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DIGITAL TRANSFORMATION OF THE BANKING SECTOR

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Abstract

The article analyzes the problems of digitalization of the banking sector, assesses the impact of financial technologies on the activities of commercial banks, determines the deterrent factors for the development of financial technologies in the banking sector and possible ways to overcome them, and reviews the development of the banking sector. The purpose of the research: identification of the dominant trends in the transformation of the banking sector under the impact of financial technologies, development of theoretical and practical recommendations aimed at activating and stimulating the accelerated introduction of innovative banking products and services. As a result of the research, FinTech revealed trends in the financial market. FinTech segments are identified, in which banks lose to their competitors. It is determined that financial technologies pose a threat to banking organizations, in fact depriving them of monopoly power in the field of credit and ensuring monetary circulation. The main competitors, both for banks and for financial companies, are Big-tech companies. The possibility of merging FinTech companies with banks to improve the competitiveness of the banking sector is considered. It is concluded that the main threats for banks from the companies of the financial technology segment are increasing pressure on profitability and loss of market share. The key to successful development of commercial banks is the proper goal setting and a thought-out strategy of digital transformation. The driver of the transformation of the traditional model of financial services in Russia will be the development of the regulatory and legal environment.

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Keywords: Banking sector, digitalization, financial technologies.



1. Introduction

In conditions of high banking competition, declining profitability of banking operations and increasing risks of banking activities, the introduction of innovative products, services and technologies by banks becomes a necessity, as it allows banks to optimize their resources, reduce costs, improve the quality and speed of services provided, thereby increasing their efficiency. activity and competitiveness in the financial market. The urgency of the chosen direction of research is determined by the fact that in modern conditions, integration into the world financial system is impossible without a critical analysis of the experience of commercial banks, activation of their innovation activities.

2. Problem Statement

Digitalization of the Russian banking sector carries with it both new opportunities and threats. It is important that the benefits from the introduction of financial technologies are greater than the possible risks. Analysis of the main trends and development prospects of the banking sector in the conditions of digitalization allows us to consider approaches to solving this problem.

3. Research Questions

The methodology of the study consists of the following stages:

- analysis of the influence of financial technologies on the development of the banking sector;
- analysis of trends and prospects for the development and implementation of financial technologies in the banking sector;
- evaluation of the influence of the banking sector's digitization on the competitiveness of banks.

The research was conducted based on the works of Russian and foreign scientists on these issues (Bezsmertnova, 2017; Chakravorti & Chaturvedi, 2017; Chishti & Barberis, 2016; Grigorenko & Hadley, 2016; Havas, 2016; Kulikov & Kudryavtsev, 2016; Litvinov & Shcherbina, 2017; Maslennikov, Fedotova, & Sorokin, 2017; Pertseva, 2017; Sironi, 2016; Schatt, 2014; Waupsh, 2016; Schueffel, 2016; Schwab, 2017).

4. Purpose of the Study

The purpose of the study is to identify new opportunities and threats in the operation of commercial banks under the influence of new financial technologies.

5. Research Methods

The information and empirical basis of the research are based on Russian legal and regulatory documents that regulate the implementation of innovative technologies in the financial sector, the resources of the World Bank, the Bank of Russia, Rosstat, Internet resources of leading research centers in Russia, press releases of financial companies, complex and objective conclusions (Perspectives of Russian IT developments on the global market, 2017).

6. Findings

Financial technologies, having a positive impact on both consumers and financial service providers, do not completely replace traditional financial products or services, but simply modify them. As a result of the growing pace of digitalization of traditional banks, mutual competition with the FinTech industry is intensifying. Banks that do not develop and implement solutions at the junction of IT and finance will become obsolete and lose their customers, and FinTech start-ups that do not cooperate with large banks may go bankrupt. Banks and FinTech projects can be partners, since they have different target audiences.

7. Conclusion

On the basis of competition between banks and new players, direct cooperation in the FinTech ecosystem can come about. The proper goal setting and a thoughtful strategy for the development of the bank is the key to the success of the banking sector.

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