

ELECTRONIC BANKING AS A PROSPECTIVE DIRECTIVE FOR THE FINANCIAL SERVICES MARKET DEVELOPMENT

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ABSTRACT

The article is dedicated to the research of electronic banking essence as a perspective direction of financial services market. The analysis of recent publications and studies are dedicated to the peculiarities of e-banking in different countries, as well as problematic aspects of introduction and promotion of e-banking in Ukraine and in the world has been carried out. The current state of legal regulation of the provision of services through electronic banking has been studied according to the legislation of Ukraine and foreign countries. It is established that widespread use of electronic banking by clients is restrained by the issues of security and confidentiality of transactions in electronic banking, by legal relations provision in the sphere of providing services by the bank through electronic banking, and citizens' confidence in electronic banking. The emphasis is on the priority steps towards the promotion of e-banking as a direct development of the financial services market.

Keywords: E-Banking, Online Banking, Financial Services, E-Commerce.

INTRODUCTION

The globalization of the banking industry highlights the importance of reorienting banks to the client and the digital environment in order to meet the requirements of community development (McKinsey Global Banking Annual Review, 2016). One of the results of such a reorientation is the introduction of electronic banking as a type of remote banking service, which is possible in case the customer has got an Internet connection. For today, it is the electronic banking that allows individuals and legal entities constantly monitor the status of their accounts regardless of their location, to consolidate all their accounts, optimize costs, and for the banks to save on advertising and customer service costs directly at the bank branch. However, in all countries, the implementation policy of e-banking is not the same.

Today, researchers are paying attention to the fact that the development of e-banking is restrained by the low level of customer trust in banks in general, the increase in the number of fraudsters carried out through the tools of electronic banking, the problem of maintaining the confidentiality of client-banking operations provided by the bank through electronic banking, and so on. At the same time, such factors that impede the widespread use of electronic banking

are inherent even to developed countries, where electronic banking has existed for a long time, and for the countries where it is an innovation.

On the one hand, the introduction of electronic banking is conditioned upon the need of adaptation of banking services in the state to the requirements of development information technologies that can simplify banking operations, but on the other hand, electronic banking is accompanied by a number of problem issues and the need to find the ways to minimize them.

LITERATURE REVIEW

An overview of research on e-banking is more relevant, to begin with the work of Mahsa Alikhani & Ali Zare, who identified three stages of e-banking, each of which has its own risk profile. The first level of e-banking, which is characterized by the lowest level of risk, is the information level, that is, providing the bank with information about its own services. The second level of e-banking allows the client to perform certain banking operations and requires control over access to e-banking and the reliability of operations performed. In its turn, the third level of electronic banking is the most risky, which allows you to fulfill money transfers to accounts of different banks abroad, to independently open a bank account, issue loans and deposits (Mahsa & Ali, 2018).

It is also necessary to highlight studies on the peculiarities of using e-banking in different countries. In particular, Dada found that most UK clients are more willingly to use online banking and doing most of their online banking operations in the Internet, while Nigeria's access to the Internet is a luxury, and therefore electronic banking is not widespread. In addition, customers of both countries stressed that the problem of security, privacy and fraud are the key barriers to full-scale online banking (Dada, 2017). Vejačka and Štofa also drew attention to the fact that the trust of bank customers to electronic banking is a key factor that affects the overall level of electronic banking users in the Slovak Republic (Vejačka & Štofa, 2017), and Bucko in turn, in his study examines the security issue of one of the forms of e-banking in the Slovak Republic-Smart Banking, which is mainly designed for small business and private use (Bucko, 2017).

A thorough analysis of the causes and risks that affect the level of e-banking development should be considered as the achievement of other scientists. Fedotova et al. making the results of the study emphasized, that the safety of electronic banking is constantly threatened by an increase in the level of cybercrime and crime on the Internet, which testifies about the inability of existing mechanism for protecting customer accounts to provide adequate protection against unauthorized access, which forces customers to turn down e-banking services (Fedotova et al., 2019). In turn, Reznik et al. have concluded that one of the factors constraining the development of the banking sector in Ukraine is the corruption of bank officials (Reznik et al., 2017), indicating that electronic banking tools can be used by them in their own interests or in the interests of third parties for a certain benefit

METHODOLOGY

The basis of studying the issue of electronic banking as a promising direction of the financial services market development is system-structured, comparative and method of critical analysis. The system-structural method allowed systematically analyzing the latest publications,

dedicated to the issue of electronic banking and to present the results of the study. The comparative method has made it possible to compare the state of e-banking development in the countries, to determine the peculiarities of the legal regulation of e-banking, while the method of critical analysis laid the basis for a critical review of previous publication provisions and research, and the creation of an author's vision of the first steps for the promotion of e-banking.

FINDINGS AND DISCUSSIONS

In Europe, the number of banking services on the Internet is more than 30% of their total volume. At the same time, the most active e-banking is developed in Finland, Norway, Sweden - it covers 95% of banks, and in total its 75% of all customers that use the service. At the same time, in Ukraine, about 60% of banks do not have their own Internet resources at all, which indicates significant differences in the development of e-banking in Ukraine and abroad. Another feature, as noted Golyuk and Drapaluk that in Ukraine, for attracting new customers banks are canceling the commission for the transactions implementation, which can be carried out with the help of electronic banking, which is also free of charge. Instead, in the Member States of Europe, users of the e-bank are offered lower interest rates on loans and high deposit rates due to the absence of payment for bank employee's work, the maintenance of a bank's premises, etc. (Golyuk & Drapaluk, 2018).

In Germany, banking activity, including the provision of services within e-banking for commercial purposes, is governed by the German Banking Act, while e-banking activities are controlled by entities such as the National Bank of Germany, the Federal Financial Supervision Authority, and the Federal security agency in information technology. According to the names of the abovementioned authorities, their role in ensuring the proper functioning of e-banking is evident, but it should be noted that the responsibility of the latter body is to identify the most appropriate technologies and security standards for online banks.

It should be emphasized that in Germany, the provision of electronic banking services is carried out only on the basis of an appropriate agreement between the bank and the client, where it's mentioned, that the bank's obligation is to create and maintain a secure internet platform for banking operations, and the client in his turn-is obliged correctly transmit the instructions regarding the provision of banking services to avoid fraud, and in case of detecting the unauthorized transactions with its bank account, immediately notify the bank. In this case, the Internet in the relationship between the bank and the client is an effective way of transferring instructions to the latest employees of the bank.

Instead, the profile Law on Banks and Banking, in Ukraine does not provide guidance on the possibility of providing bank services through Internet banking, its separate aspects are regulated only by subordinate acts, in addition, there is no single approach to contracts for the provision of services through the Internet, and therefore each bank determines its key terms at its own discretion-it provides for a monthly fee for the use of Internet banking, the mandatory installation of a computer program of the bank. It is obvious that this affects population's trust to the provision of electronic banking services, even despite its advantages over servicing directly in the bank's branch.

However, Ikhatib & Alaiad note that obstacles to the full implementation of Internet banking remains the problem of ensuring the safety of online banking services, the confidentiality of transactions or services provided by the bank, and the lack of legal regulation

of electronic banking (Ikhatib & Alaiad, 2016). Klochko et al. also point to the need to increase the level of banking security and ensure public confidence in the banking system by ensuring its stability (Klochko et al., 2016)

In particular, in Germany 79% of the population more often use online banking than mobile banking, which only used by 31% of the population. The reason is the distrust to non-bank financial institutions that provide a significant part of mobile banking services (Zhang et al., 2018). A similar situation occurs in Turkey, where in 1998, the first Internet bank was created, but the number of its users has not increased due to doubts about the security of banking operations (Yildirim, 2016).

One of the threats of growing electronic purchases number and electronic banking operations is "fishing", the essence of which is the search of the customer's credentials in the Internet for access to their financial information and the conduct of banking operations on their behalf. At the same time, in order to mislead users, a visually similar to the original design website is created (Rajab, 2019). In addition, the government cannot even determine the amount of damage caused by such a fraud.

Although Asfoor et al. note that the issue of e-banking security is complex and depends not only on the bank, but also on the competence of its users, their knowledge of computer technologies (Asfoor et al., 2019). It should be noted that banking institutions spend a lot of money and resources to ensure the security of their activities and the safety of their clients. Countries and international institutions also make efforts to resolve these issues, but the measures they take do not always guarantee the full protection of the bank and its client from offenders, as this problem is not only having technical, economic, informational, but also legislative nature (Gulyk et al., 2017).

Thus, at the level of the European Union, the Basel Committee on Banking Supervision, with regard to the existing risks of electronic banking, has defined a list of principles for managing them, including: proper supervision of electronic banking management, security controls, and management of legal risks and risks related to their reputation (Risk Management Principles for Electronic Banking, 2003). In particular, another document of the abovementioned Committee stipulates that in recent years, individual banks have begun to provide services on cross-border e-banking, but all of the abovementioned risks associated with it have significantly increased comparing to electronic banking exclusively within the state. In addition, taking into account the potential for increasing the number of operations within the framework of cross-border e-banking, it is emphasized that it is necessary to ensure proper management of risks in the field of e-banking initially at the state level, and then moving to cross-border level (Management and Supervision of Cross-Border Electronic Banking Activities, 2003).

RECOMMENDATIONS

In view of the above, it is obvious that, there is a task for countries, where e-banking is not popular because of the security problems of banking operations and the preservation of personal data, and this task is to minimize such risks for reaching a new level of banking services provision. Ukraine is no exception, as its integration into the European Union, expansion of the market, the possibility of concluding agreements with representatives of other states, testifies about the need to improve the tools of electronic banking. First of all, the concept of "*electronic-banking*" and the general principles of its implementation, the main provisions of the agreements

on the provision of services in electronic banking should be legally defined, which will create equal conditions for its development in all banks.

CONCLUSIONS

Business globalization and the spread of new technologies make traditional banking activity shift its focus of providing e-banking services that facilitates the clients' access to bank accounts and bank services. At the same time, electronic banking, despite its advantages, is not common in all countries. The factors that restrain the widespread use of e-banking are the corruption of banking institutions' officials, the security and confidentiality of transactions carried out through electronic banking, the distrust of the population to such banking. But the need to minimize these shortcomings, is caused by importance of electronic banking for the development of e-commerce, economic development of the state, and this need puts a task of proper legal regulation of e-banking to Ukraine and the world countries, where it is not widespread.

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