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DIGITAL BANKING DEVELOPMENT IN THE RUSSIAN FEDERATION

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Abstract

The essence of digital banking is that there is only one service channel. They have no multichannel: call centers, Internet services, mobile services, etc. Digital banks have a single electronic service channel, which is a common denominator and provides a platform for all other points of interaction: mobile, by phone, via the Internet, in branches. Problems of employees being unprepared for a change in innovative thinking in the digital sphere arise, which is accompanied by a low financial culture of the population, expensive technologies for launching the digital process, a fragmented system of network effects of business partners and a poorly developed regulatory framework governing digital processes and information security of participants. It is the need for a scientific study of the terminological base, the features of applying the experience of Western banks in the modern Russian market of banking services, especially using the latest banking technologies that determines the relevance of the topic of this study. Digital banking is the leading and largest digital banking event in the industry, embracing innovations in financial services for consumers and commercial customers in the field of mobile, digital, retail, information, channel and technological strategies. Digital banking is often confused with online banking, multi-channel banking. Of course, all of these concepts include digital applications in one form or another. But what does digital banking and digital banking mean – there is still no consensus on this issue, which once again emphasizes the relevance, significance of insufficient study and timeliness of the research topic.

Keywords: Online banking, KPI, digitalization, call center, technology.

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1. Introduction

The digital strategy, or the development strategy of electronic / remote channels, became familiar for bank presentations and reports of consulting firms in the early 2010s, when it became clear that simply having a website, Internet banking and a terminal service network was not enough to compete in the developing market of financial products and services.

In the traditional approach, the “Remote Banking Strategy” is a section in the bank’s overall strategy where the Internet / mobile bank and the ATM network are given the place of an “alternative” (in relation to the branch network) service and sales channel.

As a guideline and performance of managers, the share or the absolute number of commission income from operations, the number of active customers who use services, and the budget in the form of key performance indicators (KPI) are set by analogy with the network of offices. As a rule, the costs of the Internet banking implementation project and the content of the development team often did not pay off the commission income of the new format client service. Customers were wary of the amenities offered and the active base was growing slowly.

After a few years, the situation changed, it came to understand that customers are paying attention to high-quality Internet services. Small banks are actively implementing platform solutions, large banks assemble their own teams and deploy an “arms race” in terms of functionality and use. The publication of studies and the rating of RBS services only spur participants. The indicator "place in the ranking" becomes one of the KPI divisions of the RBS as the most visible indicator of the project team.

As business indicators remain:

- the number of active customers (the definition accepted by most banks: a customer who used the service at least once a quarter);
- the proportion of customers (relative to the total customer base of the bank) using the banking system;
- commission income of services.

2. Problem Statement

Today, the phrase “RBS Strategy” rather than “Bank Electronic Business Strategy” sounds more and more often. Along with the change in definition, the digital-banking paradigm has also changed. Previously, it was more about the technical and operational nature of the processes – the translation of routine operations, increasing the functionality of the service, the development of a mobile application, etc. In the corporate structure, subsidiaries of RBS were more often related to a food factory or a sales network. Now marketing comes to the forefront, and online marketing – attracting customers through the Network, reselling through the Internet bank and mobile applications, servicing and interacting with customers through instant messengers, e-mail, sms, social networks. The main points in this strategy are the target client segments, the development of tools to promote bank resources on the Internet, e-mail and sms campaigns, the costs of creating content on social networks and thematic resources, methods and budgets of search engine optimization, contextual advertising, and performance metrics sales funnels.

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Consequently, the transformation of Russian banks into the digital services sector is the main problem today.

3. Research Questions

Web sites, Internet banking and mobile applications, and now also highly specialized services, instant messengers, landing pages, banners, e-mail and SMS campaigns are becoming a complex of objects for attracting and selling products and services, moving to the first line of interaction with a client . E-business units are allocated in the structure of the bank in separate blocks and departments that have an independent budget.

4. Purpose of the Study

The goal is a comprehensive study of a new concept in the banking sector of the digital banking service, considering the process of transition of Russian banks to the digital sphere, identifying relevant problems and developing recommendations for their elimination.

5. Research Methods

The study used the general methods of scientific knowledge: observation, comparison, analysis, modeling. And private methods of cognition were also involved: formal legal, historical, comparative legal. The systemic method is the main way to summarize the information obtained in this study.

6. Findings

The new digital model speaks of the need to create a self-sufficient e-business with the understanding that the main products of the bank – loans and deposits – are sold via the Internet, and the physical network, in fact, plays the role of a courier for the delivery of contracts and cards. "The battle for the heart and wallet of the client" is now happening on the pages of search engines, and not in the windows of bank offices.

From here, new digital strategies are also born (Logutova et al., 2018), which become the bank's overall strategy, and new leaders in banking retail. There is a redistribution of the promotion budget in favor of Internet marketing. Digital strategy provokes changes in corporate structure. There is a combination of Internet marketing services, PR, RBS, call center and IT departments responsible for the implementation of front-end solutions and mobile services.

Perhaps the most important thing is understanding and transforming the strategy at the KPI level and understanding: who brings money, who actually "sells the product". The issue is complicated by the traditionally strong positions of "networkers", followed by the "people", and these are thousands of employees, so the transformation of universal banks will be difficult and painful. Key features and products of digital banking are (Shashkina, 2018):

1. Digitized business processes of the bank. This concept is broader than just automated business processes and includes the following criteria.

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- The presence of graphical models of the business process, which are closely integrated (synchronized) with the actual implementation of the business process in information systems. Those. any changes in graphic models and in the actual execution of a business process take place with a minimum time delay.
- A large amount of information is measured and recorded in a business process: KPI indicators (time, quality, effectiveness, efficiency, cost, etc.), operational risks, history of actions of employees and customers (when performing a business process, participation).
- Fully electronic workflow in a business process.

2. Products (services) and sales channels are implemented in electronic form and are focused on customer self-service. The digital bank includes: remote banking (Internet banking and all related services), mobile applications, Internet acquiring, interbank services (Magomedkadiev, 2014; Dobrynina et al., 2014).

Of great importance is the quick launch of new products (services) for sale.

3. A single electronic bank management center for executives and an electronic knowledge base on business processes for employees. To build a digital bank, it is very important to quickly make decisions and quickly learn new business processes and technologies. Bank managers should have access to full detailed statistics on all priority business processes of the bank.

4. Qualified staff, ready for continuous development and change. Cross-functional teams (centers of competence), composed of experts in various fields and working together on an ongoing basis. Bank's corporate culture focuses on digital business and innovation.

5. The system architecture of the bank (composition, content and interconnection of information systems), which meets the following requirements.

- Most of the bank’s information systems are closely integrated with each other and form a single platform.
- System architecture as an ecosystem discovery. Bank partners have the opportunity to develop new own services for it and integrate them with the bank's products (services). For example, the implementation of services for the sale of construction services and goods when applying for mortgage loans in a bank.

In essence, an “online store of banking products” needs to be formed within the bank, and the rest of the departments should actively help it sell and serve customers.

Banks and the Association of Russian Banks are used to discussing laws and regulations, discussing with regulators about the size of reserves and accounting rules, but the explosive growth of new technologies along with changes in the economy pose completely different old questions about the application of technology in business. It’s not about changing one technological platform to another, but about changing the banking paradigm.

Based on the foregoing, let us single out a number of trends that banks should consider in planning their strategy.

Trend No. 1, first of all, is changes in the regulation of banks. These changes make the regulation itself “multichannel” and “multidimensional”. Regulation is becoming increasingly “prudential” and

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permeating every area of banking. Regulatory pressure is growing and will continue to increase – this is a reaction to the crisis of 2008. And the longer the crisis, the more the causes of bank instability will be identified, and therefore there will be more regulation in response to this. There are three main documents that prescribe recommendations and guidelines for banks: Basel I, Basel II and Basel III (Medvedev, 2018). Almost all supervisory recommendations relate to bank capital and risk assessment. And this is understandable: capital is exactly that part of the banking structure to which the bank's shareholders directly guarantee its operation. The higher quality capital, the more confidence that the bank is reliable. As for the risk assessment, everything is clear here too: since the bank largely conducts operations at the expense of customers 'funds – deposits, deposits, funds in current accounts – it should not pursue an unreasonable policy that would lead to the loss of these funds.

Regulatory changes are taking place so quickly and there are so many that banks are forced to spend significant resources on changing reporting, calculating and checking statements. And given the short timelines for implementation, most often the case ends with the preparation of reports in the "manual mode". This affects not only the quality and accuracy of reporting, but also requires significant resources and dramatically increases bank expenses. For information, according to the estimates of the zeb consulting company, in Europe, the cost of compliance with regulatory requirements is even higher than the cost of credit risks. Maybe in Europe there are other reasons for the increase in costs of compliance with regulatory requirements, but this does not change the essence.

Trend No. 2 is unpredictability of the economy. No one can say with certainty that there is economic growth and that it will be constant for at least a few years. Even the largest economy in the world – the US economy – has not yet fully recovered from the crisis of 2008, and that is why every meeting of the US Federal Reserve over the past year expects the long-promised key rate hike, which is delayed each time for one reason or another. And the economy itself has become so interconnected and so many factors influence it that no one knows where the next blow will come from. The Greek debt crisis, the fall of the Chinese stock market, waves of migration to Europe, the conflict in Syria, the fall of the Russian plane in Egypt, the attack on the Su-24, etc. The list can grow, and no one knows what the future holds for the development of economic and political relations.

Trend No. 3 is competition. It will grow both from the side of new players, such as startups in the field of finance, Internet giants and television companies, and within the banking community itself, which is now going through consolidation.

Trend No. 4 is a change in consumer behavior. In the light of the crisis, the economically active population has moved away from a consumer to a savings model of behavior, which, probably, can only explain the growth of deposits of individuals despite the drop in real incomes of the population. And generations that are just entering an independent "economic" life (generations Y and Z) profess a different model of behavior. They are interested in remuneration only if it is available here and now, their selection criteria are simplicity and social significance. And they easily change their preferences and are just as willing to use financial services from a telecom operator as they do from a bank. Trend No. 5 is the new technologies themselves. They mean not only the emergence of new players. New technologies are also the risks of their insufficiently thought-out use, on the one hand, and the advantages of mass personalization and real-time transactions, on the other.

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7. Conclusion

Speaking about what banks will be in the future or what threatens them in the future, it's worth once again to return to what banks are today in terms of services for customers. The first is the ability to make and receive payments. Secondly, the opportunity to get loans. And thirdly, there is a "place" for placing available funds for some profit. You can argue for a long time that there are other banks, about the quality of services and so on, but for an individual banking services ultimately come down to these three possibilities.

Moreover, payments are always needed, but loans and deposits are not. Therefore, payments are most often made in the same bank, loans are taken where it is cheaper (lower interest rate), and deposits are placed where it is more expensive (higher interest rate). With the invention of the Internet, customers have the opportunity to compare, and the search for more favorable conditions has been greatly simplified.

Further development of technology further divides the client from bank branches. The bank turns into an interface in a computer, in a tablet, in a smartphone. Banks appear without branches. And this does not surprise anyone. Banks are fighting to ensure that the client in all communication channels receives the same communication experience and the same result. In other words, omnichannelity brings to life a single interface (Magomadova, 2019; Vetrov & Kotenkov, 2018).

If there is a single interface, then it is possible that it can exist without a single bank, that is, be a single entry point for the consumption of services from many banks. And then it becomes clear that the real threat to the existence of banks is not the complexity of the economy, but a financial supermarket in a smartphone built using modern technologies. And all that is required of this aggregator is to provide access:

- to a mobile wallet through which you can pay and receive payments;
- to the marketplace / peer-to-peer sites where you can borrow money;
- to investment robo-consultants who will help manage personal finances regardless of their "distribution" among dozens of financial service providers.

It is unlikely that in the conditions of a constant decline in income, banks will be able to survive if they exist only to accept deposits and redeem loans issued at p2p sites. Development scenarios (tables 1, 2):

Table 01. Possible scenarios for the development of digital banking

Banking today	**One-stop-shopping**
1. Payments	1. Unified interface;
2. Credites	2. Mobile wallet;
3. Placement of funds	3. Access to P2P sites
	4. Remote opening of deposits
	5. Personal finance management

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Table 02. Possible scenarios for the development of digital banking in Russia

Digital	**Bank-2-Bank**
1. A clear understanding of the niche	1. Clear understanding of the role;
2. Minimal functionality;	2. LEGO-like products;
3. Connecting to the API instead of a unified ABS;	3. Standard processes and procedures;
4. "Cloud" in the network as a data source;	4. Data Warehousing;
5. Partnership as a business concept	5. Partnership as a business competention

The first scenario is Digital Bank. On the way to such a Digital Bank are all those banks that are now called Direct Banks. Their destiny (in the good sense of the word is their territory, their possessions) is narrow niches about which everyone forgot or could not identify. And even if there are fewer customers in this niche than in the entire market, the self-determination of the niche allows you to clearly formulate a unique basic offer for these customers, which will be the basis of their loyalty to the bank.

The products of such a bank should be minimally functional – otherwise they will never pay off. These banks themselves must be aggregators of various services and therefore use access to other platforms through APIs, and not build a single, expensive ABS. And even if the products have minimal functionality, they must be personalized, and therefore such banks will use data from clouds and social networks.

But the most important thing that these banks will have to learn is the ability to conclude partnership agreements and properly execute them. Whether such a bank will have its own license or not is a technical matter, since at the brand level such a Digital bank is always a separate bank.

And the second scenario is a bank working for other banks or BankTo-Bank (some modification of B2B and BPO for banking). On the way to such a model there may be banks that provide their facilities for new Direct banks (examples are easy to find even in Russia). Their territory is the service of those who serve niches. And therefore, if a clear understanding of its niche is important for Digital Bank, then understanding of its role as a service provider for many Digital banks is important for Bank-2-Bank. And if they are service providers, then their products should be easily designed and reassembled, like LEGO. To make their products easy to use and "connect" them, processes must be standard, and activities easily scalable.

Possessing data from many niche players, such banks themselves are repositories of their data and therefore a source of anonymized data for others. But these banks, like Digital banks, cannot survive without understanding that partnership is a competency without which a business cannot be built.

The two extreme scenarios listed above are like the struggle and unity of opposites. One is impossible without the other, but without these opposites, the "middle" options, which can be observed as transitional stages, are also impossible.

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