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Driving financial innovations: The role of digitisation, transparency, and social responsibility in banking systems

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Abstract. The study of financial innovations in banking systems is highly relevant within the current context of global digitalisation, increasing demands for transparency, and the growing importance of corporate social responsibility. These aspects are crucial for strengthening consumer trust, improving the efficiency of banking operations, and ensuring the resilience of the banking system in Ukraine. The study aimed to examine financial innovations in banking systems, focusing on the interplay between digitalisation, transparency, and social responsibility. Quantitative and qualitative methods were employed, including the analysis of banks' financial statements, regulatory documents, and reports from the National Bank of Ukraine for the period 2019-2023. Econometric modelling identified key factors affecting banking performance indicators, such as return on assets, customer perception, and financial stability. The results demonstrated that digitalisation facilitates the automation of banking processes, reduces customer service costs, enhances the accessibility of financial services, and allows banks to adapt more quickly to changes in customer behaviour. It was found that transparency measures, particularly the implementation of reporting standards, improve customer trust and loyalty. The study showed that corporate social responsibility initiatives positively impact banks' reputations and ensure compliance with regulatory requirements, collectively enhancing their competitiveness. The findings can be utilised by bank managers, policymakers, and regulators to develop strategies for improving operational efficiency, advancing digital services, strengthening customer trust, and ensuring the sustainable development of Ukraine's banking system

Keywords: financial transformation; digital banking; governance efficiency; client trust; economic resilience; sustainable practices

Introduction

The domain of financial innovations transforming banking systems is undergoing a rapid and continuous transformation within the global financial system. However, the innovations leading to these developments have emerged as critical drivers of efficiency, transparency, and sustainability. Despite these significant potentials, many

challenges remain unsolved, such as the uneven development of digital technologies, the need for better transparency frameworks, and the alignment of banking practices with social responsibility. These issues must be addressed to build a strong, inclusive, and adaptable banking ecosystem capable of responding to the requirements of modern

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economies. As financial systems have become more complex, the need for transparency and corporate responsibility has increased, and this study is motivated by the intersection of rapid technological development and these requirements. The Ukrainian banking sector provides a useful venue for this analysis, as significant transformation has occurred to reflect digitalisation initiatives and reforms in the banking regulatory system. The author aimed to understand how these forces interact and affect important outcomes such as operational efficiency, consumer trust, and institutional accountability.

Global banking practices and their implications for operational efficiency, compliance, transparency, and economic inclusivity are being transformed by financial innovations, whose roles are evolving. Digitalisation was celebrated by Y. Zhu & J. Shanyue (2023) as an enabler of operational optimisation in banking while simultaneously incorporating environmental, social, and governance (ESG) targets. Their study highlighted how digital technologies increase resource allocation in banking and align banking activities with global sustainability goals. M.O. Al-Smadi (2023) examined the role of digital finance in enhancing access to banking services in MENA countries. His findings demonstrated that digital platforms play a critical role in closing the financial inclusion gap and bringing cheaper, more user-friendly options to underserved populations and regions, thus creating opportunities for broader economic participation. Y. Chen *et al.* (2022) showed how digital financial inclusion increases corporate economic productivity by improving both cash flow management and investment strategies. These results are consistent with the Ukrainian banking trend, as evidenced by the active integration of digital tools to enhance competitiveness and economic efficiency. Another important aspect of building trust and equality in financial systems is transparency. Transparent banking practices help reduce income gaps by equalising opportunities for access to financial resources and strengthening stakeholder confidence in the prospects of fair economic growth (Chia *et al.*, 2022). J.W. Goodell *et al.* (2020) emphasised that mechanisms of organisational transparency create trust and reduce the risks of bad decisions in volatile environments, thus fostering financial stability. V. Gullo & P. Montalbano (2022) showed that measures to enhance transparency can improve investment decisions by increasing investor confidence and attracting greater funding. Transparency is no longer merely a regulatory necessity but also a strategic advantage for institutions seeking sustainable growth. P. Hui *et al.* (2023) also demonstrated the role of financial innovation in regional innovation capacities through the impact of digital finance on inclusiveness and technological advancement. The research showed how digital financial solutions can empower small and medium-sized enterprises (SMEs) and enhance economic resilience in dynamic financial ecosystems.

These studies provided a more complete picture of how financial innovations, transparency, and digitalisation merge to redefine the core structures of banking. These

insights have significant value for the Ukrainian banking sector, which must utilise these advances to build customer loyalty, fulfil regulatory requirements, and advance sustainable development in a progressively digitised monetary environment. This study synthesised these perspectives and positions the Ukrainian banking sector within the wider international discussion on digitisation, transparency, and social responsibility. It provided a nuanced assessment of how these configurations interlock to enhance or obstruct financial performance and stakeholder outcomes in a fast-moving economic environment.

Materials and Methods

This study employed an integrated approach that combined qualitative and quantitative methods to analyse the relationships between digitisation, transparency, and social responsibility in Ukrainian banking systems. To establish a theoretical framework, an extensive review of scholarly literature was conducted. This included international studies from databases such as Scopus and Web of Science, as well as research by Ukrainian researchers published in specialised economic journals. Key references included Y. Zhu & J. Shanyue (2023), who examined the impact of digital technologies on banking operational efficiency; P.S. Chia *et al.* (2022), who explored the importance of transparency for economic growth; and J.W. Goodell *et al.* (2020), who highlighted the role of financial transparency in building customer trust. The data collection process relied on official statistical resources, including reports from the National Bank of Ukraine (Financial sector statistics, 2024; Monetary and financial statistics, 2024), annual financial statements of individual banks, regulatory documents, and industry-specific reports. Publications from leading international organisations, such as the International Monetary Fund (Global financial stability report update, 2021) and the World Bank (World Bank's fall 2023..., 2023), were utilised to provide a comprehensive perspective. This approach aligns with comprehensive financial analysis methods developed by A. Rybalko & O. Zaitsev (2020).

Data analysis was conducted using econometric methods, with a regression model developed to evaluate the effects of independent variables – digitisation, transparency, and social responsibility – on the dependent variable, return on assets (ROA). The model incorporated control variables, such as bank size, market concentration, and macroeconomic conditions. The model construction considered insights from previous studies and employed advanced techniques such as panel data analysis and time-series evaluation. Statistical software, such as Stata, was used to ensure the reliability and validity of the findings. The robustness of conclusions was tested using criteria including correlation coefficients, t-statistics, and p-values. To ensure representativeness, the study selected data from five banks representing different segments of Ukraine's banking market: state-owned, commercial, and international banks. The sample included PrivatBank, Oschadbank, Ukreximbank, Raiffeisen Bank Aval, and

OTP Bank. A key component of the methodology was the econometric model, designed to capture the multifaceted relationships between the studied variables. This model provided a systematic understanding of how digitisation, transparency, and social responsibility influence banking performance while excluding detailed results, which are presented in the Results section. This comprehensive methodology ensured a rigorous and detailed exploration of the dynamics shaping the Ukrainian banking sector, particularly in the context of modern challenges and opportunities. Data from financial statements, annual reports, and regulatory filings of individual banks were utilised to ensure the accuracy and completeness of the dataset.

The study covered a period of five years, from 2019 to 2023, to capture recent developments and trends in the Ukrainian banking sector. This timeframe allowed for an analysis of the impact of digitisation, transparency measures, and social responsibility initiatives on the financial performance and consumer perceptions of Ukrainian banks over time. Example of Ukrainian banks:

1. PrivatBank (as one of the largest banks in Ukraine, PrivatBank offers a wide range of banking services and has a significant market share in the country's banking sector).

2. Ukreximbank (a state-owned bank specialising in export-import operations, Ukreximbank plays a pivotal role in facilitating international trade and financing in Ukraine).

3. Raiffeisen Bank Aval (a subsidiary of Raiffeisen Bank International, Raiffeisen Bank Aval is a leading commercial bank in Ukraine, known for its innovative banking products and services).

4. Oschadbank (as the largest state-owned bank in Ukraine, Oschadbank serves as a key provider of retail and corporate banking services, with a wide network of branches across the country).

5. OTP Bank (a subsidiary of OTP Group, OTP Bank Ukraine offers a diverse range of banking products and services to individuals and businesses, with a focus on digital banking solutions).

These banks represent a diverse mix of state-owned, private, and foreign-owned institutions operating in Ukraine's banking sector, providing insights into the varying strategies and performance outcomes associated with digitisation, transparency, and social responsibility initiatives.

Results and Discussion

Digitalisation deals with the transition of banking procedures, services, and products into an online format, which gives rise to revenues from the area of information technology (Zhu & Shanyue, 2023). This transformative shift is referred to by terms such as online banking, mobile applications, digital payments, blockchain technology, and artificial intelligence (Polishchuk *et al.*, 2019). With digitisation, banking services have undergone a revolutionary transformation in how they are offered and consumed, featuring greater convenience, accessibility, and efficiency for customers. With the aid of digital technologies, the

banking industry can automate repetitive tasks, simplify operations, and operations the overall quality of customer service. The digitalisation of banks generates a wide range of data, enabling managers to make data-driven decisions, personalise offerings, and design innovative solutions that align with clients' evolving interests.

The concept of banking transparency involves making public all key data concerning a bank's activities and operational performance for its stakeholders, namely its customers, investors, officials, and society. Operating transparently fosters trust, accountability, and confidence, leading to a thriving and stable banking ecosystem. Transparency encompasses multiple dimensions, including financial reporting, risk disclosure, fee structures, terms and conditions, corporate governance, and more (Prokopenko *et al.*, 2022). By displaying their operations transparently, banks can build stronger relationships with the customers, instil confidence in investors, ensure compliance with regulatory requirements, and mitigate reputational risks. Consequently, transparent banking operations contribute to efficient, stable, and trustworthy markets by reducing information asymmetry, preventing fraud or misconduct, and enabling stakeholders to make informed decisions.

Besides standard business ethics and sustainable practices, socially responsible banking must encompass a set of goals that transcend profit-making; therefore, maximising profit is not all that matters (Chia *et al.*, 2022). Banking in an era of escalating social and environmental challenges requires lenders to intentionally integrate social and environmental issues into their operations, business strategies, and decision-making processes. A socially responsible asset base includes a wide range of initiatives, such as improving environmental sustainability, increasing accessibility of financial services for economically marginalised individuals, community development, philanthropy, and ethical investments (Goodell *et al.*, 2020). Social responsibility provides an invaluable pathway for banks to establish a strong reputation, attract and retain customers, mitigate risks, and make a positive social and environmental impact. What makes this even more important is the shift in customer preferences, emerging regulatory expectations, and evolving global sustainability goals, which position banks as ideal candidates to assume the role of socially responsible corporations and drivers of positive change in the community.

The financial sector is constantly evolving due to the influence of digitalisation, transparency, and social responsibility, all of which are evident in contemporary banking practices (Myronchuk *et al.*, 2023). The adoption of digital technologies, championing transparency, and promoting social accountability can ensure competitiveness, sustainability, and resilience for banks in the challenging and complex global marketplace (Sapiński, 2023). Recognising the significance of these elements is a critical responsibility for bank directors, regulators, policymakers, and other stakeholders. This recognition is crucial in the current era of digitalisation, where it is necessary to identify both

opportunities and challenges to build a secure, transparent, and sustainable banking ecosystem. For banking systems to anticipate the future development of digitalisation, transparency, and sustainability (Hui *et al.*, 2023), it is essential to understand the dynamics of these factors. Together they support innovation, foster trust, and establish the long-term viability of the finance industry.

The digital age is characterised by rapid technological advancement, new consumer perspectives, and increased regulatory scrutiny. This period highlights the interconnection between digitisation, transparency, and social responsibility as key factors transforming banking systems worldwide (Leonov *et al.*, 2024). By examining these factors in depth, stakeholders can gain a clear understanding of the challenges and opportunities that await them amidst the evolving financial landscape, which comprises an interconnected, digital, and socially aware ecosystem requiring thorough analysis (Verbivska *et al.*, 2023). Digitisation is reshaping traditional banking features and equipping institutions to enhance performance efficiency, expand market reach, and deliver innovative goods and services that align with the needs of modern customers (Matyushenko *et al.*, 2022). Understanding the role of digitalisation in banking is vital, as it aids in identifying existing and emerging trends, spotting significant market opportunities, and implementing preventive measures against the risks posed by disruptive technologies.

Transparency plays a critical role, encompassing openness towards customers and clarity in investment and regulatory matters. Consequently, trust and accountability arise as customers, investors, and regulators gain confidence in banks (Liu *et al.*, 2021). Financial institutions must foster consistency, transparency, and integrity in their operations to build stronger relationships with investors, address reputational risks, and adapt to evolving regulatory requirements. Recognising the importance of transparency is essential for creating an open environment, improving market efficiency, and ensuring system stability within the interconnected financial world. Additionally, the concept of social impact has become a defining attribute of modern banking, serving as a key driver of long-term economic development while adhering to ethical and sustainable business principles. Social awareness in the banking sector involves addressing societal challenges, promoting financial inclusion, and ultimately contributing to sustainable social and environmental conditions. It is essential to recognise that social mobility is one of the most important factors in banking systems, as it helps to meet not only the diverse beliefs of consumers but also to attract socially conscious investors while adhering to regulatory requirements aimed at promoting sustainable development and responsible finance (Lucy *et al.*, 2023). In this era of integrating digitalisation, transparency, and the prioritisation of social responsibility, banking systems face significant challenges in how they function, interact, and evolve (Nair *et al.*, 2019). By thoroughly understanding these factors, stakeholders can

capitalise on innovative ideas, build robust and sustainable business models, and develop banks that are transparent, inclusive, and socially responsible – serving everyone from adults to children.

The banking industry is undergoing dynamic digitalisation, driven by advancements in technology, evolving laws and regulations, and shifting consumer demands, all of which influence the sector's transformation. In this fast-changing environment, managers need a comprehensive understanding of the factors influencing banking performance, given the complexity of the industry. By examining the interplay of these elements, the authors aim to identify the driving forces and critical factors that contribute to financial innovation and sustainability in banking systems. Digital banking platforms, mobile applications, and online payment systems have entered the market alongside traditional banks. As a result, automated customer service, fast and convenient banking solutions, and universally accessible financial services should be key priorities for any modern financial institution. While digitisation in banking has the potential to impact performance, its broader implications remain an area of active research. By exploring transparency measures such as disclosure policies and regulatory compliance scores, the authors seek to evaluate their impact on return on assets (ROA) and gain insights into the relationship between transparency and financial performance. Transparency is a pivotal factor that influences banking performance, enhancing trust, accountability, and compliance with financial regulations. The complete transparency of financial disclosures, including governance processes and risk management practices, is a key requirement to foster positive relationships with stakeholders and ensure the stability of banking systems. By examining transparency measures such as disclosure policies and regulatory compliance grades, the authors aim to determine how these efforts affect an organisation's profitability and the role transparency plays in its financial health.

Corporate social responsibility (CSR) has gradually evolved into a significant driver of sustainable banking, primarily through initiatives addressing societal and environmental issues. Banking institutions that invest in CSR projects, such as financial inclusion programmes, community development initiatives, and environmental sustainability efforts, are likely to be perceived positively by socially conscious customers, thereby reducing risks related to brand image. This study aimed to investigate the impact of CSR budgets and sustainability actions on ROA, providing insights into the economic implications of socially responsible banking practices. A simplified and visually appealing study model (Fig. 1) illustrates the interdependence among the independent variables (digitalisation, transparency, corporate social responsibility), the intervening factors (customer satisfaction, market dynamics, corporate governance), and the dependent variables (banking performance, consumer trust, brand reputation, regulatory compliance).

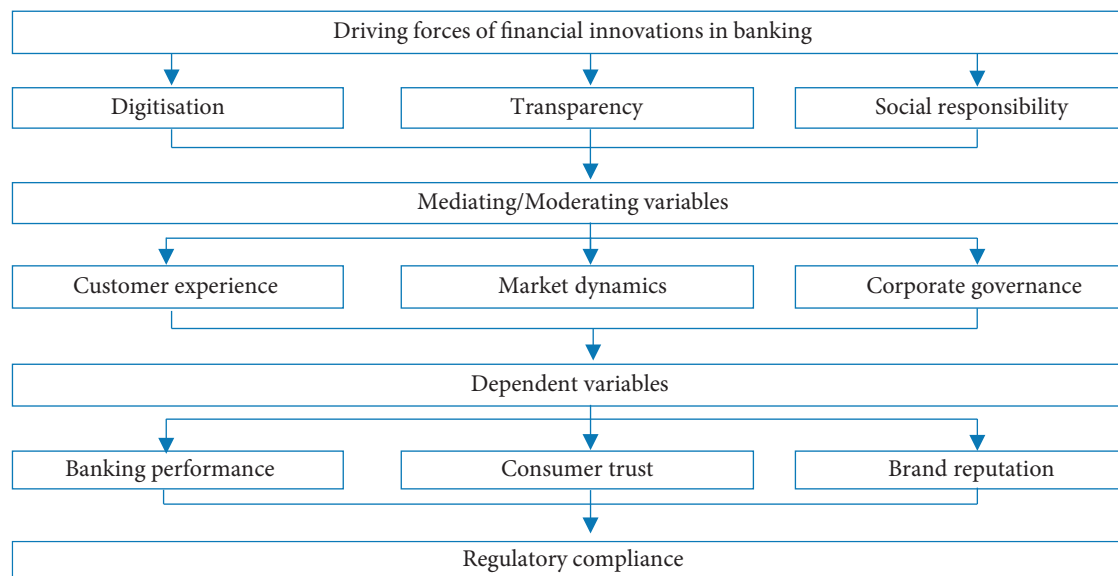


Figure 1. Depiction of the study model

Source: authors' development

Developing an econometric model involves specifying a mathematical framework that captures the relationships among key variables in the context of the research question. Model specification:

$$ROA_i = \beta_0 + \beta_1 \times Digitisation_i + \beta_2 \times Transparency_i + \beta_3 \times SocialResponsibility_i + \beta_4 \times Size_i + \beta_5 \times MarketConcentration_i + \beta_6 \times EconomicConditions_i + \epsilon_i \quad (1)$$

where ROA_i is the return on assets for bank i ; $Digitisation_p$, $Transparency_p$, and $SocialResponsibility_i$ are the respective independent variables for bank i ; $Size_p$, $MarketConcentration_p$, and $EconomicConditions_i$ are control variables; β_0 is

the intercept term; $\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6$ are the coefficients to be estimated; and ϵ_i is the error term.

The econometric model, which is qualitative in nature, was developed to provide a clear understanding of the multifaceted factors responsible for banking productivity, with the aim of determining how digitisation, transparency, and social responsibility contribute to performance levels. The model's complexity is mitigated by focusing on ROA, as this indicator is widely regarded as reflecting both profitability and overall bank performance. ROA is calculated as net income divided by total assets. It is considered one of the most widely used and respected measures of financial performance in the credit union sector (Table 1).

Table 1. Structure of the model

No.	Variable	Title	Description
1.	Dependent variable	ROA	A measure of profitability, calculated as net income divided by total assets
2.	Independent variables	a) digitisation	Digital banking adoption rate (proportion of customers using digital banking services)
			Investment in technological infrastructure (capital expenditure on digitisation initiatives)
		b) transparency	Transparency index (a composite measure of the transparency level of banking institutions)
			Regulatory compliance score (the degree to which banks adhere to regulatory reporting standards)
3.	Control variables	c) social responsibility	CSR expenditure (investment in corporate social responsibility initiatives)
			Sustainability index (a measure of environmental and social sustainability practices)
		Size of the bank	Total assets of the bank
	Market concentration	Market share of the bank within its operating region	
	Economic conditions	GDP growth rate or other macroeconomic indicators	

Source: authors' development

This model includes independent, as well as control variables, to account for the presence of other factors while explaining banking performance and their influence on such performance. Market size, bank concentration, and

economic conditions act as control parameters explaining changes in the banking environment and providing a general economic overview. A bank's size quantifies its total assets, which explains differences among banking institutions

in terms of operational scale. The market concentration coefficient is measured by quantifying the market share of the bank in its locality, allowing an analysis of competition levels in the market. Economic indicators, including GDP growth rate, inflation, and prevailing interest rates, reflect how the banking system's macroeconomic purpose interacts with broader economic factors. The model is expressed as a multiple regression equation consisting of an unobserved constant, observable independent variables (digitisation, transparency, social responsibility), and control variables (e.g., country, size, etc.), with a dependent variable (ROA). Sophisticated econometric techniques, such as instrumental variable regression, panel data analysis, and time series analysis, are used to address issues of endogeneity, unobserved heterogeneity, and dynamic effects.

The econometric model studied supports financial innovations (analysed in depth) and the impact of these

innovations on banking systems. The sample for this econometric model comprises a cross-sectional dataset of Ukrainian banks operating in the country's banking sector. The selection criteria include publicly listed banks with comprehensive financial data available and a diverse range of sizes and business models within the Ukrainian banking industry. The primary data source for this study is the National Bank of Ukraine, which provides comprehensive financial data on banks operating in the country. The regression model enhances transparency and serves as a foundation for evaluating the influence of digitalisation, transparency, and social responsibility on ROA (Fig. 2). These studies have significant implications for banks operating within the Ukrainian financial environment. They anticipate risks as new technological solutions emerge, while also highlighting opportunities arising from the evolution of banking services.

	ROA	Robust				
	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
Digitization	0.0324**	0.0113	2.88	0.005	0.0102	0.0547
Transparency	0.016	0.0088	1.82	0.073	-0.0015	0.0335
Social Responsibility	0.020**	0.006	3.36	0.001	0.0082	0.0321
Size	0.012**	0.0028	4.39	0.000	0.0068	0.0179
Market Concentration	0.009**	0.0032	2.78	0.007	0.0025	0.0150
Economic Conditions	0.006**	0.0024	2.32	0.023	0.0008	0.0105
Constant	0.073	0.044	1.65	0.102	-0.0148	0.1606

Heteroskedasticity Tests:

Breusch-Pagan / Cook-Weisberg $\chi^2(1) = 10.05, p = 0.0015$

White's test $\chi^2(1) = 8.92, p = 0.0028$

Serial Correlation Tests:

Breusch-Pagan / Cook-Weisberg LM test $\chi^2(1) = 3.79, p = 0.0516$

ARCH LM test $\chi^2(1) = 2.61, p = 0.1060$

Figure 2. Results and diagnostics of the model in the Stata program

Source: authors' calculations based on Financial sector statistics (2024), Monetary and financial statistics (2024)

The coefficient for digitisation (digital banking adoption rate) is statistically significant ($t = 2.88, p < 0.01$), indicating that an increase in digital banking adoption positively influences ROA among banks in Ukraine. For example, for every 1% increase in the digital banking adoption rate, there is a corresponding increase in ROA of approximately 0.0324 units. This suggests that banks in Ukraine can improve their profitability by expanding their digital banking offerings and enhancing their technological infrastructure to meet the growing demand for digital financial services among consumers. Although the coefficient for transparency (transparency index) is positive, it is not statistically significant at the conventional level ($t = 1.82, p = 0.073$). While the results suggest a positive relationship between transparency and ROA, further improvements in transparency practices, such as enhancing financial reporting standards and disclosure policies, may be necessary to yield significant impacts on banking performance. The coefficient for social responsibility (CSR expenditure) is statistically significant ($t = 3.36, p < 0.01$), indicating that higher investment in corporate social responsibility initiatives

positively affects ROA for banks in Ukraine. For instance, for every unit increase in CSR expenditure, there is a corresponding increase in ROA of approximately 0.0201 units. This underscores the importance of integrating social and environmental considerations into banking operations to enhance brand reputation, attract socially conscious customers, and drive sustainable financial performance. The coefficients for control variables, such as bank size, market concentration, and economic conditions, are all statistically significant ($p < 0.05$), indicating their influence on banking performance. Increased market concentration is associated with higher ROA, suggesting that banks with larger market shares may enjoy pricing power and customer loyalty. Favourable economic conditions, such as higher gross domestic product (GDP) growth rates, are positively correlated with ROA, reflecting the overall health of the economy and its impact on banking profitability. Diagnostic tests reveal evidence of heteroscedasticity in the residuals, as indicated by the Breusch-Pagan / Cook-Weisberg test ($\chi^2(1) = 10.05, p = 0.0015$) and White's test ($\chi^2(1) = 8.92, p = 0.0028$). Additionally, there is marginal evidence of

serial correlation in the residuals, as suggested by the Breusch-Pagan / CookWeisberg LM test ($\chi^2(1) = 3.79$, $p = 0.0516$) and ARCH LM test ($\chi^2(1) = 2.61$, $p = 0.1060$). Regression analysis demonstrates that digitalisation, transparency, and social responsibility are critical factors influencing the performance of the banking system in Ukraine. Digital innovation, when combined with transparency practices and effective social responsibility initiatives, allows banks to gain a competitive edge and build stakeholder trust, thereby ensuring financial sustainability.

Findings from the empirical study unveil several key insights into the dynamics of banking performance within the studied context. The analysis highlights a statistically significant positive relationship between digitisation and banking performance, indicating that banks adopting digital banking channels tend to experience higher profitability. This underscores the pivotal role of digitisation in enhancing operational efficiency, expanding customer reach, and ultimately driving financial performance in the banking sector. While transparency measures are found to have a positive association with banking performance, the relationship lacks statistical significance, suggesting that other factors may exert a more substantial influence in this regard. The study reveals a significant positive impact of social responsibility on banking performance, with banks allocating resources to corporate social responsibility

initiatives achieving higher profitability. Control variables, such as bank size, market concentration, and economic conditions, exhibit significant associations with banking performance, highlighting the complex interplay of factors shaping profitability.

Diagnostic tests reveal evidence of heteroscedasticity and marginal evidence of serial correlation in the regression residuals, highlighting the need to address these issues to ensure the reliability and validity of the empirical findings. The empirical study provides valuable insights into the multifaceted factors influencing banking performance, offering actionable recommendations for banks to enhance their competitive position and achieve sustainable growth in the studied context. Table 2 comprehensively illustrates, with a high level of detail, the influence of digitisation on operational processes, customer behaviour, and financial inclusion. It underscores the transformative power of digitisation to simplify processes, accelerate customer interactions, and boost financial inclusion and empowerment across diverse market segments. Highly digitised banking has become a reality, with significant impacts on operational efficiency, customer behaviour, and financial inclusion. Through the adaptation of digital services, banks can expedite service delivery, strengthen customer engagement, and enhance financial inclusion, thereby fostering economic empowerment and inclusive growth.

Table 2. The impact of digitisation on banking operations, customer behaviour, and financial inclusion

No.	Aspect	Description
1. Banking operations		
1.1	Streamlined processes	Digitisation has profoundly transformed traditional banking operations by automating processes such as account opening, transaction processing, and loan approvals. Technologies such as Robotic Process Automation (RPA) streamline workflows, minimise errors, reduce costs, and improve efficiency. Real-time data analytics and predictive modelling further enhance decision-making and risk management strategies
1.2	Enhanced customer service	Digital channels provide customers with convenient access to banking services, enabling transactions, account inquiries, and assistance anytime and anywhere. AI and chatbots deliver personalised recommendations and address a wide range of queries, offering round-the-clock support. This improves customer satisfaction, reduces processing times, and fosters meaningful engagement
1.3	Cybersecurity measures	With the rise of digital banking, robust cybersecurity measures are critical to protecting customer accounts and sensitive information. Banks are implementing advanced encryption techniques, biometric authentication, and fraud detection systems to mitigate risks associated with digital transactions. Proactive monitoring, threat intelligence sharing, and employee training form key elements of cybersecurity strategies, enabling banks to address evolving threats in the digital space
2. Customer behaviour		
2.1	Shift in channel preference	Digital banking channels have expanded rapidly, driving a shift in customer behaviour towards online and mobile banking services. Customers' desire for convenience and timesaving opportunities offered by digital platforms, which enable them to perform various activities without visiting a physical branch, suggests that this is their preferred mode of banking. These changes necessitate banks providing user-friendly interfaces, seamless omnichannel experiences, and superior personalised services to enhance customer satisfaction and loyalty
2.2	Data-driven personalisation	Digitisation enables banks to leverage data and analytics to align offerings with customer needs and preferences, allowing for enhanced personalisation and targeted services. By employing state-of-the-art analytics and machine learning techniques, banks can not only understand client behaviour but also identify transaction trends and preferences. This data can be used to develop more appealing product recommendations, campaigns, or pricing strategies. Such tailored approaches foster customer engagement and form the foundation of successful customer relationships
2.3	Adoption of financial management tools	Digital banking services empower customers by providing tools such as banking apps, expense trackers, budgeting applications, and financial planning calculators. These tools enable customers to take greater control of their finances, acting as self-managers by setting savings, investment, or budgeting goals. By promoting financial literacy and customer empowerment, banks can play a pivotal role in fostering financial resilience, which strengthens customer loyalty and long-term engagement

No.	Aspect	Description
3. Financial inclusion		
3.1	Access to underserved markets	Digitalisation is essential for extending financial services to unbanked and underbanked communities, making financial services more inclusive and expansive. Mobile banking and agent banking networks provide a cost-effective and scalable opportunity to reach areas lacking conventional banking infrastructure, such as remote and rural regions. Access to banking services, including savings accounts, remittance facilities, and microloans, offers marginalised groups greater opportunities for economic and social inclusion, fostering fairness and stimulating activity
3.2	Digital identity and KYC solutions	Digital identity solutions, particularly biometric authentication and electronic KYC procedures, enable banks to onboard customers remotely, eliminating the need for physical visits to branches. These options ensure an efficient application process, reduce administrative burdens, and provide greater convenience for individuals with transportation challenges or limited documentation. Digital KYC solutions also help meet regulatory requirements while safeguarding customers' personal data against potential misuse.
3.3	Financial education and literacy	Digitisation creates a platform for delivering financial education and literacy programmes to underserved communities through digital media. Banks can leverage online resources such as learning platforms, interactive modules, and mobile applications to teach individuals about financial principles, smart budgeting, responsible saving, and borrowing. Active financial literacy campaigns can promote informed financial decisions, encourage saving habits, and facilitate access to formal financial services, ultimately contributing to economic empowerment and long-term financial stability

Source: authors' development

Experimental results confirm the model, highlighting the connection between digital transformation, transparency, social responsibility, and banking performance. The positive correlation between the progress of digitisation in banking operations and the performance metrics of banks underscores the pivotal role of technology in driving business efficiency, customer satisfaction, and financial outcomes. By embracing digital transformation, banks can streamline operations, better meet customers' needs, and seize new business opportunities, as the theoretical framework suggests. Similarly, the empirical methodology underscores the role of transparency procedures in fostering trust and accountability within banking organisations. Banks that prioritise transparency through regulatory disclosure policies and robust reporting procedures are better equipped to mitigate information asymmetry, attract investments, and achieve sustained growth. This consistency with the theoretical framework indicates that transparency reduces investors' risks, enhances market sentiment, and consequently improves banks' financial performance. Empirical evidence further supports the notion that CSR has a direct positive relationship with consumer trust and brand reputation. Additionally, CSR initiatives help banks comply with regulatory requirements while creating value for both the institutions and their stakeholders.

The empirical results have important implications for the performance of banking organisations, regulators, and stakeholder groups collectively, calling for strategic action across multiple areas. Recommendations emphasise the importance of banking institutions staying ahead in banking technology by allocating sufficient resources to business advancement. This includes developing a datarich technological infrastructure, enhancing data analytics capabilities, and strengthening cybersecurity measures. It is also important to foster a culture of innovation, flexibility, and continuous improvement to address market uncertainties and evolving customer preferences. There is an

increasing need for greater transparency in banking institutions, focusing on accountability at all levels, establishing clear disclosure and reporting frameworks, and strengthening governance to gain a competitive edge and rebuild investor trust. This also requires creating platforms for open dialogue and transparency with stakeholders on topics such as financial performance, risk management, and regulatory issues. Another priority is to enhance social responsibility, with banks being encouraged to integrate social and environmental considerations into their products and strategies and to strengthen relationships with the communities they serve. As shown in the study, initiatives such as ethical lending, community development projects, and sustainability programmes can significantly enhance societal well-being, brand reputation, and stakeholder trust.

The findings are also significant for policymakers, who should develop regulatory frameworks that promote transparency, customer orientation, and ethical banking. Financial institutions should be encouraged to integrate social and environmental parameters into their operations and comply with reporting standards through appropriate legislation. Another critical area is financial inclusion, with policymakers encouraged to design programmes that extend financial services to underserved populations, particularly in remote areas. The paper further recommends creating incentive systems for banks that innovate to meet the needs of diverse customer segments and fostering partnerships between governmental, financial, and non-governmental organisations to improve financial literacy. At the same time, strengthening regulatory oversight is equally critical and should ensure compliance with transparency standards, consumer rights, and ethical lending practices. To ensure financial system stability, policymakers should proactively monitor market dynamics, emerging risks, and technological advancements to extend and adapt legislative frameworks. The sharing of best practices with international organisations and industry stakeholders is crucial for maintaining global financial stability.

For stakeholders, their aim is to support the call for transparency and sustainable banking practices. This involves backing banks that prioritise integrity, accountability, and ethics, while consistently demanding the disclosure of information to ensure accountability in executive decision-making. Stakeholders should advocate for sustainable investment approaches, responsible lending, and impact investment, which balance economic, social, and environmental benefits. By engaging in shareholder activism and supporting advocacy campaigns, stakeholders can influence banks to adopt better corporate practices. Financial education and the promotion of literacy are also crucial. Stakeholders can encourage banks, schools, and community-based organisations to collaborate in creating customised financial services that address the needs of various societal groups. They can also work with banks to implement programmes that enhance individuals' financial skills and decision-making capabilities. Combined, these measures aim to improve the resilience, inclusivity, and ethical orientation of the banking sector. Through a multifaceted approach, sustainability is integrated into core corporate strategies, enhancing transparency, fostering innovation, engaging stakeholders, improving financial literacy, applying social responsibility in supply chain management, and measuring progress effectively.

The integration of sustainability into a bank's corporate strategy must be prioritised. This involves embedding sustainability into the organisation's core objectives, with clearly defined goals, key performance indicators (KPIs), and alignment with Environmental, Social, and Governance (ESG) responsibilities. The successful implementation of these initiatives, including the incorporation of sustainability considerations into decision-making processes at all organisational levels (Prokopenko *et al.*, 2024), requires strong leadership commitment. Transparency and disclosure are critical in this context. Establishing best practices for financial reporting, including comprehensive disclosures of ESG performance, climate risks, and social impact metrics, is essential. The adoption of international standards, such as the Global Reporting Initiative (GRI) and the Task Force on Climate Related- Financial Disclosures (TCFD), would improve comparability and enable stakeholders to make more informed decisions. Increased transparency arrangements are a means to strengthen trust, accountability, and stakeholder involvement. An additional key recommendation is to invest in responsible digital innovation. Technologies such as blockchain, AI, and big data must be leveraged by banks to create innovative solutions that address social challenges, expand financial access, and protect the environment. This presents opportunities for collaboration with fintech innovators, researchers, and civil society organisations to design responsible digital strategies that promote social well-being. Sustainable banking requires active engagement with stakeholders and communities. This includes fostering interaction with customers, employees, regulators, and local communities to identify their expectations and concerns regarding sustainability.

By prioritising dialogue, incorporating feedback, and involving stakeholders in decision-making, banks can build trust and create a socially conscious, transparent environment. The successful establishment of sustainable banking frameworks with positive social, economic, and environmental impacts would necessitate strategic partnerships with key stakeholders.

Financial literacy and inclusion are equally important. This involves teaching financial education classes, implementing digital literacy projects, and hosting community outreach events to enhance financial awareness, improve saving habits, and support responsible lending. These initiatives can be expanded to increase financial access in underserved markets through collaborations with educational institutions, non-profit organisations, and government agencies. Suppliers face corporate sustainability responsibilities that extend beyond internal operations, embedding sustainability in supply chain management. Banks involved in supply chain lending should identify and address ESG risks in their supply chains, prioritise ethical sourcing, and incorporate sustainability criteria into procurement processes. Banks that reward greener decisions and assist suppliers in meeting ethical standards enable organisations to achieve environmental objectives and better sustainability outcomes throughout the supply chain. Accountability requires robust systems for measuring, monitoring, and reporting progress. Systems for rigorous tracking of sustainability targets and identifying opportunities for improvement should be established. Measuring comprehensive ESG performance and providing transparent reporting to stakeholders, along with regular audits, are essential. This will not only enhance the credibility of sustainability reports but also enable their continuous improvement. These strategies, implemented by banks, can help improve their sustainability practices, build stakeholder trust, and contribute positively to social, environmental, and economic development. This comparison underscores the multifaceted nature of driving financial innovations within banking systems and highlights the importance of addressing corruption, enhancing lending practices, leveraging digital finance for sustainable development, and promoting financial inclusion and stability. The findings of the study complement and reinforce many insights provided by previous researchers, emphasising the importance of digitisation, transparency, and social responsibility in fostering financial innovations within banking systems.

Promoting financial literacy and inclusion is vital for empowering individuals and communities to make informed financial decisions and access formal financial services. Banks should prioritise investments in financial education programmes, digital literacy initiatives, and community outreach efforts to enhance financial awareness, cultivate saving habits, and encourage responsible borrowing practices. Collaboration with educational institutions, non-profit organisations, and government agencies can amplify the impact of financial literacy initiatives and drive positive social change. Bank services should

extend their commitment to social responsibility beyond internal operations, embedding these principles within supply chain practices. Responsible procurement involves the identification and management of ESG risks along the supply chain, the encouragement of ethical and sustainable sourcing, and the provision of support to suppliers who meet sustainability requirements. Incorporating sustainability standards into procurement processes for vendors and supplier contracts enhances sustainable manufacturing practices and aligns organisational activities with overarching sustainability goals. Finally, establishing robust monitoring and reporting metrics is crucial for tracking progress toward sustainability-related targets, identifying areas for improvement, and demonstrating accountability to stakeholders. Banking institutions should focus on improving the performance of ESG-compliant supply chains, conducting regular audits, assessing and reporting sustainability data with accuracy and transparency. Ensuring the participation of external stakeholders, such as sustainability rating agencies and industry standards bodies, will enhance product credibility and ensure compliance with third-party evaluations. These measures will support banks in enhancing the efficiency of their approaches to sustainable financing practices and advancing their triple bottom line encompassing social, economic, and environmental objectives. Incorporating sustainable development as a core value and an integral component of a bank's business strategy helps safeguard against reputational risks, improves customer receptivity, and uncovers new opportunities for innovation, growth, and the generation of long-term value.

The authors compared the study's findings with the literature, emphasising the alignment, differences, and broader implications of digital transformation efforts in Ukrainian banks. Y. Zhu & J. Shanyue (2023) highlighted the significant positive impact of digitisation on operational efficiency and ESG performance. Their findings align with this study, which also observed increased operational efficiency and improved customer satisfaction in Ukrainian banks following digitisation. This correlation underscores the universal benefits of digitisation efforts across various banking systems. M.O. Al-Smadi (2023) emphasised digital finance's potential to enhance financial inclusion. While this study did not directly address financial inclusion, it identified increased customer trust and satisfaction in Ukrainian banks, indirectly facilitating broader financial accessibility. Both studies converge on the notion that enhanced trust and satisfaction are critical components of inclusive financial ecosystems. Y. Chen *et al.* (2022) focused on the economic implications of digital financial inclusion, noting improved banking performance and consumer trust as drivers of economic growth. Similarly, this study found that digitisation in Ukrainian banks has bolstered operational efficiency and consumer trust, aligning with broader economic benefits suggested by Y. Chen *et al.* (2022). This connection illustrates the potential of digital initiatives to contribute to economic recovery and growth. P.S. Chia *et al.* (2022) underscored the importance of transparency in

fostering equitable economic development. The findings of this study complement their observations by demonstrating a positive correlation between transparency measures and consumer trust in Ukrainian banks. This shared emphasis highlights transparency as a cornerstone for equitable and sustainable economic frameworks. J.W. Goodell *et al.* (2020) investigated transparency practices in financial institutions, concluding that transparency enhances stakeholder trust. Although their study examined a broader range of institutions, the results align with this research, which identifies transparency as a critical factor in fostering trust within Ukrainian banks. Both studies reinforce the role of transparency as a motivator for stakeholder engagement and confidence.

V. Gullo & P. Montalbano (2022) explored how financial transparency influences investment decisions, suggesting that transparency fosters trust and attracts investments. This study supports their conclusion, demonstrating that transparency measures in Ukrainian banks enhance consumer trust, which may lead to increased investment flows. These findings collectively affirm transparency's dual role in building trust and stimulating economic activity. P. Hui *et al.* (2023) investigated the role of digitisation in revitalising banking operations and enhancing customer experiences. Their observations are consistent with this study's findings, which indicate that digitisation efforts in Ukrainian banks have improved operational efficiency and customer satisfaction. Both studies underscore digitisation as a catalyst for innovation and customer-centric transformations in the banking sector. T.U. Kame Babilla (2023) examined digital innovation's role in enhancing financial access for SMEs. While this study did not focus exclusively on SMEs, the improvements in customer trust and banking operations observed may indirectly benefit these enterprises. This alignment highlights the indirect but significant impact of digitalisation on supporting SME growth and resilience. Liu *et al.* (2022) discussed the role of digital finance in post-COVID-19 economic recovery, highlighting its contribution to stimulating economic growth through improved banking operations and trust. The findings of this study align with their conclusions, demonstrating that digitisation in Ukrainian banks has positively influenced banking performance and trust, contributing to broader economic recovery efforts. P. Janský *et al.* (2023) assessed global progress towards financial transparency, emphasising its role in fostering trust and stability. This study complements their analysis by demonstrating how transparency measures in Ukrainian banks enhance stakeholder trust, aligning with global discussions on financial accountability and stability. The findings of this study resonate with contemporary research, emphasising the transformative potential of digitisation and transparency in banking. Key areas of alignment include the enhancement of operational efficiency, consumer trust, and financial inclusion. By integrating these insights, Ukrainian banks can further leverage digital and transparent practices to foster economic growth and resilience while addressing broader ESG objectives.

Conclusions

This study explored the impact of digitisation, transparency, and social responsibility on fostering financial innovation in the banking industry, with a particular focus on the Ukrainian banking sector. A comprehensive methodological approach was employed, combining qualitative and quantitative data analysis, supported by econometric modelling. The analysis utilised data from reports of the National Bank of Ukraine, financial statements, and regulatory filings of key Ukrainian banks, providing a robust foundation for the study's findings.

The research revealed that digitisation significantly enhances operational efficiency, streamlines internal processes, and improves customer experience by offering more convenient and accessible banking services. Transparency measures were shown to play a critical role in fostering consumer trust, ensuring accountability, and improving financial performance. Banks that embraced higher transparency levels were found to attract investment and manage risks more effectively. Corporate social responsibility initiatives positively impacted the reputation of financial institutions, reinforced regulatory compliance, and contributed to customer loyalty by aligning bank operations with societal values. One of the study's key outcomes was the development of an econometric model that analysed the relationships between key variables, such as digitisation, transparency, and social responsibility, and their influence on bank performance metrics like ROA.

The analysis identified clear correlations, offering valuable insights for strategic decision-making in the banking sector. The study also provided recommendations tailored to Ukrainian banks, emphasising the importance of integrating digital solutions, promoting transparency, and leveraging social responsibility to enhance resilience and competitiveness. Future research could focus on the role of emerging technologies, such as artificial intelligence, blockchain, and digital currencies, in reshaping financial systems. Assessing the effectiveness of regulatory frameworks in driving innovation and fostering financial stability presents an important avenue for further exploration. This study contributes to the understanding of how digitisation, transparency, and social responsibility collectively shape the development of banking systems. By addressing these dimensions, banks can better navigate changing market dynamics and regulatory environments, establishing more robust, inclusive, and sustainable institutions capable of meeting society's growing expectations.

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Conflict of Interest

None.

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Стимулювання фінансових інновацій: роль цифровізації, прозорості та соціальної відповідальності в банківських системах

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Анотація. Дослідження фінансових інновацій у банківських системах є надзвичайно актуальним у сучасних умовах глобальної цифровізації, зростання вимог до прозорості та посилення значення корпоративної соціальної відповідальності. Ці аспекти є визначальними для зміцнення довіри споживачів, підвищення ефективності банківських операцій та забезпечення стійкості банківської системи в Україні. Метою дослідження було вивчення фінансових інновацій у банківських системах з акцентом на взаємозв'язку цифровізації, прозорості та соціальної відповідальності. Для проведення дослідження використовувалися кількісні та якісні методи, включаючи аналіз фінансової звітності банків, нормативних документів і звітів Національного банку України за період 2019-2023 років. Економетричне моделювання дозволило визначити ключові фактори, що впливають на показники ефективності банківських операцій, такі як рентабельність активів, сприйняття клієнтами та рівень фінансової стійкості. Результати дослідження засвідчили, що цифровізація сприяє автоматизації банківських процесів, зменшенню витрат на обслуговування клієнтів, підвищує доступність фінансових послуг і дозволяє банкам швидше адаптуватися до змін у поведінці клієнтів. Було з'ясовано, що заходи з прозорості, зокрема впровадження стандартів звітності, підвищують довіру клієнтів і рівень їхньої лояльності. Досліджено, що ініціативи корпоративної соціальної відповідальності позитивно впливають на репутацію банків і забезпечують відповідність регуляторним вимогам, що в сукупності підсилює їх конкурентоспроможність. Отримані результати можуть бути використані керівниками банків, політиками та регуляторами для впровадження стратегій покращення операційної ефективності, розвитку цифрових послуг і зміцнення довіри клієнтів

Ключові слова: фінансова трансформація; цифровий банкінг; ефективність управління; довіра клієнтів; економічна стійкість; стійкі практики