

# Ensuring Sustainable Development of the National Financial Market Based on Digital Financial Services

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**Abstract.** The article is devoted to the development of the national financial market and ensuring its stability on the basis of digital transformation. Subject of research: digitalization of the financial market. The aim of the study is to study the theoretical foundations of the financial market and determine the priorities of its development based on the digitalization of services to ensure sustainable development in the medium term. Method of research. in the process of writing, the authors used such methods as analysis, grouping, comparison, and synthesis. Results: 1. The features of digitalization of services provided in the national financial market are disclosed. 2. The mechanism of interaction of the main participants in the digital financial assets market is presented and their characteristics are given. 3. Measures for digital transformation of the national financial services market are proposed, taking into account the current situation in the national economy. Scientific novelty: the mechanism of interaction of the main participants in the digital financial services market was determined, measures for the digital transformation of the financial services market were proposed.

## 1 Introduction

The financial market is one of the structural elements of the national economy that performs a number of functions, including mobilizing temporarily free funds, providing finance for production processes, and increasing the efficiency of the national economy.

The aim of the research is to study the digitalization of the financial market and identify trends in its development based on the further digitalization of financial services to ensure sustainable development in the medium term.

The set aim determined the tasks to be solved in the article, namely: to study the features of the financial market from the point of view of its structure and specifics, to consider the regulatory framework and strategic documents aimed at its regulation, as well as to identify problems and propose measures to ensure its sustainable development in medium term based on digitalization of financial services.

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## 2 Materials and methods

The further development of the financial market, in modern conditions, is based on innovation and the introduction of digital tools, which will contribute to the development of a competitive environment, the emergence of new debt (investment) financial instruments and products, and an improvement in the quality of life of the population.

Digital technologies help to increase the security level of transactions, reduce time and financial costs, provide the ability to carry out financial transactions at any time and anywhere, which makes them most relevant to users. Given the accelerating pace of society, a low number of investment financial instruments for the population of Russia, the importance of the availability of new financial services and products is becoming a priority.

In the course of the research, the authors used methods such as analysis, comparison, grouping.

The study is based on the works of the following authors: Glazyev S. Yu. [1], Zverev A.V. [2], Kudertsev A. A. [3], Loginov M. P.[4], Mandron V. V. [2], Maramygin M. S. [5], Mishina M. Yu. [2], Reshetnikova L. G. [5], Smirnov S. A. [6], Sokolova E. Yu. [7], Sukhov S. N. [6], Usova N. V. [4], Khodunova M. A. [8], Chernova G. V. [5].

In particular, in the work of M. A. Khodunova [8], the principles of building and functioning of the financial market to ensure financial stability are formulated, and an approach to managing the national financial market using new tools, technologies and mechanisms is proposed.

In turn, Maramygin M. S., Chernova G. V., and Reshetnikova L. G. in their work [5] considered the prerequisites for digitalization of the financial sector, presented a comparative analysis of the scale of digital financial services at the national and global levels, identified the risks of digital transformation of the financial industry.

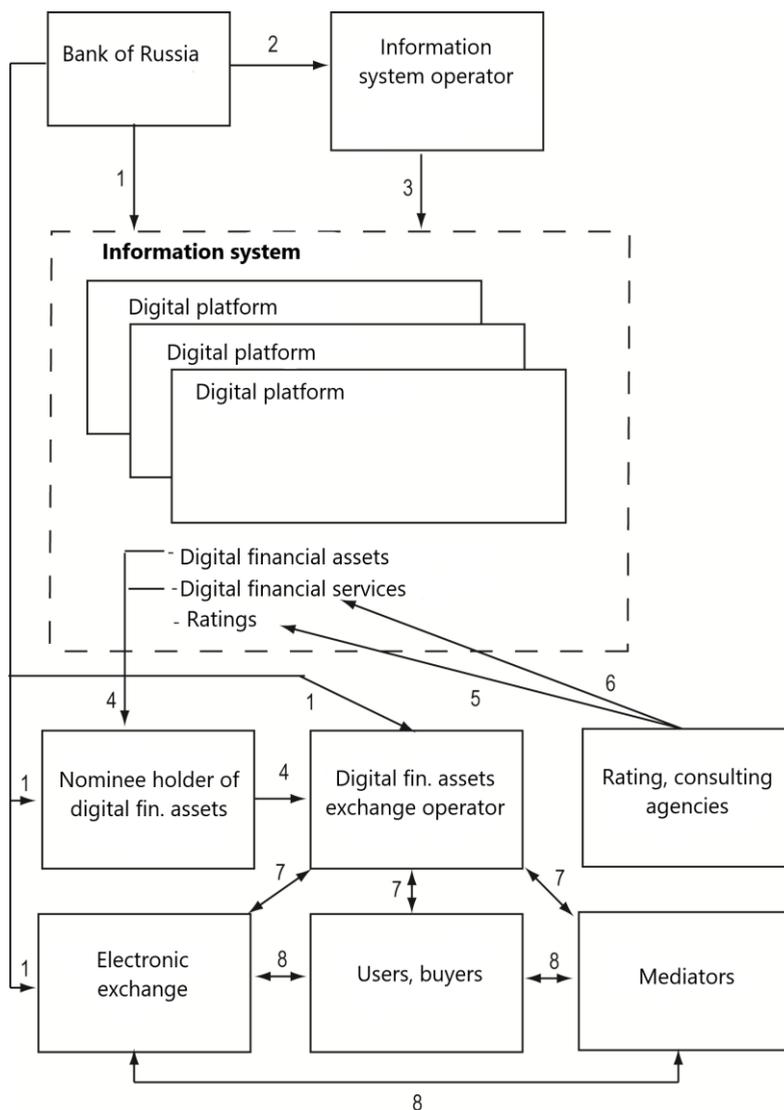
## 3 Results and discussion

The financial market as a whole is a complex structure that includes a set of different markets and their segments, one of which is the digital financial market, where one of the tasks is to increase the availability of financial resources and financial instruments for the population based on digital technologies.

2007 can be considered the beginning of the development of the digital financial market, since the widespread introduction of digital processes, blockchain, the emergence of cryptocurrencies, etc. high competition for the introduction of digital products and services was felt by the banking sector from it companies that actively introduced innovative technologies.

At present there is a wide development of the digital financial market, the formation of its structure, segments, including the market of digital financial assets.

Figure 1 shows the mechanism of interaction between the main participants of the digital financial assets market.



**Fig. 1.** The mechanism of interaction of the main participants in the digital financial assets market [Compiled by the authors]

- 1 - Regulation of activities
- 2 - Supervision, formation of the operators register
- 3 - Issuing digital financial assets, maintaining a user register
- 4 - Depository activities, taking into account the user rights
- 5 - Ranking
- 6 - Provision of digital financial services
- 7 - Securing transactions in digital financial assets
- 8 - Provision of transaction services

Each of the elements of the digital financial asset market structure performs its own functions and tasks.

The Bank of Russia has defined a regulatory function, which includes determining the characteristics of digital financial assets, forming a register of digital financial asset exchange operators, and supervising their activities.

In turn, the operator of the information system issues digital financial assets, approves the rules of the information system and maintains a register of its users; in case of loss, on demand, provides the ability to restore access of the owner of digital financial assets to the records of the information system

In the structure, the authors identified the following participants: the nominal holder of digital financial assets, who has a license to carry out depository activities, keeps records of the rights of other persons to digital financial assets; operator of the exchange of digital financial assets, whose main task is to support the process of concluding transactions with digital financial assets, where the main participants are electronic exchanges, users, buyers and financial intermediaries.

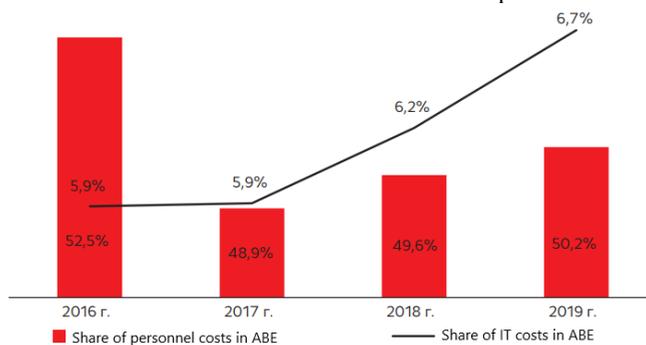
Considering the Russian market of digital financial services, it is necessary to note the “Marketplace” project, which was created at the initiative of the Bank of Russia in 2017 and is an innovative digital channel for selling digital financial products around the clock.

This project is interesting from the point of view of developing competition and the digital financial market due to:

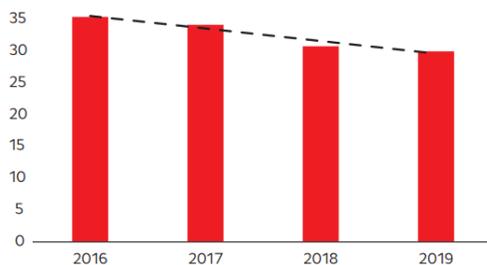
- providing access to a wide range of financial services offers from various financial organizations and ensuring the security of receiving digital financial services.
- the consumer's ability to purchase digital financial services at any time and regardless of their location, which greatly simplifies the process of choosing a financial service provider.
- reducing the level of information asymmetry in relation to the financial services provided.
- leveling the influence of such a factor as “presence and ramification of the branch network” in financial organizations. In this case, any financial organization that does not have a sufficiently wide branch network has the opportunity to compete on equal terms with the market leaders.
- the emergence of such opportunities for a financial service provider as simplifying access to the target audience, reducing the cost of providing its services due to digitalization of the technological process.

Next, let's highlight the trends in the development of the digital financial market.

The active implementation of digital technologies in the activities of credit institutions is illustrated in Figures 2 and 3, which show the dynamics of the share of IT expenses in the structure of administrative and business expenses (ABE) and the number of branches of operating credit institutions in the Russian Federation for the period from 2016 to 2019.



**Fig. 2.** The share of IT costs in the structure of ABE [9]



**Fig. 3.** Dynamics of the subdivisions number of operating COs on the territory of the Russian Federation, thousand units [9]

The multidirectional dynamics of changes in the number of operating subdivisions of credit institutions and the share of IT costs in the ABE allows us to conclude that credit institutions are aimed at moving to the Internet space and operating in the digital financial market.

Note that in May 2020, the Bank of Russia [10] announced the launch of a service for digital interaction between citizens and banks through the Unified Portal of Public Services.

This initiative is aimed at ensuring the availability of financial services for the population based on the development of the digital financial services segment. The benefits for all participants in this market are obvious.

A potential consumer does not need to spend additional financial and time resources on choosing and purchasing financial services. Customers can purchase a digital product at any time without regard to the operating hours of the financial institution and in the conditions of ensuring the security of purchasing this service.

This service also provides a number of benefits to credit and insurance organizations. In particular, an increase in its market share, an increase in economic efficiency indicators, including on the basis of a reduction in the cost of providing digital services in comparison with the traditional format of work. In addition, the organization has the opportunity to obtain reliable information about the client from various structures, including the Federal Tax Service, the Ministry of Internal Affairs and others.

### 3 Conclusions

The active introduction of digital technologies makes it possible to increase the availability of financial products and services, both on the basis of a change in the product line and the method of delivery. Financial market participants receive a synergistic effect from reducing costs, time, material, technical, human and other resources, increasing flexibility in the activities of financial organizations, depending on the needs of the consumer. For financial companies, entry barriers to the market are reduced, which increases the level of competition in the market.

For the successful functioning of the digital financial market, the emergence of a system of financial intermediaries that will work with the population plays an essential role. At the moment, it is still underdeveloped, which has a negative impact on the development of the digital financial assets market and requires additional research.

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