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DIGITAL TRANSFORMATION IN FINANCIAL FIELD

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Abstract

In this study, digital transformation applications in the business world and in finance field are discussed in detail. The current and potential effects of digitalization on a wide spectrum from operational finance to portfolio management are examined. Advantages and disadvantages of digital transformation have been examined in detail and a general evaluation has been made about the ongoing process. One of the most important milestones of digitalization in the financial world is cryptocurrency. It is totally based on blockchain technology that eliminates public authority intervention and intermediaries by establishing peer to peer (P2P) transactions via the decentralized platform. In particular, the possible effects of increasing digitalization efforts on the financial environment after Covid-19 are interpreted.

Keywords: *Financial Services Industries, Digital Transformation, Fintech, Techfin, Blockchain, Cryptocurrency, ICO*

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1. Introduction

First of all, digital transformation is about developing new or "updating current" business practices, culture and consumer service to satisfy changing industry and market demands through modern technologies. Common positions like distribution, publicity and customer support are transcended. Rather, digital transformation starts and ends by talking about consumers and influencing them. We have an opportunity to learn about how we do business – how we reach our clients – use new technologies by our side as we switch from paper to tablets and to smart apps to run our business.

In this article, we will be talking about every detail in digital transformation in financial field. In first paragraph, we will define the meaning of digital transformation and explain its history. In second paragraph, its advantages and disadvantages will be investigated. In third paragraph, 4 - Digital Transformation in financial environment will be discussed. In fourth paragraph, some articals will be shared beside the process of the digital transformation in finance after Covid-19 will be mentioned.

2. Digital Transformation Concept in Business Environment

There is no need to set up the corporate procedures with small businesses and change them later. You will show the business from the very beginning. It is not feasible to create a business in the 21st century with stickies and hand-written books. Digitally thinking, organizing and constructing makes you agile, scalable and able to develop. Most businesses take a step back and ask themselves if they are doing the right things. Once they start digital change, Find out the answers. Moreover, the history of digital transition is an important subject today, it occurred in the late 1990s and again in the mid-2000s. About 30 years ago we began computerizing procedures.

First of all, web platforms or sites, businesses linked to them and their customers. Then consumer engagement was enabled by digital systems. With the rapid development of their global aspirations, they had to navigate emerging social and web platforms quickly by dedicated technology teams. It encouraged businesses to use digital data on their own events and experiences. Clients, vendors and other parties involved, linked, Companies noticed that wireless networks are in service. Companies started linking all processes and tools to networks to allow efficient use of the vast volume of knowledge. Drawing attention to connective capacity, companies, rather than the conventional way of doing business by intermediaries, rely on interactive networks to connect all network members. Companies began experimenting with innovative modern business forms to allow more effective use of results, to generate more mobility and to attract talent.

2.1 Advantages and Disadvantages of Digital Transformation

Advantages and disadvantages of digital transformation should be mentioned, the advantages are the following:

2.1.1. More Competitive Business

44% of businesses have now adopted a digital first market plan, according to IDG 's 2018 global company report. This also means that the rivals have taken up new technologies already. Therefore, every new player on the market concentrates on positive digital growth, with the goal of putting the start-up at the forefront. There will be more traditional rivals. Better innovations allow you to be agile, responsive and competitive and increase your company's ROI. There is a powerful reason to make technological implementation a focus for digital change for the best and for the poorer.

2.1.2. More Productive Employees.

The business transition continues with the staff and increases the efficiency of the organization as a whole as their efficiency is increased by successful use of technology. Automation of manufacturing has traditionally produced beneficial outcomes for white- and blue-collar employees. Montage row, machine robot icing, and AI have all given people more access to academic research. New technology has been developed to automate the workflow. CRMs have been originally developed to bring accounting and customer service together and to reduce routine promotion and delivery activities. Such accelerators are designed to allow workers to reach their potential. Only basic communications or cloud computing systems can only improve the efficiency of workers by quick access to information. The McKinsey Global Institute has found that an average workplace productivity is rising by 25%.

2.1.3. A Better Experience for Customers

The outstanding company experience (CX) is one of the basic concepts of market management. The US resident uses physical space for about 12 hours a day. Mining, sports, and money consumption are just two of the operations. There is the easy solution for your clients, and they can shop from your digital platforms with a seamless experience.
Digital innovation helps businesses to help serve the needs of their clients through smart product use. If a stronger website, new application and other digital offering intelligent technologies and quick consumer growth are the secret to CX performance, or any digital service.
On the other hand, the disadvantages of digital transformations are:

2.1.4. Constantly Changes

This is inevitable in terms of the adverse consequences of our global transition. In the near future, scientific development is limitless. The digital transition must therefore be a continuous operation. The digital economy has grown rapidly and aggressively. Forbes notes that the rapid rise of the IT sector was the biggest theme of 2019. None will be shocked by this. As new, science validated technologies enter the industry, you need to be ready for more technology change rapidly.

2.1.5. New Technologies Takes Time to See Their Affection

While most of us know how to deliver e-mails or tablets, it takes a little more time and energy to implement modern business technology technologies. The Telegraph notes that the best platform is one of the most important problems for businessmen. Too many outlets will in turn contribute to confusion. In turn. It takes time to check and test for the most suitable resources for the business. It takes time for workers to be qualified to make successful use of them. To speed time to maturity, a Technology Adoption Platform (DAP) is strongly recommended.

2.1.6. It Causes Employees Uncertainty

Your workers face the pressure of ongoing digital shifts. While 87% of workers state they are prepared to learn new skills, everybody will embrace stresses differently. Therefore, as educated, workers use digital devices, they need a customized approach. It is prohibiting expensive and a practical nightmare using conventional teaching techniques. However, workers with a DAP will undergo customized instruction in real time without needing to abandon the program they use. It is important to provide workers with the help they need to be empowered to give 100 percent and feel safe in their work in these periods of continuous digital transformation.

3. Digital Transformation in Financial Environment

Digital Transformation in financial environment and the perspective of the employees is Template "Employee experience" means how employees feel about their companies both growth and capacity development opportunities, willingness of workers to keep working with their current companies. The following tests show that the experience of employees is blind digital effort spot of Financial Service Industries (FSI) companies:

- A total of 76% of respondents believe it to be very important or extremely important to work for a digitally enabled organization or to be a digital leader.
- Only 38% of FSI participants agree or accept completely that the company offers tools or improvement of expertise for workers. They will have to capitalize on opening. Digital world. Web world.
- Almost half 41% of respondents to the survey intend to remain with their current organizations three or less years.

To prepare FSI companies better for a digital future, a combination of customer experience and employee experience is essential. In a recent interview, Donna Morris, CEO and experienced employed at Adobe Systems, explained, "We are able to create rich customer experience through high levels of employee engagement by combining employee experiences with the customer."

Yet how do FSI businesses boost their relationship with employees? This will happen if a company is effectively matched with the market, organizational and customer models seen in modern organizations – a set of principles, attitudes and actions influencing ‘home-thing is finished’. This is primarily because traditional strategies that require the adaptability, job style, leadership style, decision-making or risk aversion in a competitive digital world cannot fit.

In meanwhile, the world pandemic “covid-19” spread has affected many things and changed them. In this paragraph how the pandemic affected digital transformation will be discussed. COVID-19 has experienced a huge shift in our social and personal lives over a brief amount of time which has pushed us to follow modern ethical norms and more technologies. A recent study by Gordon Heskett, perhaps the most famous example, showed that one in three Americans ordered food online after the pandemic, which was their first on-line purchase for 41 percent of that population. In this changing attitude, companies that have invested in digital technology, they were able to digitize end to end processes such as order processing, supply chain and accounting, thus capitalizing in this unsure period. Transformation took advantage of its ability.

Digital transformation has been crucial to the survival of organizations and the continued emphasis on the use of technologies would help COVID-19 to thrive. As a driving force for the change, the financial institution has been created, and CFOs also lead digital transformation efforts, serving as the first driving force behind innovative technologies and collaborating with practical means to measure the gains and show cost savings or efficiencies.

Finance should also have the full idea of the pace of digitalisation work best with the existing operating model of the company, or change the current operating model to optimize technology use. What is obvious is that digital transformation is also essential for companies who are struggling to survive and for those that have stable financial capital. Four case studies are conducted in a variety of industries to demonstrate this point.

3.1. Fintech Corporations

Fintech (Financial Technology) is the new financial industry that uses technology to improve financial services. Competing with traditional financial services with their technological power, fintechs act with the philosophy of facilitating the lives of their customers all over the world. Fintechs, which were seen as the more technological versions of traditional financial services in their early periods, have an impact far beyond the estimations at the point reached today. Investments made by fintech startups that expand their sphere of influence with the widespread use of internet and mobile applications all over the world prove this situation. Fintech startups, which received $ 22.5 billion in 2017 worldwide, received $ 57.9 billion in investment in the first half of 2018.

Here are the examples where we can explain the difference between fintechs and traditional financial services in the simplest way:

In the past, to open a bank account, you had to go to a bank branch with many documents. Fintechs, on the other hand, allow you to do this process via mobile application wherever you are. At the same time, with an innovation brought to our lives by fintechs, you can turn your smart phone into a "digital wallet" and spend the money in your account as you wish. All these examples are just some of the areas where fintechs make our lives easier.
The following outputs in the recent Deloitte report on the finance industry also reveal the values that fintechs add to their customers' lives:
“Customers today expect financial institutions to enable a seamless digital onboarding process, fast loan approvals and free money transfers. In short, they demand all the innovations that fintechs bring to their lives from financial institutions. Although we cannot say that Fintechs have dominated the market under today's conditions, we can easily say that they create value in the lives of consumers and have a very strong position. "
We can examine the values that Fintech adds to the lives of its users under the following headings:

- Practicality: Fintechs offer their solutions to their users in digital environments. This naturally adds convenience and speed to the lives of its users.
- Price Advantage: Fintech organizations do not need to spend on branch networks and similar physical structures. For this reason, fintechs have price advantages over traditional financial services at many points.
- More Service Options: Fintechs, which can provide services to their customers regardless of their location, are therefore more diverse than traditional financial services.

4. Digital Transformation in Finance Field After Covid-19

The COVID-19 epidemic, which has affected the world, has already changed the way people live and work. While changes are expected in many sectors such as travel and health after the epidemic, there may be a serious transformation for financial services. Many people started working from their homes after quarantine applications were brought to prevent the spread of the virus. Forcing companies to work from home also brought the necessity to use digital technologies more frequently. In addition, the banking and finance sector, which was seriously affected by the epidemic, turned to digital technologies to heal its wounds. The crisis has clearly shown us how necessary it is to invest in digitalization.
Financial services can also be prepared more strongly for the future by taking advantage of the trends brought by this digitalization after the epidemic.

4.1. Digitalization of Old Systems

With the epidemic, it is seen once again that many financial institutions are still not ready for digitalization. These institutions built on old and outdated systems find it difficult to keep up with developments. According to the latest report of NodesAgency, 55 percent of banks have not reached digital level. With the awareness created by the epidemic, the digitalization efforts of financial institutions that continue to use old systems are expected to be seen frequently.

4.2. Telecommuting

In this period when everyone should stay at home, financial institutions have met the reality of working remotely, as in almost every sector. However, there are exceptions in the financial sector compared to other sectors. A significant portion of consumers still go to banks to perform banking transactions. Many banks do not have online applications for transactions such as completing loans and opening accounts. In addition, banks with many employees need to work connected to banking servers for real-time information. This requires a very high capacity internet access. With the epidemic, banks and regulators started to adapt to this new reality. FINRA has published new guidelines to assist remote financial companies. In the next period, we will observe the efforts of financial institutions to optimize remote work. Complete service and security issues in particular will be the main focus of these efforts.

4.3. Robotic Process Automation

Robotic Process Automation (RPA) was an on the rise in the FinTech world before the epidemic. Used as the term for a virtual robotic workforce that performs mundane and repetitive tasks alongside humans, RPA is an extremely suitable technology for handling such tasks in the financial sector. For example, operations such as changing lost or

stolen credit cards, reconciling the scanned files with the timelines of the consultants, and managing the process of monitoring new compliance regulations can be carried out by RPA.
With Covid-19, RPA seems to be the focus of the financial industry once again. With RPA, companies will want to increase employee productivity while significantly reducing costs.

4.4. Digital Identity

One of the most important issues in this process was digital identity. Collecting a person's medical history, banking information or any data that can be digitized in a single pot can be said to be the dream of the financial sector. With Covid-19, the speed of realization of this dream may increase. With the epidemic, the issue that air passengers of the person had to prove their medical history before flying came to the agenda.
However, the fact that many state offices were closed during social distance applications caused people who wanted to perform their transactions to be victimized. However, a digital identity can help eliminate many problems. The increasing need for digital identities in almost every field will positively affect the financial sector.

4.5. Cashless Society

We can say that in the last few years, people have moved away from the use of paper money. With the virus epidemic, this situation reached its peak. With the statements made by the World Health Organization that paper money could be a virus carrier, people turned to digital payment methods in order to reduce contact. This pushes financial institutions to reconsider an opportunity that already exists. In addition, digital money contests came to the fore frequently in this period. It did not go unnoticed that China, which survived the epidemic, accelerated its work in this area. While digital transactions increased dramatically in this period, this trend is expected to continue afterwards.

5. Conclusion

There are crucial advantages of digital transformation for the business enterprises. It helps users to gain better user experience, whether employees or customers. Particularly after Covid-19, digitalization process will accelerate. This will be resulted by the shift in customer preferences from traditional baking to fintech corporations. Fintechs as smaller firms are more able to focus customers' some selected needs. Thanks to focusing specific areas, they will create more added value for their customers compared to big but traditional banks. Although fintechs have not been dominating market yet, in next future, they will grab more customer attraction then other organizations. As a result, nowadays fintech startups are able to raise huge capital as investors believe their business model and future growth opportunities. There is also another actor that have some comparative advantages compared to fintechs are techfins. Thanks to their solid brand power, wide customer network, significant customer experiences and having huge accumulated financial capitals, they are able to take a part in the financial environment. They do not have adequate technical knowledge in financial issues as much as fintechs but they have customer's trust, loyalty and huge fund resources that provide trust to the target customers.
In the next future, the firms which will be able to be sustainable are firms that are establishing collaborations instead of destructive competitions. Financial technologies market are ready to observe many merger and acquisitions (M&A) activities that will be held between techfins and fintechs. They will be more efficient and sustainable by combining their strengths to create more added value for the both current and potential customers.

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