

The Impact of Digital Technology on the Development Strategy of a Financial Corporation

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Abstract— The article examines the problems associated with the development of new digital technologies, which, in turn, affect the activities of large financial institutions of the Russian Federation. The aim of the study is to analyze the current economic situation associated with the growth of the digital products market, its integration into the existing model of providing financial services to customers, as well as finding solutions to issues of joint activities of financial corporations and financial and technological companies. The article gives definitions and the directions of the activities of financial corporations and fintech startups. It outlines the advantages and disadvantages of large financial corporations as well as highlighting developing companies working in the field of digital technologies and the positive results of combining their resources. The article provides positive examples from real world experience from the cooperation of two types of these organizations and the attitude of the main regulator, the Central Bank of Russia, to the development and implementation of financial technologies in the country's economy. The problems and opportunities caused by high competition in the struggle for the modern consumer, which lead to the rapid development of the entire financial industry market, are analyzed. The results of the study show that around the world, fintech companies provide daily services such as: testing a significant number of digital products, various tools of an open architecture, methods of transferring information through blockchain technologies, new programs for maintaining a client base that completely change the main business processes of large enterprises are optimized and integrated into existing systems companies and have a significant impact on the main consumer-person.

Keywords: *financial corporation, financial technologies, fintech companies, digitalization of the economy, digital economy, digital person as a customer*

I. INTRODUCTION

Currently, the globalization of economic processes has led to the progressive development of management tools for companies operating in the financial sector. Thus, the relevance of this study is that the digitalization of the modern economy makes changes to the existing order of relations between counterparties working in the industry. Every day, fundamentally different players enter the market who bring the latest technology and products to the sophisticated consumer of financial services. The problem researched is that large commercial and credit organizations have to compete with such players for new customers, the need for them to retaining their existing customer base, the development new channels for selling products that lead to faster business processes and, therefore, to increase the efficiency of the business itself. The purpose of the study is to analyze the current situation in the economy, associated

with the development of digital technologies and their introduction into the existing market with provision of financial services to clients, as well as finding solutions to the issues of collaboration between financial institutions and startup projects. The development of these possibilities will lead to the need for flexible adaptation in the digital environment, as well as require the maximum possible reduction of time for operations and bridging the gap between the current state of the company and digital production [1]. The article will give definitions and the main directions of activity of financial corporations and fintech startups, consider the potential opportunities for cooperation between these organizations, present international experience, disclosing the results and stages of their interaction, describe the modern consumer of digital services and products. The article also analyzes the attitude of the country's main regulator towards the development of new digital technologies, new challenges and threats that are associated with this. The article concludes with the main conclusions and directions for further research, since the research topic is quite relevant, taking into account the country's transition to the digital economy.

II. FINANCIAL CORPORATION AND FINTECH COMPANY ON THE WAY TO COOPERATION

A. *The first steps in the interaction of a financial corporation and fintech companies*

In this article, a financial corporation is understood as a legal entity, which includes a certain number of organizations operating within the financial sector of the economy. The financial corporation conducts the main activities in the field of long-term and short-term borrowing and lending, these may include commercial banks, financial investment companies, leasing and factoring organizations, insurance companies and pension funds. It can be assumed that a financial corporation is one of the levels of economic integration [2]. Entering the market a few years ago, companies that work in the field of financial technology create new types of products and services, forcing large corporations to change their business processes and an established new approaches to customers. An active struggle for new customers, whose needs and demands are changing every day, leads to an attempt of financial institutions and start-up startup projects to form join work. This is done because some companies have their own market share, brand and many years of experience, while others are ready to develop and bring to this industry completely new solutions and advance the former to another level [3].

Financial corporations have a practical need to increase the efficiency of their work and to implement the latest

solutions for optimizing settlement systems, expanding the product line, introducing risk management systems and increasing commission income. The modern consumer has changed his view on obtaining investment, credit and transaction services thanks to developing services that work at the intersection of financial technologies, such as digital banking and electronic commerce. Such services due to minimal costs and the absence of intermediaries become competitive in relation to large banking and investment organizations [4].

The results of the study show that in the past year, large financial organizations either began to cooperate with similar new companies on various conditions, or opened their projects within their staff to create new products and channels for their implementation [5]. New ideas and approaches in exchange for resource and clients has led to positive results and such a collaboration becomes beneficial for all parties. An example of such cooperation in Russia that can be cited is that of the deal that has been concluded in 2018 between Yandex and Sberbank. This joint venture which was based on Yandex Market under the name "Beru", created a new market, which resembles the American retailer Amazon. The search engine in this case acts as a fintech, and the bank as a provider of infrastructure. Both options tell us one thing: it is necessary to quickly make decisions on cooperation, as in the future this will directly affect the company's profitability and its competitiveness.

B. The main areas of joint cooperation between a large financial corporation and fintech companies

The main areas of cooperation between the financial corporation and fintech companies include the following parameters:

- Cybersecurity. The business scale of a large financial corporation requires constant work to strengthen the security level of existing business processes, which directly affects the increase in costs. In turn, fintech companies are able, from the very beginning of the project, to integrate their latest developments in systems security and user protection, which will lead to business optimization.
- Products and services. Creating new products and improving customer service in fintech companies is one of the main tasks. This feature helps to increase the client portfolio. In turn, the financial corporation has a more diversified portfolio in the types of actions provided - broker business, leasing, asset management, work in the retail sector and with small businesses. Integration and scaling up of start-up companies processes in the existing business of corporations is one of the main tasks in collaboration.
- Resources and lead generation. The client base in large corporations significantly exceeds the resources of fintech companies, but the latter has an advantage on the market in terms of the in tools used to solve the issue of lead generation of new customers and retain existing ones. Also, tasks are carried out much more quickly, covering the target audiences that are of interest to the business of fintech companies.
- Digitalization of processes. Cloud technologies that are actively used by fintech companies when

integrating financial corporations into the business can significantly optimize the existing document flow and increase the level of protection of trade secrets.

The cooperation of these two types of organizations can lead to the following positive results:

1. An increase in the speed of service and conducting operations with bank accounts.
2. Active customer base growth in all target segments.
3. Improving the level of security for the organization and for the consumer of services.
4. The combination of capital, a large client base and modern developments will lead to an increase in the speed of creating innovative solutions for the entire financial market.
5. Integration of digital technologies into existing banking processes will lead to a decrease in the cost of financial services, which means a reduction in costs.
6. A step forward from the Central Bank of the Russian Federation, as a direct beneficiary in the development of this sector and improving the quality of products and the security of services.
7. Improving the quality of customer service, which is expressed in a personal approach, high availability of all products and services, ease of use of modern technology.

According to research done by MasterCard that in the future, more than 90% of commercial banks and 75% of fintech companies around the world will consider close cooperation and partnership. 58% of banks said that they were ready to implement financial and technological solutions in their current business model, and 71% of bankers consider it the right decision to track and acquire interesting and promising fintech solutions. Similar findings are reflected in the PricewaterhouseCoopers study, where, because of a survey of 1300 financial institutions, 82% said they had plans to start cooperation with fintech companies in the next 3-5 years [6].

If you imagine that the advantages of both parties can compensate for their shortcomings, then it becomes possible to predict the emergence of a new type of financial, investment or credit organization.

III. WORLD EXPERIENCE OF COOPERATION BETWEEN FINANCIAL INSTITUTIONS AND TECHNOLOGICAL COMPANIES

An analysis of cooperation between large financial institutions and technology companies in developed countries speaks about the same problems that occur in Russia. World banking giants such as JPMorgan Chase and Wells Fargo are starting to cooperate with some fintech companies by either absorbed them, developing various projects, or broke off relations because of their low efficiency. A large number of companies in the United States that work with digital technologies are engaged in the remote opening of customer checking accounts and placing their funds, which brings low profit. In the way of such organizations is the development of lending services for individuals in compliance with all security and confidentiality conditions. In the largest German and British fintech companies, in order to open an account, you must remotely photograph and send your documents or show them

via video chat to an employee of the partner bank after confirming the application by e-mail. In turn, Vanguard and Fidelity, the world's largest US management companies, launched robotic services of their own production, and banks such as Morgan Stanley, Barclays, Lloyds and Royal Bank took up the development of robotic advising systems. of Scotland"[6].

Результаты The results of this study show around the world, fintech companies test a significant number of digital products, various tools of an open architecture, methods of transmitting information through blockchain technologies, new CRM programs that completely change the main business processes of large companies are optimized and integrated into existing systems daily. This has a significant impact on the main human consumer in the new digital environment. High competition for consumers leads to the rapid development of the entire market of the financial industry. In the world of about 6.7 billion mobile users, 80% of them generate 13% of global Internet traffic, or 1.3 exabytes of data per month [7]. If we add to this the volumes of home Internet traffic, data on free Wi-Fi network in public places, information from e-commerce. When processing such data using BIG DATA and Machine Learning, financial corporations and technology companies get all the necessary information about their potential client. They can then use this information to develop a personal offer for the client on lending, investing money or the opportunity to pick up his new debit card in the office of the bank (partner), by which he passes daily to work at 15 miles from his home address. In turn, Spanish bank The Bankinter regularly models more than 5 million credit risk situations to assess the financial "health" of its customers, and the UK credit bank, after the risk management department applied simulation methods, began to process 13 times more client data for analysis and formation of the proposal [8].

An analysis of the research results allows us to conclude that the client acts a main factor when deciding whether to use or another of the latest technology or not, whether the expensive infrastructure of a financial corporation in a particular region is justified or enough high-quality Internet and a convenient application on a cell phone to local consumers. At the center of this competition or joint work between corporations and fintech startups is the consumer himself. In matters of obtaining financial services and products, the client becomes sophisticated. Fast Internet access and high speed of information processing have formed a new approach to choosing a supplier of products related to lending, investing, insurance, online transfers and the usual placement of funds. A well-designed interface of the personal account of a mobile bank is able to bring in more new customers to the company than an advertising campaign launched on television or in the form of outdoor advertising.

With the advent and development of the Internet, modern man has learned to interact directly with companies. While on the company's website, the client can write a message to the assistant bot, leave feedback on any process or service, select and purchase the product he likes, register in any survey, leave his contact details, take part in the competition and receive a gift. Thus, between a person and an organization, "relations" arise, which turn into a personal approach to each client, increasing loyalty and close

cooperation [4]. In this regard, financial corporations, large credit banks and fintech companies, exchanging experience, technologies and resources, are able to reach a new level of cooperation and achieve high goals, focusing on the needs of the end consumer.

IV. THE CENTRAL BANK AND THE DEVELOPMENT OF FINANCIAL TECHNOLOGIES

As the results of the study show, the main regulator of the country's financial sector, the Central Bank of the Russian Federation, plays an important role in the productive cooperation between institutions. Over the past few years, experts from the government organization have been exploring financial technologies as a new challenge for the modern economy of the country and are considering detail solutions and ways to integrate them into the existing financial, investment, banking and insurance sectors. The Central Bank analyzes the experience of foreign colleagues and organizes conferences as an ongoing basis to exchange experiences and resolve various regulatory issues. There is a "Regulatory platform" on the official website of the Central Bank as a mechanism for piloting new financial technologies and services, where each team can submit its own project, and the expert group determines the effectiveness of these developments. After successful trials, a plan should be developed to adopt a regulatory framework for introducing this development into the market. The Central Bank, being the main regulator of the banking sector in Russia, is primarily interested in developing the latest financial products and technologies in cooperation with major financial institutions, subject to the necessary level of security.

At the beginning of 2018, the Central Bank published a document reflecting the vision for the development prospects of the Russian financial technology market - "The main directions of the development of financial technologies for the period 2018–2020" [9]. The Central Bank considers the development of BIG DATA, mobile technologies, artificial intelligence (AI), robotics, biometrics, blockchain, cloud services, RegTech and SupTech, Smart Data [10]. According to this document, the Bank of Russia sets the following goals [11]:

- 1) *Promotion of competition in the financial market.*
- 2) *Improving the availability, quality and range of financial services.*
- 3) *Reduction of risks and costs in the financial sector.*
- 4) *Improving the competitiveness of Russian technologies.*

Thus, there are no obstacles on the part of the Central Bank to the development of the digital services market in the regulatory issue, which makes it possible for start-up companies to develop and implement their solutions.

V. CONCLUSIONS

The results of the study provide an opportunity to draw certain conclusions that will affect the prospects for joint cooperation between major financial institutions and promising companies involved in developing the digital technologies field. Analysis of the current situation in the world, which concerns the joint development of these

organizations, shows the main problems. There are barriers and opportunities for creating a new type of financial corporation, which, when using significant accumulated resources, will use the latest digital technologies, thereby increasing the scale of its business, improving existing business processes, reducing costs, increasing security and ensuring stable growth of the client base. Most companies working in the financial sector seek to solve these problems and take advantage of emerging opportunities, which is facilitated by state support represented by the main regulator of the Central Bank of Russia. They are actively involved in promoting and integrating new technologies into the existing economy of the country. The financial technology industry does not destroy the current model of banks and financial organizations, but merely fills in the gaps [12]. A study of the activities of major financial institutions in matters of interaction with technology startups allows us to draw conclusions about mutual interest and successful cooperation, despite the difficulties encountered in creating a dialogue and a possible conflict of interest [13]. Full integration of technology startups and large companies is impossible, since the latter has the opportunity to use their own development and solutions for digitalizing a business model and transforming a business into a modern consumer [14]. In this situation, a person, as the main consumer of financial products and services, will cooperate with those companies that can fully satisfy their needs and gain trust. Further research will be aimed at studying and analyzing the integration of financial corporations with technology companies, changing the existing business model, searching for new approaches to the modern consumer and creating a new strategy for the development of the organization in the digital economy of the country.

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