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## DIDGITALIZATION AND INTERNATIONAL ACCESS TO FINANCE

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**INTRODUCTION.** The rapid development of information technologies in recent years has resulted in the digitalization of the economy and society. This transformation has led to the emergence of the digital economy, which is characterized by the production of goods and services derived primarily from digital technologies. This shift towards digitalization has had a significant impact on various aspects of the economy, including access to finance, small business development, and innovation. In particular, the banking sector has undergone significant changes as traditional financial institutions embrace digital technologies to better serve their customers.

**HYPOTHESIS.** The hypothesis of this scientific research revolves around the impact of digitalization on the banking sector in Ukraine. Specifically, the study aims to explore how the adoption of digital technologies, such as P2P lending, has influenced the financing of small and medium enterprises (SMEs), innovation, and information startups. The research will also investigate the role of digitalization, big data, and artificial intelligence in improving decision-making processes and reducing risks in the banking sector.

**OBJEKTIV OF THE RESEARCH.** Purpose of this study is to examine the transformation of the banking sector in Ukraine in response to global economic and financial trends. By analyzing the adoption of digital technologies, such as P2P lending, the research aims to provide insights into how these innovations have contributed to the financing of SMEs, innovation, and information startups. Additionally, the study seeks to identify the challenges and opportunities associated with

digitalization in the banking sector and offer recommendations for future development.

**METHODOLOGY OF SCIENTIFIC RESEARCH.** The methodology of this scientific research will involve a comprehensive literature review to explore the existing literature on digitalization, P2P lending, and the banking sector in Ukraine. The study will also utilize quantitative data analysis to examine the impact of digital technologies on financing SMEs and startups. Additionally, interviews with key stakeholders in the banking sector will be conducted to gain insights into their experiences with digitalization and P2P lending.

**CONCLUSIONS AND PROSPECTS FOR FURTHER RESEARCH.** In conclusion, the digitalization of the economy and society has led to significant changes in the banking sector in Ukraine. The adoption of technologies like P2P lending has enabled greater access to finance for SMEs, startups, and innovative projects. Moving forward, it is essential for banks to continue embracing digitalization, big data, and artificial intelligence to improve decision-making processes and reduce risks. Future research could focus on exploring the long-term impact of digital technologies on the banking sector in Ukraine and identifying strategies for sustainable growth and development. Additionally, studying the role of digitalization in promoting financial inclusion and social cohesion could provide valuable insights for policymakers and financial institutions.

**KEYWORDS:** digitalization; innovation; transformation; banking; financial services; information technologies; Internet banking; financial institutions.

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7	0	0

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## ДИДЖІТАЛІЗАЦІЯ ТА МІЖНАРОДНИЙ ДОСТУП ДО ФІНАНСІВ

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**ВСТУП.** Швидкий розвиток інформаційних технологій у останні роки призвів до цифровізації економіки і суспільства. Ця трансформація призвела до появи цифрової економіки, яка характеризується виробництвом товарів і послуг, отриманих переважно з цифрових технологій. Цей зсув у напрямку цифровізації мав значний вплив на різні аспекти економіки, включаючи доступ до фінансів, розвиток малих підприємств та інновацій. Зокрема, банківський сектор пройшов значні зміни, оскільки традиційні фінансові установи впроваджують цифрові технології для кращого обслуговування своїх клієнтів.

**ГІПОТЕЗА.** Гіпотеза цього наукового дослідження обертається навколо впливу цифровізації на банківський сектор в Україні. Конкретно, дослідження має на меті дослідити, як впровадження цифрових технологій, таких як Р2Р позики, впливало на фінансування малих і середніх підприємств (МСП), інновації та інформаційні стартапи. Дослідження також дослідить роль цифровізації, великих даних та штучного інтелекту у покращенні процесів ухвалення рішень та зниженні ризиків у банківському секторі.

**МЕТА ДОСЛІДЖЕННЯ.** Метою цього дослідження є вивчення трансформації банківського сектора в Україні у відповідь на глобальні економічні та фінансові тенденції. Аналізуючи впровадження цифрових технологій, таких як Р2Р позики, дослідження спрямовано на те, щоб надати уявлення про те, як ці інновації сприяють фінансуванню МСП, інноваціям та інформаційним стартапам. Крім того, дослідження спрямоване на виявлення викликів та можливостей, пов'язаних з цифровізацією в банківському секторі, і надання рекомендацій для майбутнього розвитку.

## МЕТОДОЛОГІЯ НАУКОВОГО ДОСЛІДЖЕННЯ.

Методологія цього наукового дослідження буде включати комплексний огляд літератури для вивчення наявної літератури з цифровізації, Р2Р позик і банківського сектора в Україні. Дослідження також буде використовувати кількісний аналіз даних для вивчення впливу цифрових технологій на фінансування МСП та стартапів. Крім цього, будуть проведені інтерв'ю з ключовими зацікавленими особами в банківському секторі для отримання уявлень про їх досвід з цифровізацією та Р2Р позиками.

## ВИСНОВКИ ТА ПЕРСПЕКТИВИ ПОДАЛЬШИХ ДОСЛІДЖЕНЬ.

У висновку можна сказати, що цифровізація економіки та суспільства призвела до значних змін у банківському секторі в Україні. Впровадження таких технологій, як Р2Р позики, дало можливість отримати більший доступ до фінансів для МСП, стартапів та інноваційних проєктів. На майбутнє важливо, щоб банки продовжували впроваджувати цифровізацію, великі дані та штучний інтелект для покращення процесів ухвалення рішень та зменшення ризиків. Майбутні дослідження можуть бути спрямовані на дослідження довгострокового впливу цифрових технологій на банківський сектор в Україні та визначення стратегій для сталого зростання та розвитку. Крім того, вивчення ролі цифровізації у сприянні фінансовій інклюзії та соціальній єдності може надати цінні відомості для політиків та фінансових установ.

**КЛЮЧОВІ СЛОВА:** цифровізація; інновації; трансформація; банківський сектор; фінансові послуги; інформаційні технології; Інтернет-банкінг; фінансові установи.

**Presentation of the main material.** Information technologies development is being recently transforming into digitalization of the economy and society.

The interaction between innovation, small business development, and start-up growth is playing an increasingly crucial role in our society. These processes are not only driving economic growth, but also impacting social aspects such as employment, intellectualization, and the dissemination of new ideas and technologies. The rapid advancement of information and digital technologies has further fueled this trend, providing a significant boost to the overall process.

While traditional financial institutions like commercial banks have typically focused on serving corporate clients and engaging in financial markets, there has been a noticeable shift in recent years. These institutions are now diversifying their product offerings and embracing new technologies to better manage risks and personalize their services for clients.

Access to finance is becoming increasingly vital in our modern economy, as it plays a key role in supporting small businesses, entrepreneurs, households, and individuals across all socio-economic backgrounds. This concept, often referred to as 'Financial Inclusion', emphasizes the importance of ensuring that banking and financial services are accessible and available to all members of society. By doing so, we can better integrate diverse economic and social activities, ensuring that everyone is able to participate in and benefit from economic and financial development on both local and global scales.

The World Bank has identified access to finance as a key priority in efforts to combat poverty, recognizing its potential to unlock creative potential, reduce poverty, and foster social cohesion. By addressing the issue of financial inclusion, we are not only addressing economic disparities but also promoting social equality and empowerment.

Overall, the role of innovation, small business development, and start-up growth in conjunction with improved access to finance is shaping the landscape of our economy and society. As we continue to harness the power of new technologies and financial mechanisms, we have the opportunity to create a more inclusive and prosperous future for all individuals and communities. Ultimately, it is through these interconnected processes that we can drive sustainable economic growth, foster innovation, and promote social well-being on a global scale.

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

- broader access to banking and financial services for economic and social inclusion;
- more social orientation of banking, better transparency, providing special services for selected social groups (women, young, senior citizen etc.);

- disintermediation as direct financial services providing 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 driving the spread of digitalization, Internet banking, and mobile banking are multifaceted and dynamic. Technological innovations have played a key role in improving the information and digital possibilities of direct access to banking services. The distribution of free or cheap Internet access in developed countries has facilitated the shift of users from mobile phones to smartphones with more advanced features. This has resulted in significant cost savings and reduced capital expenditures for banks, leading to a decrease in the number of physical bank branches. At the same time, consumers have benefited from the convenience of anytime access, expanded services, ease of use, and enhanced security provided by digital banking platforms.

Social and cultural factors also play a significant role in the adoption of digital banking services. Individual preferences, customs, and attitudes towards technology influence the uptake of internet and mobile banking. Regional differences in Europe further highlight the influence of social and cultural factors on banking behavior. For example, the high level of internet banking usage in the Nordic countries can be attributed to issues of physical access to banks in remote areas, as well as high levels of general and financial literacy among the population. The easy availability of internet access in these countries has also contributed to the popularity of online banking services.

On the other hand, countries like Italy, Cyprus, and Greece have relatively high levels of internet penetration but lower adoption rates of internet banking services. This discrepancy suggests that factors beyond technological infrastructure, such as cultural norms and preferences, play a significant role in shaping consumer behavior. In countries with lower internet penetration rates, such as Ukraine, the use of digital financial services is further hindered, underscoring the importance of addressing infrastructural challenges to promote financial inclusion. Overall, the spread of digitalization, internet banking, and mobile banking is driven by a combination of technological advancements, cost savings, consumer benefits, and social and cultural factors. As the digital economy continues to evolve, it is essential for policymakers, financial institutions, and other stakeholders to address barriers to adoption and promote the benefits of digital financial services. By harnessing the power of technology and understanding the diverse needs and preferences of consumers, countries can accelerate the transition towards a more inclusive and efficient digital banking ecosystem.

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 formed a pool of private investors, from which platform provides funding for a particular user.

Crowdfunding is solidarity (pool of individuals and institutions) and 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) – are taking into account the financial aspects of 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) – to finance mainly social-oriented projects, provide appropriate subsidies (donations) and some often non-economic compensation, depending on personal predisposition of individuals to social activities and charity.

The most widespread has become 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) have been accounted at 51% of all loans value in 2018 (National Bank of Ukraine, 2018, p. 7).

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

**Conclusion.** The emergence of the digital economy has led to a greater focus on innovation, small business development, and financial inclusion. The shift towards sustainability in banking is driven by the need for broader access to financial services and the adoption of digital technologies. In Ukraine, the

implementation of technologies like P2P lending has played a crucial role in financing SMEs, innovation, and information startups. As the banking sector continues to evolve, it is important for institutions to embrace digitalization, big data, and artificial intelligence to improve decision-making processes and reduce risks. By leveraging these technologies and embracing global economic and financial trends, the banking sector in Ukraine can achieve greater stability and growth in the future.

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