

13TH SOUTH-EASTERN EUROPEAN ECONOMIC RESEARCH WORKSHOP

ORGANIZED BY THE BANK OF ALBANIA



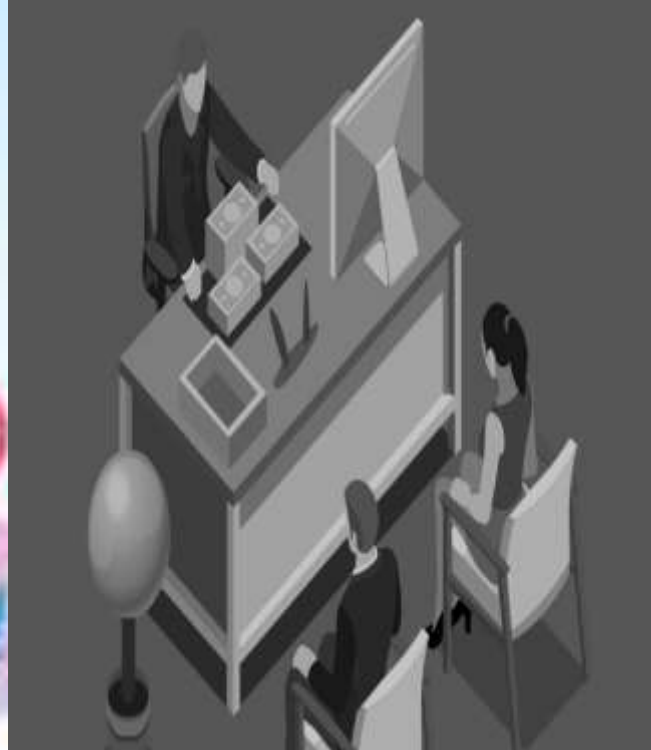
CHALLENGES OF DIGITAL TRANSFORMATION IN THE BANKING SECTOR

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- Banking regulation in the conditions of modern banking
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RESEARCH PROBLEM

*The importance of the
changing banking
system*

/innovation

/technology

/new products

/banking regulation

...

Banking regulation in the conditions of modern banking

- Goals of banking regulation:
 1. Security of banks and financial instruments
 2. Maintaining competition in the financial system
 3. Preserving monetary stability
 4. Consumer protection from abuse and
 5. Ensuring the functionality of the payment system



Banking regulation in the conditions of modern banking

- Sharp banking regulations

Mark the correct answer

YES

NO

➤ stability of the financial system

1. eliminating banking panic (systemic regulation)

2. monitoring and supervision of financial institutions (prudential regulation)

➤ limiting factor for introducing change and innovation (changing needs and wants of financial service users)

USA	EU
<ul style="list-style-type: none"> ❖ before the Great depression the banking sector lack of banking regulation and universal banking ❖ During the Great depression many banks went bankrupt (investment activities of commercial banks) ❖ deregulation of banking business begins in the 1970s (cross-border integration of banking activities, mergers and acquisitions, elimination of barriers to interconnected banking and barriers between commercial and investment banks) 	<ul style="list-style-type: none"> ❖ sharp banking regulation after the 2008 crisis of confidence in the banking system ❖ The financial system is bank-centric ❖ International convergence of banking institutions business conditions <ul style="list-style-type: none"> ✓First Banking Directive ✓Second Banking Directive ✓FSAP ✓Lamfalussy procedure ✓Bazel I ✓Bazel II ✓Bazel III

Banking regulation in the conditions of modern banking

Difference between banking sistem in the USA and the EU

Deregulation as a characteristic in both sistems





Factor influencing the changing in
banking sector

Deregulation and
liberalization of the banking
sector

Development of modern
technologies and electronic
banking

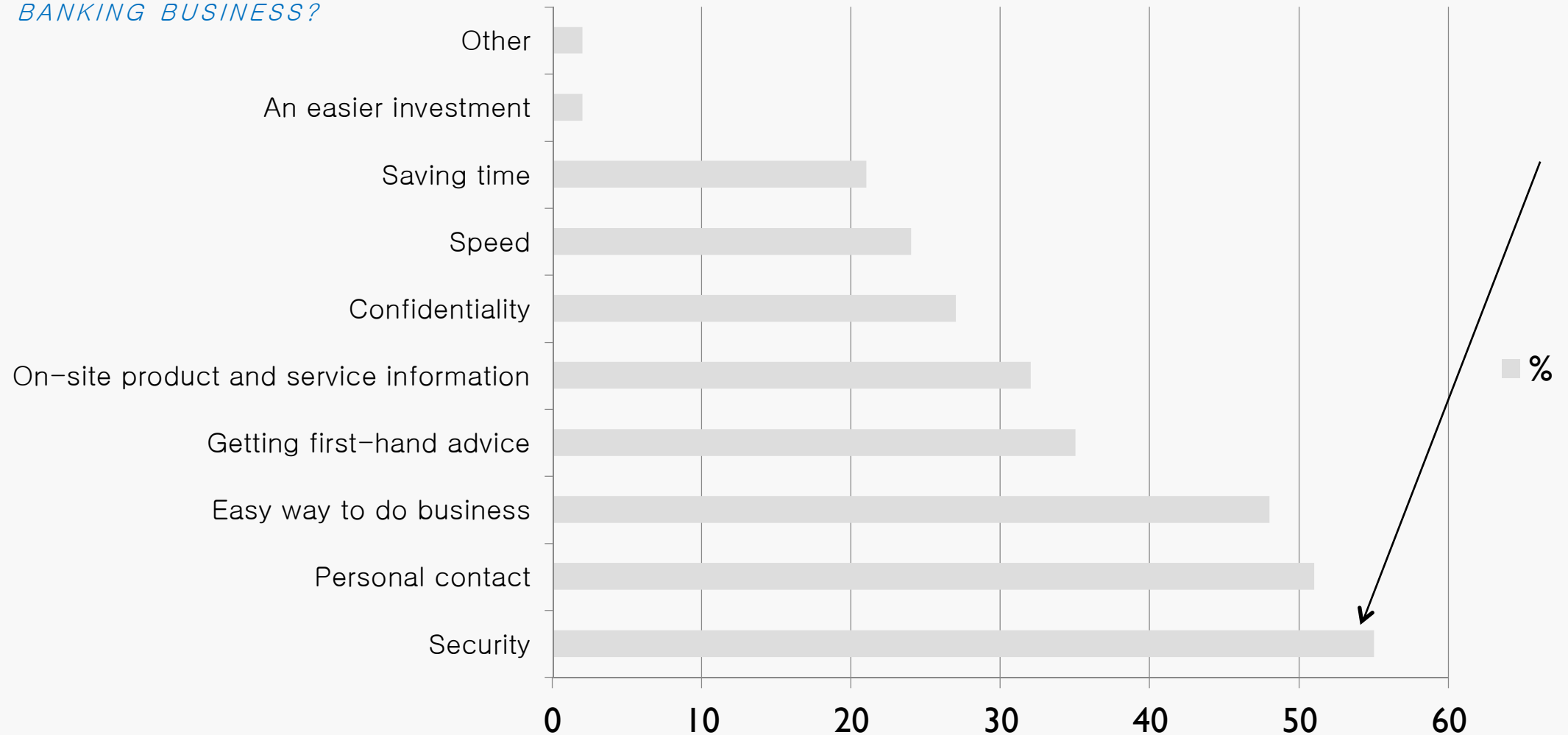
New competitors

High-tech (cyber) crime
regulations



Positive effects of digital transformation in the banking sector

IS THE SALE OF BANKING PRODUCTS AND SERVICES THROUGH BRANCHES THE BASIS OF A STABLE BANKING BUSINESS?





The application of new technologies has led to advantages in the banking sector

- Lower costs
- Increase in market share
- Mass communication
- Better communication with customers
- Innovation
- Developing new businesses

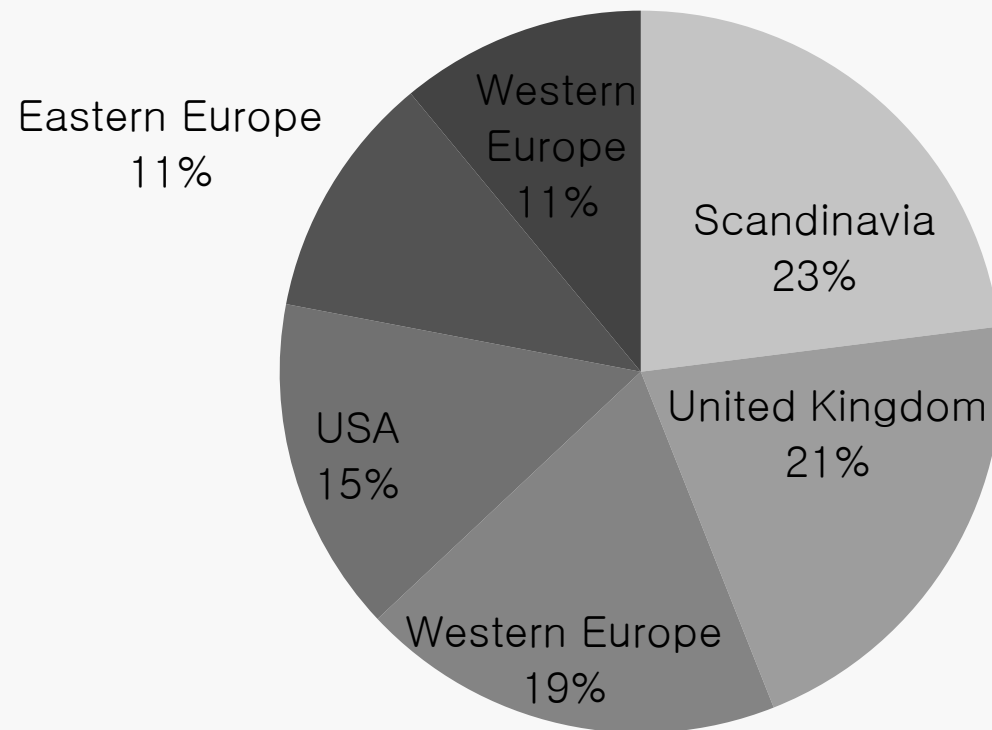
Advantages of the electronic banking for the bank

Bank	Client
Higher reputation and status on the market	Lower costs of accessing and using services
Quicker reaction to the changes in the environment	24×7×365 availability and time saving
Bigger market penetration without space or time limitations	Quick transactions
Using the Internet to increase the sales of new financial products	Digital transaction records

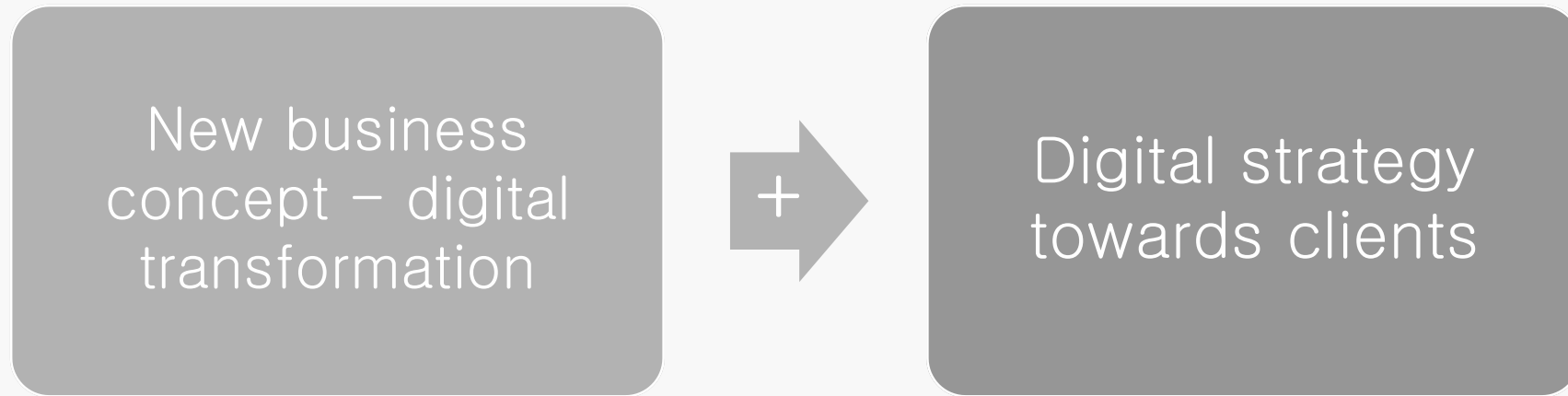
NEW SERVICES, NEW REVENUE

- New services provide new revenue
- Banks need to develop a holistic view of their customers
- More than half of their new revenue comes from sales through electronic channels

Share of new revenue %



Banking business models in the conditions of transformation of banking business



Graph. Key elements of the banking business model

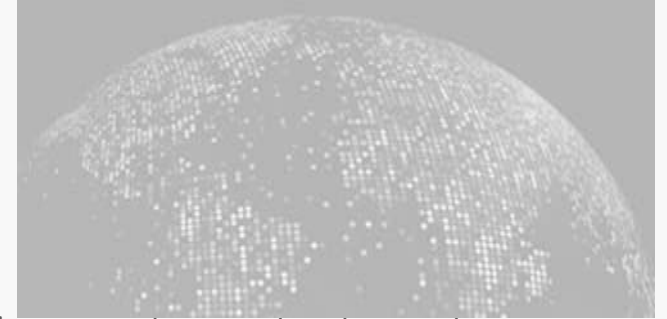
BUSINESS CONCEPT

- New business concept – digital transformation

Banks should strive for digital organization, including digitized processes and procedures, tools and organizational culture. Digital tools are put into the function of saving time for both clients and employees, which further enhances the mutual experience.

Digitized bank with credit rating backed by data, mobile point of sale, mobile payments and digital wallet.

- Digital transformation as a key value of a bank is characterized by the following characteristics:
 - a fully digitized business model
 - use of separate business units to further accelerate digital transformation
 - comprehensive expansion of the digital business model within the bank, in organizational culture and towards innovation
 - a dedicated team of IT professionals who work at low fixed costs or use technology outsourced by strategic partners
 - fully digitized products and services (electronic, paperless)



ORGANIZATIONAL FORMS–THE DIGITAL TRANSFORMATION OF BANKING

Digital transformation of business model	Fin-tech companies	Leading digitized banks
<ul style="list-style-type: none">–Sophisticated analysis of customer data–interaction and listening to the needs of users on social networks–mobile communication	<ul style="list-style-type: none">–mobile banking–management of personal finances–transparent comparison of products, services, prices–Dynamic pricing policy in the present tense–investment management	<ul style="list-style-type: none">–credit rating backed by data–mobile sales points–mobile payments and digital wallet–P2P payment–P2P lending

- Digital strategies towards clients
- Omni channel experience where they will be able to choose when, where and through which device they will interact with their bank
- A new business concept with the goal of an exceptional Zone 24/7 user experience
- The new ambience has no counters, provides comfort and a variety of services that save money and time

DIGITAL STRATEGY



CONCLUSION



THE IMPORTANCE OF CHANGING A
BANK IN LINE WITH CHANGES IN THE
ECONOMIC AND SOCIAL ENVIRONMENT

CHALLENGES?

THREATS?

POWER?



Thank you for your
attention