

DIDGITALIZATION AND INTERNATIONAL ACCESS TO FINANCE

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Information technologies development is being recently transforming into digitalization of the economy and society. Digital economy could be considered as part of the economy and production of goods and services derived solely or primarily from digital technologies with a business model based on digital goods or services.

Such process is interacting with innovations, small business and start-ups development. Their social role, especially in employment, intellectualization and dissemination of innovations is growing. A significant boost in this process is allowed by rapid development of information and digital technologies.

Traditional financial institutions, including commercial banks, are focused on corporate clients, retail business and operations in financial markets. Distinctive trend in recent years is the diversification of banking products and technologies, development of the bank risks management, personalization of financial services.

Modern economy has increased an importance of access to finance for all economic agents – small businesses, entrepreneurs, households, the general population, including the poor and youth. Such processes could be called “Access to Finance” or “Financial Inclusion”. This means that the distribution and availability of the spectrum of banking and financial services should better contribute to the integration of diverse forms of economic and social activity, all segments of the population to be included to the overall economic and financial development, local and international communities. Access to finance is one of the priorities of program tasks of the World Bank to combat poverty. Undoubtedly, this problem has not only economic value but also a considerable social value, which includes realization of creative potential, poverty reduction and social cohesion.

The global economic and financial trends are influencing the transformations of banking in order to achieve sustainability. The major modern changes are:

- broader access to baking and financial services for economic and social inclusion;

- more social orientation of banking, better transparency, providing special services for selected social groups (women, youth, senior citizen etc.);
- disintermediation by providing direct financial services to customers such as P2P financing, crowdfunding;
- digitalization and “fintech”, which provide direct financial services based on the information and digital technologies.

The main factors for the spread of digitalization, Internet banking and mobile banking are:

1) technological innovations, improving information and digital possibilities of the direct access to banking services, including the distribution of free or cheap Internet access in developed countries, a massive shift of users from mobile phones to smartphones with more features.

This is accompanied by significant savings in cost and time reduction of capital expenditures and the number of bank branches with the simultaneous benefits for consumers (direct access anytime, increase in the range of services, ease of use, safety), which is the main motives of access to banking services based on modern information technology.

Digitalization and Internet banking fostering are based on social and cultural preferences, customs and attitudes, individual perception.

Digitalization and use of Internet banking are regionally fragmented in Europe. The high level of Internet banking in the Nordic countries could be explained by problems of physical access to banks in remote regions, high general and financial literacy of the population and easy Internet access. After all, with relatively high levels of Internet penetration in Italy, Cyprus, Greece, the use of Internet banking is significantly below the European average. The level of Internet penetration in Ukraine is considerably below the European average, which hinders the use of informatization of society, including online access to financial services.

Development of information technologies and the Internet have enabled the formation of such a way to access to funding as crowdfunding or crowdsourcing. This method operates on the basis of placing an electronic request to a special Internet platform for financing a specific project, which is usually socially important. According to each request placed on a platform over the Internet, a pool of private investors is created, from which platform provides funding for a particular user.

Crowdfunding is based on solidarity (pool of individuals and institutions) and is an alternative to traditional forms of financing – bank loans, placement of shares and bonds, leasing and others.

There are four main types of crowdfunding combined into two groups:

1) credit-based (lending-based) and equity-based (equity-based) crowdfunding take into account the financial aspects of a projects and provide adequate concessional lending and equity participation in a potential borrower. This mainly involved the financing for information, high-tech products and services.

2) grant-based (donation-based) and reward-based (reward-based) crowdfunding aim to finance mainly social-oriented projects, provide appropriate subsidies (donations) and often some non-economic compensation, depending on personal predisposition of individuals to social activities and charity.

The most widespread type is a credit-based crowdfunding based on technology P2P (person-to-person). This technology is mainly used by crowdfunding platforms as well as by commercial banks. According to this technology private investors form a pool of lending for specific project. For investors such participation in a pool is a definite replacement of traditional deposit, often at more favorable terms, when interest on the loan is tied to the expected profitability of the project. For banks, this technology makes it possible to enhance the interest of private borrowers (investors) and to extend the financing of innovation, small and medium businesses.

In Ukraine, P2P technology has been successfully used by "Privatbank" since 2015 and plays an important role in changing strategies associated with corporate loans to finance SMEs, innovation and information startups.

Digitalization, including big data and artificial intelligence, could improve quality of banking decisions and reduce risks. For example, Ukraine banking system remains fragile mainly due to the high level of non-performing loans (NPL): 51% of all loans in 2018 [2, p.7].

Banking development and transformation in Ukraine relied more on the global economic and financial factors: better access to international financial markets, wider implementation of information and financial technologies.

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