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DIGITAL TRANSFORMATION IN CORPORTE FINANCE: IMPACT OF DIGITAL INNOVATIONS

Recent years have seen a significant transition in the financial industry as a result of technological improvements as well as shifting customer expectations. The adoption of digital transformation by traditional financial institutions is becoming more and more necessary if they are to stay competitive in a time of innovation and fast change. Fintech firms, blockchain technology, AI, along with big data analytics have disrupted traditional financial services and procedures, posing concerns about norms and necessitating change. Customers' relationships and expectations have changed as a result of this change, which has also changed the way financial institution's function. The need for digitization in business industry was also hastened by the COVID-19 epidemic as remote labour, contactless payments, as well as online services became crucial. Financial organizations must optimize their business operations to increase productivity, save costs if they are to succeed in this dynamic environment. This study explores the complex world of financial evolution, with a particular focus on the crucial function that business process optimization plays in the context of digital transformation.

Objectives

- To analyse the way financial firms are now implementing digital transformation.
- To determine the main difficulties and obstacles preventing the use of digital technology.
- To examine the effective tactics used by financial institutions during their digital transformation processes

The widespread adoption of digital technology is driving a profound revolution in the financial sector right now. Financial institutions' landscape has been dramatically altered by this change, which has prompted them to adopt a new paradigm. Traditional banks and investment companies alike are aggressively pursuing digital transformation efforts in order to remain competitive, relevant, as well as responsive to changing consumer expectations. The shift to cloud computing is an essential part of this transition [1].

Benefits for corporate finance:

- Easy data management.
- Increased operational efficiency.
- Insight-based decisions.
- Adaptability to current requirements and customer needs.
- Flexibility and acceleration of business processes.
- Speed of decision making.

The blockchain industry is another significant disruptor. Processes like cross-border payments could potentially be revolutionized by it, cutting down on transaction times and costs. Additionally, blockchain's immutable ledger improves security, making it desirable to financial firms concerned with data integrity. Financial processes are rapidly in corpora ting machine learning (ML) and artificial intelligence (AI). Through the use of chatbots along with recommendation engines, these technologies allow institutions to automate repetitive processes, and undertake predictive analytics for risk assessment while improving client experiences. Back-office processes are being streamlined via robotic process automation (RPA), which is also increasing effectiveness and lowering human error. Financial institutions are utilizing RPA to automate operations including data entry, reconciliation, and compliance checks, which frees up human resources for higher-value work.

Key challenges and barriers to digital adoption:

Regulatory Compliance: Getting around the complex web of regulatory obligations is one of the biggest problems. The strict regulations governing data protection, customer privacy, including financial security must be followed by financial institutions when implementing digital transformation initiatives. Compliance can prove difficult to achieve, especially when incorporating cutting-edge technology like blockchain and artificial intelligence.

Data security is crucial since the banking sector deals with a lot of private information. Significant risks are posed by cybersecurity attacks, data breaches, as well as vulnerabilities. To safeguard client data and upload confidence, financial institutions must make significant investments in cybersecurity.

Integration of Legacy Systems: Many financial institutions struggle with outdated legacy systems that are difficult to upgrade. It could turn out expensive and difficult to integrate new digital technologies with old infrastructure. A never-ending problem pertains to guaranteeing smooth interoperability.

Talent Shortage: There is a rising demand for experts in cybersecurity, blockchain, AI, and finance. Recruitment and training are difficult since there is a dearth of qualified people in these fields.

Customer Adoption and Trust: For conventional organizations with established brick-and-mortar presence, convincing customers to support digital channels could prove difficult. Concerns about enhancing user experiences as well as building consumer confidence in digital services persist.

In addition, for the successful implementation of innovative strategies, it is necessary to have a clear action plan, a specific development strategy and sufficient resources for its implementation.

Modernity offers a wide range of digital innovations in company financial management. The Basel Committee on Banking Supervision proposes the following classification of innovative financial services. A broad classification on innovative financial information management tools is provided by Deloitte (2022).

It can be summarized from the classifications in the research today there is a wide range of innovative financial services and services developed both for individuals and companies. This leads to high competition between fintech companies, the emergence of a large number of companies providing advisory services in the financial sphere. This contributes to the expansion of opportunities and a wide choice of services for users, but in order to survive in the competition, companies have to work hard to respond and adapt to the changing conditions virtually daily. Until recently, the Internet, the personal computer, and the smartphone were some of the main technologies that businesses considered innovative using.

Many of the innovative technologies that will be introduced between 2020 and 2030 are already on the market and used by innovative companies.

In 2024, the technological turbulence – including generative AI, the transition to the cloud, increased fraud and cyber risk, and blurring of industry lines, such as the embedded finance trend – will require financial services leaders to be much more agile than eve.

The existence of a wide range of digital innovations is not yet an a priori fact that they are widely used by companies. The results of the survey presented in Deloitte's (2022) study, containing a list of popular digital technologies and the percentage of positive answers of company respondents to the following questions: do they know about this technology; is the technology used by the company; is the company planning to invest in this technology within the next 12 months; is the company planning to invest in this technology within the next 3-5 years. As can be seen from the study, companies' awareness of the listed innovations does not mean that these techniques are used by them or will even be introduced in the future. The most popular technology among the presented ones is cloud computing technology, which is used by more than half of the surveyed companies [3].

To conclude the main advantages of using digital innovations in financial management are: adaptability to current requirements and customer needs, flexibility and acceleration of business processes, speed of decision making; opening a wide range of innovative opportunities; simplified and more convenient data management; improving opportunities for cooperation with counterparties, etc. It has been established that today there are a number of obstacles to the implementation of digital innovation, in particular, increased cybersecurity risks, lack of clear rules of legislative regulation, employee rejection, etc. It has also been proven that the introduction of innovations provides a positive image, cost savings, faster processes, ease of information processing, etc. In addition, it is a well-known fact that failure to implement innovations can lead to the cessation of a company's activities. It has been determined that for the successful implementation of innovations in the financial management of a company, this process must be clearly planned and thought out at each stage. In addition, companies should focus on digital innovation priorities, such as centralizing financial expertise in global centres of excellence; reorganizing legacy cash operations to make the cash process more efficient; moving end-to-end transactional financial and accounting processes to shared service centres; improving business partnerships between finance and business; increased use of financial SSCs for higher value services. An indisputable success factor is that the company's personnel have the necessary skills to work with current digital innovations, as well as their sufficient qualifications to conduct a pilot process of innovation implementation. The study identified the range of modern digital innovations in the financial sector and gave several classifications. Innovations in corporate finance primarily include innovative tools for managing financial information, which can be divided into groups according to their purpose: information creation and automation, deep analytics, cognitive computing, guided analytics function, data management and content management, cybersecurity, automation using robots.

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