

**THE IMPACT OF DIGITAL BANKING ON TRADITIONAL FINANCIAL INSTITUTIONS**  
**(ВПЛИВ ЦИФРОВОГО БАНКІНГУ НА ТРАДИЦІЙНІ ФІНАНСОВІ УСТАНОВИ)**

*У статті аналізується вплив цифрового банкінгу на традиційні фінансові установи. Розглянуто особливості цифрового банкінгу та його переваги для фінансового сектору. Проаналізовано особливості цифрового банкінгу в контексті діяльності банків, визначено переваги, недоліки та виклики.*

**Ключові слова:** банк, банкінг, традиційні фінансові установи, фінансовий сектор, цифровий банкінг.

*The paper analyses the impact of digital banking on traditional financial institutions. The features of digital banking and its benefits for the financial sector are considered. The peculiarities of digital banking in the context of banks' activities are analysed, advantages, disadvantages and challenges are identified.*

**Keywords:** bank, banking, traditional financial institutions, financial sector, digital banking.

In recent years, the emergence of digital banking has been one of the most relevant trends in the financial sector. Digital banking is a vivid example of the digitalisation of banking services, which has a positive impact on their development. This way, citizens can access all the necessary services in this area using their own gadgets and the Internet. This simplifies the customer experience and reduces the time that customers used to spend on various transactions. However, while digital banking has had an overall positive impact on the financial and banking sector, its impact on traditional financial institutions is not clear.

Digital banking, as defined by domestic scholars, is the integration of new technologies and financial services entities, which causes significant changes in internal and external corporate and personal relationships, ensuring efficient customer service. In addition, digital banking can be considered a fundamental change in the functioning of financial institutions, which is caused by the overall digitalisation of most modern services and activities of institutions in the financial sector. In fact, digital banking can be considered a set of remote banking services that allow most banking operations to be conducted online at any time and in any place where there is an Internet connection [1; 2].

The following benefits of digital banking for customers and the banking sector as a whole can be noted [1; 2]:

1. increased convenience and accessibility of financial services and the ability to conduct financial transactions;
2. increased speed of service for customers;
3. reducing the cost of maintaining physical branches;
4. expansion of financial services in the context of the ability to introduce modern services related to artificial intelligence and financial technologies;
5. increased security and control in the context of maintaining confidentiality and reducing fraud risks.

It is important to note that most modern banking institutions in Ukraine and the world are already actively implementing innovations related to digital banking. First of all, this concerns the

creation of special online applications where customers can use the services of their own bank without having to visit physical branches. In addition, banking institutions that provide services exclusively remotely, i.e., fully operating in the digital banking sector, are also developing and have no alternatives. An example of such a bank in Ukraine is Monobank, which allows customers to use the bank's services easily and quickly, from creating a card to making a transfer or taking out a loan. This is a unique bank that had no analogues in Ukraine before it was established. Similar banks exist in other countries, for example, the international bank First Direct [3].

Digital banking has become a real innovation for financial institutions in the classical sense. Now, in order to carry out basic financial transactions, there is no need to visit a physical bank, just open the appropriate application on your smartphone or computer and do everything you need to do yourself. As already mentioned, digital banking in this form has many advantages for customers, significantly improving the customer experience. These are also benefits for banking institutions themselves. By digitising services, banks are able to retain customers and attract new ones, as more than 50% of bank customers worldwide use digital banking services as their primary method of financial management. With this in mind, banks creating their own mobile applications not only improve the customer experience, but also increase their customer base and their own profits. Digital banking is not only a digital transformation, but also a fundamental change in the way financial institutions and customers interact. All of this is in line with the current peculiarities of society's development in the context of active digitalisation [2].

The negative effects of digital banking on traditional financial institutions arise mainly when banks do not create digital applications or websites as platforms for service delivery. By refusing to digitise, they may lose customers, which will threaten their operations. In addition, the transition to digital banking may not be successful due to an unattractive and non-functional application. In addition, negative consequences are also associated with a reduction in the number of physical branches and a decrease in the number of employees, which also requires changes in the bank's format. Banks are also forced to introduce technical innovations to compete with other traditional and non-traditional financial institutions. This means additional funds and time that they have to spend on adapting to modern conditions.

Thus, digital banking has both positive and negative effects on traditional financial institutions. For the most part, its impact is positive. If banks manage to successfully digitise their services, taking into account all the peculiarities of their customers and their modern needs, the transition to digital banking will bring them many benefits. Therefore, in the future, more and more traditional financial institutions will move to digital banking. This will have a positive impact on the development of the entire financial sector.

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