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GLOBAL TRENDS IN THE BANK DEVELOPMENT

This paper analyses the trends in the banks' development in the last years, as well as the main factors which influence such a development. Special attention has been paid to the factors leading to a substantial change in the banking environment in the leading countries, with the attempt to understand the changes in terms of bank assets and banks' market capitalization. The methodology is based on using the inductive approach, as it relies on gathering and analysis of quantitative data to provide statistical validity to the results. The analysis, based on the results of secondary research, includes also the current and expected changes in the human capital and bank organizational structure especially branch setting of the banks. Banking risk issues, and cyber security are discussed as well. Our findings suggest that most of the banks will increase the use of digital banking to attract more customers to change their banking routines and increase their clientele as result of better and as many clients think – more efficient services. At least a quarter of the banks plan to increase their investments in digital channels. This will lead to changes in the personnel policy, as well as in risk management. The findings and analyses will provide to bank managers suggestions for modifying the bank management in accordance with the current trends in the banking sector.

Key words: banks, international ranking of banks, interest rates, banking risks, digitalization of bank services, human resource management.

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Банктің жаһандық даму тенденциялары

Бұл мақалада соңғы жылдардағы даму тенденциялары мен банктердің дамуына әсер ететін факторлар талданады. Банк активтері мен банктердің нарықтық капитализациясы тұрғысынан өзгерістерді түсінуге тырысып, жетекші елдердегі банктік ортаның айтарлықтай өзгеруіне әкелетін факторларға ерекше назар аударылды. Әдістеме индуктивті тәсілді қолдануға негізделген, өйткені ол нәтижелердің статистикалық сенімділігін қамтамасыз ету үшін сандық деректерді жинауға және талдауға негізделген. Қайталама зерттеу нәтижелеріне негізделген талдау сонымен қатар банктердің адами капиталы мен ұйымдық құрылымындағы, әсіресе банк филиалдарының орналасуындағы ағымдағы және күтілетін өзгерістерді қамтиды. Банктік тәуекелдер мен киберқауіпсіздік мәселелері де талқыланады. Біздің нәтижелеріміз көптеген клиенттерін көбейту үшін цифрлық банкингі пайдалануды кеңейтетінін көрсетеді және көптеген клиенттердің пікірінше, көрсетілетін қызметтер. Банктердің кем дегенде төрттен бір бөлігі цифрлық арналарға инвестицияларын ұлғайтуды жоспарлап отыр. Бұл кадр саясатында, сондай-ақ тәуекелдерді басқаруда өзгерістерге әкеледі. Қорытындылар мен талдау банк басшыларына банк секторындағы ағымдағы үрдістерге сәйкес банкті басқаруды өзгерту бойынша ұсыныстар береді.

Түйін сөздер: банктер, банктердің халықаралық рейтингі, пайыздық мөлшерлемелер, Банктік тәуекелдер, банктік қызметтерді цифрландыру, адами ресурстарды басқару.

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Глобальные тенденции развития банка

В данной статье анализируются тенденции развития и факторы влияющие на развитие банков за последние годы. Особое внимание было уделено факторам, приводящим к существенному изменению банковской среды в ведущих странах, с попыткой понять изменения с точки зрения банковских активов и рыночной капитализации банков. Методология основана на использовании индуктивного подхода, поскольку она опирается на сбор и анализ количественных данных для обеспечения статистической достоверности результатов. Анализ, основанный на результатах вторичного исследования включает также текущие и ожидаемые изменения в человеческом капитале и организационной структуре банков, особенно в расположении филиалов банков. Также обсуждаются вопросы банковских рисков и кибербезопасности. Наши результаты свидетельствуют о том, что большинство банков будут расширять использование цифрового банкинга, чтобы привлечь больше клиентов, изменить свои банковские процедуры и увеличить свою клиентуру в результате улучшения и, как считают многие клиенты, предоставляемых услуг. По меньшей мере четверть банков планируют увеличить свои инвестиции в цифровые каналы. Это приведет к изменениям в кадровой политике, а также в управлении рисками. Выводы и анализ предоставят руководителям банков предложения по изменению управления банком в соответствии с текущими тенденциями в банковском секторе.

Ключевые слова: банки, международный рейтинг банков, процентные ставки, банковские риски, цифровизация банковских услуг, управление человеческими ресурсами.

Introduction

The sustainable development of the banking sector as a whole, and the particular banks, are of primary importance for the sustainability of the international financial market nowadays. This stems first of all from the macroeconomic volatility as a result of the global and regional political instability, the effects of the sanctions on international trade, and the related logistics, which of course influence the financial systems and financial markets in the particular countries.

This paper analyses the trends in the bank development in the last years, as well as the main factors which influence such a development. Special attention has been paid to the factors leading to a substantial change in the banking environment in the leading countries, with an attempt to understand the changes in terms of bank assets and banks' market capitalization. The analysis includes also the Current and expected changes in the human capital and bank organizational structure especially the commercial bank branches per 100,000 adults (The World Bank, 2022). The banking risk issues and the cybersecurity are discussed as well.

Research objectives

While there is a lot of research on the factors, that influence the dynamics of the financial markets and

the development of the banking sector by countries, the effect of the combined influence of the economic changes as a result of the pandemic and the political sanctions on the banking sector has not been studied enough. The main purpose of this research is to analyze the trends in bank development in the last several years, and the main goal is to find the main factors that influence such a development. This research has the following objectives:

Objective 1: Analyze the changes in the banking sector in the leading countries in terms of bank assets and banks' market capitalization. If there is a significant change towards massive increase of the bank assets and market capitalization in countries which were not leading until a few years ago, and on the other hand – if leading banks in previously leading countries may have shown volatility, some recommendations to the banking sector could be made to help them reconsider their policies in the particular clusters of main financial markets.

Objective 2: Analyze and discuss the influence of different factors, which influence the provision of the traditional and adoption of new banking services, looking for combinations which lead to specific effects.

In conditions of macroeconomic instability, international markets are affected by global shocks. Over the past two years, there have been significant changes in the activities of companies, financial institutions, and banking systems.

Literature review

The global trends in banking, financial services, and insurance (BFSI) development have changed significantly in the last three years (Maur, 2023; Silva 2022; Aite-Novarica 2023). The main avenues of development include the intensive introduction of digital (crypto) currencies (Imaginovator Insider, 2023), and the related hypothetical change of retail banking operations from the commercial banks to the central banks. The intensive development of virtual branches with the application of AI-powered chatbots and providing banking operations in augmented (virtual) reality (Maur, 2023), inevitably leads to reducing the number of bank offices and bank employees and thus creating new banking and customer environments with its specifics. For example, applications such as Customized Account Dashboards, which intend to replace the current online services, will require an intensive development of the related software systems, as well as massive training of the customers to work in the new environment.

A different point of view on the banks' development is related to the changes in the mentality of the bank customers. For example, about 86% of Americans are concerned about climate change, and as a result some of them even switch their bank to another, which in their imagination is a "more climate-conscious, sustainability-focused financial institution" (Aite-Novarica, 2023). IDG has published a prediction, that by 2025 about 50% of the biggest global banks will show portfolios that are linked to sustainability to respond to these changes in the customers' mentality (IDG, 2022).

Another trend is forming because of the plans of BRICS to introduce their currency and change to trading in their local currencies (e.g. Savage, 2023). This of course will require relevant changes in the banking sector.

Research methodology. Research approach

There is not much research done on this topic, considering the importance of the banking sector and the volatility characterizing the financial markets during the pandemic and after that.

As the banking sector is very important and sensitive to the information sector of the economy, out of the possible research philosophies – postmodernism, interpretivism, positivism, critical realism, and pragmatism (Saunders, et al., 2015), we decided to use positivism, as it corresponds to our orientation to stand in our analysis only on factual

information, obtained and published by reliable official sources. We studied the available statistical data and reliable business publications so that the analysis is based on objective information and the findings, especially for the influencing factors of banks' development, may support the decision-making of the banks' management in setting the changes in the next period.

The orientation to critically analyze the changes in the banking structure in terms of the size of the biggest banks' assets and their market capitalization, and to discuss the changes in the banking industry led to applying the inductive approach, which relies on gathering and analysis of quantitative data to provide statistical validity to the results.

Data collection

The data collection was based on secondary research Saunders (2016), Briman (2015), Bryman (2008), concentrating mostly on official statistics. They provide the required correctness and objectivity of the analyzed data.

Research validity and reliability

The analysis is mostly done on the available statistical data, and therefore the validity of this research depends upon the quality of the used statistical data. The sources of statistical data in this analysis (IMF, The World Bank, Eurostat, European Central Bank, Statista, and others) guarantee the correctness and validity of the discussions, and as the authors believe – the correctness of the conclusions as well. It is important also that this research can be replicated as the sources are public and easily available.

Analysis and findings

The analysis of the current changes in the banking sector is based on the published official statistics.

US Federal Reserve increased in March 2023 the interest rate at 5% to 5.25%, which is the highest rate in the last 16 years (Aratani, 2023). In the last decade, the interest rates were very low, depriving the banks of their main source of revenue. The banks were reacting by closing down a significant percentage of their branches (Edlebi, 2022; Dante, 2021). According to Edlebi et al. (2022) about 7500 branch offices were closed down in the USA, which was about 9% of all branches. The data of Statista show that from 2019 to 2023 the UK closed

2241 branches, and 263 branches are in the process of being closed (Statista, 2023). This process was going in parallel with the intensive adoption of Internet banking Khan (2019), Blagoev (2019), as well as fintech (Wewege, 2017; Kauflin, 2021). The geography of adopting and using Internet banking is really impressive. Along with developed countries such as China (Lin, 2018), and Russia (Kudryashov, 2017), there are studies of the adoption of internet-banking in many other countries, including Saudi Arabia Alabdhan (2017), Jordan Alalwan (2015), and Iran Alizadeh (2018). The expectation was that the banking would substitute the standard banking branch-based services.

The recent development shows that the positives of that process are significant and especially the younger customers appreciate and actively use it. However, certain negative sides were encountered, for example, related to risks and risk management (Malhotra, 2009; Serener, 2016) The paper discusses all these issues, under the limitations on the size of the material.

1. Top 20 largest banks in the world.

Since this study is about the development of banks in the global financial system, we will initially consider which banks occupy leading positions in the international rating. Consider the top five world leaders in the banking industry in terms of assets and capitalization.

Industrial and Commercial Bank of China Limited. It is the largest bank in the world in terms of assets, with assets of \$5.5 trillion (Table 1). Given its size and dominant position, it is not surprising that ICBC China has received the highest marks for financial stability and profitability over the past few years and has consistently held the position of the No. 1 bank in the world in terms of the scale of its activities.

The second position in the world ranking is occupied by China Construction Bank (CCB) with assets of \$4.7 trillion (Table 1), the main business segments of which are: corporate banking, personal banking, and treasury operations. CER is one of the leaders in the Chinese market in several products and services, including infrastructure loans, residential mortgages, and bank cards.

Agricultural Bank of China (ABC). It stands in the 3rd place in the world ranking with assets of 4.5 trillion dollars, slightly inferior to the CER in terms of the scale of its activities (Table 1). Engaged in the provision of international commercial banking and financial services. ABC operates in the following segments: corporate banking, individual

banking, treasury, and other operations. The bank was founded in 1951 and currently holds a leading position in the banking industry.

Another major Chinese bank – Bank of China, has assets of \$4.2 trillion and ranks 4th in the global ranking (Table 1).

Bank of China was established in 1912 and served as the country's Central Bank, including the issuing function carried out jointly with the Farmers' Bank of China, the Bank of Communications, and the Central Bank of China.

After the establishment of the People's Republic of China in 1949, it became a national commercial and professional foreign exchange bank. Its original functions as the country's central bank were transferred to the established People's Bank of China. The Financial Stability Board considers it a systemically important bank.

Table 1 – The world's largest banks by total assets, as of 1.02.2023

Rank	Bank	Total asset, \$ trillion	Country
1	Industrial and Commercial Bank of China Limited	5,5	China
2	China Construction Bank	4,7	China
3	Agricultural Bank of China	4,5	China
4	Bank of China	4,2	China
5	JPMorgan Chase	3,3	USA
6	BNP Paribas	2,9	France
7	China Development Bank	2,69	China
8	Bank of America	2,5	USA
9	Mitsubishi UFJ Financial Group	2,35	Japan
10	Credit Agricole	2,34	France
11	Sumitomo Mitsui Banking Cooperation	2,06	Japan
12	Postal Savings Bank of Chana	1,97	China
13	Japan Post Bank	1,97	Japan
14	Bank of Communications	1,91	China
15	Banco Santander	1,8	Spain
16	Wells Fargo	1,8	USA
17	Groupe BPCE	1,7	France
18	Mizuho Financial Group	1,7	Japan
19	Citigroup Inc.	1,66	USA
20	Societe Generale	1,66	France

Note: based on the source of the CEO World, 2023.

It should be noted that the 4 Chinese banks discussed above make up the “Big four” – the big four banks and occupy leading positions over the past few years in the ranking of the largest banks in the world (Figure 1).

JPMorgan Chase & Co. is the 5th largest bank in the world and the largest bank in the United States of America, with assets totaling about \$3.3 trillion. The headquarters of the bank is located in New York. JPMorgan Chase & Co. (JPM) was founded in 1799 as a Manhattan company bank. JPM currently offers services to both individuals and corporate clients with a wide range of banking products including investment, credit transactions, consulting, asset management of clients, etc.

Thus, based on the presented data, it can be seen that Chinese banks occupy the largest share in the structure of the 20 largest banks in the world in terms of assets – 48%, American banks in second place with a share of 17.4%, French banks with a share of 16.2%, Japanese banks 15.2% and Spanish banks 3.2%.

The scale of activity of Chinese banks is the result of the development of the Chinese economy. In addition, it is necessary to add the effect of the structure of the Chinese economy, in which manufacturing enterprises have a decisive share and China’s participation in international trade. As you know, in 2020, China’s trade with the United States reached \$ 700 billion, and banks serving this trade are behind this, of course.

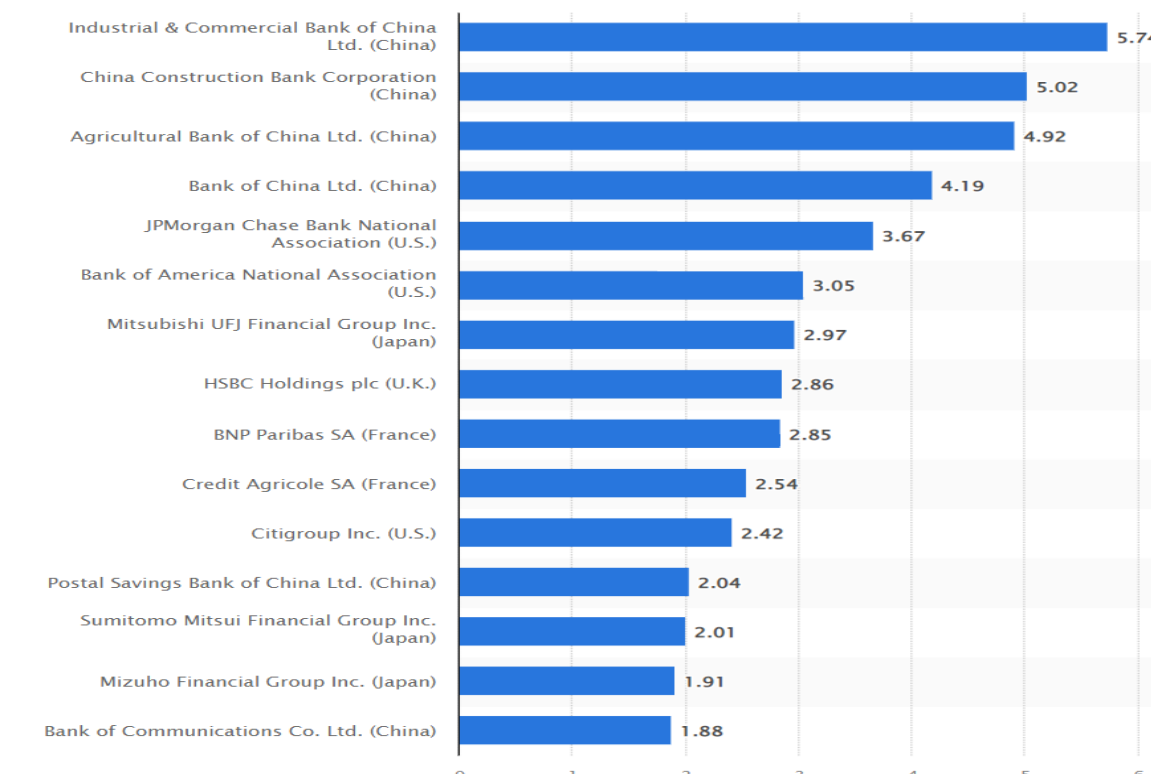


Figure 1 – Top 15 leading banks in 2022
Note: based on the source of the Statista, 2023.

The situation shown in Table 1 and Figure 1 regarding the rating of banks by assets does not change significantly if we consider their list by market capitalization (Table 2).

In this case, it is necessary to take into account the fact that the share price of a particular bank differs significantly (for example, \$ 135.60 per share for JPMorgan Chase and only \$ 0.55 per share for the Chinese ICBC). For professional

analysis, market capitalization is not the main indicator, given its significant changes in a short period. For example, based on the announcement on 05/24/2023 that JPMorgan acquired the bankrupt First Republic, which was in 14th place in the United States last year, we can expect a jump in market capitalization, which is unlikely to significantly affect the ranking of banks by volume of assets (Table 1).

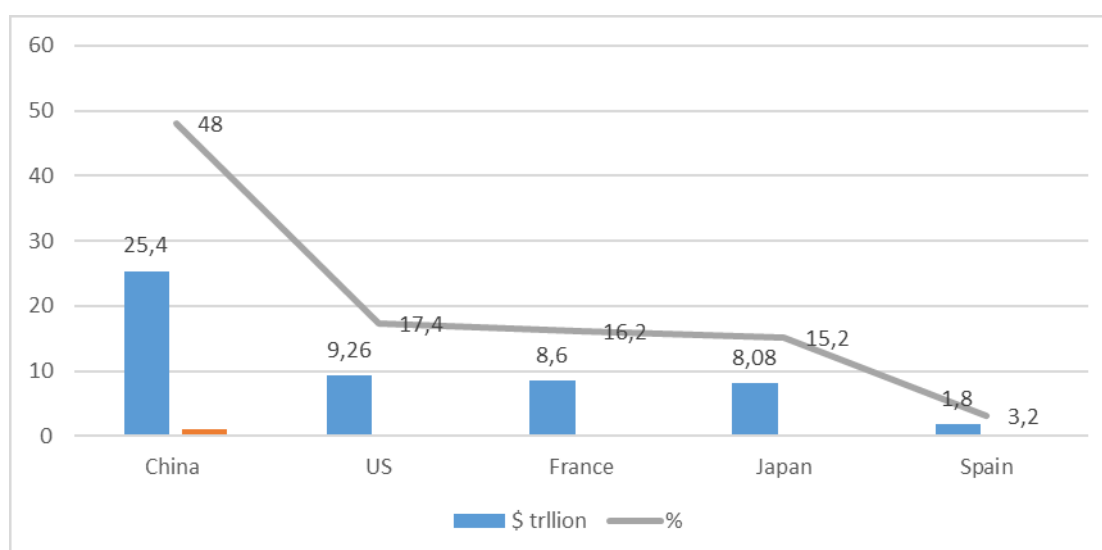


Figure 2 – Geographical structure of the top 20 largest banks in the world, 2022
Note: compiled by the authors based on data from Table 1.

Table 2 – Ranking of the largest banks in the world based on their market capitalization*

N	Name	Country	Market cap, \$	Price, \$
1	JPMorgan Chase	USA	396,26 B	135,6
2	ICBC	China	235,56 B	0,55
3	Bank of America	USA	224,02 B	28,11
4	Agricultural Bank of China	China	170,79 B	0,48
5	China Construction Bank	China	165,85 B	0,89
6	Wells Fargo	USA	153,31 B	40,86
7	Bank of China	China	148,94 B	0,55
8	HSBC	UK	148,69 B	37,25
9	Morgan Stanley	USA	135,56 B	81,17
10	Royal Bank of Canada	Canada	126,73 B	91,18
11	HDFC Bank	India	121,09 B	65,01

Note: based on the source of the Companiesmarketcap, 2023.

2. Functioning of banks in conditions of rising interest rates

Everyone is familiar with the traditional functions of banks, the main of which is financial intermediation – the redistribution of temporarily free funds from one economic entity to another (Amadeo, 2021; Hubbard, 2012).

At the same time, the economic benefit is due to the very nature of the intermediary function – the formation of the bank’s interest income due to the difference in interest rates placed in the form of loans and resources attracted by the bank in the form

of deposits. This is how banking has historically developed over the centuries.

Before the global financial crisis of 2008, this difference in interest rates (margin) was the main “engine” that forced banks to work towards finding new depositor customers and offering customers the most favorable conditions for placing resources, the so-called “customer-oriented model” (Jindal, 2019). However, over the past 15 years (until 2023), there have been significant changes in the banking sector, as the level of interest rates dropped to 0, and in some economically developed countries, customers even paid extra to banks for the safety of money.

Thus, low interest rates, close to 0, destroyed the fundamental equation in the banking sector, when it was deposits that determined the scale of the bank's credit operations. All this time, money (in the form of deposits) was practically free for banks. It was this important circumstance that led to a change of priorities in the banking sector: from meeting the financial needs of customers to the development of those products that could bring commission income, as well as towards digital technologies and innovations.

It should be noted that the development of digital banking services, despite their convenience, has the flip side of the coin – a decrease in customer loyalty, as digital banking leads to the elimination of personal ties (Jindal, 2019; Sarreal, 2019). What banks have been working on for decades – high customer trust and the value of the bank-client

relationship – digital technologies have made it easy to cross this barrier. In addition, the emergence of additional digital services from non-banking organizations, and the ease and accessibility of their use is also an additional factor in reducing the client's attachment to one bank.

In 2022, as a result of the negative impact of the military-political conflict between Ukraine and Russia, almost all economically developed countries faced the problem of rising inflation and, as a result, a change in the level of interest rates as a result of an increase in base rates of the Central banks. For example, the European Central Bank raised the base interest rate from 0% to 2.5% per annum (ECB, n.d.).

Data on the level of inflation processes in European countries in March 2023 are shown in Figure 3.

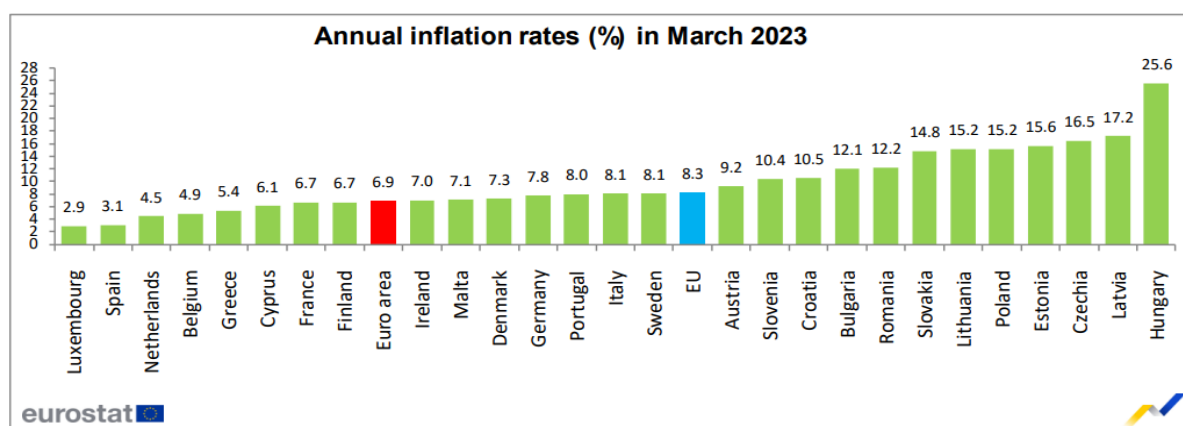


Figure 3 – Annual inflation rate, %.
Note: based on the source of Belkina, 2023

Thus, banks are currently facing a problem in the context of rising interest rates “returning” attention to the issue of loyalty of their customers, trying to rapidly change their behavior in the financial market, to offer interesting new banking products taking into account the individual preferences of customers.

One example is Bank of America, which uses artificial intelligence technologies to create a customized set of deposit and loan products for customers, and then offers an integrated loyalty program that takes into account the value of each customer. At the same time, according to the bank, the level of customer retention is close to 99%.

Other banks also already offer integrated services that track how financially disciplined a particular client is and offer a whole system of specially designed discounts, for example,

for the purchase of air tickets, cars, payment for restaurants and hotel accommodations, etc. Modern technologies based on artificial intelligence allow us to process large amounts of data and “extract” valuable information about customers to determine their preferences, the most frequently made purchases, etc.

For most banks in economically developed countries, including the European Union, which have been operating under low-interest rates for a long time, the return to traditional banking conditions is a positive factor for further growth.

Thus, rising interest rates will become the main driver of growth in the banking sector and will lead to drastic changes in the strategies of banks, forcing them to direct their attention to the financial needs of their customers.

Moreover, we should expect several mergers and acquisitions of banks both in the current year and shortly, which will be due to further improvement of digital services for customers, the development of which will be carried out towards the development of integrated applications individually for each client's requests, on the one hand, and the desire to maintain a stable deposit base, maintain competitiveness on the market, on the other hand.

3. Development of the branch network of banks

If during the years of the pandemic, we talked about the rapid reduction of bank offices, optimization of staff, and accelerated development of online banking, then this year large banking institutions have concluded that it is necessary to revive their branch network.

For example, JPMorgan Chase, which in mid-2021 reported that it had more than half completed its plan to open 400 branches in new markets across the United States by the end of 2022 (Chase, 2023)

As noted above, without direct contact with the client, and personal interaction, it is difficult for banks to maintain a high level of loyalty to their customers. The reduction of the branch network and the intensive development of digital services in the previous period certainly had economic benefits. However, in the changed conditions, banks are trying to re-establish personal contact with the client to better know his individual preferences and to offer advice on improving the financial well-being of the client as a whole.

However, this will not mean abandoning digital services that have become familiar with online banking, most likely it will be a differentiated approach that takes into account the advantages of both channels of banking services. As practice shows, more than 90% of customers in European countries use online banking and only a small part prefer a visit to the office (Eurostat, 2022) A personal meeting remains the preferred option when deciding on the use of new products – 27% of consumers said that it was their first choice, ahead of mobile applications (22%) and websites (21%) (Accenture, 2022).

Thus, in this situation, a different approach of banks in working with clients will be required, more individual than the one that was before the pandemic (Martin, 2020). In addition, it is necessary to reorient the bank's employees and increase their motivation for such communication with customers that would bring maximum benefit to both parties.

4. Transformation of personnel policy in the banking sector

A change in the conditions of banks' activities inevitably entails, as previously noted, a change in the strategy of functioning, where the personnel policy, the system of motivation, and the selection of personnel are important. Having survived the situation of optimization of structural divisions and staff reduction during the pandemic, as well as a result of the use of artificial intelligence technologies and robotization of the industry, the remaining human resources of financial institutions represent highly qualified specialists in their industry with the necessary skills to work in complex changing conditions. However, the motivation of these employees also needs to be maintained at a high level to prevent the loss of valuable personnel.

In addition, people's attitude to office work has changed. More and more employees of companies prefer remote work or leave companies in the field of freelancing. This category of employees very calmly perceives the change in the format of work and even the type of professional activity.

That is a bank employee today is already a somewhat different specialist compared to the situation in the pre-pandemic period. Most talented employees with work experience (usually in several positions within a bank or several banks) understand their value and strive to find a place of work and a format that will take into account their personal preferences to the maximum extent. Thus, we see that banks face the problems of attracting the necessary specialists and retaining them.

A global survey conducted in 2021 showed that more than 40% of employees of various companies were thinking about quitting their current jobs (Accenture, 2022). Another survey found that financial services workers are more ambivalent (29% vs. 12%) and less optimistic (24% vs. 42%) than the global workforce as a whole (Accenture(b), 2022). The third study showed that only 10% of Generation Z and millennials are interested in a career in financial services (Accenture(b), 2022). Although these studies were conducted in various business companies, their results are also important for the banking sector when it comes to attracting valuable personnel who can influence the effectiveness of the bank's activities.

Rapidly developing digitalization has completely changed the balance of professional skills in banking. Most routine operations are performed using robotic programs that allow you to increase the scale and speed of data processing,

eliminating the influence of the human factor. At the same time, there is an increased need for specialists with knowledge and skills in related fields, capable of creating new products, having flexible thinking, a non-standard approach to solving certain tasks, and, therefore, being of particular value to the company. As a result, we observe a double situation: on the one hand, there is a reduction in the number of employees, and on the other, the value and cost of certain categories of specialists increases. This situation requires a slightly different approach to the formation of the personnel policy of banks, the revision of the hierarchy and structure of positions, and the formation of new cross-functional teams of employees to solve new tasks.

In addition to the above, it is particularly worth noting the role of top management of banks, on which the development of new development strategies depends. Knowledge of the latest achievements both in the field of banking and in the IT sphere, and the possibilities of their effective use is a requirement. A survey conducted in 2021 showed that only 10% of bank directors had professional experience in the field of the latest technologies (Amadeo, 2021).

Thus, if banks currently do not pay due attention to retaining valuable specialists, this will inevitably lead to losses of both the specialist and part of the income.

5. Increased risks in banking. Cybersecurity

Risk has always been inherent in the activities of banks, but the last 2 years have shown the failure of traditional approaches to risk management.

The world is faced with geopolitical and climatic instability, which significantly affects all spheres of human activity, including business. The pandemic has taught us a lot. Some banks, expecting a deterioration in the financial situation and a drop in the level of solvency of their customers, have created additional reserves for these expected losses in advance. Banks around the world have reserved, according to experts, a total of \$834 billion in anticipation of a wave of credit losses (Accenture (a), 2022).

In conditions of increasing inflation, rising interest rates, and the expected recession, banks predict an increase in late payments on previously issued loans, which will create an additional burden on their balance sheets.

Risks are increasing not only quantitatively, but also the nature of risks is changing significantly. Modern risk management systems face not only risks caused by the nature of banking services

or related to the bank's client but also the totality of various external risks caused by changes in international markets, the political situation, rising inflation, the introduction of new technologies in the banking sector, increasing the level of digitalization of banking services.

Another problem faced in almost all countries is the increase in the number of attempts to break into banking systems, which increases the requirements for banking security systems.

As more and more users switch to digital channels, scammers are following them. In a survey conducted by CSI in 2021, 34% of commercial banks named cyber security as the main industry problem (CSI, 2021). Since cybercriminals take advantage of weaknesses in banks' security systems and technical failures caused by customers switching to remote work formats, they specifically create malware that brings large profits to cybercriminals.

According to a study (CSI, 2021), 81% of US bank managers consider social engineering to be the main threat to cybersecurity in the banking sector in 2022-2023.

In international practice, there are several main forms of social engineering.

1. Phishing directed at the client. Phishing (from the English Fishing – fishing, fishing) in this context means an attempt to steal the personal data of the client or his account for their subsequent use. It is carried out in the form of email attacks to obtain confidential information.

2. Phishing aimed at employees. In this case, fraudsters penetrate the internal systems of the bank to gain access to the bank's databases, then introduction of virus programs, and ransomware.

Ransomware is a new form of virus software that specifically blocks user access to system folders and documents, requiring payment of money – a “ransom”. According to experts, these ransomware programs are the most expensive of all cyber attacks. The consequences for the bank in this case can be very severe: from loss of information to complete blocking of the bank's internal systems.

Therefore, bankers consider meeting the expectations of customers in the safe and high-quality provision of digital services to be the most important task. Technologies such as passive biometrics and behavioral analytics can help the bank improve the security of digital channels, reduce the risk of cyber fraud, and meet customer requests for fast and high-quality service.

An important area of cybersecurity is the collection of data on typical customer behavior for automatic identification of suspicious actions, which

will later help identify fraud facts from genuine customer activity.

6. The growth of digital banking services

Financial institutions, including commercial banks, quickly adapted to the changed operating conditions during the pandemic by introducing digital services. Thus, after two years, digital service channels have become commonplace for customers, allowing them to get quick access to banking services 24/7. In a CSI survey conducted among the heads of the largest US banks, bankers answered the question of whether they expect a further increase in the use of digital channels in their banks even after the situation with the virus has stabilized, 97% of respondents noted irreversible changes in the behavior of banking consumers (CSI, 2021). Irreversible shift: 75% of banks surveyed note that the use and importance of digital channels will continue to grow in the period after the end of the pandemic. 22% of respondents expect that the growth rate of the use of digital channels will gradually level off. Only 3% of respondents expect that interest in digital services will gradually decline and return to the level that existed before the pandemic.

43% of the bankers surveyed, as part of the CSI survey, plan to expand existing digital channels to increase their market share and gain a new customer segment. A significant number of bankers (45%) consider the development of mobile banking applications to be a priority area of their development. 22% of respondents note that they are increasing the costs of their banks for the further development of digital channels (Bensley et al., 2020).

44% of the surveyed banks plan to use customer data using CRM – Customer Relationship Management. More efficient use of CRM for filtering and managing individual customer needs, as well as collecting existing customer data, improves the quality of digital banking services (CSI, 2021).

Considering the priorities of the development of the banking industry in the field of organization of payments for 2023, two main ones can be noted – these are P2P (person-to-person payments) and real-time payments. These two closely interrelated technologies help banks meet the growing demand of customers for same-day payment services. Even though payment services do not provide significant income to the bank, P2P is crucial for meeting customer expectations in banking services (Tskhadadze, 2018).

Conclusions

Banks are currently facing a problem in the context of rising interest rates leading to attention to the issue of loyalty of their customers, trying to rapidly change their behavior in the financial market, to offer interesting new banking products taking into account the individual preferences of customers. The rising interest rates will become the main driver of growth in the banking sector and will lead to drastic changes in the strategies of banks, forcing them to direct their attention to the financial needs of their customers.

The bank management has to consider the various external risks caused by changes in international markets, the political situation, rising inflation, the introduction of new technologies in the banking sector, and increasing the level of digitalization of banking services, all of which led to high volatility in the financial sector. For example, the proposal made by Brazilian President Lula da Silva to create a single currency of the BRICS countries in combination with many bilateral agreements, to switch to the calculation of foreign trade either in national currencies or in the yuan, which was discussed recently in G20 in New Delhi, will certainly have an impact on national policies in the field of finance and banking. For its part, this will lead to significant changes in all the aspects analyzed above.

Regarding the human resource policy, the rapid development of digitalization has completely changed the balance of professional skills in banking. Most routine operations are performed using robotic programs, eliminating the influence of the human factor. There is an increased need for specialists with knowledge and skills in related fields, capable of creating new products, having flexible thinking, a non-standard approach to solving certain tasks and, therefore, are of particular value to the company. This situation requires a slightly different approach to the formation of the personnel policy of banks, including the formation of new cross-functional teams of employees to solve new tasks.

One way or another, understanding the basic principles of the functioning of the financial and banking sectors of the economy, as well as knowledge of the main development trends, will significantly help in developing a new strategy for the activities of financial institutions in response to changes in the environment.

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