



**How to cite this paper:** Hambardzumyan, A. (2023). Embracing Finance 4.0: the Opportunity for Armenian Banks to Transform and Thrive. *Messenger of ASUE*, 1(73), 19-25. DOI: 10.52174/1829-0280\_2023.1-19  
**Received:** 10.03.2023. **Revision:** 22.03.2023. **Accepted:** 09.06.2023.

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## **EMBRACING FINANCE 4.0: THE OPPORTUNITY FOR ARMENIAN BANKS TO TRANSFORM AND THRIVE**

*This article explores the potential for Armenian banks to embrace new technologies and digital advancements to improve their operations, better serve customers, and stay competitive in the industry. The author argues that the adoption of Finance 4.0, which includes technologies such as artificial intelligence, blockchain, the internet of things (IoT) and machine learning, can provide Armenian banks with significant opportunities to improve their efficiency, reduce costs, and enhance customer experiences. The article highlights some of the key challenges and benefits of adopting these technologies and provides insights for Armenian banks looking to transform and thrive in the new digital era. The article emphasizes the vast opportunities that Finance 4.0 presents to Armenian banks, including the ability to streamline operations, improve risk management, and create personalized customer experiences through data analytics and AI. By leveraging blockchain technology, banks can also enhance security and transparency in transactions, while the IoT can enable new channels for customer engagement and provide real-time insights into consumer behavior. Ultimately, the adoption of these technologies can position Armenian banks for growth and success in the increasingly competitive global financial landscape.*

**Keywords:** *Finance 4.0, artificial intelligence, blockchain, machine learning, the Internet of Things*

JEL: G21, O32

DOI: 10.52174/1829-0280\_2023.1-19

**Introduction.** The fourth industrial revolution has brought about significant changes in the way we live, work, and do business. As a result, there has been a paradigm shift in the way finance operates. The term Finance 4.0 refers to the intersection of finance and Industry 4.0. Finance 4.0 is an evolution in the financial sector, which involves the application of emerging technologies such as artificial intelligence, blockchain, big data, and cloud computing to financial services. This has led to an unprecedented level of automation, enhanced operational efficiency, and improved customer experiences.

Finance 4.0 is redefining the role of finance in business operations, and the traditional banking model is becoming less relevant as digital innovation continues to disrupt the industry. This paper will explore the evolution of Finance 4.0, the technologies that are driving it, and the potential impact it may have on the financial industry. Additionally, this paper will discuss the challenges and opportunities that Finance 4.0 presents, and the strategies businesses can adopt to remain competitive in this new era of finance.

**Literature review.** Finance 4.0 refers to the integration of advanced technologies, such as artificial intelligence (AI), blockchain, and big data analytics into the finance industry. This emerging concept is poised to transform traditional financial services, as it provides innovative solutions to improve efficiency, reduce costs, and enhance customer experience.

One of the earliest works exploring the concept of Finance 4.0 is the 2016 book "The Fourth Industrial Revolution" (Schwab, 2016). This book outlines the ways in which advanced technologies such as artificial intelligence, blockchain, and the Internet of Things are transforming the global economy, and provides insights into how businesses and governments can adapt to these changes. Schwab's work has been influential in shaping the discourse around Industry 4.0 and Finance 4.0, and continues to be cited by researchers and practitioners alike.

Among the pioneers in the field of Finance 4.0 is Thomas Davenport, a professor at Babson College, who has extensively researched and written about digital transformation in various industries, including finance. In his book "Working with AI," Thomas Davenport explores how artificial intelligence is transforming the financial industry (Davenport, 2022). He discusses various use cases of AI in finance, including fraud detection, risk management, and customer service. Davenport also examines the challenges and opportunities associated with AI in finance, such as data privacy concerns and the need for ethical considerations. He provides practical advice for financial institutions looking to implement AI technologies in their operations.

Similarly, Karim Lakhani and Marco Iansiti, the professors at Harvard Business School, have studied the impact of Industry 4.0 on various sectors, including finance. In their paper, "AI and Finance in 2019" (Lakhani, 2019) they emphasize the need for financial institutions to embrace advanced technologies to improve efficiency and enhance customer experience. They also suggest that the integration of digital technologies will lead to the development of new financial products and services, such as decentralized financial systems, that are more accessible and cost-effective and emphasizes the need for financial institutions to collaborate with technology providers in order to implement advanced solutions effectively.

Michael Pinedo has focused his research on the use of big data and machine learning in financial services. In his paper, "Operations in Financial Services: Processes, Technologies, and Risks," Pinedo highlights the importance of leveraging data analytics to develop predictive models that can improve decision-making and reduce risk (Pinedo, 2017). He also states that the use of advanced algorithms can lead to more personalized financial services and the development of new business models.

In addition to these foundational works, there have been numerous other studies and reports exploring the specific aspects of Finance 4.0. For example, a report by Deloitte (2020) entitled "Blockchain in Financial Services" provides a detailed analysis of the potential applications of blockchain technology in the financial sector, highlighting the benefits of increased transparency, efficiency, and security.

Another notable work in this field is the book "The Future of Financial Services: How Disruptive Innovations are Reshaping the Way Financial Services are Structured, Provisioned and Consumed" (McWaters, 2015). This book explores the impact of advanced technologies on the financial sector, including the rise of digital currencies, the use of big data and machine learning in risk management, and the potential for blockchain technology to revolutionize financial services.

On the whole, the literature on Finance 4.0 highlights the need for financial institutions to embrace emerging technologies to improve efficiency, reduce costs, and enhance customer experience. The integration of digital technologies is poised to transform traditional financial services, leading to the development of new financial products and services and the enhancement of risk management and compliance. As the field of Finance 4.0 continues to evolve, we can expect to see more contributions from experts across academia and industry, driving the digital transformation of the finance industry.

**Research methodology.** In this article, the methodology used is based on the approach, mentioned in the literature review, to explore the concept of Finance 4.0. This approach allows for a systematic and comprehensive analysis of existing literature on the topic, providing a foundation for understanding the development, implications, and challenges of Finance 4.0. The literature review involves the identification and selection of relevant articles, books, and other sources related to Finance 4.0. After collecting the sources, a systematic analysis was conducted to identify key themes and insights related to Finance 4.0. The analysis involved a process of categorizing and summarizing the main ideas, concepts, and arguments presented in the literature. The methodology also includes a critical evaluation of the sources to ensure the quality and relevance of the information presented. The quality of the sources was assessed based on such criteria as the rigor of the research methods used, the authority of the authors, and the relevance to the subject matter of the research. The literature review was organized thematically, with each section focusing on a key aspect of Finance 4.0. The sections cover topics such as the definition and evolution of Finance 4.0, the technologies driving its development, the implications for financial institutions and the wider economy, and the challenges and risks associated with its implementation. The methodology used in this article is an effective approach for exploring the concept of Finance 4.0. By conducting a systematic review of existing literature, the article provides a comprehensive analysis of the key themes and insights related to Finance 4.0. This approach enables to have a better understanding of the current state of the field, as well as the implications and challenges associated with its development and implementation.

**Analysis:** Finance 4.0 is a term used to describe the digital transformation of financial services that is currently underway. It is an extension of the Industry 4.0 paradigm, which refers to the use of advanced technologies such as artificial intelligence, big data, and the Internet of Things (IoT) to drive innovation in the manufacturing sector. In the context of financial services, Finance 4.0 refers to the use of these same technologies to drive innovation, enhance efficiency, and improve customer experience. The evolution of Finance 4.0 has been driven by a number of technological advancements, including the widespread adoption of mobile devices and the rise of digital payments. These developments have created a wealth of data that can be leveraged by financial institutions to improve their services and better understand their customers. Additionally, advances in artificial intelligence and machine learning have made it possible to analyze this data more effectively, enabling financial institutions to provide more personalized services and gain a competitive edge in the market.

One of the key technologies driving the development of Finance 4.0 is blockchain. Blockchain is a distributed ledger technology that allows for secure, transparent, and tamper-proof record keeping (Swan, 2015). This technology has the potential to revolutionize financial services by improving transparency and reducing the need for intermediaries. Blockchain technology can be used to facilitate cross-border payments, create smart contracts, and improve identity management. Another technology that is driving the development of Finance 4.0 is big data. The amount of data generated by financial transactions has grown exponentially in recent years, creating a wealth of opportunities for financial institutions to gain insights into their customers' behavior and preferences.

By analyzing this data, financial institutions can develop more targeted marketing strategies, create personalized products and services, and make more informed decisions. Artificial intelligence (AI) is another technology that is critical to the development of Finance 4.0 (Dixon, 2020). AI can be used to automate routine tasks, such as customer service, fraud detection, and risk assessment. This technology can help financial institutions to reduce costs and improve efficiency, also providing a more personalized customer experience.

The Internet of Things (IoT) is another technology that is driving the development of Finance 4.0 (Khanna, 2019). The IoT refers to the network of physical devices, vehicles, and other items that are embedded with sensors, software, and other technologies that allow them to connect and exchange data. In the context of financial services, the IoT can be used to create new products and services, such as usage-based insurance, and to improve risk management by providing real-time data on assets.

The emergence of Finance 4.0, driven by the increasing adoption of advanced digital technologies, is having significant implications for financial institutions and the wider economy. While there are clear benefits to the adoption of Finance 4.0, there are also several challenges and risks associated with its implementation. One of the main implications of Finance 4.0 for financial institutions is the need to adapt to a rapidly changing technological landscape. This requires a shift in mindset towards innovation and agility, with a focus on leveraging new technologies to improve efficiency, reduce costs, and deliver a better customer experience. Financial institutions that are slow to adapt to the risk of being left behind, as new players and disruptive technologies enter the market. Another key implication of Finance 4.0 is the impact on employment. As automation and artificial intelligence become increasingly prevalent in the financial services industry, there is a risk of job displacement for certain roles. However, it is also important to note that Finance 4.0 is creating new job opportunities, particularly in areas such as data analytics, cybersecurity, and digital marketing. At a macroeconomic level, the adoption of Finance 4.0 is likely to have a significant impact on economic growth and development. By improving access to financial services and reducing costs, Finance 4.0 has the potential to promote financial inclusion and drive economic growth. However, there are also concerns about the potential for increased inequality, as those who are less technologically savvy or lack access to digital technologies may be left behind. One of the main challenges associated with the implementation of Finance 4.0 is the need for a robust regulatory framework. As new technologies such as blockchain and cryptocurrencies become more prevalent, regulators will need to adapt and develop new regulations to ensure that the risks associated with these technologies are managed effectively. This is particularly important given the potential for new forms of financial crime, such as cyber fraud and money laundering. Another key challenge associated with the adoption of Finance 4.0 is cybersecurity. With the increasing use of digital technologies and the growing amount of sensitive financial data being stored and transmitted online, the risk of cyber-attacks is a significant concern. Financial institutions must invest in robust cybersecurity measures to protect against the increasing sophistication of cyber criminals.

Finance 4.0 represents a significant evolution from Finance 3.0, which was characterized by the widespread adoption of online banking and the emergence of e-commerce. While Finance 3.0 laid the foundation for digital finance, Finance 4.0 builds on this foundation to create a more innovative, efficient, and customer-focused financial system. One of the key differences between Finance 3.0 and Finance 4.0 is the level of sophistication of the technologies being used. In Finance 3.0, the focus was on basic digital transactions and online banking. In contrast, Finance 4.0 is characterized by the use of advanced technologies such as blockchain, big data, artificial intelligence, and the Internet of Things. These technologies enable financial institutions to provide more personalized services, improve risk management, and reduce costs.

Another significant difference between Finance 3.0 and Finance 4.0 is the emphasis on innovation and agility. In Finance 3.0, many financial institutions were slow to adapt to new technologies, resulting in a fragmented and inefficient financial system. In contrast, Finance 4.0 is characterized by a culture of innovation, with financial institutions actively seeking out new technologies and ways to improve their services.

As the finance industry continues to evolve with the adoption of new technologies, some banks are leading the way in implementing Finance 4.0 principles. One such bank that stands out as a best example for Finance 4.0 is JPMorgan Chase. JPMorgan Chase has been at the forefront of adopting emerging technologies in the finance industry. The bank has been investing heavily in artificial intelligence (AI), machine learning, big data, and blockchain technology. It has also been leveraging these technologies to improve its products and services and to enhance the customer experience. One of the key areas where JPMorgan Chase has demonstrated its commitment to Finance 4.0 is in the development of its AI-powered virtual assistant, COiN (Investopedia, 2019). COiN is a machine learning-based platform that automates the process of reviewing and verifying contracts. The platform has enabled JPMorgan Chase to process contracts in a matter of seconds, compared to the hours or even days that it would take using traditional methods.

Another area where JPMorgan Chase has been innovative is in the use of blockchain technology. The bank has developed its own blockchain-based platform, Onyx, which has been used to develop a number of blockchain solutions (JPMorgan Chase, 2023). These include a platform for syndicated loans, which has streamlined the loan origination and settlement process, and a payment system called Interbank Information Network (IIN), which allows for faster and more secure cross-border payments. JPMorgan Chase has also been using big data analytics to gain insights into customer behavior and to develop personalized solutions for its clients. The bank has developed a machine learning model that uses customer data to predict when a customer is likely to close his/her account. This has enabled JPMorgan Chase to take proactive measures to retain customers and improve the customer experience.

The emergence of Finance 4.0 has had a significant impact on financial institutions worldwide, including in Armenia. While Armenian banks have made significant strides in adopting new technologies, there are still some challenges that need to be addressed during the transition to Finance 4.0. One of the key benefits of Finance 4.0 for Armenian banks is the ability to provide more personalized and convenient services to customers. By leveraging technologies such as big data analytics, artificial intelligence, and machine learning, banks can better understand their customers' needs and preferences, and offer tailored solutions. This can help improve customer loyalty and retention, also increasing revenue and profitability for the banks. Another significant impact of Finance 4.0 on Armenian banks is the potential for greater efficiency and cost savings. Automation and digitization of various banking processes can reduce operational costs, meanwhile improving accuracy and reducing the risk of errors. For example, automation of account opening, loan processing, and other administrative tasks can significantly reduce the time and resources required to perform these tasks. However, there are also some challenges that Armenian banks must address as they adopt Finance 4.0. One of the most significant issues is the need to ensure data security and privacy. With the increased use of digital technologies the risk of cyberattacks and data breaches follows, which can have severe consequences for both customers and banks. Therefore, it is essential for banks to implement robust security measures and develop effective risk management strategies to mitigate these risks. Another challenge for Armenian banks is the need to upskill and reskill their employees to adapt to new technologies and ways of working. As more processes become automated and digitized, the demand for traditional banking jobs may decrease, and the need for skills in such areas as data analytics and cybersecurity may increase. Therefore, banks must invest in

training and development programs to ensure their employees have the skills and knowledge needed to thrive in a Finance 4.0 environment. Finally, Armenian banks must also navigate regulatory challenges as they adopt Finance 4.0. With the increased use of new technologies there comes the need for updated regulations and standards to ensure that the new technologies are used in a safe, ethical, and responsible manner. Banks must ensure that they comply with these regulations still remaining competitive and innovative.

Armenian banks are not immune to the technological advancements of Finance 4.0, and many have already started to implement new digital strategies to keep up with the changing landscape of the financial industry. One notable example of an Armenian bank embracing Finance 4.0 is Ameriabank.

Ameriabank is one of the largest banks in Armenia, and has made significant investments in technology and digital transformation in recent years. The bank has implemented a range of digital services and tools to improve the customer experience and streamline operations. These include a mobile banking app, online banking, and a chatbot to provide customer support.

One of Ameriabank's most innovative offerings is its digital platform for small and medium-sized enterprises (SMEs) (Ameriabank, 2023). The platform, called Ameria SME Banking, offers a range of services and tools to help SMEs manage their finances more effectively. This includes online account management, payroll services, and e-invoicing, as well as access to business loans and lines of credit. The platform has been well-received by Armenian SMEs, and has helped to position Ameriabank as a leader in the digital banking space.

Another example of Ameriabank's digital innovation is its use of artificial intelligence (AI) and machine learning to improve risk management and fraud detection. The bank has developed a system that uses AI to analyze customer transactions and detect unusual activity, helping to identify potential fraud and minimize risk. The system has proven to be highly effective, and has helped Ameriabank to reduce the incidence of fraud and increase customer trust.

In general, Ameriabank's digital transformation serves as a great example of the potential benefits of Finance 4.0 for Armenian banks. By embracing new technologies and digital strategies, banks like Ameriabank can improve customer experiences, increase efficiency, and reduce risk. As Finance 4.0 continues to evolve, it will be interesting to see how other Armenian banks follow in the footsteps of Ameriabank, and what new innovations they will bring to the table. On the whole, Ameriabank's adoption of Finance 4.0 technologies has enabled the bank to improve its operational efficiency, enhance the customer experience, and stay ahead of the competition in an increasingly digital world. Other Armenian banks may need to follow Ameriabank's lead and embrace these technologies to remain competitive and relevant in today's rapidly changing financial services landscape.

**Conclusion.** Finance 4.0 presents a significant opportunity for the financial sector in Armenia. The adoption of advanced digital technologies, such as blockchain, big data, artificial intelligence, and the Internet of Things, has the potential to drive innovation, enhance efficiency, and improve the customer experience. For a country like Armenia, which has a relatively small domestic market, the adoption of Finance 4.0 technologies can help financial institutions to compete more effectively on a global scale.

One area where Finance 4.0 can have a particularly significant impact in Armenia is in the area of financial inclusion. By leveraging digital technologies to provide innovative and cost-effective financial services, financial institutions can help to expand access to financial services for underbanked and underserved populations. This has the potential to drive economic growth and development, and to reduce inequality.

Another area where Finance 4.0 presents an opportunity in Armenia is in the development of the fintech ecosystem. The adoption of new technologies is likely to

create new opportunities for startups and entrepreneurs, and to drive innovation in the financial sector. This has the potential to create new jobs and to boost economic growth.

However, the adoption of Finance 4.0 technologies in Armenia also presents several challenges. One of the main challenges is the need to invest in the necessary infrastructure and skills to support the adoption of these technologies. This requires significant investment in education and training, as well as in the development of new digital infrastructure.

Additionally, there is a need for a robust regulatory framework to ensure that the risks associated with Finance 4.0 are managed effectively. This is particularly important in a country like Armenia, which is still developing its regulatory infrastructure.

Despite these challenges, the adoption of Finance 4.0 technologies in Armenia presents a significant opportunity for the financial sector, as well as for the wider economy. By leveraging these technologies to drive innovation, enhance efficiency, and improve the customer experience, financial institutions can compete more effectively on a global scale, meantime enhancing economic growth and development in Armenia.

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