

## COVID-19 Rains On Fintech's Parade

written by Shushaanth S | May 29, 2020



### The Significance and Responsibilities of Fintechs in COVID

In the scheme of creations in the world, all species are expected to live in tune with nature and not do things beyond their innate powers and limitations. When nature reacts revoltingly there is a calamity and that is what at present, the world is encountering. Today, it is a total catastrophe! We have no clue of how to grapple with this pandemic. Every nation, be it advanced or underdeveloped, has been suffering this problem in different degrees.

People have consciously accepted to be less mobile and also learned to eschew unwanted going out for less urgent and unnecessary things. In this critical juncture 'Fintech companies' have been rendering a yeoman service. They help people with improved technology to carry out the necessary transactions for their day to day livelihood with absolute ease and less hassle. The government has been urging people to take recourse to technological options for their daily life. In this context Fintech companies have a great responsibility to translate the government vision in to reality.

### Fintech Companies

Financial technology (Fintech) companies provide financial services directly to the end users or through third parties by providing technological devices or through online platforms and other applications. The fintech industry has been one of the most rapidly growing industries in the world as their services permeate the entire gamut of payments, investments, banking etc. In fact, in many developed countries, the facilities provided by these Fintech companies have become an integral part of the way of life of the people. By leveraging technology effectively, Fintech companies are able to play a pivotal role in the fields of banking, insurance, crypto currency and other investments applications. In India, not only have these firms played a vital role in providing people with a convenient access to financial services, but also played a major role in financial inclusion of people in the lower strata of the Indian society.

These companies facilitate the financial sectors to function safer, faster and efficiently through their AI (Artificial Intelligence), blockchain and data science advancements. Over the last decade banks and other financial companies have been early adopters of these technological improvements and have zealously been encouraging their customers to use these facilities as a

means to reduce costs.

In the recent years the growth of technology in the financial sector has been exponential consequent upon the reforms made by Reserve Bank of India and the government's push to digitalization. India has seen a staggering 87% growth in adoption of fintech apps compared to 64% global average in the recent years. Now, Fintech companies have grown more digital and user friendly encouraging more customers and profits.

#### Resurgence of cash

Though Fintech firms have found a place in the everyday life of the people, the recent outbreak of the COVID-19 pandemic has exposed a major Achilles heel of these Fintech companies and has significantly disrupted the functioning of numerous financial technology companies. With the government responding to the pandemic by enforcing a lockdown throughout the country, the operation of Fintech firms have taken a hit in their funding, and have seen a drop in revenues, profits etc., in the first quarter of 2020.

Electronic fund transfer services like IMPS (Immediate Payment Service) have witnessed a slump from 256 million transactions in December 2019 to a mere 217 million transactions in March. Similarly UPI transactions also witnessed a drop from 1.33 billion to 1.25 billion in just one month.

Since the initiation of lockdown, supermarkets, theatres, malls and shops which relied on e-commerce sites had to be closed. As these businesses were the ones that utilized the services of the Fintech companies the most, their temporary hibernation has nearly crippled the Fintech industry. Since the lockdown, local kirana stores and street vendors have become the preferred destination for public to purchase their necessities.

With the small stores not yet utilizing the technologies of Fintech firms, cash as the mode of payment has been preferred in lieu of digital payment methods. The recent worldwide restriction on travel can also be seen as a contributing factor for the disruption of Fintech companies and the drop in cross border transactions.

It is pertinent to note that the Indian Government, over the past few years has been very particular in promoting digital payments methods as a means to reduce the usage of cash. However, the present situation has brought back the extensive use of cash into the market. In view of the increasing supply of cash in the economy and the risk of cash serving as a carrier of the disease, the Government as well as the financial regulators have started to promote the use of digital platforms once again in order to avoid queues outside ATM's and banks.

#### Cash as Carrier

One of the major downsides of using cash during a pandemic like Covid-19 is that, there is possibility of cash and coins acting as a carrier of the virus and should be avoided at all costs. Though there is no conclusive evidence to prove that cash and coins can act as a potential carrier of the virus, the WHO has advised to take proper safety precautions while handling cash. The government has also advised banks to encourage customers to adopt the use of digital payment methods like UPI, NEFT, mobile banking and debit and credit cards instead of cash as a precautionary measure against the coronavirus outbreak. By switching to digital payments all forms of social contact can be prevented.

#### Rise of Fintechs

Since the drop in the revenues of the Fintech firms, these companies have

been actively working towards including the kirana stores and small vendors into their fold. As a result, it can be clearly observed that there has been a drastic growth in the number of consumers who have shifted to digital platforms especially payments apps and banking applications since mid-April. Fintech start-up companies that provide digital infrastructural products are also rapidly gaining importance at these times and have been able to attract various new investments into these sectors.

B2B (Business to Business) focused Fintech firms have benefited greatly in comparison to the B2C (Business to Consumers) companies as B2B Fintech firms are mainly engaged in payments, lending, deposits and savings, investment services, etc. It is also expected that a large number of consumers have turned to purchasing groceries and other household essentials from online markets.

States like Gujarat have already vouched for cashless transactions and have mandated digital payment methods for all home delivery services which would ultimately boost fintech firms.[1] With the present situation, social distancing and minimal contact norms in place, there is no doubt that even more consumers all across the globe might switch to the digital platforms as the need of the hour and Fintech's may once again thrive and will be seen as a preferred alternative.

#### Conclusion

The present pandemic predicament has afflicted the whole world and crippled the global economy. All the economic activities have dwindled to an abysmally low level because of the fear of the probable virus infection. However, the bright side of the scenario is that there is a great opportunity for Fintech companies to convert this hapless problem into great business prospects. They can effectively penetrate into the market and bring millions of customers into the business fold. It can set the pace for cashless business as desired and envisaged by the government. It is indeed pragmatic to support Fintech companies by all means as it projects an excellent promise into clear future bearings.

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[1] <http://ficci.in/sector/report/21019/AHMEDABAD-MUNCIPAL-11-MAY-SHOPS.pdf>

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