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## Internet banking market of the future: formation and development

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**Abstract:** The relevance of the research lies in the fact that the banking sphere functioning in the Internet environment, as well as the digital banking services themselves implemented in it, are undergoing changes in accordance with the introduction of new information and communication technologies. The development of an effective strategy for the development of the digital banking system should be based on theoretical developments and developments, which will allow to choose the best and most effective option for practical application in the functioning of the banking market on the Internet. The purpose of the study was to study the trends in the emergence and development of digital banking services. According to the stated goal, the task of the study is to study the main elements of the banking sphere in the Internet environment, the definition of their features, and the development of proposals on how to improve and enhance the quality and effectiveness of the implementation of electronic banking services. Research methods: general and special methods of knowledge, in particular the analysis of scientific and information base, synthesis of the data obtained into theoretical conclusions and practical recommendations. Results and conclusions of the research: it is predicted that the further development of the Internet banking services market will be determined in accordance with the improvement of information and communication technologies, which will be accompanied by increased competition in the domestic and foreign markets due to the growing role of intelligent services, the development of e-commerce. The results can be used in further scientific research and in the development of methodological recommendations to improve the effectiveness of banking services in the digital environment.

**Keywords:** electronic banking services, customer, information and communication technologies, digital economy, the banking system.

### Introduction

With the digitalization of all spheres of human social life and the introduction of innovative information and communication technologies, banks are developing and offering a wide range of their

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own services to the public. “The digital transformation of the financial sector has led to more digitized business models and processes but has also created new products and services” (Jünger & Mietzner, 2020). The provision of retail banking services via the Internet is becoming a promising line of business for banks. This is especially true in regions where the ability to pay is growing and the Internet banking market is not competitively developed.

#### *Research Problem*

Banking services on the Internet at the present stage are one of the most promising and profitable businesses for banks, so the relevance of the study of the Internet banking services market raises no doubt.

#### *Research Focus*

The purpose of the study is to analyze the experience of providing customers with remote banking services, the study of the features of its current state of functioning, and the prospects and trends of its development.

#### *Research Aim and Research Questions*

The subject of the study is the economic relationship between banks and customers to meet the needs of the latter in electronic banking services.

### **Research Methodology**

General and special methods of scientific knowledge were used to achieve the goals and objectives of the study.

### **Research Results**

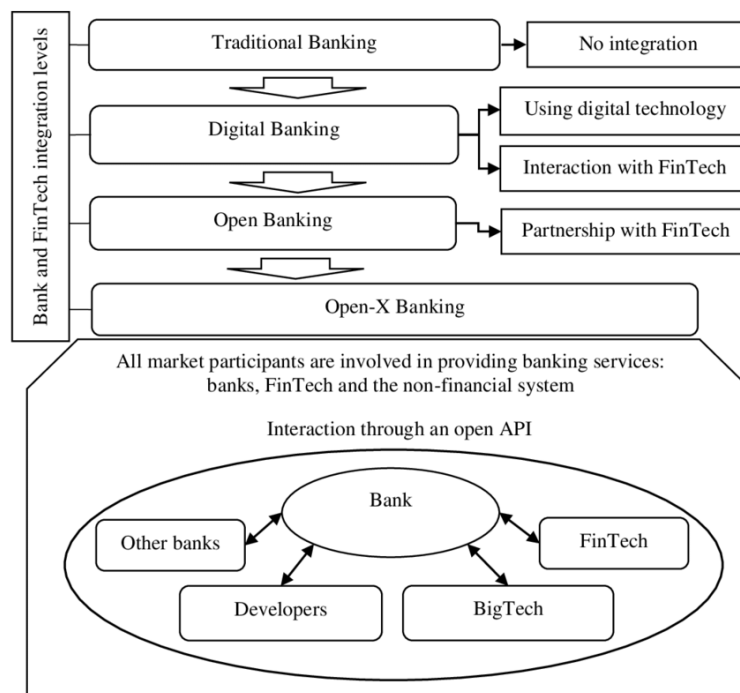
Electronic banking can be defined as a way of conducting banking business processes in the form of electronic networks, a remote banking mechanism (remote banking), Internet banking, online banking, and mobile banking.

Depending on the degree of integration of banks and the FinTech segment, there are four levels of interaction between these entities in the financial services market: traditional banking, digital banking, open banking, and open-X banking (see Figure 1) (Rubanov, 2020).

#### **Figure 1.**

*Bank and FinTech integration levels*

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Source: (Rubanov, 2020)

In modern conditions, banks of all forms of ownership are developing and offering more and more services to the public in the market. Electronic banking services, just like the banking business, can be divided into wholesale and retail services. The latter in their content are implementation, implementation of operations by credit institutions to issue and service bank plastic cards, including through ATMs and electronic payment systems. The provision of such retail e-banking services becomes a prospective sphere of banks' activity, especially in the regions, where the market is underdeveloped, and the potential of the population's solvency is growing. The attractiveness of retail electronic services is due to the fact that corporate clients are already covered by wholesale banking services. These are credit institutions and payment systems providing their customers with services of interbank electronic settlements, cash management through local and global computer networks (for example, through the Bank-Client settlement system).

E-banking is one of the most profitable types of business for banks, as its services meet customers' needs for online information services, electronic payments and settlements, deposit, currency exchange, and investment products. Remote banking services or electronic banking (e-banking) is a new technological way to deliver banking products and meeting customer needs remotely, 24 hours a day, 7 days a week through information banking technology.

E-banking is a set of technological procedures and contractual conditions that ensure the creation of a banking product, based on information technologies and actions of the bank, satisfying the needs of the client remotely through the Internet.

Electronic banking services differ from traditional banking services by the technology of satisfying the needs of the client. That is why they have special, specific features that differ from traditional features of banking services (immutability of service quality; non-preservation of banking

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services; abstractness, contractual nature of banking services; connection of banking services with money; duration of service in time; secondary nature of needs satisfied by banking services; extraterritoriality). Thus, despite the fact that banks use different names with respect to online banking systems: PC banking, home banking, electronic banking, Internet banking, all of them have obvious advantages over traditional banking methods.

Broadly speaking, electronic banking services are a set of technological procedures and contractual conditions that ensure the implementation of banking agreements on the transfer of value electronically. The essence of electronic banking services can be disclosed through the prism of technology of creation and implementation (delivery) of banking services. Features of the constituent elements of the system of electronic banking services are disclosed in Table 1.

**Table 1**

*Peculiarities of the elements of the system of the Internet banking market*

System element name	Form of implementation	Level	Features
"Client-Bank"	Offline	Initial	Serving legal entities, corporate clients
"Home banking services"	Offline	Initial	Meeting the banking needs of individuals
«WAP-banking»	Online	Average	Providing banking services to individuals and legal entities through a mobile device
"Internet banking"	Online	High	Providing banking services to individuals and legal entities via the global Internet

*Author's development*

Thus, we can define that Internet banking is a remote way of providing banking services through a special website or program, through which the client can manage his bank accounts and make transactions. Mobile banking is a remote way to provide banking services through a special offer or website for a cell phone (smartphone, iPhone), through which the customer can manage his bank accounts and make transactions. Such an application is popular among clients of regional banks, it allows them to control the amounts debited for purchases, as well as use the banks' bonus programs.

## Discussion

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The Internet banking market is developing rapidly at the present stage, as evidenced by the experience of many countries. The reason for such dynamics is both the development of information and communication technologies and the fact that the “Global Spread and use of internet and mobile contributed to the development of digital payments and banking” (Alkhowaiter, 2020). In addition, the digitalization of the global economy and a number of other social factors play an important role. For example, the coronavirus pandemic and the restrictions imposed in order to overcome it have led to changes in the global banking system, but the use of Internet banking technologies has avoided a large-scale collapse, in particular, «...leveraging the advantages of digital banks and empowering digital banks, while guarding against possible financial stability risks - would further support small businesses during and after the COVID-19 pandemic» (Sun, 2021).

The stability of the banking market of Internet services, in particular, that is ensured through the implementation of an effective policy of adaptation to the new conditions of the banking system is important because «the profitability of banks is necessary to ensure the survival of the banking system» (González, Razia, Búa, & Sestayo, 2019). Kpim toro, «the internet of things represents the next phase of the digital revolution that will transform the lives of consumers» (Khanboubi, Boulmakoul, & Tabaa, 2019). Therefore, it is important to take into account when working out a strategy for the further development of the Internet banking services market and the needs of consumers, which are changing in accordance with the transformations that occur in the social, political, and economic life of the population of a particular country. The availability of banking services without time constraints, favorable rates, and quality of service are essential priorities for potential consumers of banking services, which can be fully satisfied by using the Internet and other information and communication technologies.

This situation is also confirmed by the results of empirical studies conducted, for example, among consumers of banking services in Germany, «the results show that intrinsic motivation, perceived ease of use, and perceived usefulness are proven to have a direct effect on the intention to use the web and applications available in the process of digitalization» (Bastari, Eliyana, Syabarrudin, Arief, & Emur, 2020).

«Success of an organization, both in the public and private sectors, depends on increases in efficiency due to acceptance of information technology» (Dasgupta & Gupta, 2019). Innovation and information and communication technology in the modern world is not only a phenomenon that determines economic growth in a particular state. They are a constituent element of modern development in all spheres of the economy. Their introduction has given a new impetus to improve the banking system as a whole, providing its services at a new level, through the Internet, which, in turn, contributed to the fact that “digital transformation is requiring companies to rethink and innovate their business models (BMs)” (Bouwman, Nikou, & de Reuver, 2019). Also, in the new environment of the banking system in the world, it is equally important to consider possible negative factors that may affect the Internet banking market, such as financial crises. Thus, «banks around the world have been confronted with profitability challenges in the aftermath of the global financial crisis» (Gardó & Klaus, 2020).

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«Banking has been transformed from branches (brick and mortar) to information technology (hard information replacing soft), and highly specialized human capital» (Vives, 2019). The Internet banking services market at the present stage includes the provision of retail and minor banking products and services through electronic banking channels, as well as significant electronic payments and other wholesale banking services, which are provided electronically. Internet banking services are the implementation of technology based on the advanced innovative experience of developed countries in the field of the wide practical application of substitutes of cash and payment instruments and means, creation of technologies, and technical devices for their automatic processing. Taking into account the development of information and communication technologies, three subsystems can be conventionally distinguished in the whole system of electronic banking services: “Client-Banking”; mobile banking (WAP-banking); Internet banking.

### Conclusions and Implications

As a result of the study, we can conclude that the main trends in the Internet banking market for the future can be defined:

1. development of such areas of e-commerce, Internet trading, Internet insurance, the retail market of electronic banking services, acquiring network, as well as the sphere of postal banking cooperation;
2. improving the mechanism of its functioning through the introduction of innovation and information and communication technologies in order to ensure competition with fintech start-ups and compliance with the requirements of the regulator;
3. improvement of information and communication technologies and their use in the implementation of electronic banking services will lead to the separation of the Internet banking market as an independent sector of the economy.

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