REINVENTION OF NEW BANKING BUSINESS MODELS IN REPUBLIC OF NORTH MACEDONIA

Andrijana B. Danevska, PhD
International Balkan University-Skopje, andrijanab.danevska@ibu.edu.mk

ABSTRACT

Banks represent the foundation of every financial system. However, their role as main intermediate and liquidity provider starts fading and many authors argue that "brick and mortar banks" would even disappear. The digital economy brought in rapidly changing technologies, increased knowledge intensity and led to creation of new models of businesses and service delivery channels. The financial landscape in developed countries has already started to change with the entrance of Fintech companies, challenger and neo banks, which in turn meant actual threat to incumbent players. As a response, the traditional integrated corporate banking model started shifting towards diverse digital banking ecosystem of bank and non-bank players.

This research paper identifies and analyses the key drivers that are changing the banking business model in developed countries and correspondingly describes three possible scenarios for Macedonian banking system which will imply changes in the current banking business models. Within the scenario framework, special attention is given to the opportunities and threats that banks may face in their main group of activities (services and products). Additionally, through conduction of SWOT analysis this research paper shows the advantages and weaknesses that Macedonian banks would have in the new digital banking ecosystem. The customer preferences, advanced technology, the entrance of new competitors and changes in regulation will initiate drastic changes in the banking sector where Macedonian banks must rethink their business model in order to remain competitive. Therefore, the main purpose of this research paper is to propose reinvention of bank business models in the new digital banking ecosystem.

KEYWORDS

BUSINESS MODEL, BANKING ECOSYSTEM, FINTECH COMPANIES, SCENARIO.

JEL CLASSIFICATION CODES

G21, M10

1. INTRODUCTION

The rapid spread of information and communication technologies impose digital transformation of every business sector in the economy and creation of New Economy, or digital economy. The financial sector as important part of the economy is not omitted from this digital transformation. After all, the financial sector should lead the introduction and usage of innovative digital technologies in offered services, products to clients and in internal matters regarding the financial companies' architectures, IT infrastructures and working procedures. However, today the fastest-growing financial companies we see around the world are not the traditional "mortar and brick" banks, but FinTech companies, challenger banks and neobanks. These new financial players are changing the banking ecosystem and add full digitalization in banking products, services and activities. These new participants challenge existing incumbent banks and offer innovative solutions that allow customers to optimize many financial services, to make them easier, more accessible and cheaper.

Therefore, major banks all over the world are experiencing pressure on changing their business models. According to Teece, 2018 a business model describes an architecture for how a firm creates and delivers value to its customers and the mechanisms employed to capture a share of that value. Through business model, an organization is able to describe the nature of its business in the sense of "what it does," "what it offers" and "how the offer is made" (Ritter and Lettl, 2018) and "what is the main value created". With the integration of digital technologies into banks' business processes and procedures new bank business models were introduced, which actually meant transformation of traditional banking into digital banking. In this context, the further explanation is that ongoing transformation of economies and industries, the growing power and development of digital technologies generally, has direct impact on a bank's business model. And, for the purpose of maintaining or achieving more success on the market with the newly designed business model, banks should nevertheless analyze and explore different alternatives stories – scenarios for the future. In that manner, banks will possess a good understanding and insights about their client requirements, and clear understanding of the firm's value chain (Teece, 2018).

Many banks in Republic of North Macedonia follow the new trends in digital banking in order to maintain their competitiveness on the banking market. However, by monitoring the process of digital transformation we can say that today this process is at its beginning. Each bank uses digital technology to expand its product ranges and services to clients and attempts to focus on the specific needs of the buyer. Yet, Macedonian banking sector still lacks the competition from new entrants, such as fintech companies due to the fact that new regulatory framework is needed to be implemented in order to support them. In this context, in the second half of 2020, a study[1] was led and coordinated by the National Bank of Republic of North Macedonia for the purpose of mapping the development of the Fintech sector in North Macedonia and to assess the opportunities, barriers and challenges posed for innovation and for new market participants. According to the conducted survey, among 220 participants[2], 72% of the bank and non-bank financial institutions answered that they initiate digital transformation, where banks are further ahead in their digital transformation. In addition to that fact, 93% of banks, already have separate organization unit, or person responsible for digital transformation. This new technology, given the data in the study, banks and non-bank financial companies use for automation (60%), 40% use new technologies for introducing innovations related to payments, and around 30% use big data analytics. In other words, 58% of the incumbent banks and non-bank financial companies are developing some form of Fintech products or services, such as: innovation in credit scoring models with the aim to reach segments of the market that banks cannot or do not wish to engage with; facilitation of instant peer to peer payments; allowing businesses to sell their receivables on an online platform, without the need for paperwork, and subject to regulatory changes needed; automation of credit scoring so that customers can get instant loan application decisions and innovative finance products for loan car business and car leasing businesses. Based on responses received in the conducted survey, traditional banks and non-bank financial companies are

[1] This study was financed and technically supported by the European Fund for South East Europe's Technical Assistance Facility. The study was coordinated and led by the National Bank of the Republic of North Macedonia, with support from a United Kingdom based Fintech advisory firm Vedanvi.

[2] These participants were grouped into the following stakeholder groups:

1. Banks
2. Non-Bank Financial Institutions, such as Insurers, leasing companies and other non-bank lenders
3. Alternative Finance Firms, such as lending firms as well as Technology Providers to Financial Services
4. Accelerators, Investors and Development Partners, including Consultants
5. Regulators spanning all financial services sectors
6. Relevant Government departments.

incrementally improving their existing products by using advanced technology. However, when conducting the study there was not existence of a totally new Fintech based business models, such as equity or loan-based crowdfunding, or launch of digital only challenger banks, or Insuretech solutions.

According to this study 64% of bank respondents, while 73.33% of non-banks respondents, felt that if regulators did open the market for Fintech players, it would present an opportunity to incumbents. On the contrary, 28.57% of banks and 22.67% of non-banks financial players note that new players will pose a threat to their organization and may adversely affect their market positioning. As a remark in this study it is pointed out that often the least digitally prepared financial services firms will feel the most threatened by new Fintech entrants into their market.

By describing the impact that the digitalization trend has on global scale in the banking sector and the new surroundings that currently take place in RNM, it can be concluded that changes are starting to happen in Macedonian banking and/or financial sector. The key drivers that actually are changing the banking landscape and strive to imply creation of new digital banking ecosystem are already identified and will be further elaborated.

The purpose of this paper is to point out alternative scenarios for further development and transformation of the banking sector and the main contribution is focused on proposing appropriate business models for banks in order to respond to this new turbulent environment.

2. KEY DRIVERS THAT ARE CHANGING BANKING LANDSCAPE

The banking landscape is continuously evolving and is constantly under the influence of many trends. Today, digitalization is the most significant of the several trends that shape the banking industry. Therefore, before introducing the scenario narratives about different alternative futures, this paper will analyze and describe the key drivers in order to better understand the current conditions in which the bank operates, locally and globally. The most important factors identified here, are customer preferences, usage of advanced technology, entrance of new competitors and changes in regulation, which will determine the basis of the scenarios and their results. These factors constantly interact with each other and create complex and interesting bases for building scenarios. Important to note is that each bank should compile its own list of key driving factors. As a matter of a fact, in one industry, lists of key company factors would be similar. Hence, it can be concluded that the company has very little control over the driving factors and the only way it can use them to its advantage is if to recognize them, understand their impact and if they do not go in its favor, then it should influence into creation of new driving forces (Mason, M.K., 2015). The key factors elaborated here are called predetermined elements of scenarios because they appear in every scenario; they have high influence over the business but relatively low uncertainty. Usually scenarios elaborate and other key drivers, which are called critical uncertainties, because they have the greatest impact on the company and are the most uncertain. Critical uncertainties are closely related to predetermined elements and are found by considering the assumptions about them. They have the power to fundamentally change the business and define or significantly change the nature or direction of scenarios. However, in this research paper these types of assumptions about the predetermined elements will be omitted.

Customer preferences. Contemporary's customers have different behavior norms than before and they are looking for more aesthetically appealing, highly personalized and context aware financial services, so that the need of the moment is served quickly without bank's clerks lumbering intervention. Furthermore, millennials want to be in control of their own finances, acquire for a self-service model and want to try different financial solutions from different service providers, whether is from different banks and/or different new players such as neo banks, challenger banks, Fintech companies etc. Digital technology and the experience it offers allows customer to monitor all their balances anytime and anywhere. For example, applications in smart phones may offer advice on wealth building, spending habits and money saving tips (Ogden, 2017). What is relatively certain about this key driver is that the evolved customers' needs would be satisfied and every customer is becoming a digital customer – someone more and someone less.

Usage of advanced technology. Many authors and practitioners see the development of electronic banking as a revolutionary development, but, when broadly speaking electronic banking is another step in how banking processes, organizational structure and offered services evolve. For instance, by using advanced technology banks have different alternative channels for interaction with customers at their disposal. Online and mobile banking have already changed how customers engage with the bank. Additionally, the rise of new banks, which have digital-only models of operating, gives customers a full range of services and products on their smart phones, without accessing their bank and waiting in queues. With customer interaction through digital channels, banks may also use the generated behavioral and transactional data. By analyzing this newly available data banks may have even more meaningful ways to engage customers by developing new innovative solutions. With the pressure coming from the side of customers and regulatory authorities, banks must embrace the digital technology, which will inevitably change their business models.

Entrance of new competitors. For years, banks have competed primarily with other banks with mass branch networks, marketing campaigns, and different fixed and variable loans' and deposits' interest rates. The offering of variety of financial services meant moderate competition in which several large banks had the lead due to their large share of the market. However, although customers use deposit, payment and credit facilities offered by banks, today they are no longer the only players in the banking market. For instance, today's customers might pay with debit/credit card but they also might pay with PayPal. The payment market is quickly evolving. Not only PayPal is seen as a mean of payment. There are fintech companies which serve as examples in the process of making payments faster, simpler and more secure, such as Circle, Remitly, Stripe, Braintree, Aeropay, DailyPay, Bolt, Ripple, Affirm. If this part of the financial market is monitored on global scale it can be concluded that today's fastest-growing financial services organizations are not banks, but FinTech companies, challenger banks and neobanks. These new financial intermediaries are changing the banking landscape and add full digitalization in banking products, services and activities. In order to remain competitive, banking sectors characterized by the presence of large incumbent players may help ensure that new offerings rapidly reach a wider share of customers. In other words, banks operating in countries with high concentration rates, such as Macedonian banks, have larger incentives to be the first movers in securing partnerships with Fintech players and hence gain rapid customer adoption.

Regulations. The digital transformation of banks and the entrance of new Fintech players is impracticable without a legal framework that leads and allows usage of technology and financial innovation. Most of the laws in Republic of North Macedonia are designed to protect the incumbent players, and these laws could actually discourage new entrants in the banking market. Additionally, according to the above mentioned conducted study Macedonian regulators already acknowledged that current regulation may not always accommodate Fintech business models. Macedonian regulatory framework should consider changes and updates in the Anti-Money Laundering and Combating the Financing of Terrorism Law, Electronic Signature Law, Data Protections Laws, and Laws on Obligations in order to impose creation of new banking landscape. The main limitation in these laws is that they require physical presence for identification when opening a new account or conduct a transaction. However, aside these facts, there are strong initiatives for changing the current regulatory framework. For instance, there is an expectation of accelerated implementation of the new payment services and systems regulation transposing PSD2 (Payment Service Directive 2) and other relevant EU directives and regulation in the payment area. PSD2 is aimed to make payments safer, increase protection of consumers' data and reducing the risk of fraud for electronic transactions, foster innovation and competition while ensuring a level playing field for all players, including new ones. The biggest change that PSD2 will bring is that banks will have to open their payment services to other companies, i.e. the Third Party Providers (TPPs). This will bring revolution in banking and has multiple implications in the market of banking. These new players will have to be registered, licensed, and regulated. Barriers will be removed for these companies, therefore increasing competition, which should translate into lower costs for customers. These new players will access the customers' payment account (that's the - access to account) to make payments on their behalf (via credit transfers) and to provide them an overview of their various payment accounts, but only with the prior consent of the customers.

These discussed key drivers will be described in the alternative scenarios as predetermined elements, and they will have high influence over the business but with relatively low uncertainty, meaning Macedonian banks should expect these changes to happen. However, in which direction should these factors evolve, actually explains the differences between various scenarios.

3. SWOT ANALYSIS OF DIGITALIZED BANKING ECOSYSTEM

Sabine Lautenschläger, Member of the Executive Board of the ECB and Vice-Chair of the Supervisory Board of the ECB, in 2017 considered that FinTech companies will change banks and in that context: banks might team up with FinTech; FinTech might break up the value chain of banking; and FinTech could be swallowed up by big Tech companies and deeply transform the banking business. What is certain is that FinTech companies will transform banks and their business models, but whether the impact would be positive or negative depends on banks and their preparedness to respond to these changes. For instance, digital challengers and FinTech giants present a threat for banks and may reduce their share in the provision of payment services, but at the same time, the wave of innovations offers a number of opportunities for banks, who are able to move quickly (Finnegan, 2016). Due to better description and analysis of the future scenarios and the manner in which banks will react or undertake proactive activities, and how the banking landscape will sustain radical changes, this research paper presents SWOT analysis. The SWOT analysis, viewed as strategic scenario analysis tool will seek to identify the strengths and weaknesses of banks (internal environment) and opportunities and threats coming from the external environment, i.e. the new digital banking ecosystem. This analysis will allow to conduct detailed analysis of scenarios in a more transparent and systematic way.

Strengths. The usage of digital technologies in banking processes and activities allows customers to have 24/7 access to their bank account, without losing time waiting in queues and entering banks' branches. Banks have benefits from this point of view in several ways. Firstly, for internet users it would be more convenient to use internet banking and abandon traditional banks that do not offer their services via digital channels. Banks may offer automated routine branch transactions such as cash deposit and payment related activities and if digital technologies are well developed additional more complex operations from the branches' front desks may be transferred in the background. On the other hand, this manner of banks' functioning results in reduction of overhead costs of other channels such as branches and call centers, which require buildings and staff presence (Shah, M.,&Clarke, S., 2009). Furthermore, the main economic argument of internet banking is that the cost per transaction of internet banking often falls more rapidly than that of traditional banks once a critical mass of customers is achieved. So, the greatest strength that banks have from the digitalization is that the usage of digital technologies supports achievement of economies of scale, which can be seen through speeding up business processes, reducing banks' expenses and transaction costs for both, banks and customers. Additionally, established banks have excellent market access, well dispersed branch network, reliable and established products, established brands and hence customer confidence as well as the budget to bring innovations to market. As a result of the COVID 19 pandemic banks focused on developing online solutions and started implementing e-banking services as a top on their priority list. Therefore, they should use these strengths and follow or respond to the changing environment.

Weaknesses. Digital transformation of banks induces greater efficiency and agility. However, radical changes in organizational structure and processes' flows are linked to risks in low employee morale, collapse of traditional services or the customer base. Banks are faced with the challenge to maintain balance between workforce level and customer service, and they have question marks how to optimize the number of branches. Physical banking, as we know, is upheld by politeness, greeting, and desire to provide the promptest services and sophistication and ability for apologizing or expressing concerns over bank clerks' mistakes. Digital banking crosses over this border and offers full digitalization of customer services without having to physically interact with customers. Therefore, in the continuation of this process, new challenges arise. Different skills, knowledge and aptitudes are demanded from managers and employees. The current workforce should be going through process of intensive training and further education and new employees should be recruited, both to possess wide range of skills such as: technical knowledge for Web architecture and graphic design, web development, managing web sites, internet security, content expertise for marketing or sales and IT programming, IT analysis, strategic planning, relationships management, project management, content creation/management, and process integration. For instance, bank clerks should be well educated and trained to advise customers for using digital banking services. The weaknesses that come from the area of human resources are the most crucial supportive element when transforming the banking business models and they should never be underestimated.

Another weakness comes from the fact that there is still a large population, which is not connected to the Internet. Lack of computer literacy, high cost of hardware and call charges and various other social and economic factors are some of the reasons cited for this (Walczuch et al., 2000). Additionally, there is still a large number of consumers which are reluctant to providing their banking services online, even though they have internet access or possess smart mobile phones. Factors such as security, perceived difficulties of use, perceived usefulness, functionality and lack of promotion (such as availability of cheaper products on new channels) are most commonly cited factors which are hindering the widespread adoption of new technologies (Cheng et al., 2006). Therefore, the digital banking also means an internal threat of losing existing customer base.

Opportunities. If there is anything that today's customers want that is added value of the product and services, they receive. The digital transformation enables implementing new business strategies by banks to offer a wider range of financial products, starting with personal finance management, overview of all banking accounts, investment management, advisory services and etc., which, in general, means creation of customized customer based products which give additional value to consumers. Digital banks will be able to differentiate their services and gain competitive advantage not only over other banks, but also over other traditional banks and other non-bank financial institutions. For instance, banks may benefit from using big data analytics about the needs and habits of its customers, thereby closing the information loop of feedback. In other words, if bank's client informs that has house maintaining issue, the bank can immediately recommend several contractors, arrange offers, help the client choose the most suitable one, and, finally arrange packages of financing. Thus, in addition to the financial business, the digital bank may include various non-financial entities and correspondingly non-financial services in its ecosystem. All of these services present the added value and contribute to increasing banks' profitability.

Threats. Digital banks should be the cornerstone of a larger financial ecosystem. In this new ecosystem, digital service providers, such as Robo consultants, credit card issuers, P2P lenders, insurers, brokers and asset managers are considered as important part. On global scale, these companies are already overtaking large share from the banking market and responding to the changing financial need of their customers. In this context, banks feel the threats in their main areas of functioning. In the provision of **payment services**, globally, block chain technologies and mobile money solutions already provide alternatives by rationalizing intermediation processes. These threats Macedonian banks would note in the near future, due to the fact that the monetary authority is already in the process of rolling out a significant update to the Law related to payment services and payment systems, and bringing them in line with the EU's PSD2 Directive, EMD2, PAD, SFD, IFR and some provisions from SEPA Regulation. In the area of **deposit collecting and lending**, there is already emergency of alternative lending platforms, also known as peer to peer platforms, where consumers may invest their surplus of funds/deposit and apply for a loan. These platforms have already transformed the process of credit evaluation and sourcing of capital. Related to **investment management**, Fintech companies have already launched financial innovative solutions which offer full package of user friendly platforms that provide to customer's goal-setting, planning, advisory and investing of their funds. These financial solutions cover broader customer base and empower customers to have more control over management of their wealth, in a manner in which they can build their own ETF portfolio, monitor all of their bank accounts and move funds above their monthly spending needs into investing accounts or filtering their investments based on environmental, social and corporate governance factors. Development of smarter machines which learn how to process unstructured information, for instance from news feeds in order to suggest trades and trends, contributes to **creation of**

information platforms that upgrade the information sharing among market participants. Besides Fintech companies, in this area there is emergence of regulatory companies, or RegTech companies, that combine technologies, such as artificial intelligence, big data, cloud computing, and machine learning, to facilitate compliance with increasingly complex regulations and to serve all of the users in-process monitoring in the regulations area. In other words, Regtech companies tend to centralize the management of compliance documents and to keep all employees informed about the regulatory changes. In the area of **capital raising**, alternative crowdfunding platforms widen the access to sources of capital and provide funding to greater number of companies or projects. Crowdfunding is an innovative way of sourcing funding and is most often used by startup companies or growing businesses, i.e. small and medium size companies.

The introduction of digital technologies in the financial system, and practically in the banking system has a significant impact on the overall landscape, and on the banking business models. The proposed SWOT analysis can be applied by any bank so that it can analyze its internal and external environment and how it can be effective and efficient when transforming into new digital business model. In this regard, there is a need to describe different stories about the future development of the banking system, in order for banks to choose the most appropriate and convenient business model.

4. ALTERNATIVE SCENARIOS FOR THE FUTURE OF BANKING SYSTEM AND PROPOSAL OF NEW BANKING BUSINESS MODELS

In order to make summary of the internal and external factors that digital transformation makes on the banks' core functions in the continuation of this research paper narratives of three possible scenarios will be presented. If these scenarios are well integrated into the process of business planning, they would be considered as effective test conditions of the chosen business model. In this paper they will be described as "laboratories" in which the proposed bank business models will be presented. Scenario planning allows the assessment of possible changes and outputs from various events in the environment and how they would affect the business model. In this way, new alternative creative strategies can be identified that will prepare the bank for the uncertainty in the future.

Scenario 1 – Dominations of Banks. In "Domination of Banks" regulators and the monetary authority are increasing barriers for new digital driven entrants in the banking market. In this context, the incumbent players, i.e. traditional banks keep their customer base and are not threaten by Fintech companies in their areas of functioning. Clients remain loyal to already established and trusted banks and banks maintain their business model. However, customer preferences are still changing and therefore, banks make efforts to respond to these changes and invest by themselves in creating of new digital and financial services and products that are tailored according to them. In this scenario, banks themselves invest into using advanced technology in their main areas of activities and are responsible for creating technological financial innovations in order to deliver more value to their products.

Scenario 2 - Reinvention of Banks. In this scenario, new digital entrants are even encouraged to enter into the banking market. Regulators believe that the development of the Fintech sector will provide greater opportunities and better services, primarily for consumers, but also for small and medium size companies. By increasing the financial inclusion, the financial system will be aligned with international best practices. In this scenario, customers gain trust in the new bank and non-bank players and face with attractive offerings because of the low cost for their entering. Existing banks would fail to make digital transformation quickly enough because of their decades old and lumbering systems and be at risk of being taken over by the new banking players. Traditional banks and new entrants offer their services to different marketing segments. For instance, new entrants use crowdfunding platforms for capital raising of startups, small and medium size companies, or companies/projects with higher risk, while incumbent players provide funding to companies which are in later stage of their life cycle. Additionally, incumbent players benefit from the services that new entrants offer in the area of information platforms, such as Regtech companies.

Scenario 3 – New Banking Ecosystem. In the "New Banking Ecosystem" banks cross the traditional boundaries of the banking industry and together with non-bank players operate on the same market in order to deliver to banking customers' products and services with added value. In this banking customer faced ecosystem, incumbent banks are reluctant to acknowledge the power of digital networks, and the new bank and non-bank players gain significant market share. Customers prefer new players consume tailored services where they can acquire wide range of services "under one roof". Therefore, as a last resort incumbent banks transform themselves into platforms that provide special knowledge/ expertise or know how and capabilities to the wider banking ecosystem.

In the process of digital transformation of the whole financial system, threaten by the arrival of Fintech companies and changed customer preferences, incumbent banks have their own strengths and if these strengths are properly combined with a sustainable innovation management, then these banks would survive. Major banks from all over the world have started to switch to a new business model-the digital banking model, which allows customers to perform operations via remote channels. The question remains, which are the business models that banks may develop in order to be prepared for the future.

1. Banking as integrated service. The first business model is a model in which licensed bank offers fully supported product or service on the banking market and, also integrated into to the products of the new player which is not licensed as a bank. In this manner the new player offers customers digital banking services, such as IBANs, debit cards, loans, and payment services, but without having to acquire a banking license of its own. In this way, the non-bank company/new player acts as an intermediary and is focused only on development of mobile application and its features. This mobile application communicates with the bank's system via APIs (Application Programming Interface) and Webhooks, allowing customers to manage their cards and access their accounts and transactions. Although, APIs have been used for over 20 years, nowadays is becoming attractive in banking industry, because Fintech companies and other financial institutions started implementing technology solutions for their customers. Simply defined, API is a group of tools and protocols used to build software and applications that connect to other firms' pre-existing technology. In the banking, APIs give financial institutions the ability to connect with businesses and consumers, transfer information at a more convenient pace, and expand the number, breadth of services they can offer and distribution channels.

The non-bank company/new player using APIs will have to be registered as BaaS agent (banking-as-a-service under the EU legislative), which could be accomplished faster and with less capital requirement as opposed to the requirements to obtain a license of its own. The non-bank company/new player does not directly manage the customer's accounts or money. It simply acts as an intermediary, which means it is not bound by any regulatory obligations.

This business model is built upon a standardized offering of fully supported service (conducting transactions, and providing of custody and depositary services). Therefore, banks should focus on exploiting economies of scale through partnership with the new players. With the disaggregation of the value chain bank can benefit by becoming banking platform for unlicensed new players.

2. Open Banking model – Partnership model. In general, open banking as a financial services term refers to enabling third party providers to access customer's financial information in a consented and secure manner. However, the Payment Services Directive 2 (PSD2) is European-wide regulation that requires financial institutions serving European markets to allow Third Party Providers (TPPs) access following customer consent to payments, customer transactions and account data. PSD2 is also a crucial step towards implementation of Open banking and evidence of the increasing importance that APIs are acquiring in different financial sectors. Therefore, the implementation of the Open Banking model presupposes implementation of the PSD2 Directive, where the new players will be registered, licensed, and regulated at EU/national level. Barriers will be removed for these companies, therefore increasing competition, which should translate into lower costs for customers. Additionally, with these changes in Macedonian regulative related to payment systems and services it will be addressed and the biggest concern for banks, that is reducing the risk of fraud for electronic transactions, and enhancing the protection of the customers' data.

As discussed above, with Open Banking business model, banks are legally required to provide third parties with access to their banking data. In the previous business model, non-banks/new players integrate the full breadth of financial services into their own products. In the Open Banking model, non-banking companies/new players simply use the bank's data for their products, and they are also called Third-Party Providers (TPPs). The critical thing to remember is that TPPs cannot provide banking services as they do not hold a banking license. They simply use data from bank accounts in order to provide aggregated data or to initiate transactions.

On the side of banks this model means abolishing the traditional predominantly closed and defensive way of managing customers' data and their financial positions. Banks will have to work in a more collaborative and open manner, both with other financial institutions and financial technology startups, for the benefit of end-customers. The main purpose of this model is to give third party providers (TPPs) access to customers' financial information, and indirectly offering them, especially individuals and small to medium-sized enterprises, holistic products and services, which increase customer satisfaction, loyalty, and most importantly, revenue.

Although, at first glance with this business model banks need to make more efforts to remain competitive, because the end user has opportunities to choose from more products and change providers, still this open banking model gives them an opportunity to stay ahead of the competition. Nevertheless, the banks themselves can benefit from providing access to their open banking channels or connecting to the channels of other banks by improving customer engagement; by providing end users with access to the bank's financial products, to their personal financial data and enabling them to efficiently manage their finances and to initiate payments in a secure and fully controlled manner; by using data from other banks to verify end users; by simple and automatic loan granting based on financial history received from other financial and credit institutions; by reducing time to market and increasing income through the use of products from other banks or fintech companies.

3. Platform banking, enables construction of customized faced ecosystem to meet every customer needs. Banking ecosystems operate across traditional industry boundaries, with different players working in the same space for the purpose of delivering to banking customers' services they need and value. Third-Party Fintech companies create financial products and services for bank customers, and these services are integrated with banks acting as infrastructure providers. In this banking ecosystem, banks can deliver more meaningful customer experiences and can follow customers beyond the boundaries of their traditional relationships. In other words, banks that choose this business model will have product offering across retail, private, corporate and investment banking and asset management. In this manner banks would have exceptional value proposition, i.e. flawless control over front-to back processes even if that processes are outsourced. In this constellation, banks bring their expertise in security matters, compliance, and especially in distributing financial products. The licensee remains the bank, regulated by the central bank. As to the banking services the Fintech companies offer on the platform, they partner with companies whose technology offers competitive advantages that meet customer expectations for whatever stage the customer is in.

Traditional banks often use this platform banking business model to add value to the customer experience and as an incentive to secure the customer's loyalty. By integrating fintech services into their platform, they keep their customers in the bank's network, even if it means giving a share of the revenue to the integrated Fintech companies.

5. CONCLUSION

The digital transformation in the new economy embolden fintech companies and many startups to enter the banking sector using new technologies, such as APIs, artificial intelligence, machine learning, big data analytics and introducing products and services with added value for end customer. The digital transformation is already changing banks' environment and the scenarios described in this research paper only show several paths to its further development in the future. Therefore, banks need to continuously monitor the key drivers and signals from the external environment and consequently to make anticipated changes in the scenarios. Additionally, these proposed business models are based on assumptions about possible changes in the Macedonian banking sector by following the examples of changes in the banking landscape in Western developed countries and they need to be continuously adapted to the newly imposed conditions in the scenarios.

BIBLIOGRAPHY

Amer, M., Daim, T.U., Jetter, A. (2013), A review of scenario planning, *Futures*, Vol. 46, pp.23-40.

Bezold, C. (2010), "Lessons from using scenarios for strategic foresight", *Technological Forecasting and Social Change*, Vol.77, No.9, pp.1513-1518.

Bican, P.M.; Brem, A. (2020). Digital Business Model, Digital Transformation, Digital Entrepreneurship: Is There A Sustainable "Digital", *Sustainability 2020*, 12, 5239.

Bielinska-Dusza, E. (2013), Concepts of Scenario Methods in Improvement of an Enterprise, *Business, Management and Education*, Vol.11, No.1, p.137.

Diener, F. & Spacek, M. (2021). Digital Transformation in Banking: A Managerial Perspective on Barriers to Change, *Sustainability 2021*, 13. 2032.

Martelli, A. (2014), *Models of Scenario Building and Planning: Facing Uncertainty and Complexity (Bocconi on Management)*, Palgrave Macmillan, New York.

Shah, M., and Clarke, S. (2009). *E-banking Management: Issues, Solutions, and Strategies.* Information Science reference.

Teece, D. (2018). Business models and dynamic capabilities, *Long Range Planning*, Volume 51, Issue 1, pp. 40-49.

Teece, D. (2018). Profiting from innovation in the digital economy: Enabling technologies, standards, and licensing models in the wireless world, *Research Policy*, Volume 47, Issue 8, pp. 1367-1387.

Türkmen, E.; Soyer, A. The Effects of Digital Transformation on Organizations. In *Handbook of Research on Strategic Fit and Design in Business Ecosystems: Advances in E-Business Research*; IGI Global: Hershey, PA, USA, 2020; pp. 259–288.

Kotler, P., Caslione, J.A. (2009), *Chaotics: the business of managing and marketing in the age of turbulence*, 1st Edition, American Management Association, New York.

Zhuplev, A. V. (2018). Disruptive Technologies for Business Development and Strategic Advantage. *IGI Global.*