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FORMATION OF COMPETITIVE ADVANTAGES OF FINANCIAL INSTITUTIONS IN THE CONDITIONS OF DIGITIZATION AND INSTABILITY OF THE NATIONAL ECONOMY

ABSTRACT

The financial services market in modern conditions is rapidly transforming and adapting to new realities. Such transformation is primarily due to the development of the digital economy and high risks of instability both in global capital markets and within individual countries. Financial institutions are trying to adapt to new conditions while maintaining their own competitiveness. At the same time, the financial services market is a highly competitive market, where there is a rather complex struggle between banking and non-banking financial and credit institutions for clients. This, in turn, also stimulates such institutions to constantly change and seek new opportunities to increase their own competitiveness. The article studies the theoretical and applied aspects of the process of forming competitive advantages of financial institutions in the context of the emergence of the digital economy and modern threats to the stability of their functioning. This was achieved by identifying the features of the functioning of the financial services market, which affect the processes of forming demand and supply in it. The role of competitive advantages in ensuring the effective operation of financial institutions has been determined, which made it possible to distinguish their main types, namely: price, reputational, technological, organizational, financial, marketing, and personnel. Attention is paid to recognizing the essence of digitalization and substantiating its role in the development of the financial services market. This is implemented through an analysis of the characteristic features of the consumption of financial services by Millennials and Gen Xers. As a result, the impact of digital technologies on both the process of providing financial services and the functioning of financial institutions themselves has been substantiated. The impact of digitalization on the process of forming competitive advantages of these institutions, as well as modern trends in their use of certain types of digital technologies, has been analyzed.

Keywords: competition, competitive advantages, financial institution, digitalization, instability, non-bank financial institutions

JEL Classification: G21, L21, E44

INTRODUCTION

Financial institutions play a key role in the development of the financial system of any modern country. Today, these institutions are undergoing significant transformations, which are driven by the development of the digital economy and their active involvement in their own work.

The digital transformation of financial institutions that we are observing has really changed the established model of functioning of the entire sphere of financial services. This ultimately led to the transformation of individual components of financial institutions, primarily the management system. Digital technologies have changed the behavior of consumers of financial services, and this has affected the functioning of banking and non-banking financial and credit institutions. The mentioned institutions have played an important role in changing consumers' approaches to using these services on their own. Trying to constantly optimize their own activities, including using digital technologies, they develop and implement technologies that are useful and convenient for

consumers of financial services in their activities. In fact, the positive attitude towards digitalization of both clients of financial institutions and their managers and owners has led to the rapid digital transformation of financial institutions. The potential of digital technologies in financial services has not yet been fully explored. However, it can be clearly stated that there are still a significant number of promising areas for the application of these technologies in the work of these institutions.

Digital technologies have also influenced the competitiveness of financial institutions and changed approaches to the formation of the financial services market. A high level of digitalization of financial services is perceived by clients as an obligatory element of their interaction with a financial institution. Accordingly, digitalization is a component of the formation of the competitiveness of banking and non-banking financial and credit institutions. This increases their interest in using modern information and communication technologies, since competition in the financial services market among these institutions has always been high. Accordingly, digitalization allows these institutions to ensure their own development, a leading role in the functioning of individual segments of the financial services markets, and to form a reputation as an innovative institution that is constantly developing, improving, and implementing new information innovations.

LITERATURE REVIEW

The above-mentioned determines the importance of conducting additional scientific research in the direction of forming competitive advantages of financial institutions in the digital economy. Moskvayak Y. et al. (2025) investigated the impact of digitalization on the economic security of financial institutions in the context of growing cyber threats and proposed a model for predicting the rationality of financial decisions in the context of digitalization of financial markets.

Peng Y. et al. (2025) and Wang P. et al. (2024) analyzed the advantages and disadvantages of digitalization in financial markets and investigated the digitalization of the financial market.

Abbas J. et al. (2024), Dubyna M. et al. (2021) outlined the features of the introduction of financial innovations and digitalization in the context of business growth, and examined the transformation of household credit behavior in the context of digitalization of the financial services market.

Kravchenko A. (2020a), Kravchenko A. (2020b) investigated the purpose of the financial market in the context of the digitalization of society, and developed a mechanism for the functioning of the financial market in digitalization.

Morea D. et al. (2025) analyzed the role of digitalization in financial indicators, investigated the innovative transformation of a financial institution in digitalization, and outlined the development trends of the credit market in the conditions of macroeconomic instability.

Kucher A. et al. (2025), Dubyna M. et al. (2024), Danyltshyn B. et al. (2021) investigated the features of improving the approach to assess the impact of digitalization of the financial market on the rationality of financial decisions, analyzed the instruments of monetary and fiscal policy, outlined the role of artificial intelligence in the cybersecurity system of banking institutions in conditions of instability.

Heychuk A. et al. (2025), Iddrisu A. G. et al. (2024) analyzed the trends in the development of the financial market of Ukraine in the context of digitalization, studied economic growth through digitalization, and outlined the role of the financial sector.

Gul R. et al. (2024), Perdinni Fisabilillah L. W. et al. (2024), and Kudlaieva N. et al. (2021) provided an assessment of the efficiency of commercial banks in the digitalization era of the financial sector, examined the role of digitalization and productivity in the financial sector, and analyzed the transformation of household credit behavior in the context of digitalization of the financial services market.

Shrivastava A. et al. (2023), Hossain M. M. et al. (2023) analyzed the ICT role in the digitalization of the banking, financial, and insurance sectors, and determined the impact of financial inclusion on digitalization.

In this context, it is also important to determine the role of these technologies in the modern development of the following institutions. At the same time, the issues of studying the features of the development of these institutions in conditions of instability and determining the capabilities of digital technologies to increase the stability of financial institutions to new external fluctuations that occur both in global financial markets, within the economies of individual countries, and in certain segments of the financial services market remain relevant.

AIMS AND OBJECTIVES

The purpose of the work is to study the features of the formation of the competitive advantages of financial institutions in the conditions of digitalization and instability of the national economy. To achieve this goal, within the article, the following main tasks are identified:

1. Specify the essence of competitive advantages and justify the features of their formation in the work of financial institutions.
2. Identify the main types of competitive advantages of financial institutions.
3. Determine the consequences of digitalization for the development of financial institutions.
4. Describe the impact of instability on the functioning of financial institutions.
5. Determine the role of digital technologies in supporting the activities of financial institutions in conditions of instability.
6. Specify the features of the formation of competitive advantages by financial institutions in an unstable environment.

METHODS

The methodological basis of the study is based on important provisions of the theory of competitive advantages, a systemic approach, and conceptual principles of the formation and development of the digital economy.

To accomplish the outlined tasks, the article will use a set of scientific methods, namely:

- content analysis - to determine the essence of digitalization and its role in the functioning of the financial services market;
- grouping method - to specify the types of competitive advantages of financial institutions, to specify the main characteristics of the consumption of financial services by Millennials and Gen Xers;
- methods of abstraction and systematization - to describe the consequences of digitalization for the functioning of the financial services sector;
- methods of analysis and synthesis - to determine the role of competitive advantages in the functioning of a financial institution and to substantiate the features of the functioning of the financial services market;
- methods of induction and deduction - to determine the directions of formation of competitive advantages of financial institutions in conditions of instability of the external environment;
- method of logical generalization - to substantiate the consequences of the influence of instability on the functioning of financial institutions, etc.

The theoretical basis of the study is the scientific works of scientists in the field of digital transformation, the functioning of the financial services market, and the management of financial institutions. Graphical and tabular research methods were also used to systematize and generalize scientific provisions, to isolate the main ones for a thorough disclosure of the topic of the article, and to substantiate individual stages and directions of the process of forming competitive advantages of financial institutions in the conditions of digitalization and macroeconomic instability.

RESULTS

Let's begin the study by substantiating the essence of competitive advantages. To do this, we will use the main provisions of M. Porter's theory of competitive advantages, the resource-oriented approach, and the theory of strategic management. The issue of specifying the essence of competitive advantages is difficult because these advantages are perceived by scientists and practitioners as certain auxiliary positive factors that allow business development. However, it is quite clear to everyone that the presence of these advantages is not stable and can change quite quickly due to changes in the external environment in which a financial institution operates, changes in the financial services market, and in its individual segments. In addition, quite often, competitive advantages for one type of activity may not be exactly advantages for the provision of other financial services. Accordingly, both managers and owners of financial institutions must constantly, adequately, and successfully approach the formation of their own competitive advantages and, most importantly, their use in their activities. For example, for a banking institution, the presence of reserves of financial resources is always positive

from the standpoint of ensuring its liquidity and solvency in the long term. However, on the other hand, larger reserves mean fewer opportunities for using these resources to obtain additional income from credit and investment operations.

The following features of the functioning of the financial services market can be identified, which affect the formation of competition between financial institutions:

1. High level of competition between financial institutions in different segments of this market; since these institutions generally provide a rather small list of financial services and, accordingly.
2. The presence of a significant number of financial institutions that provide identical financial services, and accordingly, ensuring one's own competitiveness is possible only by improving the quality-of-service provision, introducing mechanisms for personalization, changing prices through internal opportunities to reduce operating costs, etc.
3. Significant volatility of the market conditions in the financial services market and in its individual segments.
4. Significant influence of the regulation of the activities of financial institutions on the formation of the offer of financial services.
5. The important role of digital technologies in increasing the competitiveness of financial institutions.
6. Important role of informal factors in shaping demand and supply in the financial services market.
7. Difficult to enter the financial services market for new institutions, as this requires investment resources and compliance with complex regulatory requirements.
8. Constant growth of demands of financial services consumers regarding the quality of services of financial institutions, their digitalization, and ease of use.
9. Presence of constant demand from consumers for certain types of financial services, especially lending services, payment services, etc.
10. The presence of a significant number of segments of the financial services market also determines various mechanisms for forming demand and supply of such services.

The competitive advantages of a financial institution can be considered as the presence of certain resources, technologies, innovations, and management systems, which together form a stable basis for the development of this institution, allow it to receive income above average in its field of operation, and ensure its effective functioning in conditions of dissipative economic environment and constant transformation processes in the financial services market.

The presence of competitive advantages in a financial institution allows the following:

1. Increase the resilience of a financial institution to the impact of negative external factors that may affect its operational activities.
2. Constantly attract new clients for servicing and selling financial products.
3. Attract the necessary amounts of financial resources on international capital markets and on the domestic interbank market at an acceptable cost.
4. Attract financial resources from economic entities, primarily households and enterprises, in accordance with the chosen financial development strategy.
5. Generate stable income from one's own activities.
6. Increase the trust level in the work of a financial institution, building loyalty among consumers of financial services.
7. Increase the market value of the financial institution itself, its reputation among clients, competitors, and government authorities in the financial services market.

Any financial institution may have several types of competitive advantages, which together provide the appropriate level of competitiveness of such an institution. The main types of such advantages are presented in Figure 1.

Digitalization is a complex process that consists of the gradual use of digital technologies in the activities of various economic entities. Digital technologies today affect both these individual entities and the functioning of social systems in general. Modern society is gradually changing as a result of such an impact, and it is especially felt and observed in the functioning of the national economy. This is due to the fact that digital technologies form significant impulses for the

economic development of economic entities, allowing them to significantly reduce their costs, create new products and services to meet consumer demand.

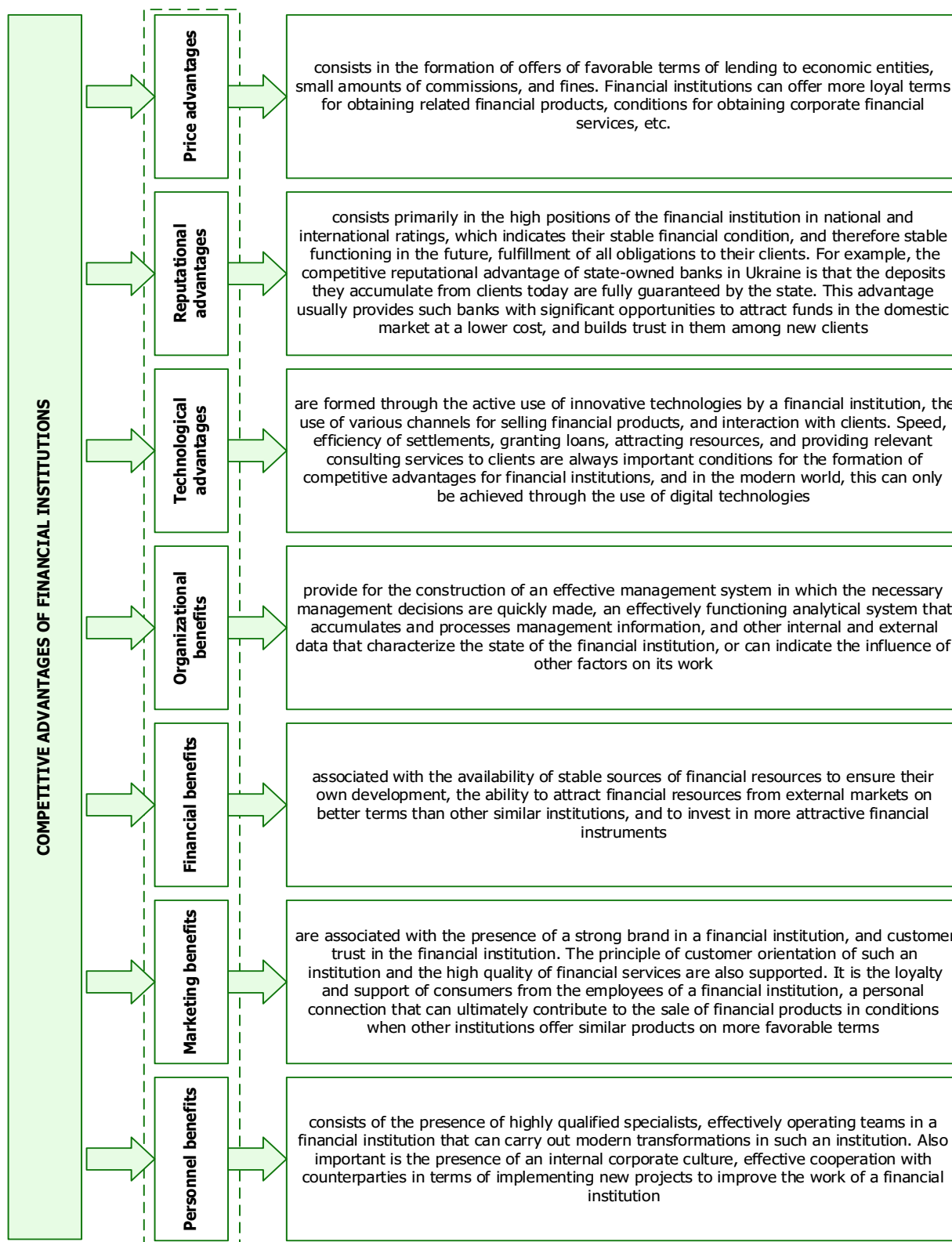


Figure 1. Types of competitive advantages of financial institutions.

Different types of digital innovations, which are quite often technologically interconnected, also determine different opportunities for economic entities to use them, adapt them, and create digital products. Digitalization has changed the established model of functioning of the national economy, as it has contributed to the formation of new types of economic

activity, sectors of the economy, which are actively developing and form the basis of innovative development of the economy and society as a whole.

Digital technologies are actively involved in the financial sector. Financial institutions invest significant resources in the development of ready-made digital solutions to improve the efficiency, effectiveness of activities, and quality of financial services. These institutions form separate impulses for deepening the digitalization of the national economy, since the financial services sector, which is undergoing significant transformation today, is connected with the activities of all economic entities, and this forces them to change, adapting to the new digital solutions offered by these institutions.

The financial services sector has already suffered irreversible consequences from digitalization. A significant number of citizens in the world have already become accustomed to using digital technologies in the consumption of financial services, and digital solutions and services that were perceived as innovative until recently are now perceived by consumers as traditional, mandatory, and without alternative. Confirmation of the already deeper penetration of digital technologies into the financial services sector is the information on the number of active consumers of online banking services in the world. The relevant information is presented in Figure 2.

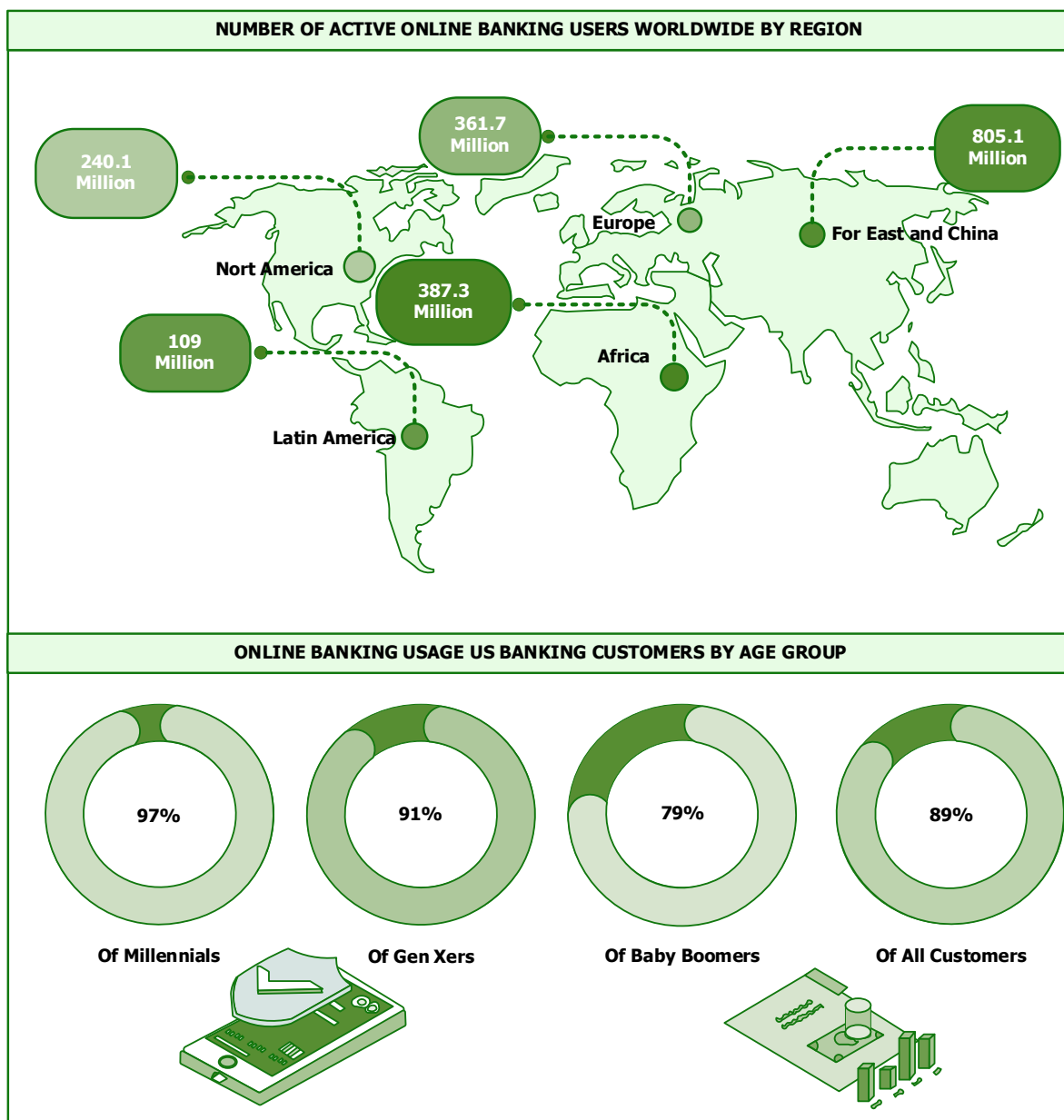


Figure 2. Information about the use of services by users in online banking worldwide. (Source: Coinlaw.io)

Thus, the number of online banking users in the world reached approximately 3.6 billion in 2025. The survey showed that 91% of consumers prioritize access to mobile and online banking, emphasizing the importance of P2P payments, budgeting tools, and investment services. The global digital banking market is forecast to reach USD 107.1 billion by 2030. Among the leaders in terms of the number of active users are countries in the Asian region (805.1 million people), Africa (387.3 million people), and Europe (361.7 million people), if we analyze only absolute indicators (Burnett S., Kinder K., 2025). And this only applies to online banking services, not including other services provided by financial institutions to both households and the corporate sector.

Also, from the data in Figure 2, we can draw conclusions about the tendency of different age categories of citizens to use online banking services. Accordingly, when conducting a relevant survey, 97% of Millennials responded that they use this service. Among consumers of Generation X, 91% where Gen Xers were 91%. Accordingly, this only confirms the fact that in their further work, financial institutions should take into account this situation, understand the high level of interest of their consumers in using digital financial services. Also, a detailed analysis of the consumer needs of these categories of clients is important for the formation of further competitive advantages of financial institutions. In the long term, it is these citizens who will become the largest consumers of financial services. Table 1 presents the main characteristics of the consumption of financial services by Millennials and Gen Xers.

Table 1. Main characteristics of financial services consumption among Millennials and Gen Xers.

Of Gen Xers	Millennials
<ul style="list-style-type: none"> ▪ are less inclined to use digital technologies for payments, and actively visit branches of financial institutions; ▪ possess significant amounts of already accumulated financial resources, receive passive income; ▪ inclined to less risky investment strategies; ▪ they trust more traditional banks; there is a connection to the brand; ▪ choose more stable plans for spending accumulated funds, generating income, and diversifying it; ▪ are not inclined to make unplanned purchases or generally significant expenses; ▪ do not actively use smartphones or computers to make payments and receive other financial services; ▪ less interested in using credit resources, loans are taken consciously, not so often for consumer needs; ▪ they already lead a more settled lifestyle; therefore, they are interested in the stability and reliability of financial institutions, it is important to have trust in these institutions; ▪ quite often, they are skeptical about online services of financial institutions, not trusting these methods of obtaining their services; ▪ more experienced in financial planning, as they have a longer history of interaction with various types of financial institutions, and experience in countering the consequences of financial crises; ▪ less demanding on technological solutions and speed of financial transactions; ▪ do not have sufficient knowledge about new types of financial instruments (for example, cryptocurrencies); ▪ – pay significant attention to transaction security and the importance of cyber protection, including protecting their personal data, etc. 	<ul style="list-style-type: none"> ▪ actively use digital technologies when carrying out financial transactions; ▪ they purchase a significant number of goods and services online, which also affects their financial behavior and propensity for online spending; ▪ are active consumers of financial services who actively use credit products, mortgages, and insurance products; ▪ are interested in gradually increasing their own assets, therefore, they are ready to invest; ▪ are willing to take more risks in order to obtain a higher income; ▪ often use smartphones to carry out financial transactions and interact with financial companies; ▪ have a positive attitude towards digital technologies, despite the negative aspects of their use; ▪ implement an active model of consumer behavior, are interested in increasing their own assets or opportunities to increase financial resources; ▪ an inherently more mobile lifestyle, moving between countries, within the country, accordingly, online services are very convenient; ▪ can change financial institutions quite quickly due to more attractive conditions and quality of service, lack of brand attachment; ▪ less inclined to visit physical branches, interested in using the services of online financial institutions (neobanks, for example); ▪ are more inclined to use the services of not only classical financial institutions, but also FinTech companies, and other institutions that provide licensed financial services; ▪ believe that financial institutions should participate in the implementation of social and environmental measures, support projects related to sustainable development, etc.

Let us consider in more detail the consequences of digitalization for the functioning of the financial services sector, within which there is significant competition between financial institutions for clients. We will consider these consequences from two perspectives: how digitalization has affected the provision of financial services itself and how digitalization has affected the functioning of financial institutions themselves, that is, the financial business in general, and the management of these institutions. The relevant information is presented in Figure 3.

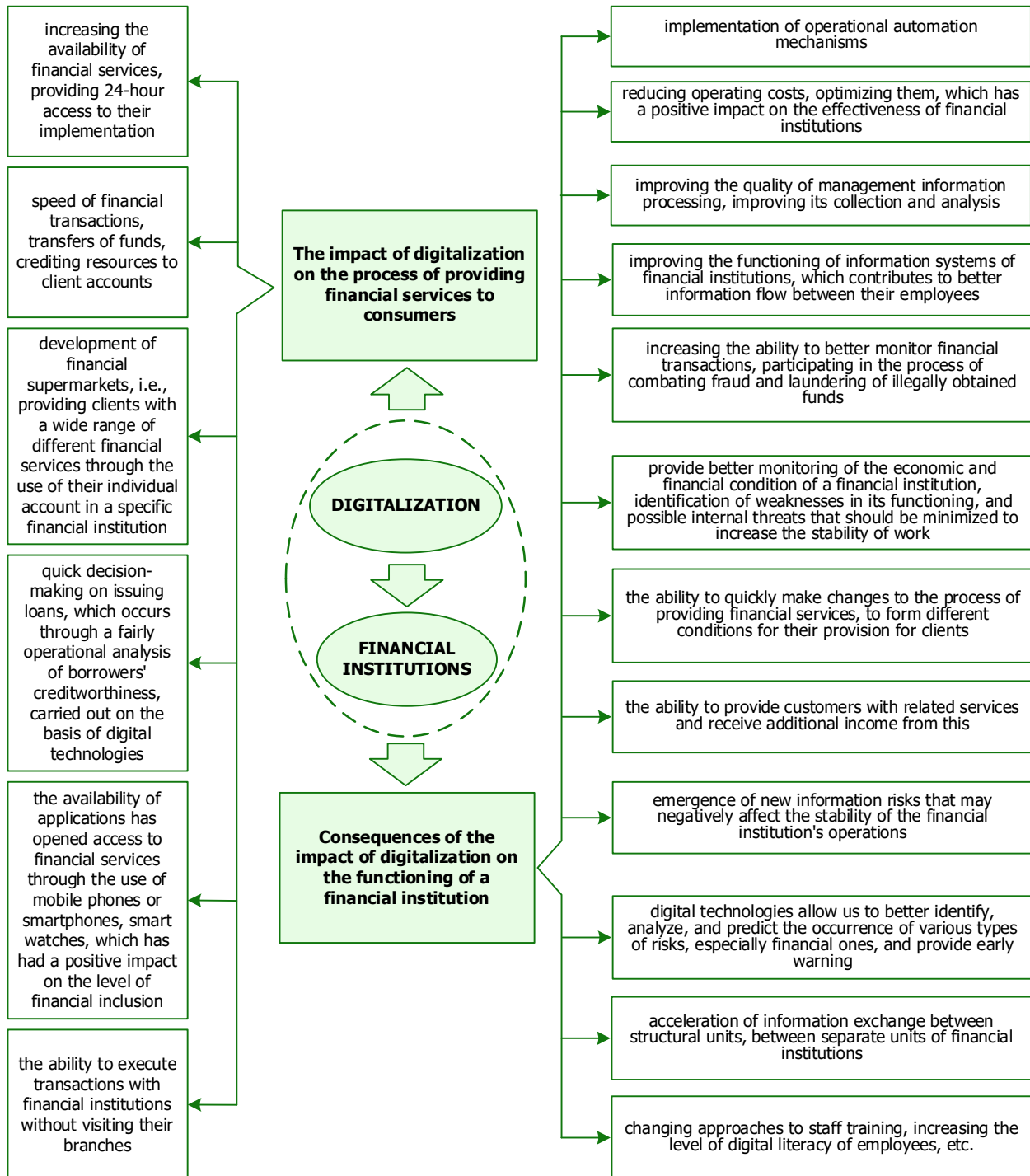


Figure 3. The consequences of digitalization for the functioning of the financial services sector.

It should be noted that today the digital transformation of the financial sector is inevitable, and that is why all participants are forced to adapt to new challenges, to the consequences of digital transformation that we are observing today. Of course, the digital transformation is long; it is not a one-time event, and different types of financial institutions participate in this process in different ways, using the capabilities of digital technologies in accordance with their own development strategies, available financial and human resources.

Digitalization in modern conditions also plays one of the key roles in shaping the competitive advantages of financial institutions, which occurs as follows:

1. The use of digital technologies allows us to offer more innovative financial products that consumers can use in virtual space, have constant access to their own accounts, make payments at any time, etc.

2. Using digital technologies, financial institutions, especially credit institutions, are able to quickly determine loan limits for their clients based on a qualitative analysis of their financial situation.
3. Digitalization contributes to the personalization of the financial services sector, a wider range of financial products offered to individual consumer segments or, in general, individual clients of financial institutions.
4. The ability to sign financial agreements with a financial institution online is also a competitive advantage and increases the accessibility of such an institution's services to clients.
5. The availability of individual client accounts, the interface of which is clear and convenient, provides the ability to create payment templates, perform automatic calculations, and simplify routine operations for consumers regarding the payment of monthly payments.
6. The convenience of the official website of the financial institution, its intuitive simplicity, also plays an important role; the site can change in accordance with the needs of customers and their financial behavior, showing different information to individual consumers when visiting it.
7. Through their own offices, clients have the ability to use a significant range of financial services that can be provided by various financial institutions, regardless of cooperation with a specific bank or non-banking institution.
8. Digital technologies have significantly contributed to increasing the role of reputation in the functioning of financial institutions, which is especially important, given the ability of customers to leave reviews about a financial institution, about the quality of service, the quality of financial products, their availability on the internet and social networks, which affects customers' decision-making regarding the use of the services of such institutions, etc.
9. Digital technologies have also changed the model of marketing activities of financial institutions; today, the use of digital tools in the sale of financial services is an important advantage and an opportunity to increase the volume of financial services.
10. Digital technologies also allow you to build a more effective system of relationships with customers, which ultimately affects their loyalty, increases the level of trust in financial institutions, and ultimately forms a positive image and potential opportunities for attracting new customers.

In today's world, existing digital technologies, individual digital solutions, and products are generally available and known to all financial institutions. Any of them can gradually use the potential of these technologies to improve either the system of providing services to customers or, in general, to increase their own efficiency. In Figure 4, the results of a survey on the main digital technologies that developed at the fastest pace in 2024 are presented.

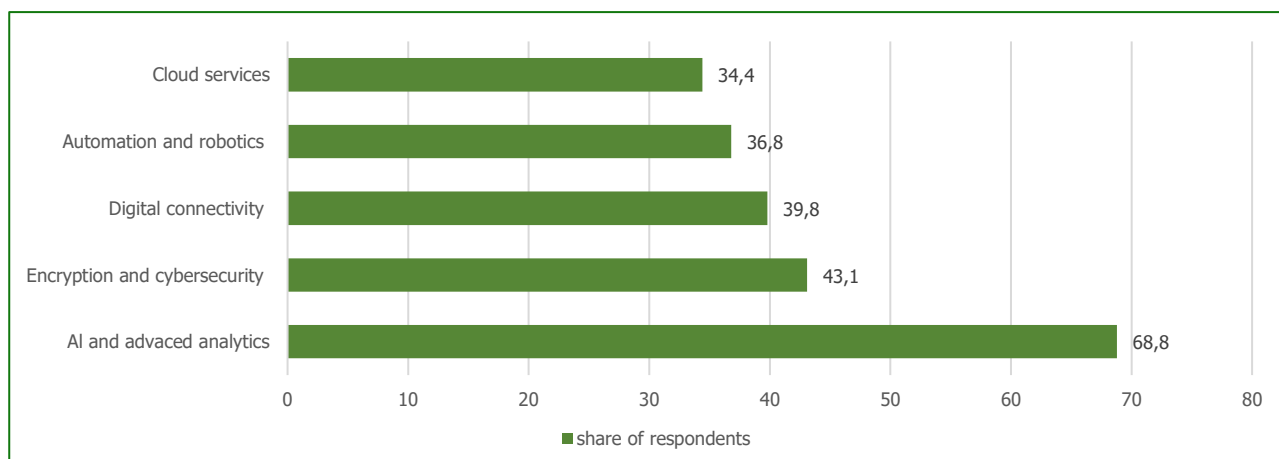


Figure 4. Highest priority technologies for the digital economy. (Source: DCO 2024 Digital Economy Trends Survey)

According to the data in Figure 4, we can conclude that in the modern world, among all the technologies that develop the digital economy, the most important are artificial intelligence technology and cybersecurity technologies. Accordingly, these technologies will be actively developed, improved, and will be actively used by financial institutions in the future to ensure the stability of their own work and search for new tools to attract new clients. On the other hand, this will stimulate the development of the financial technology sector and relevant IT companies that specialize in developing digital products for financial institutions.

Accordingly, the formation of competitive advantages consists not only in the use of digital technologies as a modern trend, an integral element of increasing the efficiency of financial institutions, but also in the rationality of the application of such technologies, the creation of truly innovative digital products and solutions. Competitive advantage consists of the use of digital technologies to form new innovative approaches that have not yet been used by other financial institutions in their activities. It is then that we can say that a financial institution really has certain competitive advantages, and is not simply competitive in the financial services market, in which other business entities similar to such an institution operate. This outlines and complicates the formation of these advantages and requires financial institutions to attract qualified, talented specialists both in the field of digitalization and in the field of financial product development.

The external environment has a significant impact on the formation of the competitive advantages of financial institutions. In this environment, factors are formed that can both positively and negatively affect the activities of a financial institution. It is difficult to predict this impact, even using modern complex approaches to modeling and forecasting the activities of such institutions. Figure 5 presents information on the results of a survey conducted by Ernst & Young regarding the development of the risk management sector of banking institutions, namely, data on the most expected threats in the future.

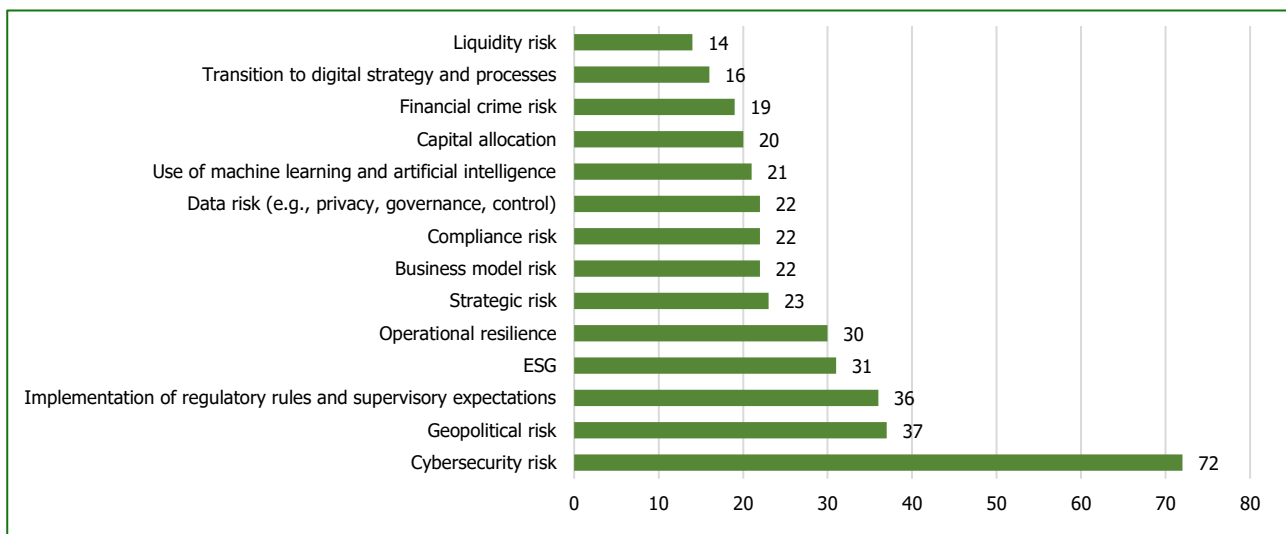


Figure 5. The most important risk management issues will require the most attention from the board of directors. (Source: EY)

Thus, from the data in Figure 5, we conclude that cybersecurity plays an important role in the modern world in the functioning of financial institutions. Despite all the positive consequences of the digitalization of the activities of these institutions, information risks, and primarily the risk of losing customer data, remain objective. Accordingly, the organization of the process of effective management of such risks becomes important. Financial institutions today are ready to spend significant resources to build effective cyber protection systems for their own activities. It should be noted that it is especially difficult for financial institutions to ensure their own effective work in conditions of instability of the external environment, the presence of a significant number of threats of different nature, when macroeconomic indicators change, complex fluctuations occur in the economic development of the country, and a recession may be observed. Financial institutions, when crisis phenomena occur, immediately feel their consequences at the initial stage of instability formation. Often, these institutions can independently enhance the impact and spread of crisis phenomena in the economy.

Close interaction and interdependence of financial institutions are one of the distinctive features of their functioning in comparison with other economic entities. Among the consequences of the influence of instability on the functioning of financial institutions, the following can be distinguished (Figure 6).

Instability always negatively affects the functioning of financial institutions and, most importantly, significantly reduces the income of such institutions. This occurs because of increased regulatory requirements and the deterioration of the financial condition of clients. At the same time, sometimes instability can lead to bankruptcy of financial institutions, since some of them may not be able to counteract the consequences of the destructive influence of the external environment in the first place. As a result, this can further deepen crisis phenomena in the financial system, especially if financial institutions that owned significant amounts of assets and were closely connected with other financial institutions go bankrupt.

Thus, financial institutions can, in the conditions of instability, form their own competitive advantages in the following way:

1. Implement gradual diversification of its own activities, development of new financial products for those categories of clients that have been least affected by the crisis.
2. Introduce new approaches to working with clients' accounts payable, offer restructuring programs, especially to those of them who have been loyal, have received services for a long time, and have a good history of interaction with the financial institution. In this case, it is worth considering the ability and potential of such clients to repay loans and fulfill their obligations.
3. Ensure constant information communication with clients, especially those who are facing financial difficulties that complicate their ability to fulfill their obligations; the financial institution may offer crisis management services, especially to the most valuable clients.
4. Review the cost of loan resources for those clients who are temporarily facing financial difficulties, but the economic situation indicates that their financial condition will improve in the future (this especially applies to the corporate sector, which is also trying to adapt to the consequences of the crisis).
5. Consider the possibility of introducing credit holidays for clients, which could positively affect the reputation of the financial institution and contribute to the implementation of a customer-oriented model of its operation.
6. Active use of digital technologies, which would allow for a more rapid response to crisis phenomena, and more effective prediction of the impact of negative factors on the financial condition of individuals, most important clients, is especially important from the perspective of financial risk management.
7. Use digital technologies to apply a flexible approach to developing financial service parameters, which is especially important given the frequent changes in the financial services market (parameters may change for certain categories of clients, or within only certain types of financial services, etc.).
8. Participate in the implementation of projects aimed at the gradual implementation of a sustainable development model, support those measures that ensure the development of ecological systems, support social projects, etc.
9. Development of new areas of activity in order to eliminate the objectively necessary process of laying off employees in the event of a decrease in the economic activity of a financial institution, etc.

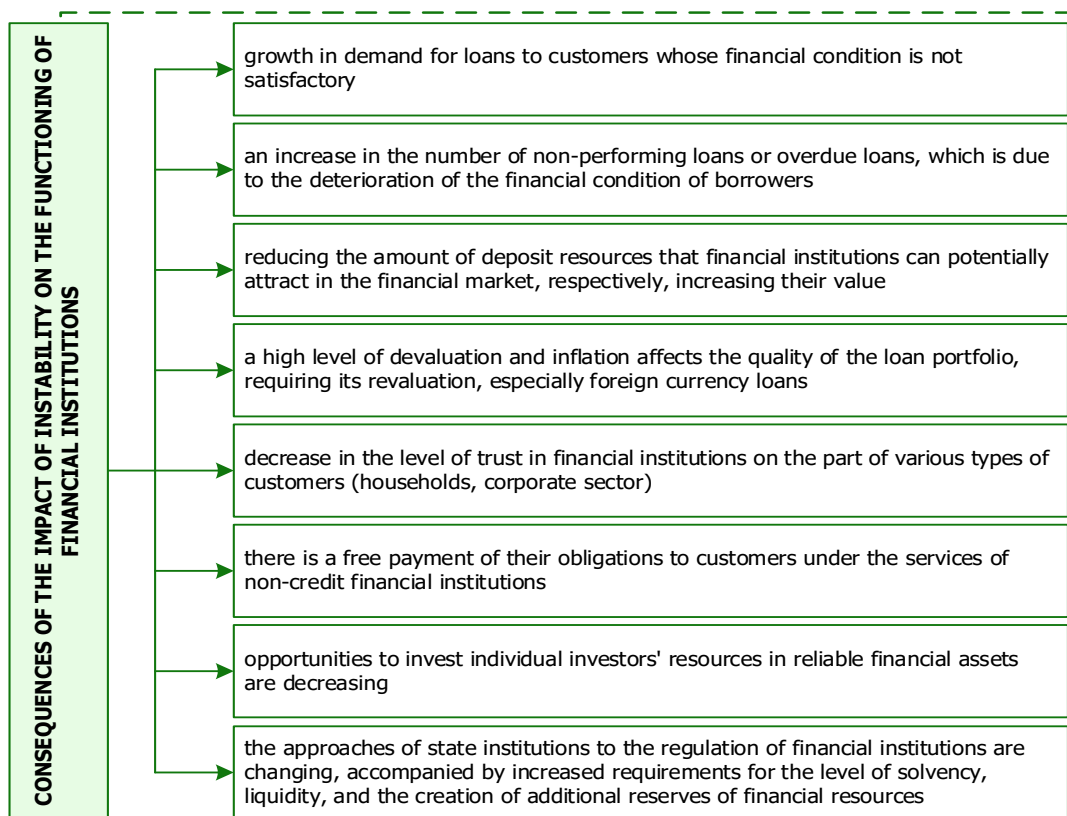


Figure 6. The consequences of the impact of instability on the functioning of financial institutions.

The uniqueness of the activities of financial institutions lies in the fact that even in conditions of instability, they try to ensure the growth of their own income, since a significant part of them, ensuring the stability of their own work, the effective functioning of their own risk management systems, has the ability to counteract the negative consequences of external influences and thereby create conditions for their own effective work. In conditions of crisis, a high level of competition among effectively operating financial institutions for clients also continues to be observed, and many of them try to attract clients who were previously clients of those financial institutions that found themselves in difficult circumstances and were withdrawn from the financial services market.

DISCUSSION

We consider the studies Wu W. et al. (2025), Yilmaz C. et al. (2024), which analyze the Chinese banking sector in terms of the prospects for bank digitalization, possible risks and threats, and outline the role of digitalization in the financial inclusion of deposit banks, to be well-reasoned and practically sound.

Supporting the opinion of Ambekar A. et al. (2025), Ayadi R. et al. (2025), Popelo O. et al. (2022) it is advisable to focus on research devoted to the formation of society 5.0 in the context of the active implementation of smart banking solutions via the cloud and the European analysis of the impact of digitalization on the efficiency of banks and regional development in general.

We agree with the results of studies Cui Q. et al. (2025), Ulrich-Diener F. et al. (2025), which analyze the impact and prove the significant role of digitalization in bank transparency, and reveal obstacles to bank digitalization in today's conditions of macroeconomic turbulence.

Considering the relevance of research Bassens D. et al. (2024), Beqimkulov E. et al. (2025) devoted to cloud technologies in the banking sector, we consider it appropriate to map the global digital technology networks of large technology companies, as well as analyze the impact of banking competition on stability in the context of the rapid development of digitalization.

Based on the results of the analysis of existing research on this topic, it is appropriate to note that any enterprise or institution that tries to form its own competitive advantages in its activities, which would allow it to develop its business, increase profitability, and ultimately, in addition to receiving additional income, ensure an increase in the market value of the enterprise itself. The process of forming competitive advantages in any case is complex, multi-stage, and requires managers and owners of enterprises to carry out systematic, long-term work to improve all areas of activity of a particular business entity, its management system, and internal structure. Competitive advantages arise and are formed only in cases where the enterprise has certain advantages, resources, capabilities, and unique technologies, which, when properly combined, allow it to form these competitive advantages and take them into account when developing its own operating strategy.

CONCLUSIONS

Thus, the article studies the features of the formation of the competitive advantages of financial institutions in the conditions of digitalization and instability of the national economy. To do this, the essence of competitive advantages and their role in the development of financial institutions were first studied. It was established that competitive advantages are atypical, different from others, technologies, innovations, approaches to organizing the work of a financial institution, which ultimately form its ability to be more effective compared to its main competitors, to obtain better financial results. The presence of competitive advantages in financial institutions allows them to attract their clients' funds on more favorable terms, to invest them in investment and credit operations. These advantages indicate a high level of competitiveness of a financial institution and a significant potential of its economic activity.

Attention is also paid to the consideration of the main types of competitive advantages of financial institutions, among which the following are distinguished: price, reputational, technological, organizational, financial, and marketing and personnel. It has been established that in modern conditions, technological advantages are beginning to play an important role among all advantages. Financial institutions have significantly expanded the staff of specialists in the IT sphere, taking into account the active development of digitalization processes and the high level of interest of such institutions in the use of digital technologies.

Attention is also paid to the study of the essence of the digitalization process, which is proposed to be considered as a complex process consisting of the gradual use of digital technologies in the activities of economic entities. The article

substantiates that in modern conditions, financial institutions are actively involving digital technologies in their work, since this forms the basis for maintaining their competitiveness. Accordingly, the article focuses on the importance of using the potential of modern information and communication technologies in working with clients who have been using digital gadgets all their lives and are accustomed to constant access to their own accounts, making payments, obtaining loans, and using other financial services.

In the article, attention is paid to specifying the consequences of digitalization for financial institutions, which were divided into two groups: those that relate to the functioning of the financial services sector, the interaction with clients, and those that are related to the transformations taking place within the financial institution, in its operational activities, and in the management system. A detailed analysis also made it possible to specify the role of digitalization in the formation of competitive advantages of financial institutions. It was established that these institutions are trying to combine the potential of digital technologies, their own resource capabilities, and the conditions of the external environment as best as possible to develop flexible and competitive financial products for individual categories of consumers.

It is determined that financial institutions depend to a large extent on the stability of the external environment in their activities. This is due to their important role in the development of the financial system of any country. Accordingly, these institutions must constantly be able to adapt to the challenges that are formed in the specified environment. The article describes in detail the consequences of the influence of instability on the functioning of financial institutions and finds that in conditions of instability, the formation of the competitive advantages of these business entities changes, but even in extremely difficult conditions, there is always competition between such institutions for their clients. It is also established that, in crisis conditions, on the contrary, it forms competitive advantages for some types of financial institutions and actually destabilizes the development of others. Taking this into account, the article substantiates the possibilities of financial institutions in terms of forming their own competitive advantages in conditions of instability of the external environment, the presence of crisis phenomena in the national economy, or on world capital markets.

Prospects for further research lie in the need for scientific substantiation of provisions for the development of strategies for the digital transformation of financial institutions, taking into account the potential of digital technologies, the specifics of the functioning of such institutions, the features of the transformation of the financial services market in the context of the emergence of a digital economy, the formation of demand for financial services within it, and the existing proposals for their use.

ADDITIONAL INFORMATION

AUTHOR CONTRIBUTIONS

All authors have contributed equally.

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CONFLICT OF INTEREST

The Authors declare that there is no conflict of interest.

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ФОРМУВАННЯ КОНКУРЕНТНИХ ПЕРЕВАГ ФІНАНСОВИХ УСТАНОВ В УМОВАХ ЦИФРОВІЗАЦІЇ ТА НЕСТАБІЛЬНОСТІ НАЦІОНАЛЬНОЇ ЕКОНОМІКИ

Ринок фінансових послуг у сучасних умовах стрімко трансформується та адаптується до нових реалій. Така трансформація обумовлена в першу чергу розвитком цифрової економіки та високими ризиками нестабільності й на світових ринках капіталу, і всередині окремих країн. Фінансові установи намагаються адаптуватися під нові умови, зберігаючи власну конкурентоспроможність. При цьому ринок фінансових послуг є висококонкурентним ринком, де спостерігається досить складна боротьба між банківськими й небанківськими фінансово-кредитними установами за клієнтів. Це у свою чергу також стимулює такі установи постійно змінюватися й шукати нові можливості для підвищення власної конкурентоспроможності. Проведено дослідження теоретичних і прикладних аспектів процесу формування конкурентних переваг фінансових установ в умовах становлення цифрової економіки та сучасних загроз стабільності їхнього функціонування. Це було реалізовано через виокремлення особливостей функціонування ринку фінансових послуг, які впливають на процеси формування попиту й пропозиції на ньому. Визначено роль конкурентних переваг у забезпеченні ефективної діяльності фінансових установ, що дало можливість виокремити основні їх типи, а саме: цінові, репутаційні, технологічні, організаційні, фінансові, маркетингові, кадрові. Увагу приділено визнанню сутності цифровізації та обґрунтуванню її ролі в розвитку ринку фінансових послуг. Це реалізовано через аналіз характерних рис споживання фінансових послуг Millennials та Of Gen Xers. У підсумку обґрунтовано вплив цифрових технологій і на процес надання фінансових послуг, і на процес функціонування самих фінансових установ. Проаналізовано вплив цифровізації на процес формування конкурентних переваг цих установ, сучасні тенденції використання ними окремих типів цифрових технологій.

Ключові слова: конкуренція, конкурентні переваги, фінансова установа, цифровізація, нестабільність, небанківські фінансово-кредитні установи

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