

Digital banks: development trends

Evdokimova Yulia Viktorovna
Russian State Social University
Moscow, Russia

Shinkareva Olga Vladimirovna
Russian State Social University
Moscow, Russia

Bondarenko Anastasia Viktorovna
Russian State Social University
Moscow, Russia

Abstract – The article studies the trends of digitalization of society, leading to a completely new approach in the economy: the transition from cost to value management mechanism, the formation of value-oriented management in all spheres of activity. The digitalization of banks is studied from the standpoint of changing the existing mechanism of management in this sector, which includes not only management, technologies, methods, tools, but also new worldview approaches created by the digital era. The main changes in the banking industry are analyzed, effective changes in the banking industry due to its digitalization are revealed (abstract).

Keywords – digital banks; digital technology; digital economy.

I. INTRODUCTION

The digitalization of States makes fundamental changes in all spheres of social activity, changing the existing models of management in order to retain their further efficiency by converting them into a new format. The transition to value management, from cost to value management mechanism is carried out [1]. The main resources are information and human capital [2]. Creative competition prevails [3]. Serious changes are taking place in the financial sector, affecting both traditional financial and credit institutions, and being embodied in new formats dictated by digital changes. The scale of operational activities is limited only by the power of the Internet [4]. The main trend areas, which act as the basis for the formation of the latest banking technologies and services in digital format, are the personalization of banking services, increasing the speed of its receipt and expansion of the network of channels for its provision [5]. Taking into account the increasing cyber threats, it should be noted that it is also necessary to have a secure provision and receipt of banking services in a digital format.

Digitalization of the banking segment for each particular Bank is a way to overcome outdated approaches and inefficiently managed relationships with customers. The steps taken so far are a combination of testing new digital offerings and following other market leaders, primarily the fintechsegment. However, these steps are not yet a process of transformation of banking services in the digital economy. True transformation will require deep, extensive changes and getting rid of old mechanisms, such as offering customers

complex and incomprehensible products and contacting customers to go to the branches. Deep cleaning of ingrained processes and technologies within the banking organization will be required. The existing archaic structures must be dismantled in order to create a new, favorable environment for the digital development of the banking system. These changes will be painful for market players and regulators, however, they are inevitable.

II. LITERATURE REVIEW

The study of the digital economy by Russian and foreign scientists is quite massive. It is worth noting the use in the writing of this article the works of authors such as Andreeva G. N., Badalyantz, S. V., Bogatyreva T. G., Boroday V. A., Dudkina O. V., Zubarev A. E. Kaz'mina, L. N., Minasyan L. A., Mironov L.V., Strizhov, S. A., Cher M. L., A. Keshelava V.G.Budanov, V. Yu. Rummyantsev, V. V. Ivanov, G. G. Malinetskii, A. V. Babkin. The study of the transformation of the financial mechanism of management based on the works of G. M. Kolpakova is analyzed. Research into the problems of digital banking is practically not carried out in the scientific world. Therefore, the author uses the research of the leading domestic and foreign companies specializing in the reflection and analysis of modern digital trends in the banking sector.

III. RESEARCH METHODOLOGY

The authors used the following general logical methods on the basis of the study of the leading works of Russian scientists investigating the problems of the introduction of the digital format, as well as studies of the largest Russian and foreign companies on this problem: analysis, synthesis, abstraction, generalization, forecasting.

Methodological approaches to scientific economic knowledge used in the writing of this article include the following elements:

- basic theoretical knowledge based on the identification of universal laws and relationships;
- empirical knowledge obtained as a result of the implementation of the direct exploration;
- ontological knowledge as a basis for the existence of fundamental common approaches to the research of the studied processes;

- instrumental and technological knowledge and skills applicable from the standpoint of the emergence of technoscience as a completely new approach in the scientific development of society;
- applied skills as a concentrated development of a specific area of research.

IV. PRACTICAL SIGNIFICANCE. PROPOSALS AND RESEARCH RESULTS

Digital banks have certain features. Basically, they act as a business consumer (B2C segment) in their offerings. Banks generating their digital business offers (B2B segment) are significantly smaller in the market. Digital banks typically focus on clients that are in the countries of deployment of these banks. The differences between digital banks can be attributed to their origin. Some banks ensure their appearance in the market of banking services by branching from long-established, having a positive image, traditional banks; others begin their activities for the first time. Second, digital banks position their services differently to actual and potential customers. Some position the overall ease of use, the presence of a wide range of banking operations from your smartphone. Others emphasize user-friendly aspects of their applications. Third, price offers for clients can be based either on low costs of the Bank, which is the basis for the formation of an attractive cost of banking services for clients, while others position themselves in terms of better quality of services, accompanied by a higher cost.

An important phenomenon is the formation of ratings and rankings that make it possible to identify certain advantages of digital banks in comparison. The rating of digital banks "Top 50 digital banks", carried out by Financial IT in 2017, was based on three criteria: the popularity of the Bank; the number of its employees; assessment of the overall impact of this digital Bank on the segment. Here are the leaders of this rating. WeBank (China) uses the software for security purposes, the facial recognition program, offering loans and investment products through its online platform. Mybank (China), provides a range of inclusive and innovative solutions to customers in urban and rural areas. Bigibank according to DBS (Indonesia), has very high standards of safety of operations. CBD NOW (UAE) provides a standard range of digital banking services. BankMobile (USA), provides services to customers without a fee [6]. In a joint study conducted by the Association of Efm and the company A. T.Kearney, the regional differences in the degree of readiness of the markets and the banks' approaches to the digital format were identified. A comparison of the digital readiness of 27 countries around the world based on the study of banking opportunities, market dynamics, customer readiness and regulatory factors revealed the following:

- The UK, Singapore, Denmark, Sweden, the Netherlands, the United States and Australia have shown the greatest readiness to develop the digital environment in the banking segment
- The Netherlands, Australia and Singapore demonstrate advanced digital offerings, strong financial positions and digital structures, the UK benefits from an extremely dynamic market with an attractive financial sector and aggressive

technology-driven companies encouraging changes in banking solutions.

- Markets of Singapore, Sweden and Denmark are the most advanced with a large number of digital infusions, high penetration of smartphones.

- In Eastern Europe, especially in Poland and the Czech Republic, some banks are actively promoting digital banking and achieving good results. Customers are mastering this trend and taking advantage of new opportunities such as mobile banking and crowdfunding. But in General, it happens on a small scale.

- In Russia, banks are more conservative in terms of digital banking and focus more on consolidating and rationalizing existing platforms.

- The environment in Western Europe, including Germany, France, Switzerland and Austria, is a little less ready for digitization. Banks are exploring digital options, but have not yet made incremental changes.

- In Spain, digital banking offers are already advanced, but customers and the regulatory environment are lagging behind customer readiness.

- North America is replete with digital research and innovation, especially in mobile banking and payments. However, in both Canada and the United States, the outdated technological environment and fragmented organizational structures limit the ability of banks to transfer digital innovation from the laboratory to the market.

- Southern Europe and the middle East are also actively exploring digitization opportunities, but the environment is less prepared, given the limitations of the financial crisis and the low confidence of the population [7].

The study of digital maturity of banking business in 2018 (EMEA Digital Banking Maturity 2018) from the consulting Agency Deloitte Digital (part of Deloitte) 248 financial institutions in 38 countries identified both problems and new opportunities of digital banking. Key results are as follows:

- Digital leaders are financial institutions offering a wide range of customer functionality and a solid user experience.

- Markets can be divided into four groups: digital Champions (Spain, Russia, Poland, Turkey, China), digital smart followers (France, Finland, Norway, Czech Republic, South Africa), digital followers (18 States) and digital outsiders (10 States).

- The Czech market of retail banking services ranked first among the group of digital smart followers.

- Digital channels are the main competitive advantage.

- The leaders of digital banking in the future will be determined by the willingness to become a digital platform from the digitized traditional Bank, which hosts both its own and third-party services [8].

The penetration of digital technologies in the banking segment revealed the following trends: new competitors from related industries and high-tech startups saturate the market with innovative, technological proposals that are fundamentally different from the traditional banking model. It should be noted that the attitude of consumers has also changed significantly. They are mostly willing to accept such innovations. They make decisions much faster and have access to a variety of offers, resulting in financial institutions literally fighting for customer loyalty.

Digital innovation is even more revolutionary because chains of creating the cost are changing their established structure, especially in connection with customer interactions, the configuration of credit and financial products, and transaction processing. Moving forward will require flexible processes, new revenue models equipped with new products and services, and radical cultural change - everything in sync with the regional environment, social, economic, legal specificities.

Modern digital banking combines the advantages of two worlds: a new customer experience from the outside and an effective, efficient operating model inside—functioning both through digitization and through basic technologies, processes and structures. Customers will benefit from a fair price with increased transparency and comparability. Banks meet their needs with immediate, high-quality interaction, and operations are carried out quickly and safely. Customers are informed in advance about the great range of personalized products and services, including financial advice, new opportunities. The basic operating model also needs to be changed, using new channels and organizational structures to ensure rapid processing of incoming banking information. Decision-making and management processes need to be optimized. To meet all needs, an integrated information infrastructure with fast computing for ultra-fast processing will be required. Digital banking is also changing the way of generating revenue. As customer orientation becomes more important, a deeper understanding of the customer will open up new sources of revenue, such as third-party advertising and the presence of customers purchasing a wide range of additional services [7]. The first steps towards digital banking were mainly focused on adding to the already existing offer of banking services with new technological solutions to increase convenience and value for customers. The most striking examples are mobile applications, e-wallets, mobile banking, e-insurance. Today, the basic task of the digital Bank is the ability to create a new range of services that meet the position of security and customer satisfaction, the Bank and the state.

V. CONCLUSIONS

Digitalization steadily affects not only economic, technological and regulatory positions, but also makes tangible adjustments to the social sphere. The digitalization of financial technologies at the present stage of its development includes end-to-end digitalization and integration of data of chains of creating the cost: the supply of digital products and services, the operation of related physical and virtual assets, the transformation and integration of all processes and operations, partnerships, and the optimization of customer service [9]. Optimization of customer service is based on individualization of approach, simplification and acceleration of interaction with potential and existing customers, change of existing management with activation of value approach as a fundamental concept of further specific development of the banking organization and the banking sector as a whole.

VI. DISCUSSION OF RESULTS

Digitalization of all spheres of society is an inevitable, irreversible process [10]. Any global changes lead to quantitative and qualitative transformation, that will naturally

have both positive and negative consequences for society as a whole. At this stage, the digitalization of society, the economy and the banking sector in particular, are more considered in terms of the prevalence of positive aspects, such as: better quality of banking services, high speed of their provision, maximum satisfaction of individual needs, reducing the cost of providing these services, increasing the competitiveness of the sector using digital technologies, etc. On the other hand, the use of digital technologies leads to the replacement of the human biological environment by the technological one [11], which is very ambiguous for humanity as a whole.

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