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## Digital Banking and New Customer Expectations in the Modern Financial System

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### Abstract

Digital banking is one of the main directions of the modern financial sector, which has significantly changed the provision of banking services and the form of interaction with customers.

Today's digital age is reshaping consumer behavior standards, which is particularly evident in the financial sector. Digital banking is not merely a technological innovation, but a platform designed to meet new customer expectations. This article aims to explore the nature of modern customer demands within the context of digital banking, how financial institutions are adapting to these changes, and the challenges related to service personalization, cybersecurity, and technological accessibility. The study focuses on both global trends and the case of Georgia.

**Keywords:** digital banking, development, trends, digital banking users, innovative services

### Introduction

The 21st century is an era of technological advancement and digital transformation of data. Digital transformation is actively underway in various fields, and the banking sector is an important part of this trend. The development of digital banking in Georgia has accelerated dramatically in recent years. This can be attributed to both growing consumer demands and banks' desire to offer improved and accessible services to their clients.

In the past decade, digital technologies have radically transformed the service models of the financial sector. Consumer needs and priorities are continuously evolving, pushing banks to keep up with the pace of digital transformation. Digital banking stands at the core of this shift, combining technology with innovative approaches to customer satisfaction.

The purpose of this article is to analyze changing consumer behavior in the era of digital banking and to highlight current trends and challenges both globally and within Georgia. Digital technology directly interacts with the emergence and development of new ideas. As for the banking industry, it develops in the wake of innovations. Its primary objectives are to raise the standard of banking services, expand the range of banking products, fortify delivery methods, boost long-term effectiveness, and raise the stability of the company (Kakhniashvili N, 2023).

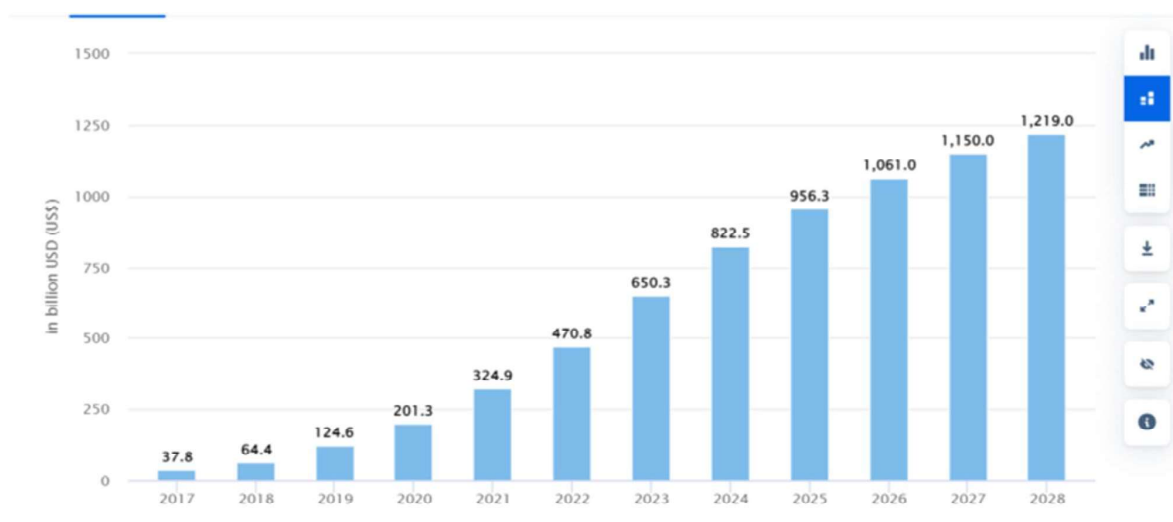
Digital banking involves the transformation of traditional banking services into a digital format, which allows customers to manage their financial accounts, carry out transactions and access various banking services through digital channels.

Digital banking involves the transformation of all traditional banking products, processes and activities into a digital format (digitization) in order to serve customers through online channels.

Most often, they include traditional banking services that are available 24/7 on mobile phones, computers.

The digital banking sector is growing and developing day by day, it has many users. According to Statista, the digital banking sector will grow continuously over the next five years. This trend reflects the ongoing development and expansion of digital banking services in the near future.

**Diagram 1:** Growth of the digital banking sector (2017-2028)



Source: [Statista](#)

The growing trend of digital banking is primarily driven by the adoption of digital technologies and the consumer preference for using digital channels for financial transactions. Modern digital banks offer fast, convenient mobile and online banking services to customers according to their needs. (Statista, 2023)

## The Concept and Development of Digital Banking

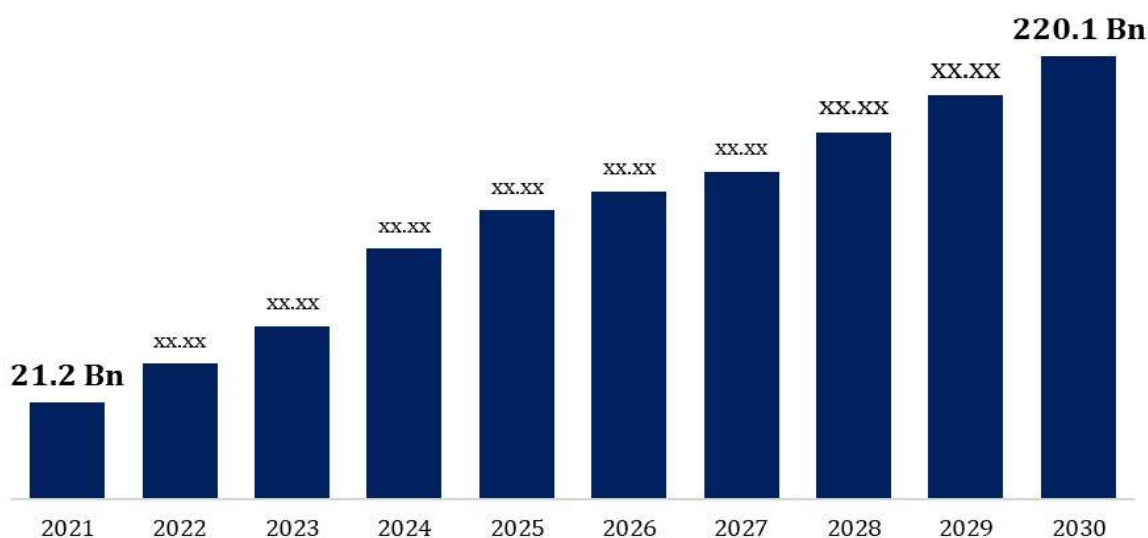
Digital banking encompasses all forms of banking services conducted via the internet and digital devices, including:

- Mobile and internet banking (Deloitte, 2023),
- Digital wallets (e-wallets),
- Chatbots and the use of artificial intelligence (PwC, 2022),
- Remote identification and biometric authentication (World Bank, 2022).

Globally, banks are actively implementing digital strategies to retain customers and offer competitive services.

The digital banking platform market is expected to reach USD 220.1 billion by 2030. The digital banking platform market is growing due to the widespread digitalization of the financial sector, which will increase the demand for digital banking as it allows customers to benefit from the technologically enabled advice offered by digital banking.

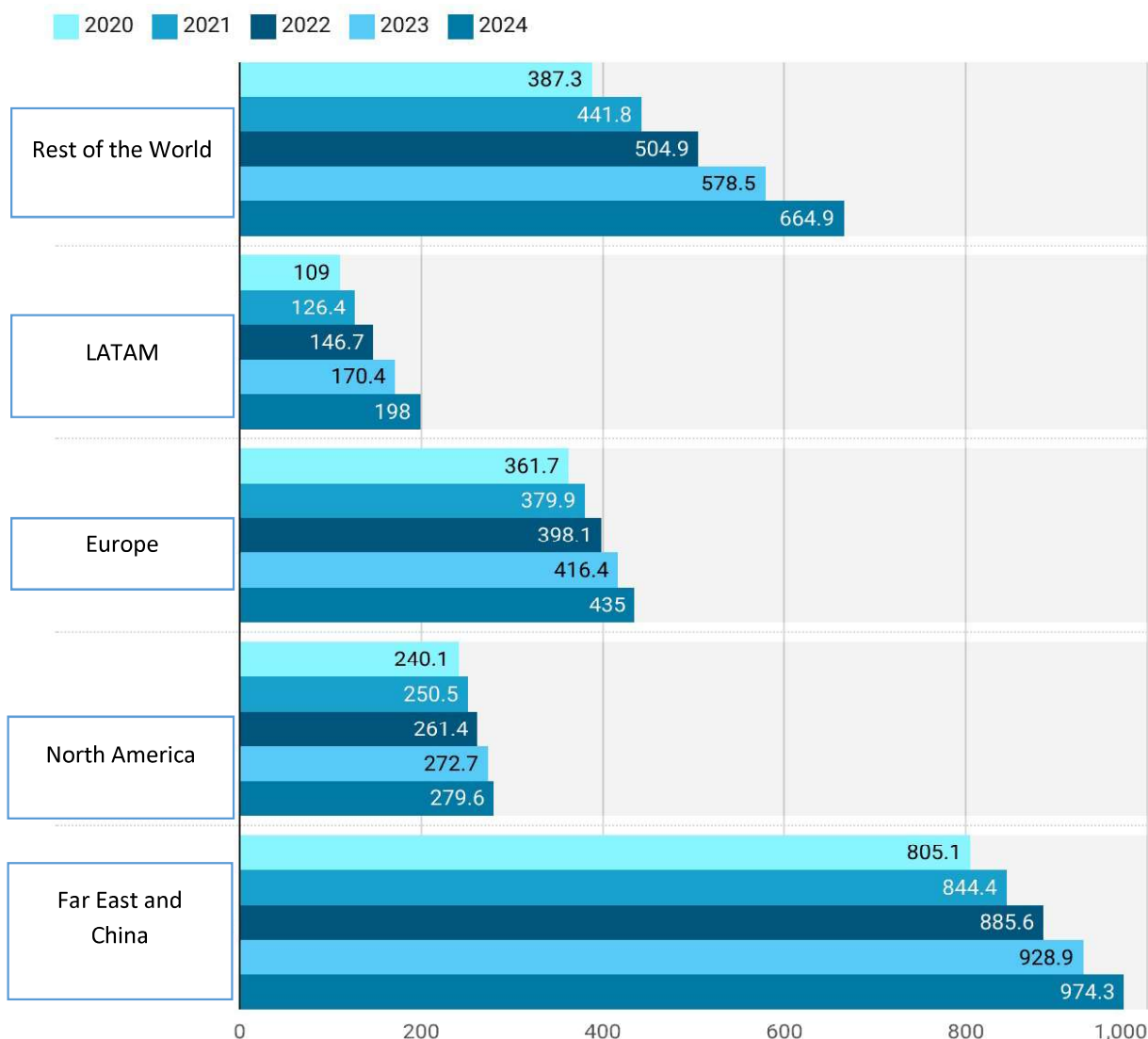
**Diagram 2:** Global Digital Banking Platform Market



**Source:** SPHERICAL INSIGHTS

Nowadays, digital banking has developed a lot and has become much more accessible to consumers. The rapid development of technologies and the creation of digital platforms allow consumers to consume a wide range of financial services. Digital banking includes both traditional banking functions and new and innovative services.

**Diagram 3:** Digital banking users worldwide 2020-2024. Banking users by region (in millions)



**Source:** market.us Scoop

As more digital banks enter the market, it is important to understand how modern digital banking solutions enable them to offer better and more flexible services to meet customer expectations and grow their numbers accordingly. Modern customers are digitally literate, and their expectations focus on:

- Speed – services should be immediate;
- Accessibility – services must be available 24/7;
- Security – data protection is essential;
- Personalization – tailored offers are valued;
- User-friendly interfaces – the customer experience must be intuitive (Georgian Banks Association, 2023).

Financial control and personalization - Digital banking services allow customers to have complete control over their transactions and finances. Savings, transfers, payments, investments can be done in real time. In addition, personalization is also one of the main advantages of digital banking. Customers can manage and receive various banking service offers that best suit their needs. Some digital banks also allow customers to manage their finances.

### **Digital banking trends**

Digital banking is constantly evolving, driven by technological advancements, changing consumer preferences, and the widespread adoption of digital channels. Let's take a look at some of the key trends shaping the future of digital banking, including the following:

**Growth of mobile banking:** A majority of customers are using mobile apps to access their accounts and perform transactions. The convenience and accessibility of mobile banking apps are making them more desirable to consumers.

**Growth of online banking:** Online banking continues to expand, with more consumers using online platforms to manage their accounts and conduct financial transactions. The ease of use and comprehensive features of online banking are fueling its growing adoption.

**Growing use of artificial intelligence:** Artificial intelligence is being integrated into digital banking to offer personalized services, such as tailored financial advice and automated customer support. AI enhances the user experience by providing relevant and timely assistance.

**Growth of digital payments:** Digital payment methods, including mobile wallets and contactless payments, are becoming increasingly popular. The growing development of eWallet applications has enabled consumers to choose convenient and secure payment options for their daily transactions.

These trends are revolutionizing the way customers interact with their banks, offering a more convenient, secure, and personalized banking experience. Digital banking continues to evolve, and financial institutions must adapt to these changes in order to meet the growing demands of their customers.

The field of digital banking has many advantages, but it also comes with significant challenges. In the process of digital transformation, direct communication has naturally decreased, which was reflected in the dynamics of branch closures. For example, Commerzbank in Germany closed 340 branches. Similarly, the Swedish bank Handelsbanken announced that it intended to reduce its branch network by 50%. Given the current situation, these changes were inevitable. Accordingly, most banks in Europe and the US made similar decisions. It should be noted that the issue of branch reduction also affected the Georgian banking sector, and more than 20 service centers have been closed since March 2020. (Kakhniashvili N, 2022)

Challenges can also arise from both internal and external digital banking. Internal challenges are (internal), for example, changes in culture and mindset within the company, updating technological infrastructure, internal information security policies.

At the internal level, digital banking sector players must prepare qualified IT infrastructure and cybersecurity systems. In addition, in terms of developing functions and financial services, they must also be able to respond to the changing needs of customers.

Depending on external factors (external), the development of digital banking services must also take into account the digital level of the target market, the ability to adapt to digital technologies, economic and political factors, and many others. Despite the progress, several challenges remain:

- Digital inequality – rural populations are less engaged;
- Cybersecurity – risk of cyberattacks is increasing;
- Distrust toward digital banking – some older customers still prefer physical branches;
- Regulatory gaps – the legal framework needs updating to match digital realities (World Bank, 2022).

### Digital Banking and Georgia

The banking sector in Georgia is characterized by high digitalization and is very active in terms of the development of new financial technologies. There is a significant increase in digital payments, an annual doubling of mobile banking transactions is observed, and this plays an important role in the future growth of digitalization and cashless payments.

A market economy to some extent involves some uncertainty in the environment, which in turn creates a series of risks (Kakhniashvili N, 2021) For example, the impact of Covid-19 on the banking sector. It showed us how necessary it has become to introduce digital banks both in the world and in Georgia, so that we can carry out various transactions without leaving home. For example, the Bank of Georgia, which was the first in the region to introduce the **Open Banking** strategy and recently offered its customers the unification of all bank accounts in one space, in Mobile Banking. It also introduced a customer experience management platform – **Medallia**, and the bank was also the first to introduce Facebook's workplace communication platform for its employees, aiming to achieve greater efficiency. It was the first to introduce a completely new, innovative payment method – QR-payments and also **QR-installments**. For greater user convenience, the bank offered **Apple Wallet** withdrawals, a comprehensive payment system **Apple Pay**, and a new, innovative product – iPay – for online payments.

The pace of digital banking development in Georgia is quite high. Leading commercial banks – Bank of Georgia, TBC Bank, and Liberty Bank – are implementing mobile applications, chatbots, and online services. Most customers prefer remote services over traditional in-person visits.

It is worth noting that in 2018, only 52% of the population used internet banking, according to 2023 data, over 81% of customers have access to internet banking, and the number of mobile application users is increasing annually. Users of the Bank of Georgia's digital products - According to 2023 data, more than 1.3 million people used the Bank of Georgia's digital products. Contactless payment rate - According to Mastercard research, 98% of

transactions made through POS terminals in Georgia were contactless, and 70% of transactions were made with contactless payments. (National Bank of Georgia, 2024). It is interesting to see how many people use the Internet, because it is the starting point of major shifts in the technology industry and thanks to it, information is accessible. According to 2024 data, 98.7% of the population aged 15-29, 94% of the population aged 30-59, and 82.3% of the population aged 60 and older use the Internet (geostat.ge 2025).

The field of digital banking in Georgia is developing rapidly, and this is driven by several factors: **investments of the banks in technologies** - large banks such as TBC Bank and Bank of Georgia are actively investing in mobile applications and web platforms.

**Innovative digital banks** - In recent years, fully digital banks such as “Paysera Georgia” and “Hash Bank” have appeared on the Georgian market, which serve customers only through a mobile application. “Paysera Georgia” is the first digital bank in Georgia, founded in 2022. It does not have branches and offers all banking services to customers through electronic channels. “Hash Bank” is the second digital bank in Georgia, which received a banking license in 2023. Its business direction is to operate as a digital bank, which intends to provide banking services primarily through electronic channels. The bank aims to prepare both traditional and technology-oriented customers of the market for the transition to a digital strategy.

**User readiness and digital skills** - The spread of the Internet and smartphones in Georgia has increased users' digital skills and demand for remote services. There are a number of reasons why digital banking is developing successfully in Georgia. These include the following: high competition in the banking sector; increasing digital convenience of users; the emergence of technological startups and the introduction of innovative products; relevant changes in regulations, which contribute to the legitimacy of remote services. Along with the development of digital banking, new challenges also arise, for example: **Cybersecurity** - protecting user data and system security has become a priority. **Secure authentication** - it is necessary to introduce modern authorization systems. **Threat of digital exclusion** - part of the population is still not ready to use digital services.

The development of digital banking in Georgia is an important step towards the formation of a modern financial ecosystem. Changes in user behavior, technological progress and competition in this area create the necessary conditions for banking services to become faster, more accessible and safer. In the future, even more innovations are expected — the inclusion of artificial intelligence, the use of cloud technologies, and the offering of personalized financial services.

It is important to consider digital services using the example of leading banks: TBC Bank and Bank of Georgia.

**TBC Bank:** TBC is one of the leading banks in the digital sphere in Georgia. Its mobile application is one of the most sophisticated on the market. Customers can easily and quickly perform not only banking transactions, but also a number of other additional services, such



as online review of loan applications, a map of ATM locations, and more. TBC Bank Advantages:

More technologically advanced and innovative; Better mobile application; Convenient and fast customer services; Lower commissions and competitive prices; Constantly tailored products for both local and international customers. (TBC Bank. 2024)

**Bank of Georgia:** The Bank of Georgia is also actively working towards digital development. Its mobile application allows users to make transfers, utility payments, and online lending. The advantages of the Bank of Georgia are the following: strong reputation and experience; wide coverage and a strong position in the market; strong corporate banking services. (Georgian Banks Association. 2024) It is worth noting that this year Global Finance named the Bank of Georgia the best digital bank in the world. The international publication named the Bank of Georgia the winner in a total of 9 categories at the 25th annual ceremony of the World's Best Digital Banks. Their mission is to develop a digital banking ecosystem in which the customer will be the central figure. They are pursuing this path with the help of the latest technologies. **The experience gained in the financial sector allows the representatives of the modern banking sector to create and offer customized products to the market (Kakhniashvili N., 2021).**

### Conclusion and Recommendations

Digital banks play an important role in Georgia and other countries around the world, and their development is associated with constant challenges. Security, user education, technological support are issues that need to be resolved in order to make the use of digital banks even safer and more effective.

The more the digitalization process increases, the faster the integration of new technologies with consumers and banks occurs. Further development of digital banks will contribute to increased competition in the market, which will be beneficial for consumers. Therefore, it is important that the Georgian government and the financial sector continue to invest in this direction so that the country becomes one of the leaders in digital banking in the region. It is important that banks strengthen information campaigns; state structures should promote the growth of digital education; there is a need for constant updating and control of cybersecurity; regulators should create a flexible but safe environment to promote innovation.



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