

**REMOTE BANKING SERVICE: ESSENCE AND CURRENT STATE OF IMPLEMENTATION IN THE BANKING MARKET OF UKRAINE****Kharabara V.,**

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**Abstract**

The article examines the issue of providing various services to customers remotely by banks. Today, in the modern world, banking is one of the most favorable areas for the introduction and development of information technology. Therefore, the theoretical aspects of remote banking and Ukraine's place among European countries in the ranking of Internet banking usage were studied. The constant increase in competition in this sector pushes for the inevitable improvement of banking services, i.e. the search for the latest and highest quality communication with customers. That is why the most popular services among Internet banking users were reviewed and highlighted. The state of remote banking in Ukraine is analyzed, namely, the share of transactions using electronic means of payment issued by Ukrainian banks, the distribution of non-cash transactions using payment cards by their number and amount. The advantages and reasons for slowing down the development of remote banking services were also presented.

**Keywords:** remote banking service, internet banking, mobile banking, banking services, cashless payments.

**1. Introduction.** The development of computer technology has also led to the widespread use of remote banking services by banks. Such remote services may be provided through client-bank, client-internet banking, telephone banking, etc. systems. Today, the banking sector is in the process of transitioning to a new stage of development, with remote banking as a key element. An increasing number of banking service users are switching to remote channels of access to banking products and services. The introduction of the remote banking system has a significant impact on the banking process. The population is increasingly attracted by the opportunities provided by this type of service. With their help, bank customers can receive high-quality banking services anywhere and anytime, and banks can optimize costs and generate additional income.

Ensuring a high level of remote banking operations is impossible without effective innovation by banking institutions, as it is the numerous innovations that are the end result of this activity that improve the remote banking system. Implementation of mobile applications for Internet banking, expansion of their functionality, installation of infrastructure for self-service banking - all this is ensured by banking innovations.

Banks that are actively working in the field of innovation and effectively implement their innovation policy are able to maintain a high level of competitiveness in the market, and remote banking banking is now a key area of this policy. That is why the study of the issue of innovative development of remote banking in today's realities is extremely relevant.

**2. Objective.** The purpose is the substantiation and improvement of scientific and practical approaches to the study of innovative development of remote banking services in the current conditions of development of the banking market of Ukraine.

**3. Analysis of recent.** The following leading scholars have made a significant contribution to the development of theoretical foundations and methodological approaches to the essence of remote banking services, their features and purpose, as well as the mechanism of operation: V. Bauer, B. King, K. Skinner, D. Spat. D., O. Dziublyuk, I. Gaidai, R. Gaidai, T. Shalyga, A. Strakharchuk, O. Kulinich, O. Avramenko, etc.

**4. Research methods.** The methodological basis of the study was based on the following scientific methods: analysis and synthesis, mathematical and statistical analysis, abstract and logical (theoretical generalizations and formulation of conclusions).

**5. Research results.** Home banking, or remote banking, a remote banking technology that allows customers to receive banking services without visiting a bank office, has been around for more than thirty years. As the name implies, "remote banking" is a form of providing banking services not in a bank office with direct contact between the client and a bank employee, but in the client's office, at home and wherever it is allowed by the system and convenient for the client. The "home banking" technology was developed in the early 80s of the twentieth century, when banks in Western

Europe began to actively compete to attract new customers. The date of birth of "home banking" is considered to be 1983, when Nottingham Building Society, together with the Bank of Scotland and British Telekom, introduced the Homelink system [8]. Today, the home banking system is a convenient, efficient, mobile and technologically reliable form of remote banking service that provides the client with almost the entire range of banking services at home. Such systems are successfully operating in both foreign and Ukrainian banks. To maintain their positions, banks must not only adopt traditional business methods but also actively implement technological innovations. One of the most

promising areas of development in the banking sector is the remote banking system, which allows banks to create new types of products and services.

Remote banking is the process by which banks use electronic communications and information technology to provide financial services without the need for customers to visit a banking institution in person. Its essence is to provide customers with the opportunity to receive a wide range of banking services, such as money transfer, bill payment, opening deposits, repaying loans, replenishing mobile phones, etc.

Table 1

#### Approaches to the definition of "remote banking"

| <i>Author</i>                                                                  | <i>Interpretation of the concept</i>                                                                                                                                                                                                                                                                                                                                  |
|--------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| O. Dziublyuk                                                                   | Remote banking is a certain technology that eliminates the need for the client's physical presence when performing certain banking operations and provides for the client to give remote orders for transactions with his or her funds through various channels of access to the bank's server using certain technical means (portable devices, telephone, Internet). |
| I. Gaidai, R. Gaidai                                                           | Remote banking is a system that allows customers to quickly obtain the necessary information via the Internet and perform a number of banking transactions without visiting a bank branch.                                                                                                                                                                            |
| T. Shalyga                                                                     | Remote banking is a remote communication channel implemented through the introduction of remote service delivery technologies, in which the sale and maintenance of a banking product or service is carried out remotely from the object of its creation                                                                                                              |
| A. Strakharchuk                                                                | Remote banking is a system that provides access to personal accounts and general information about banking products and services to the bank's customers services using a personal computer or other device with a processor via the Internet                                                                                                                         |
| O. Kulinich,<br>O. Avramenko                                                   | Remote banking is the bank's activity to provide customers with a range of services, including the ability to perform standard banking transactions via the Internet                                                                                                                                                                                                  |
| Instructions on non-cash payments payments in Ukraine in the national currency | Remote banking - a set of information services on the client's account and execution of transactions on the account on the basis of remote orders of the client                                                                                                                                                                                                       |

Source: systematized by the author based on [6].

The bank's remote banking system is a multifunctional software package that allows bank customers to manage their accounts online, perform various transactions and access a wide range of financial information without visiting the bank directly. Remote services are provided through a variety of communication channels, such as websites, mobile applications, SMS messages, e-mail, and others. Banks are actively developing their online platforms and remote service systems to meet customer needs and increase their competitiveness in the market.

During the COVID-19 pandemic and quarantine restrictions, remote banking has become especially important for ensuring the safety of customers and employees of banking institutions. It reduces the number of personal contacts and improves the quality of customer service [10].

At that time, Internet banking became a convenient form of providing banking services to customers through electronic means of communication without the need to visit a banking institution physically, as a remote communication channel or a type of banking activity.

However, in general, e-banking is an innovative system that allows customers to manage their accounts and track transactions using remote access channels, such as a smartphone, personal computer, or self-service terminals.

Modern remote service systems open up entirely new mobility options for users, allowing them to choose the most convenient and efficient ways to manage their finances.

At the current stage of development of the banking industry, the latest technologies have become interconnected. This raises the question of the relationship between innovative development and the e-banking system.

The operations of banking institutions and the lives of the population have been affected by the COVID-19 pandemic and quarantine restrictions, which has led to changes in the payment habits of citizens. There is an active transition of Ukrainians to cashless payments and a growing demand for e-commerce services. This transformation of payment habits is a result of rapidly changing financial market conditions and the use of modern information technologies in the

banking sector. It promotes the development of new safe and convenient payment methods that provide maximum comfort and security for users.

In recent years, there has been a steady development of remote customer service in the banking system of Ukraine, which is especially important in times of war when citizens do not always have the opportunity to move freely. Therefore, the issue of creating an opportunity to receive banking services remotely is extremely important.

The data reflects a steady upward trend in the use of remote banking services by both businesses and individuals in Ukraine from 2018 to 2022. As a result, there is an increasing reliance on digital banking solutions, driven by technological advances, higher internet penetration, and changing consumer preferences. The

more pronounced growth among individuals compared to businesses indicates a wider acceptance and use of remote banking services in the personal finance sector.

This can be explained by a number of factors, including the convenience of managing personal finances online, the widespread use of consumer-focused digital banking platforms, and the general shift to digital transactions in the economy as a whole (Figure 1).

In addition, the steady growth of the corporate segment, albeit at a slower pace, indicates a gradual adoption of digital banking solutions in the business sector. The process is hampered by the complexity of business banking needs and the traditionally more conservative approach to the introduction of new technologies in the corporate banking sector.

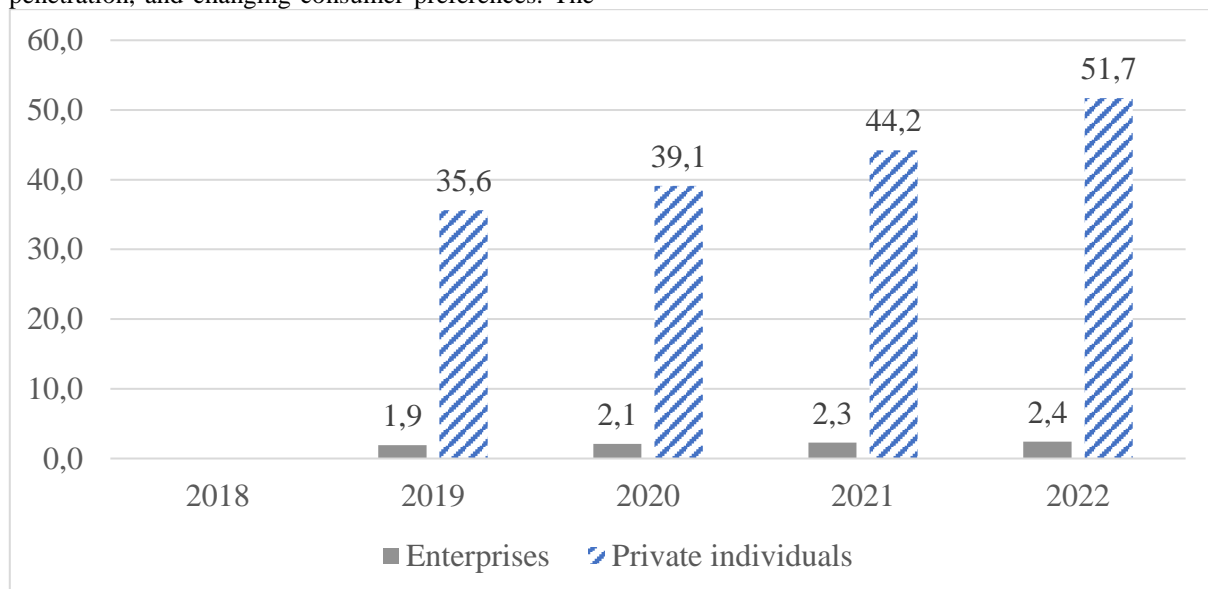


Figure 1. Dynamics of remotely serviced clients of Ukrainian banks in 2018-2022, million clients

Source: compiled by the author [10].

A marked increase in card-to-card transfers, including via the Internet, indicates a shift to mobile banking practices and the active use of self-service opportunities. The comfort and trust in digital banking platforms among users is growing, and security protocols are being improved.

The fluctuations observed in the purchase of goods and services online reflect the dynamic e-commerce environment, which is influenced by external factors such as consumer behavior, economic conditions, the global pandemic, and war, which have largely accelerated online transactions. The decline in 2022 indicates market saturation and a decline in the purchasing power of citizens.

Transactions through payment terminals and self-service devices, while showing growth, are relatively smaller than online transactions. This can be explained by the growing preference for more direct and immediate forms of digital transactions, such as mobile payments.

In general, these trends reflect a broader movement towards digitalization in the Ukrainian banking sector, supported by technological advances and changes in consumer behavior, which is leading to an increase in the role of remote use of bank services.

Accordingly, the number of remote transactions involving payment cards by individuals is also increasing.

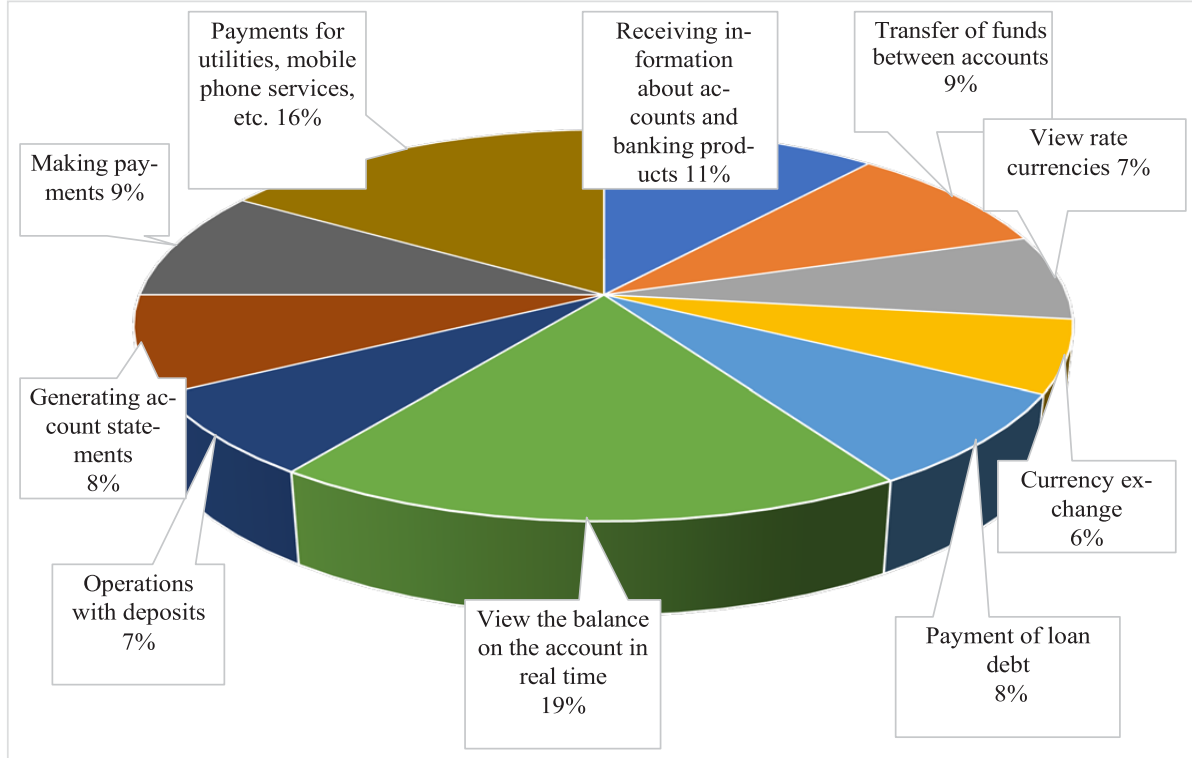


Fig. 1. The most popular Internet banking services in Ukraine

Source: [2]

Card-to-card transfers, including online transactions, are showing a changing trend with a significant peak in 2021. The most dramatic changes are observed in the purchase of goods and services online. The sharp growth in 2020 and 2021 is in line with global trends, when the COVID-19 pandemic became a catalyst for a surge in online transactions. This was followed by a decline in 2022 due to the impact of the war.

Transactions through payment terminals show a general upward trend, peaking in 2021, but followed by a decline in 2022. The relatively stable and low rates of transactions through self-service devices indicate their limited but constant use.

As for the general infrastructure for performing some online banking operations, there is a development in 2018-2021 and a sharp drop in 2022 due to the direct seizure of part of the banking infrastructure, including that related to remote banking operations, by Russian soldiers.

The number of retail payment terminals initially shows an upward trend from 2018 to 2021, and then decreases in 2022. Thus, businesses are using these devices more and more actively. Some remote transactions are performed using bank cards. There is a significant increase in their number throughout the period.

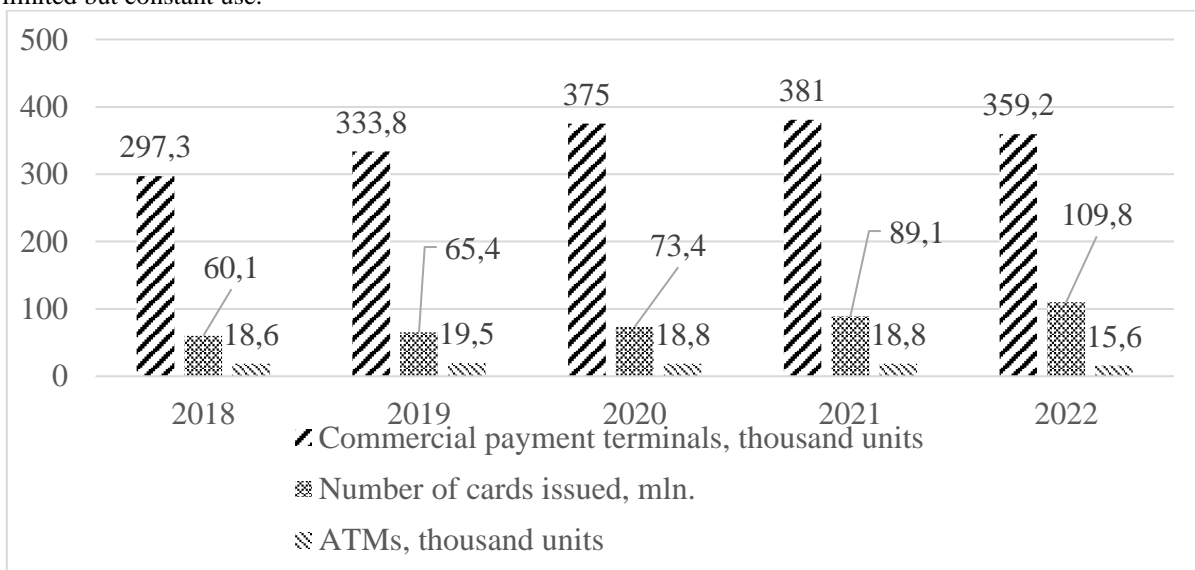


Fig. 2. Dynamics of payment infrastructure development in 2018-2022.

Source: compiled by the author [9].

It should be noted that the Ukrainian banking system is experiencing a significant increase in the introduction of remote banking services, as evidenced by the growing number of online banking users. This trend is accompanied by an increase in the volume of non-cash transactions and a significant expansion of payment card issuance, which indicates a shift to digital banking solutions. At the same time, there has been a marked decline in the number of traditional banking infrastructure, such as ATMs, which underscores the shift to more digital and less cash-dependent solutions.

#### 6. Prospects for further research development.

Despite the fact that the development of electronic banking services and the feasibility of its implementation attract considerable research attention. In the next study, more attention will be paid not only to the efficiency and feasibility of implementing certain forms of remote banking services (Internet banking, mobile banking), but will also consider the impact of electronic banking systems on the activities of banking institutions in terms of increasing the risk of banking activities.

**7. Results of the study.** Having analyzed the e-banking system, we can conclude that this system is quite convenient for customers when working with the bank (for companies with a large number of branches and outlets in different regions, the system allows them to control the movement of funds throughout the network) and serves as an excellent platform for making operational decisions. The system is also vital for businesses that make a large number of payments during the business day. Although e-banking systems have certain drawbacks, they are still extremely convenient services for customers who are actively engaged in business and do not require additional services from the bank. The development and further implementation of remote banking systems, in particular client-bank, client-internet banking, and telephone banking systems, will allow banks to process client payments more efficiently, reduce the cost of these services by reducing labor intensity, and increase their reliability, as filling out a payment order in electronic form significantly reduces the number of errors.

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