Features of the Impact of Social and Digital Changes on the System of Government Regulation of Banking Activity

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Abstract
The main purpose of the article is to study the features of the impact of social and digital changes on the system of government regulation of banking acitivity. The digital economy sets the vector along which socio-economic systems of micro-, meso-, macro-levels will develop in the long term, which necessitates research and a comprehensive analysis of digital transformation processes. Once a priority for individual innovative companies, today digital transformation has become a mass phenomenon, and the corresponding projects are vital for the success of not only individual companies, but also regions and countries. At the same time, this transformation itself is closely connected with the trend of servicing socio-economic systems and is largely implemented on its basis. Moreover, this relationship and the mechanism for its implementation remain insufficiently studied, which necessitates the development of tools for its identification, assessment and management. As a result of the analysis, the key aspects of the impact of social and digital changes on the system of state regulation of banking activities were identified.
Keywords:
Banking business, Social transformation, Economy, State regulation, Digital economy.

1. Introduction

The digital economy is an integral part of the economy, dominated by the knowledge of subjects and intangible production - the main indicator that characterizes the information society. The concepts of "digital economy", "knowledge economy", "information society" and their analogues, presented in modern scientific literature, form a new socio-economic system that replaces the old industrial paradigm. In this regard, the developed countries of the world pay close attention to the harmonious development of the backbone elements of the digital economy, the information society and the knowledge economy.

In modern market conditions, the need for systemic transformations and actions aimed at developing the digital economy in domestic socio-economic systems at all levels is obvious. The idea of digital transformation covers the whole world, it is now one of the most popular topics of discussion, but in reality this is far from a new concept, the discussion about it has been going on for several decades. We agree with the point of view that the digitalization of the economy is a modern form of manifestation of a more fundamental regularity of its informatization.

Despite the relatively good elaboration of the category under consideration, a stable understanding of the essence and content of the term "social transformation" has not yet been formed in the scientific field and the business community. At the same time, it is important to note that the content of the term "digital transformation" has evolved along with the change and development of technologies.
For a long time, digital transformation has meant the digitization or digitization of traditional forms of data. This is also one of the areas of digital transformation, its interpretation in the "narrow understanding". However, in the modern world, this concept is much broader than the conversion of data into digital format. As businesses and organizations realized all the possibilities of using digitized data, they began to develop processes for this purpose. From that moment on, digital technologies began to develop rapidly, and the ability to quickly implement them directly determines the competitiveness of an organization in the market.

Most executives agree that digital transformation is necessary to fight competition, keep pace with technology and changing consumer expectations. However, many are not sure where to start and what

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exactly digital transformation entails. In other words, a theoretical study of its “broad interpretation” is required.
Digitalization, in turn, is a process aimed at digitizing all information (and even material) resources (creating digital copies) and forming network platforms for interaction in order to obtain a predictable and guaranteed result for any control action using automation tools. In the new economic conditions, all subjects of the socio-economic system, striving for sustainable functioning, are forced to go through the process of digital transformation.

Digital transformation is the introduction of modern digital technologies into the business processes of socio-economic systems at all levels. This approach implies not only the installation of modern equipment or software, but also fundamental changes in management approaches, corporate culture, and external communications. As a result, the productivity of each employee and the level of customer satisfaction increase, and the company acquires a reputation as a progressive and modern organization. In practice, this means creating a system of end-to-end business processes, which can be called a digital business ecosystem.

2. Methodology

The theoretical and methodological basis of the dissertation research were the scientific works of researchers and specialists in the field of economic theory, management theory, service economy theory, the theory of institutional transformations, the theory of digital economy, innovation management, the theory of management of the development of socio-economic systems, as well as scientific practical developments in the field of innovative development of socio-economic systems based on digital technologies and the service of business processes, the transformation of banking companies into service integrators. The methodological basis of the research is formed by the general scientific principles of a systematic approach; methods of analysis - logical, factorial, comparative, strategic, managerial, etc.; methods of economic-mathematical and organizational-structural modeling, quantitative and qualitative research of the main trends and directions of formation and development of the service sector, network and digital infrastructures, industry (in the service sector) management, etc.

3. Research Results and Discussions

The banking system in the digital economy is the most dynamically developing sector of the economy, subject to reorganization and transformation under the influence of both global trends in financial markets and internal processes taking place in it. The banking system is one of the most important links presented in a market economy. This is due to the fact that the bank as a cell of the economy has a huge impact on the life of society from various angles. The stability of the banking system for the state is always relevant - after all, this issue is included in the concept of economic security of the state. To maintain the stability and efficiency of the banking sector, state regulation is necessary, since its absence can lead to the following negative consequences [1-3]:
- a decrease in the level of economic growth of an individual organization;
– loss of stability and soundness of the banking system as a whole;
– loss of depositors' confidence in the banking system;
- laundering of proceeds from crime;
- financial crisis.

Banks that perform intermediary functions of accumulation and distribution of funds are on the verge of bankruptcy in the event of a mass withdrawal of deposits by the population, as a result of which confidence in the country's banking system is undermined. As a result, there is a problem of mobilization of funds for investment in the economy, the main source of which throughout the world are the savings of the population; jeopardizes both the current state of the economy and sustainable economic growth.

The modern global banking sector, under the influence of digitalization, is undergoing radical changes caused by a significant number of factors. Customers are using more and more channels for obtaining banking services, using new platforms for interacting with banks, therefore, as a result of the digitalization of banking processes, customer experience is improving.

The introduction of digital technologies and the analysis of huge data arrays makes it possible to create fundamentally new banking products. Digital and technology companies (fintech companies, telecommunications players, IT companies) are entering the financial services market, and large traditional banks are creating ecosystems, focusing on the most profitable components within the banking value chain and beyond [4-5].

The cumulative influence of the factors driving change in the banking sector (technology, customer behavior and regulation) is enhanced by the fact that they often interact with each other. For example, technological change is creating new customer service opportunities that encourage further investment in digital technology.

Similarly, changes in regulation lead to innovations in customer service as well as structural innovations that change the nature of regulated banks. At the same time, changing attitudes and expectations are changing the very reality and perception of the role and importance of the banking sector by society.

It should be noted that the banking sector of Ukraine is gradually mastering digital technologies, which leads to the fact that service models are changing significantly (machine learning, cloud computing, artificial intelligence, P2P lending) [6-7].

The key elements of the impact of digital transformation on the system of state regulation of banking activities are presented in Figure 1.

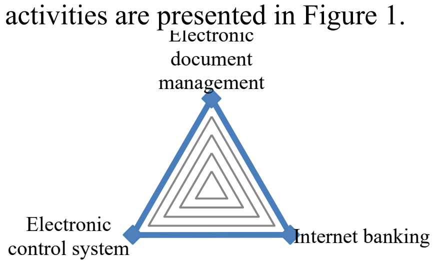

Fig. 1. The key elements of the impact of digital transformation on the system of state regulation of banking activities

The activities of the banking sector cover almost all areas of the economy, and the crisis in this area can lead to devastating consequences not only for the economic, but also for the social and political systems. Therefore, any state is interested in regulating the activities of its own and foreign banks operating on the national market, in ensuring their safety and security. Today, as a result of worldwide globalization and the concentration of banking capital, the implementation of regulatory and supervisory functions by the state has become a difficult task. The fact is that new large banking conglomerates are constantly emerging, which have an extensive system of various divisions, often including divisions of a non-financial nature. At the same time, the list of banking services provided is increasing, and at the same time, the number of risky operations is also increasing. Therefore, state control bodies should develop together with the entire banking and financial sector. Another important feature of the system of state regulation of this sphere in modern conditions is that state regulation and supervision bodies have sufficient powers for effective intervention.

Government regulation consists in the impact of the state on the activities of economic entities and market conditions in order to ensure normal conditions for the functioning of the market mechanism. State influence on the economy is carried out through the financial and legal mechanism and in two main areas: - through the public sector; - by influencing the functioning of the private sector of the economy with the help of economic instruments [8-10].

Among the main forms of government in the field of banking can be distinguished such as the publication of regulatory legal acts and individual acts, state registration, licensing, state control and supervision.

It has long been proven that the economy does not have its own tools capable of supporting the stable and effective functioning of market mechanisms. Objective economic laws, such as the law of supply and demand, the laws of value, and others, cannot equally fully reflect the interests of the entire society. Therefore, the state is forced to actively intervene in the entrepreneurial activities of subjects of economic relations. The public importance, instability and close connection of the subjects involved in it determine the need for state intervention in banking activities. Management of the banking sector needs a clear understanding of the significance, role and place of banks in the economic development of the country. To provide society with a quality banking service, to eliminate various contradictions between its supplier and consumer, a multi-element banking system is needed, the basis of which is made up of both financial giants and various credit organizations necessary for the national, regional, sectoral

economy. Government regulation of banking activity has different directions and is carried out both in the order of general and special competence. It can be distinguished as independent areas: currency regulation and currency control, monetary regulation, organization and regulation of cashless payments, tax regulation, regulation of labor relations [11-15].
Government regulation of banking activity is a system of specific acts of a regulatory nature, the purpose of which is to limit banking activity and banking operations. Government regulation of banking activity is also a rule-making and individual power activity of the subjects of regulation, aimed at streamlining the creation and activities of credit institutions, the banking system as a whole, the formation and maintenance of a stable legal order in the field of banking, protection of the rights and legitimate interests of its participants and whether private.
The key elements of the impact of social transformation on the system of state regulation of banking activities are presented in Table 1.

Table 1: The key elements of the impact of social transformation on the system of state regulation of banking activities

№	*The key elements of the impact of social transformation*
1	Remote work with clients
2	Formation of individual service for each client
3	Integration of social benefits and assistance banking services
4	Orientation to all age categories of persons

The financial crisis led to many shocks in the global economy and forced the world community to radically revise the entire system of banking regulation and supervision. Huge financial losses and bankruptcies of large financial intermediaries with large resources and risk management practices have intensified discussions about new approaches to banking regulations and standards. At the beginning of the global financial crisis, there were voices of those who believed that the root cause of the shocks was the lack of rigidity of state regulation of the activities of financial intermediaries, namely, the lack of control over hedge funds and the inadequacy of risk assessments. A little later, opinions were expressed that the lack of control of hedge funds and the inadequacy of risk assessments are a consequence of excessive state regulation. Excessive regulation and interference in economic activity encourages financial intermediaries to look for "workarounds" and weakens market discipline. Thus, two opposing points of view, which were traditionally present at all stages of the development of supervisory practice, collided. One of them is that state regulation of investment activities in the banking sector is extremely constructive, it is the so-called "helping hand", which forces to reduce risks through the creation of a deposit insurance system, fixing requirements for capital adequacy and liquidity. In this regard, state regulation remains the only lever that contributes to the normal development of the banking system. On the other hand, state errors are no less dangerous for society than sharp fluctuations in market conditions. Since the mid 90s. 20th century the concept of the inefficiency of state regulation and supervision was formulated, which states that strict regulation does not contribute to improving the quality of banking activities [16-20]. Discussions about the extent of government participation in banking regulation have led to the fact that risk assessment of banking activity is called upon to play a predominant role in supervisory procedures. It is not only regulators who must force banks to pursue prudent investment policies, financial soundness and strategic positioning. This should be facilitated by a clear market discipline, the educational function of which is to create conditions for an adequate assessment of the risks assumed by banks [21].
The main lesson to be learned from the global financial crisis is that the responsibility for risk management, for organizing internal control and corporate governance lies primarily with credit institutions. The main task of the supervisory authorities is to assist banks in an adequate assessment of the risks assumed. The consequences of the global financial crisis have led to the need to establish as soon as possible a global security system based on compliance by most countries of the world with common international standards of banking regulation and supervision.

4. Conclusions

The activities of banks in most countries of the world are regulated and controlled by government authorities much more carefully than the activities of other financial intermediaries or enterprises. One of the reasons for the increased attention on the part of the state to the activities of banks is the desire to ensure stable and uninterrupted operation of both individual banks and the banking system as a whole in order to guarantee the provision of quality services by banks to depositors and borrowers, protect their interests, create a competitive environment and ensure transparency of the banking system. sector, improving the efficiency of the financial system as a whole.

The need for government regulation of banking activities is associated with many reasons, the importance of which is especially aggravated during the period of the deployment of crisis phenomena in the state economy.

An analysis of the processes of social transformation of relations between banks and other financial market entities allows us to conclude that banks still have competitive advantages (brands and business reputation), and alternative digital service providers are only forming them. However, many players in the technology sector already have brands that can be the basis for building trust and challenging banks' leadership in providing banking services. In this situation, in order not to lose their relevance, today's banks need to: continue to adapt to changes in regulation, invest in digital transformation of customer service methods and operational innovations, change organizational culture and behavior patterns, and demonstrate to the public that banks deserve their trust. To effectively solve the problems of digitalization in Ukraine, it is necessary to carry out the following activities: - develop a comprehensive national strategy in the field of developing digital skills and competencies in Ukraine; develop a list of digital skills and competencies for target audiences of certain industries, including for small and medium-sized businesses in Ukraine based on the Digital Competence 2.0 framework; develop a comprehensive methodology for conducting research in the field of developing digital skills and competencies in Ukraine; ensure the introduction of an improved (based on Eurostat) national system of indicators for the development of digital skills and competencies in the national statistical system conditions.

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