

**GCPMED 2020**  
**Global Challenges and Prospects of the Modern Economic  
Development**

**CONSUMER BEHAVIOR ON RUSSIAN BANKING MARKET:  
GLOBAL CHALLENGES**

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**Abstract**

The relevance of the work is due to the need to identify the main marketing trends in the development of the Russian banking market for forecasting and accounting of the vector of its further development. The article notes the importance of the Russian banking system for the national economy. The purpose of the study is to identify the features of consumer behavior in the conditions of transformation of the Russian economy on the banking services market. For this purpose, three main research hypotheses were formulated. The object of the study for the banking services market was residents of the city of Moscow over 18 years and older. The subject of the study was the state and features of consumer behavior, as well as factors that determine consumer behavior on the banking services market in the context of the transformation of the Russian economy and digitalization of society, formed under the influence of the crisis situation associated with the introduction of a self-isolation regime due to the spread of coronavirus infection. As a result of the study, the main marketing trends of consumer behavior in the Russian banking market were identified, including an increase in interactions with the bank in digital channels. The use of modern services (mobile banking, contactless payment system), the growth of trust in the reliability of electronic resources and modern digital technologies in relation to the financial component of their lives, as well as the priority of using a number of banking services (online transfers, online payments).

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*Keywords:* Banking services, consumer behavior, digitalization, market, marketing



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## 1. Introduction

In the modern economy, the financial services market is one of the most significant and has a high impact on the development of both global and local economies. High rates of technological development will soon bring the financial market to a new level. Economists, financial analysts, consumers, and marketers are already regularly confronted with the integration of innovative technologies into the work of financial institutions and the digitalization of many products and services (Karpova et al., 2020).

The consumer demand for modernization of the financial market is very high, companies strive not only to find new customers, but also to form a base of loyal customers, as well as to strengthen their positions among certain groups of consumers, forming a strong, stable connection with them. This fact is one of the main reasons for the need to conduct research on consumer behavior on the financial market. The study of the theory of consumer behavior is characterized by multitasking. Firstly, it allows to understand the reasons and motives for the emergence, existence, change and satisfaction of needs. Secondly, to identify the factors that influence the structure of needs and the relationships between them. Thirdly, to identify trends, prospects, and market opportunities for meeting needs. The analysis of modern marketing works shows that the study of consumer behavior goes in two directions. On the one hand, we study the general patterns of motivational complexes that affect all people without taking into account individual characteristics. On the other hand, we study individual motivations and factors that cause differences between the needs of individuals.

For a comprehensive study of consumer behavior, the motivation theories of Maslow (1954), McClelland (1987), the psychoanalytic theories of Kotler and Keller (2011), Kozyrev (2015), Aleshina (2016), Solomon (1995), Statt (2016), and others are currently used.

Consumer behavior should not only be studied, but it can be controlled, as evidenced by the research of Engel et al. (2016), Blackwell et al. (2002). These scientists presented their point of view in the book "Consumer Behavior". They deduced patterns of predictability of consumer behavior, based on the position that the consumer is the owner. To gain a certain niche on the market, you need to understand the motivation of the consumer and his behavior.

In the latest research on consumer-oriented marketing, the Kotler model of the purchasing decision process has become widespread. He identified the elements that are most important for identifying the relationships between the motivating factors of marketing and the response of consumers, which together make up the marketing complex. In addition, Kotler and Keller identified the influence of economic, scientific, technical, political and cultural factors that form the "black box" of consumer consciousness. It is under their influence, according to Kotler and Keller (2011), that a certain consumer behavior is formed.

The theoretical approach to the study of consumer behavior proposed by Kotler is of great importance for theory and practice and largely reveals the logic of the consumer's actions when choosing and purchasing goods and services. A significant part of the work on the analysis of consumer behavior is theoretical and methodological in nature. However, a comprehensive study of the theory of consumer behavior includes the study of marketing approaches of impact on consumer behavior on the basis of the research status and characteristics of consumer behavior on a particular market, in this case, the financial (banking) services in Russia, analysis of consumer behavior in a changing traditional patterns of

consumption and consumer behavior as a result of the transformation of the economy on the markets by major groups of goods and services.

## **2. Problem Statement**

The Russian financial services market shows steady growth – for example, in 2019 it grew by 9.7% with GDP growth of 1.3% according to TASS, which was possible due to the introduction of new financial technologies, the effective operation of leading companies in the banking and insurance industries, as well as reducing losses for banks that are undergoing rehabilitation (TASS, 2019). Russian financial market is dynamic, it is improved: the level of loyalty of consumers of financial services is enhanced, there is healthier banking system, strengthening of the rights protection system of financial services consumers, slowly but regularly increase the level of financial literacy of the population.

The Central Bank of the Russian Federation has developed a strategy for the development of the domestic financial services market for the period 2019-2021, which includes strengthening of consumer protection, developing international cooperation, the long money segment, infrastructure platforms, as well as developing the banking sector and strengthening market stability (Bank of Russia, 2019). Against the background of planned and ongoing changes, the study of consumer behavior is particularly relevant, since it will reflect the readiness of consumers for the planned vector of financial development and their reaction to the evolution of the financial market.

The most significant sector of the financial market in Russia is the banking market. The state of the banking system directly affects the state of the economy as a whole, while in the Russian Federation, the banking system is the engine of innovations, due to the fact that the desire to retain the customer from banks is extremely high, and this forces them to introduce new technologies everywhere and invest in studies conducting and digital developments. Of all the segments of the financial services market, the banking market is the predominant one. The size of the banking system is growing despite the decline in the number of banks, mainly due to the large share of loans issued by banks and securities purchased by them. Analysts believe that the banking system of the Russian Federation can become one of the most advanced in the world by 2030 (Makarenko, 2020), but this will happen only if there is a gradual introduction of innovations and continuous work with consumers, which is impossible without conducting research on their current requests and patterns of behavior.

## **3. Research Questions**

The analysis of the banking services market showed that consumer behavior is undergoing transformation under the influence of changes in the economic and social life of the country, while two main factors are identified – the development of digital technologies and the crisis of 2020. Thus, the report of the Association of banks of Russia for 2019 emphasizes that the Russian banking sector has an increased susceptibility to the spread of digital technologies and is ahead of all other sectors of the economy and social life in terms of the scale of their application. In Russia, banks are the flagship of the digitalization of the financial services industry (Associations of Russian Banks, 2019). Annual ratings of digital applications are compiled (for example, the rating of the Marksw Webb agency), and there are fully digital banks on the

market (Tinkoff Bank, Tochka Bank). Under the influence of digitalization (Rozhkov, 2013), consumer behavior is also being transformed: now customers are trying to save time, prefer digital channels to traditional, digital format of services to classic (for example, the demand for virtual bank cards has been gradually growing since 2018, and in 2020, with the beginning of the pandemic, its sharp growth began) (Chernysheva, 2020), and banks are increasingly becoming part of everyday life. This is especially true for representatives of younger generations - millennials and centennials. Purchases are becoming more conscious, consumers' attention to the "internal life" of companies, including banks, is growing. Brand dependence is also decreasing, and many consumers are willing to trust small innovative companies, even in the banking sector. The COVID-19 pandemic has affected the transfer of a number of services online. This information is confirmed by the fact that in April and May 2020, the share of issued online loans in individual banks increased to 80%. The use of mobile banking applications increased by 17%, and some customers, especially older generations, who had not previously used such types of RBS as websites or mobile applications, were involved in online banking.

The Bank of Russia predicts that the share of non-cash transactions on the Russian market will reach 70% in 2020 (Go Mobile, 2020). The demand for biometric authentication, the use of electronic signatures, the creation of banking ecosystems, and the reduction of the number of offices may also increase. Based on the information studied, the following hypotheses can be put forward in relation to the Russian banking market, the confirmation or refutation of which is possible in the course of experimental studies:

1. Under the influence of the development of information technologies and external risks (the COVID-19 pandemic, the economic downturn), consumers on the Russian banking market became more susceptible to the impact of digitalization and began to consume more financial services in a digital format.
2. There is an active transformation of the use of banking channels by consumers: from traditional to remote (websites and mobile applications), in which all new segments of consumers are involved.
3. The further vector of transformation of the banking sector is clearly perceived as a move to the digital environment.

#### **4. Purpose of the Study**

The purpose of the study "Consumer behavior on the Russian banking market: global challenges" is to identify the features of consumer behavior in the context of the transformation of the Russian economy on the banking market. The object of research for the banking services market is residents of the Moscow over 18 years old. The subject of the study is the state and features of consumer behavior, as well as consumer choice factors that determine consumer behavior on the banking services market in the context of the transformation of the Russian economy and digitalization of society, formed under the influence of the crisis situation associated with the introduction of a self-isolation regime due to the spread of coronavirus infection.

In the course of the study, the task was to conduct an experimental study of the factors (including cognitive distortions) that affect the decision to buy in the context of digitalization on the banking services market. The formation of a software package for studying the transformation of consumer behavior under the influence of cognitive distortions caused by changes in the structure of consumption in the context of digitalization of the economy using a quantitative approach was implemented as part of the study of the

banking services market (which was primarily due to the current epidemiological situation in the country, which caused additional consumer demand). An online questionnaire survey of residents of Moscow over 18 years of age (as the most active part of the population) was conducted.

## 5. Research Methods

In the period May-June 2020, the experimental laboratory "Neurotechnologies in management" of the Financial University under the Government of the Russian Federation conducted a marketing study on "Consumer behavior on the Russian banking market: global challenges", which was attended by 427 Moscow citizens over 18 years old. In accordance with the fact that the presented general population is characterized by its heterogeneity, it was decided to quota the sample population by gender and age (able-bodied and older than able-bodied age) in accordance with the presented shares of respondents.

Questionnaire forms contained a set of questions about the features of consumer behaviour while shopping by means of modern digital technologies (online), a block of questions about the transformation of consumer behavior on the financial services market under the influence of digital technologies (the main ways and the purchase of banking services; the most popular banking transactions through the mobile application of the bank; the most popular methods of performing calculations; channels of marketing communications that are most often used by bank customers; the use of additional bank services (insurance, mobile communications, electronic commerce); the benefits of partnerships of banks with other organizations; the importance of factors when purchasing goods/services through the mobile app or website of the bank; a change in the demand for digital channels when interacting with the bank; use of the chat in a mobile app for communications with the bank; personal data protection in the banking organizations); social-demographic block. Thus, the questions of the developed questionnaire made it possible to implement the goal and objectives of quantitative marketing research. Due to the conditions of the coronavirus pandemic, it was decided to conduct a remote anonymous snowball survey using modern digital technologies (google forms) within the framework of the adopted methodology (Churchill & Brown, 2007). Statistical data processing is performed using the Statistica 10.0 software.

## 6. Findings

The results obtained in the survey of financial market consumers largely confirm the hypotheses formulated earlier. Only a sixth path of respondents (16.2%) prefer traditional forms of purchasing banking services through personal contact with a bank branch (office of a financial institution, ATM). At the same time, visits to branches and ATMs are most common among older consumers (29.2% and 20.4%, respectively), while representatives of the middle age group visit branches extremely rarely (7.3%), and young buyers almost do not interact with ATMs and the site (7.4% and 4.5%, respectively). This pattern seems logical, since it is more difficult for older consumers to switch to channels that include new technologies, and they remain committed to going to branches, while young people prefer to minimize the time of interaction with the bank and choose a mobile application that is easy for them to master. So, among respondents of working age (63.9%) makes a choice in favor of using a mobile application. This trend determines the need to search for factors that determine the decision to purchase financial products and services in digital channels.

A significant number of respondents (85.9%) have increased the number of interactions with the bank in digital channels over the past year (41.2%) or remained at the same level (44.7%). At the same time, a small part of respondents (6.6%) still noted a decrease in the frequency of electronic transactions over the specified period in favor of traditional forms of treatment, which may be due to the recent increase in fraudulent transactions. It is significant in this regard that 54.1% of respondents agree with the statement that "In most Russian banks, personal data is sufficiently protected" (14.5% - fully agree, 39.6% partially). At the same time, the rest of the survey participants (45.9%) still doubt the reliability of electronic resources and modern digital technologies in relation to the financial component of their lives (30.2% - rather disagree with the statement, and 15.7% disagree categorically). This reveals the importance of improving the security of banking operations in the digital environment, as a factor determining the decision to purchase financial products and services in digital channels. Consumers who resort to non-cash payments more often prefer to use bank cards or contactless payment (69.4% and 52.2%, respectively, a question with a choice of several answer options). It is logical that in the current epidemiological conditions, contactless payment systems (Apple Pay, Google Pay, Samsung Pay) also have significant growth potential. Almost a third of respondents (30.6%) do not use them, which may be due to the age and economic characteristics of the respondents. It should be noted that regular use of contactless payments is more typical for people with a high level of income (57.1% of this group of respondents), while only a third (35.8%) of Moscow citizens with lower financial income note the convenience and use of this service.

In mobile banking, the most popular transactions among the Moscow citizens surveyed were bank transfers (60.3%), and another third of the survey participants (30.5%) make online payments on a personal device. At the same time, such opportunities as opening or managing deposits, issuing bank cards and buying and selling currencies are of much less interest to customers and require greater efforts from financial organizations to promote (5.8%, 2.0%, 1.5% of the total number of respondents). For the majority of Moscow citizens (71.5%), the bank's mobile app has become the most popular digital platform for communication between the bank and the client. At the same time, the highest ratings (on a 5-point scale) of the factors that determine the decision to purchase financial products and services in the mobile application were: ease of use/search for information (average score - 4.34), the speed of receipt of services (average score - 4.45), the relevance of information (average score - 4.32), as well as the speed of the mobile application (average score - 4.18). This also indicates the transformation of consumer behavior and the growth of requests from Russian bank customers.

The chat function in the bank's mobile application is not yet in high demand, which reduces the potential for effective communication and use as a factor in making a decision to purchase a financial product or service. Only a tenth (12.4%) of participants use this feature regularly, another 31.6% use it when necessary, and another 15.2 used it once. At the same time, more than a third of Moscow citizens (40.7%) have never shown interest in chats with bank employees via a mobile application.

Half (50.1%) of respondents have never considered purchasing additional bank services (insurance, mobile communications, e-commerce). A total of 38.4% resorted to their use through the banking service on an irregular basis (9.4% resorted once, 29.0% - several times). Additional services of financial institutions are extremely unpopular among younger and older respondents (53.0% and 51.7%, respectively, have never used them), while among the representatives of the average age group of such respondents is

only 26.8%. Thus, in relation to cross-selling, the factors that determine the decision to purchase financial products and services in digital channels are used inefficiently by banks. More than half of the respondents regularly use partner programs of banks with other organizations (23.7% use them frequently, and 33.5% use them from time to time). At the same time, for every third Moscow citizen (28.8%), such a partnership of the bank with other organizations does not arouse interest, and here we can also note the lack of use of this factor on consumer behavior.

Among the advertising channels used by banks to influence consumer behavior, we can distinguish social networks and popular television channels (30.2% and 30.4%, respectively). Only a quarter of the survey participants indicated that they notice outdoor advertising (banners, billboards – 24.3%). At the same time, other sources of advertising distribution, as factors that determine the decision to purchase financial products and services, have little impact on the audience.

Thus, we can conclude about the peculiarities of consumer behavior when purchasing banking services among residents of Moscow in terms of increasing interactions with the bank in digital channels, the use of modern services (mobile banking, contactless payment system), trust in the reliability of electronic resources and modern digital technologies in relation to the financial component of their lives, as well as the priority of using a number of banking services (online transfers, online payments). All this is important for any financial company that produces or sells goods and services, as well as determining when identifying and understanding the factors that influence purchasing decisions.

## **7. Conclusion**

Based on the above, we put forward the following main hypotheses of the study, and obtained the main conclusions.

1. The introduction of a strict self-isolation regime for people over 55 years will lead to an increase in the demand of this category of consumers or consumers with elderly relatives to buy banking products online. In the future, this hypothesis will require testing the following thesis: after the situation normalizes, most representatives of the older age group who have mastered the technology of buying goods online will retain the formed level of consumer activity in online stores.

2. The indicators presented in the study describe the Russian banking market as stable, but slowly growing, with a small number of leading banks with a high share of state participation, which reduces the level of competitiveness. Increasing lending rates indicate a slow increase in the level of public confidence to the banking system, while foreign experts do not yet consider Russian banks to be the most reliable, assigning the highest ratings to foreign banks operating in Russia. The Russian banking system is being modernized, switching to electronic money and introducing new technologies. All this together allows us to conclude that the Russian banking market is approaching a transitional stage, the successful passage of which will be able to bring it to a new level.

3. Assessing the impact of various factors that affect the decision to make online purchases (including using financial products and services), we can distinguish the following:

- the vast majority of respondents noted the convenience of shopping in a digital environment (95.6%);

- respondents showed themselves to be rational, noting that the decision to buy in digital channels is more often made purposefully, when receiving favorable offers. Many of them pay attention to the offer of online retailers, searching pages on the Internet, or consciously searching for information;

- the main factors influencing the decision to buy online were: the quality of the necessary product/service (96.3%), the relevance of the information provided on the seller's website (95.0%), affordable prices (92.5%), as well as the ease of use/search of information (89.4%). This indicates, on the one hand, the growth of information and consumer literacy of the population of Moscow, on the other hand, the thoroughness of consumer choice in connection with the crisis in the economy;

- the growth of the value of such a factor in making a purchase decision as the presence of a mobile application at the seller is also indicative. This may be directly related to the growth of their popularity in the conditions of prolonged self-isolation of citizens;

- most likely, the same factor determines the growth of a quarter of the popularity of using messengers when making a purchase decision;

- the majority of respondents (70,0 %) are annoyed by online advertising as such, and 16,3% of those who never pay attention to it and do not see anything attractive in it can be counted among them. This is evidence of the transformation of consumer behavior from passive to active, meeting modern epidemiological and economic challenges. However, among the most significant factors that can influence the decision to purchase, it can be: recognizable logo/brand (80.0%), graphic content (drawings, images and graphics-78.1%), as well as the content of text advertisements (71.5%);

- another factor confirming the transformation of consumer behavior was the increase in attention to newsletters of organizations (70%) pay attention to it in search of more profitable offers and rational consumer solutions;

- the growth in popularity of digital technologies, which organizations use as factors influencing the decision to make purchases, respondents associate with the general trend of digitalization implementation in everyday life (29.4 %), as well as with savings when making a purchase for both the seller (due to cost reduction) and the buyer (due to lower prices and time costs).

Thus, the authors put forward a number of preliminary hypotheses, set scientific problems based on the study of the existing scientific potential in the field of the theory of consumer behavior in the modern economy. The area of application of the research results lies in the state control of financial markets, including financial institutions, advertising market, public relations, media industry; as well as in the activities of bodies of state power, shaping consumer behavior and financial literacy of the population in terms of digitalization of society – the Ministry of industry and trade of the Russian Federation, Ministry of economic development of the Russian Federation, Federal Antimonopoly Service of the Russian Federation, the Government of the Russian Federation. The effectiveness of the developed proposals is determined by the identified possibility of applying the features of transformation of consumer behavior in the banking services market in Russia in the context of digitalization.

## **Acknowledgments**

The article is based on the results of studies carried out at the expense of budgetary funds under the state task of the Financial University for 2020.



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