) and was applied to a stratified random sample of 60 companies, including all sectors of joint-stock companies in Saudi Arabia. The study employed a descriptive-analytical approach. The study arrived at several key findings, the most important of which is that VAT does not affect the profitability of Saudi joint-stock companies, as there is no statistically significant relationship between profitability indicators before and after the imposition of VAT, nor before and after the increase in the VAT rate. However, there was a slight change in the average return on assets (ROA), return on equity (ROE), and profit margin rate before and after the imposition of VAT, and after the increase in the tax rate, the study also recommended conducting further research and studies to measure the impact of taxes on the financial performance of Saudi companies, which would help in efficiently achieving the goal of tax imposition to enhance the performance of Saudi companies. Moreover, it suggested expanding the scope of the current study, either by doubling the time series of financial data or relying on a larger sample of companies than in the current study.

Study by Al-Saeed, Wafaa, et al. (2022)²:

The study aimed to explore the issue of VAT implementation, given its impact on the performance of companies and various business and investment sectors in Saudi Arabia. While the role of VAT in developing and advancing the country through tax imposition and revenue generation is undeniable, there is a divergence of opinions. Some believe that the imposition of VAT will lead to a reduction in the growth rate of GDP due to its negative effects on consumption, as the tax will reduce overall demand for goods and services, as well as total investment. Others, however, disagree with this view, the study reached several conclusions, the most important of which are: the majority of companies believe that there are negative outcomes from VAT implementation. Additionally, less than half of the companies are not convinced that VAT implementation at this time will improve the economy, and they do not expect the tax to achieve its intended goals.

Study by Salem et al. (2021)³

This study aimed to measure the impact of implementing Value Added Tax (VAT) in Egyptian society and to assess its effect on investment in Egypt. Taxes, in general, are considered one of the most important tools of fiscal policy in both developing and developed countries, directly influencing the size of the national economy. All countries resort to taxes to finance public

expenditures, which are used to provide services to the members of society. Taxes are one of the main resources for funding the state's general budget and are an effective financial tool for redistributing income to achieve social justice and economic stability in Egypt, the study arrived at several key findings, the most important of which is that the Egyptian economic administration's decision to implement the VAT law was sound, as it had a positive impact on investment in Egypt and increased tax revenues. Among the key recommendations of the study is the need to enhance the efficiency of the state's tax authority and to implement stronger regulatory controls on professional services.

Study by Afana(2020)⁴:

The study aimed to identify the impact of VAT implementation on the competitiveness of Saudi banks and sought to offer solutions to some of the issues encountered by banks during the implementation of this project. The study arrived at several conclusions and recommendations, the most important of which was the success of the policy adopted by the Saudi government, represented by the General Authority of Zakat and Tax, in exempting interest-based banking services and implicit profit margins from VAT. This exemption helped maintain the profitability and competitiveness of Saudi banks

Study by Al-Sayed et al (2019)⁵:

The study aimed to examine the effects of VAT as a new source of funding in the Saudi business environment. The study was conducted to explore the opinions of academics in the field of accounting, accountants, and professionals regarding the appropriateness of the mandatory registration threshold specified in the executive regulations of the VAT system and its impact on the burden on the tax administration. Additionally, it aimed to assess the effect of the optional registration threshold specified in the executive regulations on increasing tax revenues ,the results of the statistical analysis indicated that the mandatory registration threshold set by the VAT system is appropriate, as it helps alleviate the burden on the tax administration. The study also demonstrated that a single VAT rate could lead to a reduction in tax revenues. Therefore, the study recommends reconsidering the application of VAT with multiple rates that align with the nature of products and the social conditions of different segments of society.

Study by Al-Zahrani et al (2018)⁶:

The study aimed to investigate the issue of VAT, which has sparked widespread debate in the Gulf region in general, and in Saudi society in particular. This study focused on exploring the importance and benefits of VAT, the level of awareness among the Saudi public regarding VAT, and gauging public satisfaction with the VAT rate. It also examined the differences between sales tax and VAT, the penalties for tax manipulation, reporting methods in case of violations, and the advantages companies gain from implementing VAT. The study arrived at several conclusions and recommendations, the most important of which include: conducting awareness programs on VAT, emphasizing the need to rationalize consumption of goods, reduce spending on luxury items, and warn citizens about ways shops may exploit the tax. Additionally, it recommended establishing oversight on businesses to limit tax exploitation

LITERATURE REVIEW

1. Value Added Tax (VAT)

Value Added Tax (VAT) is defined as a general indirect tax on the increase in the value of products from goods and services, imposed on the value added to a product at each stage of production⁷. VAT is a primary source of income that contributes to enhancing government budgets. The following points can be mentioned as benefits and advantages of VAT:

1. **Economic Stability:** VAT helps achieve economic stability for countries and governments, as the amount collected can be predicted in advance.
2. **Equity in the Tax System:** VAT enhances fairness in the tax system since it is ultimately paid by all consumers, without placing the burden on a specific group of individuals.
3. **Transparency in Supply Chains:** VAT promotes transparency in the supply chain, as every transaction is recorded and reported, making it easier to track and monitor.
4. **Efficiency and Innovation:** VAT encourages companies and institutions to be more efficient and innovative, as they can claim refunds for the VAT paid on their inputs. This incentivizes them to improve their operational processes and reduce costs, benefiting both companies and consumers.
5. **Influencing Consumer Behavior:** VAT can be used to positively influence consumer behavior by setting different rates for different goods and services, such as food and health insurance, making them more accessible to consumers.

Disadvantages of Value Added Tax (VAT)

On the other hand, there are some disadvantages or limitations imposed by VAT, the most notable of which include:

1. **Increased Costs for Consumers:** VAT increases the cost of goods and services offered to consumers, which can be particularly burdensome for individuals and families with low incomes.
2. **Opportunities for Fraud:** VAT creates numerous opportunities for fraud, as companies can incorrectly claim it or fail to report their sales to reduce their tax liabilities. This results in revenue loss for governments.
3. **Challenges for Small Businesses:** Small businesses may face difficulties in complying with VAT regulations, as they may lack the necessary resources or expertise to manage administrative requirements and reporting.
4. **Complexity of the VAT System:** The VAT system can be somewhat complex, especially with varying exemption rates based on different goods and services, and it can differ from one country to another.
5. **Inflationary Pressure:** VAT puts pressure on prices, leading to increases that contribute to inflation.

Banking Services

Concept of Banking Services: According to the marketing concept, banking services can be viewed from three perspectives:

1. **Core Service:** This is the primary reason behind the customer's request for a banking service.
2. **Actual Service:** This represents the best service that the customer seeks to obtain from the bank under optimal conditions and with minimal obligations.
3. **Augmented Service:** This includes the core and actual service along with additional features provided to the customer to satisfy their needs.

Definition of Banking Services:

There are many definitions of banking services; they can be defined as a set of operations characterized by a utility-based nature, where intangible elements (those that do not have a physical presence) outweigh tangible elements (those that have a physical presence). These services are recognized by individuals or institutions through their implications and utility value, forming a source to fulfill their current financial and credit needs.

Importance of Banking Services:

Banking services serve as the gateway for engaging with various banking activities, representing the primary interface for customers interacting with the bank. They are also a means to retain existing customers and attract new ones. Banks constantly seek to increase their operations, and even if some services provided to clients are free, these services are not considered charitable acts by the bank, as they fulfill the bank's goal of increasing banking transactions⁸.

2. Banking Services

Concept of Banking Services:

According to the marketing concept, the notion of banking services can be viewed from three perspectives⁹:

1. **Core Service:** This is the primary reason behind the customer's request for a banking service.
2. **Actual Service:** This represents the best service that the customer seeks to obtain from the bank, under optimal conditions and with minimal obligations.
3. **Augmented Service:** This encompasses the core and actual service along with additional features provided to the customer to satisfy their needs.

Definition of Banking Services¹⁰:

There are various definitions of banking services, one of which describes them as a set of operations characterized by a utility-based nature, where intangible elements (those that do not have a physical presence) prevail over tangible elements (those that have a physical presence).

These services are recognized by individuals or institutions through their implications and utility value, forming a vital source for satisfying their current financial and credit needs.

Importance of Banking Services:

Banking services serve as the gateway for engaging with various banking activities, representing the primary interface for customers interacting with the bank. They are essential not only for retaining existing customers but also for attracting new ones. Banks continually strive to increase their operations, and even if some services provided to clients are free, these services are not considered charitable acts by the bank. Instead, they fulfill the bank's objective of enhancing banking transactions¹¹.

Types of Banking Services:

There are many banking services offered, either directly by banks or through online and mobile platforms. Examples of these services include, but are not limited to:

1. **Accounts:** This includes various types of accounts such as current accounts, savings accounts, and joint accounts.
2. **Loans:** Banks provide various loan options, including personal loans, home loans, and business loans.
3. **Cards:** This category includes debit cards, credit cards, and prepaid cards, which facilitate transactions and access to funds.
4. **Insurance Products:** Banks often offer insurance services to protect clients' assets and investments, such as life insurance, health insurance, and property insurance.
5. **Premium Banking Services:** These are specialized services aimed at high-net-worth individuals, providing tailored financial advice and exclusive benefits.
6. **Private Banking Services:** This includes personalized banking and investment services for affluent clients, focusing on wealth management and financial planning.

Each of the aforementioned types of services encompasses a range of specific banking services designed to meet various customer needs.

Practical Framework of the Study:

Field Study:

Study Population, Sample, and Statistical Methods Used:

Study Population:

The field study population consists of Saudi banks, including 11 banks: Al Rajhi Bank, Alinma Bank, National Commercial Bank, Bank Al Jazira, Riyadh Bank, Saudi Investment Bank, Saudi French Bank, Arab National Bank, Saudi British Bank (SABB), and Gulf International Bank. The selection of these banks is due to their importance and leading role in the economic development of the Saudi economy, in addition to being part of the sectors listed on the Saudi financial market (Tadawul).

Sample Selection:

Due to the large size of the population, a random sampling method was employed. A questionnaire was distributed to various professionals, including accountants, auditors, department heads, financial analysts, credit supervisors, and financial managers working in these banks, along with other categories relevant to the study topic.

Characteristics of the Study Sample:

To achieve accurate and reliable results, the study sample was diversified to include the following characteristics:

Table 1: Frequency Distribution of the Study Sample Characteristics

[Include the table data here, if available, or provide a description of the characteristics.]

Percentage	Iteration	Category	Personal data
20.0%	15	25 – 34 years	Age
24.0%	18	35 – 44 years	
28.0%	21	45 – 54 years	
28.0%	21	Above 55 years	
100.0	75	Total	
36.0%	27	Bachelor's	Academic Qualification
0.0%	0	Higher Diploma	
28.0	21	Master's	
36.0%	27	PhD	
100.	75	Total	
64.0%	48	Accounting	Scientific Specialization
16.0%	12	Finance and Insurance	
8.0%	6	Financial and Banking Sciences	
12.0%	9	Business Administration	
100.	75	Total	
4.0%	3	General Manager	Job Title
16.0%	12	Department Manager	
28.0%	21	Section Supervisor	
16.0%	12	Section Coordinator	
4.0%	3	Internal Auditor	
32.0%	24	Other	
100.0	75	Total	
16.0%	12	Less than 5 years	Years of Experience
28.0%	21	5 to less than 10 years	
12.0%	9	10 to less than 15 years	
44.0%	33	15 years and more	
100.0	75	Total	

Source: Prepared by the researchers from the field study data, 2024

Characteristics, it is evident that the majority of the study sample falls within the age groups of (45 – 54 years) and (above 55 years), each representing (28%). This is followed by individuals in the age group of (35 – 44 years) at (24%), and those in the age group of (25 – 34 years) at (20%). These age groups indicate maturity and experience, suggesting that their responses are

likely to be valid and beneficial for the research. Furthermore, the majority of the study sample holds a university academic qualification, specifically a (PhD), which constitutes the highest percentage at (36%). This is similarly reflected in individuals with a (Bachelor's) degree, also at (36%), followed by those with a (Master's) degree at (28%). Thus, it can be concluded that the study sample is comprised of individuals with university and postgraduate qualifications.

In terms of scientific specialization, the majority of the study sample specializes in (Accounting), making up (64%). This is followed by those specializing in (Finance and Insurance) at (19%), then (Business Administration) at (12%), and finally (Financial and Banking Sciences) at (8%). The high percentage of specialists in accounting indicates that the study population is particularly qualified in the field of auditing.

Additionally, the majority of the study sample holds the position of (Department Supervisor) at (28%), followed by those who are (Department Managers and Section Coordinators) at (12%) each. The individuals holding the titles of (General Manager and Internal Auditor) represent (4%) each. Meanwhile, the "Other" category comprises (32%). Thus, we observe that the opinions of the sample members are reliable for research purposes in terms of job specialization.

Lastly, the number of individuals in the study sample with (15 years or more) of experience constitutes the majority at (44%). In contrast, the number of individuals with (5 to less than 10 years) of experience represents (28%), while those with (10 to less than 15 years) of experience represent (12%), which is the lowest percentage. It is notable that the majority of the study sample has (15 years or more) of experience.

Field Study Tool:

The researchers relied on a questionnaire as a primary source to obtain the necessary data from the study sample. The questionnaire was designed in a manner that aligns with the objectives of the study and the variables of its hypotheses.

1. Description of the Questionnaire:

The questionnaire contained an introductory section about the study topic, ensuring the confidentiality of the provided information and committing to using it solely for scientific research purposes. The questionnaire was divided into two main sections:

Section One: This section pertains to the personal data of the study sample individuals, which included: age, academic qualification, scientific specialization, job title, and years of experience.

Section Two: This section relates to the variables of the study hypotheses. It includes (24) statements measuring the sample members' opinions on the impact of applying value-added tax on banking service prices in Saudi banks. These statements were divided among the study hypotheses, with an average of (6) statements for each of the three hypotheses. The questions in the questionnaire were formulated in such a way that responses could be converted into quantitative values according to the five-point "Likert" scale, which consists of five levels (Strongly Agree, Agree, Neutral, Disagree, Strongly Disagree), ranging from 1 to 5. Each

response corresponds to (5, 4, 3, 2, 1), respectively. The closer the response is to (5), the higher the agreement with the relevant hypothesis.

A total of (75) questionnaires were distributed to the sample members, and (66) questionnaires were retrieved, representing a response rate of (88%) that is suitable for analysis.

2. Reliability and Face Validity of the Tool:

To enhance the validity and reliability of the tool (the questionnaire), a preliminary test was conducted by having the questionnaire evaluated by members who are specialists in accounting and finance with extensive experience in the field. Their guidance and comments were taken into consideration..:

3. Statistical Reliability and Validity:

To calculate the statistical validity and reliability of the questionnaire, a pilot study was conducted, and the reliability and validity of the questionnaire were assessed based on the pilot sample using Cronbach's alpha formula. Table (2) presents the results of the statistical reliability and validity of the responses from the pilot sample individuals:

Table (2)

Hypothesis	Number of Statements	Reliability Coefficient	Self-Validity Coefficient
First Hypothesis	5	0.546	0.739
Second Hypothesis	5	0.774	0.880
Third Hypothesis	5	0.918	0.958
Fourth Hypothesis	5	0.930	0.964
Total Questionnaire	20	0.920	0.959

Source: Prepared by the researchers from the field study data, 2024.

Coefficient, according to Cronbach's alpha formula for all statements in the questionnaire, are very high. This indicates a good indicator of the strength and validity of the questionnaire and the understanding of its statements by the respondents, thus allowing reliance on it for testing the study hypotheses.

Statistical Methods Used:

To achieve the study objectives and validate its hypotheses, the statistical program (SPSS) was used, which stands for Statistical Package for the Social Sciences. The results of the following statistical methods were employed:

1. Frequencies and percentages of the sample members' responses to the statements.
2. Cronbach's alpha to calculate the reliability and statistical validity coefficients.
3. Mean and standard deviation of the sample members' responses.
4. Chi-Square Test to test the hypotheses.

Data Analysis and Hypothesis Testing:

First, Analysis and Discussion of the First Hypothesis: "There is a statistically significant relationship between the application of value-added tax and the increase in operating costs in Saudi banks."

Table (3): Frequency Distribution of the Study Sample Members' Responses to the First Hypothesis Statement

Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Standard Deviation	Agreement Level
The application of value-added tax leads to a reduction in the volume of internal operations in Saudi banks.	6 (8.0%)	9 (12.0%)	9 (12.0%)	27 (36.0%)	24 (32.0%)	3.72	1.258	Agree
The application of value-added tax leads to the employment of additional resources.	0 (0.0%)	6 (8.0%)	6 (8.0%)	42 (56.0%)	21 (28.0%)	4.04	0.829	Agree
The application of value-added tax leads to an increase in operating costs in Saudi banks.	0 (0.0%)	3 (4.0%)	9 (12.0%)	42 (56.0%)	21 (28.0%)	4.08	0.749	Agree
The application of value-added tax leads to an increase in general costs in Saudi banks.	3 (4.0%)	6 (8.0%)	0 (0.0%)	36 (48.0%)	30 (40.0%)	4.12	1.039	Agree
Spending on training and awareness for employees leads to an increase in operating costs in Saudi banks.	9 (12.0%)	18 (24.0%)	12 (16.0%)	24 (32.0%)	12 (16.0%)	3.16	1.295	Agree
Total for the First Hypothesis	18 (4.8%)	42 (11.2%)	36 (9.6%)	171 (45.6%)	108 (28.8%)	3.82	0.630	Agree

Source: Prepared by the researchers from the field study data, 2024

It is evident from Table (3) regarding the results of the first hypothesis that 45.6% of the sample members agree with the hypothesis, while 28.8% strongly agree with it. Additionally, 9.6% are neutral, and 11.2% of the sample members disagree.

Furthermore, it is clear from Table (3) related to the results of the first hypothesis (There is a statistically significant relationship between the application of value-added tax and the increase in operating costs in Saudi banks) that it received a mean score of 3.82, indicating agreement according to the five-point Likert scale. This suggests that the majority of respondents agree with the statements of the first hypothesis

Analysis and Discussion of Hypothesis 2: "There is a statistically significant relationship between the implementation of Value-Added Tax (VAT) and the increase in banking service fees in Saudi banks"..".

Table (4): Frequency Distribution of the Study Sample's Responses to the Statement of Hypothesis 2

Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Standard Deviation	Degree of Agreement
The implementation of VAT leads to an increase in banking service fees in Saudi banks.	0	3	9	36	27	4.16	0.789	Agree
Frequency	0	3	9	36	27			
Percentage	0.0%	4.0%	12.0%	48.0%	36.0%			
The implementation of VAT on banking services leads to changes in customer behavior.	0	3	9	33	30	4.20	0.805	Strongly Agree
Frequency	0	3	9	33	30			
Percentage	0.0%	4.0%	12.0%	44.0%	40.0%			
The implementation of VAT on banking services leads to a decrease in customer demand for banking services.	0	12	6	33	24	3.92	1.024	Agree
Frequency	0	12	6	33	24			
Percentage	0.0%	16.0%	8.0%	44.0%	32.0%			
The implementation of VAT increases administrative and tax compliance costs.	0	3	6	42	24	4.16	0.736	Agree
Frequency	0	3	6	42	24			
Percentage	0.0%	4.0%	8.0%	56.0%	32.0%			
The implementation of VAT affects the profitability of banks overall.	0	12	3	39	21	3.92	0.983	Agree
Frequency	0	12	3	39	21			
Percentage	0.0%	16.0%	4.0%	52.0%	28.0%			
Total for Hypothesis 2	0	33	33	183	126	4.07	0.634	Agree
Frequency	0	33	33	183	126			
Percentage	0.0%	8.8%	8.8%	48.8%	33.6%			

Source: Prepared by the researchers based on field study data, 2024.

It is evident from Table No. (4) Related to the results of the second hypothesis that 48.8% of the sample agree with the hypothesis, while 33.6% strongly agree, 8.8% are neutral, and 8.8% disagree. Additionally, none of the respondents strongly disagreed.

Furthermore, as shown in Table No. (4) Regarding the second hypothesis results, "There is a statistically significant relationship between the implementation of Value-Added Tax (VAT) and the increase in banking service fees in Saudi banks," the hypothesis received a mean score of 4.07, which corresponds to "Agree" according to the five-point Likert scale. This indicates that the majority of respondents agree with the statements presented in the second hypothesis.

Analysis and Discussion of Hypothesis 3: "There is a statistically significant relationship between the implementation of Value-Added Tax (VAT) by Saudi banks and the purchasing behavior of customers in Saudi banks".

Table (5): Frequency Distribution of the Study Sample's Responses to the Statement of Hypothesis 3

Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Standard Deviation	Degree of Agreement
The implementation of VAT on banking services has led to a change in customers' purchasing behavior.	0	6	3	39	27	4.16	0.839	Agree
Frequency	0	6	3	39	27			
Percentage	0.0%	8.0%	4.0%	52.0%	36.0%			
The implementation of VAT affects customers' decisions regarding the expansion of using banking services.	0	3	6	39	27	4.20	0.753	Strongly Agree
Frequency	0	3	6	39	27			
Percentage	0.0%	4.0%	8.0%	52.0%	36.0%			
The implementation of VAT has led to a decrease in the number of customers in Saudi banks.	6	3	6	36	24	3.92	1.136	Agree
Frequency	6	3	6	36	24			
Percentage	8.0%	4.0%	8.0%	48.0%	32.0%			
The implementation of VAT has led to a decrease in customers' demand for banking services.	0	6	12	33	24	4.00	0.900	Agree
Frequency	0	6	12	33	24			
Percentage	0.0%	8.0%	16.0%	44.0%	32.0%			
Customers have become more selective in choosing banking services after the implementation of VAT.	0	3	3	36	33	4.32	0.738	Strongly Agree
Frequency	0	3	3	36	33			
Percentage	0.0%	4.0%	4.0%	48.0%	44.0%			
Total for Hypothesis 3	6	21	30	183	135	4.12	0.768	Agree
Frequency	6	21	30	183	135			
Percentage	1.6%	5.6%	8.0%	48.8%	36.0%			

Source: Prepared by the researchers based on field study data, 2024.

It is evident from Table No. (5) Related to the results of the third hypothesis that 48.8% of the sample agree with the hypothesis, while 36% strongly agree, and 8% are neutral. Additionally, 5.6% of the sample do not agree.

Furthermore, as shown in Table No. (5) Regarding the results of the third hypothesis ("**There is a statistically significant relationship between the implementation of Value-Added Tax (VAT) by Saudi banks and the purchasing behavior of customers in Saudi banks**"), the hypothesis received a mean score of 4.12, which corresponds to "Agree" according to the five-point Likert scale. This indicates that the majority of respondents agree with the statements presented in the third hypothesis.

Analysis and Discussion of Hypothesis 4: "There is a statistically significant relationship between the implementation of tax relief strategies by Saudi banks and the increase in demand for banking services in Saudi banks".

Table (6): Frequency Distribution of the Study Sample's Responses to the Statement of Hypothesis 4:

Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Standard Deviation	Degree of Agreement
Saudi banks implement a strategy of providing discounts on banking service fees to mitigate the impact of Value-Added Tax (VAT) on customers.	0	3	21	30	21	3.92	0.850	Agree
Frequency	0	3	21	30	21			
Percentage	0.0%	4.0%	28.0%	40.0%	28.0%			
Saudi banks implement a strategy of offering special service packages for individuals and companies to retain their customers.	0	3	9	36	27	4.16	0.789	Agree
Frequency	0	3	9	36	27			
Percentage	0.0%	4.0%	12.0%	48.0%	36.0%			
Saudi banks implement a strategy of providing additional free services to retain their customers and attract potential (new) customers.	0	6	9	27	33	4.16	0.931	Agree
Frequency	0	6	9	27	33			
Percentage	0.0%	8.0%	12.0%	36.0%	44.0%			
Saudi banks implement a strategy to improve efficiency in service delivery to create customer loyalty.	0	3	9	27	36	4.28	0.831	Strongly Agree
Frequency	0	3	9	27	36			
Percentage	0.0%	4.0%	12.0%	36.0%	48.0%			
Saudi banks offer	0	0	15	33	27	4.16	0.736	Agree

special promotions or programs to compete and increase their market share.								
Frequency	0	0	15	33	27			
Percentage	0.0%	0.0%	20.0%	44.0%	36.0%			
Total for Hypothesis 4	0	15	63	153	144	4.14	0.733	Agree
Frequency	0	15	63	153	144			
Percentage	0.0%	4.0%	16.8%	40.8%	38.4%			

Source: Prepared by the researchers based on field study data, 2024.

It is evident from Table No. (6) Related to the results of the fourth hypothesis that 40.8% of the sample agree with the hypothesis, while 38.4% strongly agree, and 16.8% are neutral. Additionally, 4% of the sample do not agree. Furthermore, as shown in Table No. (6) regarding the results of the fourth hypothesis ("**There is a statistically significant relationship between the implementation of tax relief strategies by Saudi banks and the increase in demand for banking services in Saudi banks**"), the hypothesis received a mean score of 4.14, which corresponds to "Agree" according to the five-point Likert scale. This indicates that the majority of respondents agree with the statements presented in the fourth hypothesis.

Second: Analysis and Discussion of the Hypothesis Results

First: Chi-Square Test for the Results of the Hypotheses: Internal Audit and Its Impact on the Quality of Financial Reports in Saudi Banks.

Table (7) - Chi-Square Test for the Significance of Differences in Hypothesis Statements:-

Hypothesis One: There is a Statistically Significant Relationship between the Implementation of Value Added Tax (VAT) and the Increase in Operating Costs in Saudi Banks: Here's the translation of the table you provided:

Table (7) - Chi-Square Test Results for the First Hypothesis

No.	Statement	Chi-Square	Degrees of Freedom	Critical Value	Significance Level	Significance
1	The implementation of Value Added Tax leads to a reduction in the volume of internal operations in Saudi banks.	25.200	4	9.48	0.000	Statistically Significant
2	The implementation of Value Added Tax leads to the employment of additional resources.	46.440	3	7.81	0.000	Statistically Significant
3	The implementation of Value Added Tax leads to an increase in operating costs in Saudi banks.	47.400	3	7.81	0.000	Statistically Significant
4	The implementation of Value Added Tax leads to an increase in general costs in Saudi banks.	44.520	3	7.81	0.000	Statistically Significant
5	Spending on training and awareness for employees leads to an increase in operating costs in Saudi banks.	9.600	4	9.48	0.048	Not Statistically Significant

Source: Prepared by the researchers based on field study data, 2024.

Hypothesis Two: There is a Statistically Significant Relationship between the Implementation of Value Added Tax (VAT) and the Increase in Prices of Banking Services in Saudi Banks:-Here's the translation of the table you provided regarding the second hypothesis:

Table (7): Chi-Square Test Results for the Second Hypothesis

No.	Statement	Chi-Square	Degrees of Freedom	Critical Value	Significance Level	Significance
1	The implementation of Value Added Tax leads to an increase in prices of banking services in Saudi banks.	37.800	3	7.81	0.000	Statistically Significant
2	The implementation of Value Added Tax on banking services leads to changes in customer behavior.	35.880	3	7.81	0.000	Statistically Significant
3	The implementation of Value Added Tax on banking services leads to a decrease in demand for banking services by customers.	23.400	3	7.81	0.000	Statistically Significant
4	The implementation of Value Added Tax leads to an increase in administrative costs and costs related to tax compliance.	52.200	3	7.81	0.000	Statistically Significant
5	The implementation of Value Added Tax affects the profitability of banks in general.	37.800	3	7.81	0.000	Statistically Significant

Source: Prepared by the researchers based on field study data, 2024.

Hypothesis Three: There is a Statistically Significant Relationship between the Implementation of Value Added Tax (VAT) by Saudi Banks and Customer Purchasing Behavior in Saudi Banks:-

Table (7): Chi-Square Test Results for the Third Hypothesis

No.	Statement	Chi-Square	Degrees of Freedom	Critical Value	Significance Level	Significance
1	The implementation of Value Added Tax on banking services led to a change in customer purchasing behavior.	47.400	3	7.81	0.000	Statistically Significant
2	The implementation of Value Added Tax affects customer decisions regarding the expansion of banking services usage.	47.400	3	7.81	0.000	Statistically Significant
3	The implementation of Value Added Tax has led to a decrease in the number of customers in Saudi banks.	55.200	4	9.48	0.000	Statistically Significant
4	The implementation of Value Added Tax has led to a decrease in customer demand for banking services.	23.400	3	7.81	0.000	Statistically Significant
5	Customers have become more selective in choosing banking services after the implementation of Value Added Tax.	53.160	3	7.81	0.000	Statistically Significant

Source: Prepared by the researchers based on field study data, 2024.

Hypothesis Four: There is a Statistically Significant Relationship Between the Implementation of Tax Mitigation Strategies by Saudi Banks and the Increased Demand for Banking Services in Saudi Banks:-

Table (7): Chi-Square Test Results for the Fourth Hypothesis

No.	Statement	Chi-Square	Degrees of Freedom	Critical Value	Significance Level	Significance
1	Saudi banks implement strategies to offer discounts on banking service fees to reduce the impact of Value Added Tax on customers.	20.520	3	7.81	0.000	Statistically Significant
2	Saudi banks implement strategies to provide special service packages for individuals and companies to retain their customers.	37.800	3	7.81	0.000	Statistically Significant
3	Saudi banks implement strategies to offer additional free services to retain customers and attract potential new customers.	28.200	3	7.81	0.000	Statistically Significant
4	Saudi banks implement strategies to improve efficiency in service delivery to foster customer loyalty.	37.800	3	7.81	0.000	Statistically Significant
5	Saudi banks implement special offers or programs for competition to increase their market share.	6.720	2	5.99	0.035	Statistically Significant

Source: Prepared by the researchers based on field study data, 2024.

From the data presented in Table No. (7), the researchers have drawn the following conclusions:

1. First Hypothesis:

All p-values corresponding to the Chi-Square values calculated for the statements of the first hypothesis (0.000) are less than the significance level of (0.05). This indicates that there are statistically significant differences in the responses of the sample members regarding the statements forming the first hypothesis.

2. Second Hypothesis:

Similarly, all p-values for the Chi-Square values calculated for the statements of the second hypothesis (0.000) are also less than (0.05). This confirms the presence of statistically significant differences in the responses of the sample members concerning the statements of the second hypothesis.

3. Third Hypothesis:

The p-values related to the Chi-Square values for the third hypothesis (0.000) further support the findings, as they are below the significance threshold of (0.05). Thus, there are statistically significant differences in the responses of the sample regarding the statements of the third hypothesis.

4. Fourth Hypothesis:

Finally, the p-values for the Chi-Square values associated with the fourth hypothesis (0.000) are also lower than (0.05). This indicates that there are statistically significant differences in

the responses of the sample regarding the statements of the fourth hypothesis. Which is less than the significance level of (0.05), indicating that there are statistically significant differences in the response options of the sample members regarding the statements of the fourth hypothesis."

Secondly: Validation of the Overall Hypothesis:

Table (8): Summary of Chi-Square Test Results for Differences in All Hypotheses

M	Statement	Chi-Square	Degrees of Freedom	Critical Value	Significance Level	Decision
1	First Hypothesis	30.120	3	7.81	0.000	Accept
2	Second Hypothesis	11.760	2	5.99	0.003	Accept
3	Third Hypothesis	21.840	2	5.99	0.000	Accept
4	Fourth Hypothesis	41.640	3	7.81	0.000	Accept

Source: Prepared by the researchers based on field study data, 2024.

1. Is evident to the researcher from Table No. (8) And the calculated Chi-square value for the significance of differences among the sample members who agreed, were neutral, and disagreed with the first hypothesis of the study, which showed a significance value of (0.00), less than the significance level of (0.05) at a degree of freedom (3). This indicates that there are statistically significant differences in favor of those who strongly agree. Thus, we conclude that the first hypothesis of the study, which states: "There is a statistically significant relationship between the application of Value Added Tax and the increase in operating costs in Saudi banks," has been validated.
2. It is evident to the researcher from Table No. (8) And the calculated Chi-square value for the significance of differences among the sample members who agreed, were neutral, and disagreed with the second hypothesis of the study, which showed a significance value of (0.00), less than the significance level of (0.05) at a degree of freedom (2). This indicates that there are statistically significant differences in favor of those who strongly agree. Thus, we conclude that the second hypothesis of the study, which states: "There is a statistically significant relationship between the application of Value Added Tax and the increase in the prices of banking services in Saudi banks," has been validated.
3. It is evident to the researcher from Table No. (8) And the calculated Chi-square value for the significance of differences among the sample members who agreed, were neutral, and disagreed with the third hypothesis of the study, which showed a significance value of (0.00), less than the significance level of (0.05) at a degree of freedom (2). This indicates that there are statistically significant differences among the responses of the sample members in favor of those who strongly agree. Thus, we conclude that the third hypothesis of the study, which states: "There is a statistically significant relationship between the application of Value Added Tax by Saudi banks and the purchasing behavior of customers in Saudi banks," has been validated.

4. It is evident to the researcher from Table No. (8) And the calculated Chi-square value for the significance of differences among the sample members who agreed, were neutral, and disagreed with the fourth hypothesis of the study, which showed a significance value of (0.00), less than the significance level of (0.05) at a degree of freedom (3). This indicates that there are statistically significant differences among the responses of the sample members in favor of those who strongly agree. Thus, we conclude that the fourth hypothesis of the study, which states: "There is a statistically significant relationship between the application of tax mitigation strategies by Saudi banks and the increased demand for banking services in Saudi banks," has been validated.

RESULTS AND RECOMMENDATIONS

First: Results:

After studying the theoretical aspect and the results of the field study, all hypotheses of the study were validated, leading to the following results:

1. The implementation of the Value Added Tax (VAT) leads to an increase in operating costs and subsequently an increase in overall costs in Saudi banks.
2. The implementation of VAT on banking services causes changes in customer behavior in Saudi banks.
3. The implementation of VAT leads to increased administrative costs and costs related to tax compliance.
4. The implementation of VAT contributes to changing the purchasing behavior of customers in Saudi banks.
5. The implementation of VAT affects customers' decisions regarding the expansion of using banking services in Saudi banks.
6. The implementation of VAT helps improve the efficiency of providing banking services and creates customer loyalty in Saudi banks.
7. The strategy of offering discounts on banking service fees has contributed to reducing the impact of VAT on customers in Saudi banks.

Second: Recommendations:

In light of the results obtained from this study, the researchers propose the following recommendations:

1. There is a need to expand and diversify investments to improve operational efficiency and mitigate the impact of VAT on overall costs.
2. There is a necessity for transparent disclosure regarding the impact of VAT on the prices of banking services for customers.

3. Continuous training and qualification of bank sector employees regarding VAT and its importance is essential.
4. It is necessary to conduct studies on reducing the impact of VAT on customers in Saudi banks.
5. There should be training workshops and educational sessions for targeted customers about the importance of VAT and its effect on banking service prices.
6. It is important to study and analyze customer purchasing behavior.
7. Further studies and research on VAT and its importance in the national economy are needed.

Footnotes

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