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BANKS' DIGITAL MATURITY AMBITIONS

Topic Actuality. Nowadays modern world is dominated by the concept of digitalization which changes the way people do business. As an essential part of society, banks are not exception to this transformation in order to provide better services to customers and contribute to the financial inclusion. As Nayak states, digitalization of banking sector bring revelution to the economy and countries that easily embrace it achieve exceptional economic growth compared to those countries which are not flexible in adopting digitalization.

The purpose of the article is to annalize banks' digital maturity ambitions. The paper attempts to analyze the issues and challenges the bank face in the area of digitalization as well.

Benefits and challenges of Digitalizations. Significancies of digitalization include, but not limited to: increased efficiency, quick operability, customer coverage, improved quality of services, less probability of human error, lower cost, and environmental friendly [4].

As different sources states, digital transformation is not smoothly-going process since banks and regulators need to address several questions:

- Cyber security is a question that is needed to be solved before going digitalized;
- Financial literacy – especially important in usage of digital banking services;
- Cash based economies mainly prefer to avoid bank services and resist new technologies;
- Financial market regulators lag behind fintechs and digital oriented banks and slowly adopts new changes.

Results. Responses revealed that few banks currently consider themselves as either maturing or a digital leader; however, more than 60% – particularly G-SIBs

– aspire to be one of the two by 2020. Interestingly, banks based in the Americas and Europe view themselves as more mature than their counterparts in developed Asia-Pacific do [1; 2; 3]. Believe that this may indicate that American and European banks are benchmarking themselves against traditional competitors, while the Asia-Pacific banks are comparing their maturity with that of emerging competitors that have more digital business models (figure 1).

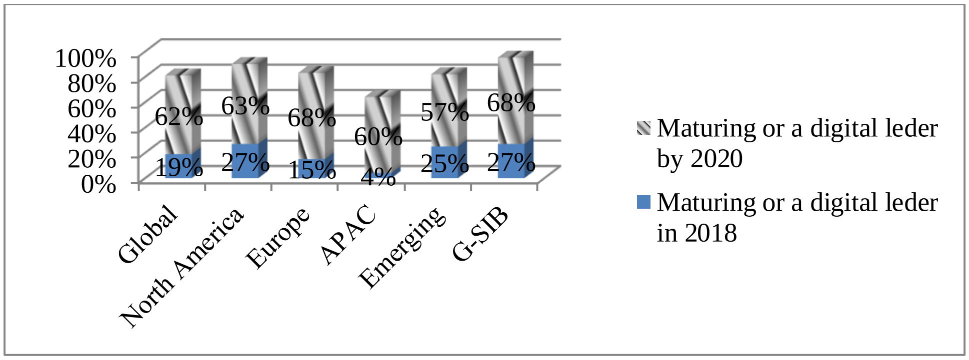

Figure 1. The banking industry

Results. Surveys, carried out by Deloitte [4] among 238 banks across 38 countries, revealed that Poland, Russia, Spain, Switzerland and Turkey are digital champions, followed by Czech Republic, Finland, France, Norway, and New Zealand (figure 2).

As the analysis shows, market pressure, which comes from customers and competitors, are key drivers of digital banking maturity. Fintechs pose some challenges as well.

The analysis refers to 826 functionalities, eight thousands customer accounts, 10 fintechs and 136 mystery shopper researches.

Conclusion. New technologies and solutions should not drive a need to use them – there is often a limited advantage to being a first mover. Further, any advantage can be quickly eroded by fast followers who learn lessons from, and gain greater efficiencies than, first movers. Banks typically spend approximately 75% of their IT budgets on maintaining legacy architecture, often on tactical patches that may embed poor processes. This presents a dual challenge to a bank's ability to become fully digital – insufficient funds to invest and imperfect processes. For example, RPA can radically reduce costs, but applying robotics to existing procedures may just reinforce inefficiencies and make them harder to fix in the long run.

Today, wholesale digitalization is not a significant feature of the banking landscape because of the associated costs. However, banks should seriously consider a variety of alternatives, ranging from whether they are able to launch a greenfield digital bank to which they can migrate customers over time to replatforming to revitalizing the core. A key challenge in doing this is management's reluctance to consider strategies that will be costly in the short term, even if they will drive long-term success.

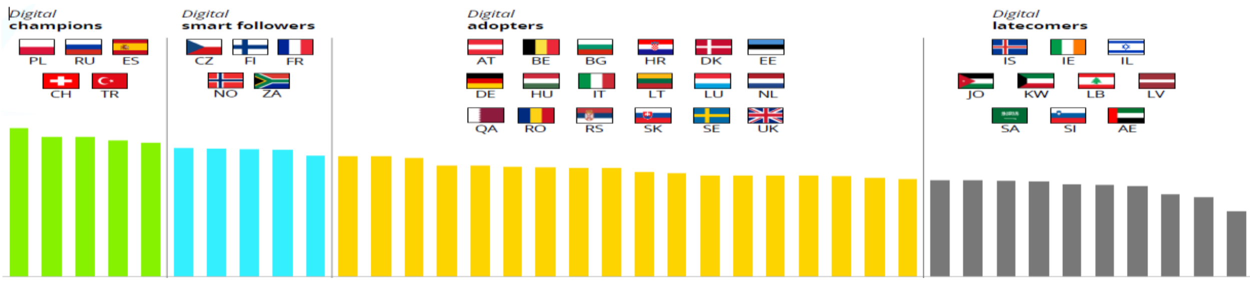

Figure 2. Countries, which were participated in banking surveys

Banks appear to be comfortable with cost increases during growth years, as long as jaws also widen. The flaw is that when the cycle turns, banks can be left with structurally high expenses as revenues decline, and embark on expensive, top-down transformation programs with challenging cost reduction targets.

Banks can achieve greater efficiency and scalability by focusing on continuous change rather than large-scale transformation, and by integrating a digital perspective into their business strategies. They should focus throughout the cycle on cost optimization and, crucially, develop cost-driven (as opposed to purely revenue-led) reward structures that apply throughout the organization, to ensure that all employees are looking for opportunities to improve efficiency.

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