

Opportunities of Financial Technology Under the Impact of COVID-19

—Based on the Perspective of Macroeconomic and Financial Uncertainty

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ABSTRACT

The sluggish global economic growth prospects, the increasingly narrow countercyclical macro policy space, the escalating geopolitical game in the Middle East, and the sudden epidemic are the main reasons for the violent turbulence in the global market. The COVID-19 has caused a rapid increase in the demand for contactless financial services. Financial technology has played an extremely important role in facilitating the prevention and control of the epidemic and the resumption of work and production, providing efficient, stable and convenient financial services for the production and life of the society, and injecting vitality into a more economic and stable recovery.

Keywords: financial technology, market fluctuations, macro-control, COVID-19

1. INTRODUCTION



Fig.1. The volatility of global markets

The sluggish global economic growth prospects, the increasingly narrow countercyclical macro policy space, the still escalating geopolitical game in the Middle East, and the sudden new crown pneumonia epidemic are the main reasons for the violent turbulence in the global market. Since March 2020, the global market has experienced severe turbulence. The U.S. stock market fell sharply. The circuit breaker mechanism was triggered three times from March 9 to March 16, and the yield of U.S. long-term Treasury bonds fell rapidly. The sluggish global economic growth prospects, the increasingly narrow countercyclical macro policy space, the still

escalating geopolitical game in the Middle East, and the sudden new crown pneumonia epidemic are the main reasons for the violent turbulence in the global market. In addition, the stock and bond markets in other parts of the world also experienced sharp fluctuations. On March 16, the Federal Reserve announced that it would lower the target range of the federal funds rate to an ultra-low level of 0-0.25% and launched a \$700 billion quantitative easing program. But after the Fed cut interest rates, the U.S. stock market fell instead of rising. The Trump administration's lavish spending when the U.S. economy is growing rapidly has further reduced the space for the U.S. government to implement countercyclical fiscal policies. The occurrence of negative interest rates in developed countries means that the room for further relaxation of monetary policy is very limited. In addition, the rise of populism in various countries has also narrowed the space for governments to carry out structural reforms. The sluggish global economic growth prospects, the increasingly narrow countercyclical macro policy space, the still escalating geopolitical game in the Middle East, and the current round of the new crown pneumonia epidemic are the main reasons for the recent violent turbulence in the global financial market. Crisis in the financial market can be self-fulfilling, and governments of all countries should be highly vigilant about the fact.

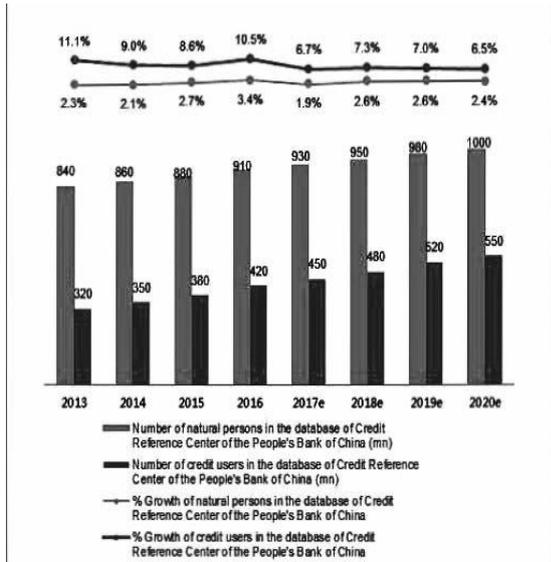


Fig.2. The role of financial technology in the epidemic prevention period

1.1 The online non-contact financial service model continues to expand

During the epidemic, the traditional offline financial service model was restricted. In order to ensure that various businesses were not affected, financial institutions continued to strengthen the online financial service model based on financial technology during special periods. On the basis of the original online business hall, through financial Technology empowers, innovates and expands online life consumption services, and strives to create full-function and full-process online operations. In terms of banking, online financial services such as online account opening, smart customer service, corporate financing, and remote contracting have been continuously optimized, replacing most of the businesses of offline bank branches, providing great convenience to customers. In terms of insurance, traditional insurance sales are basically based on the opposite side of the line. The epidemic has forced the insurance industry to carry out digital transformation, build a systematic online operation and service capabilities, and create a customer experience-based integration of online and offline services. the way. Some insurance companies have also opened green channel services for the epidemic, providing strong support for epidemic prevention and control. In terms of securities, during the epidemic, the online securities business has also undergone upgrades. For example, many brokers have urgently launched and optimized the NEEQ online account opening and other businesses, and reissued the online business guidelines to provide convenient online services for securities investors.

1.2 Online financial credit needs are supported

Affected by the epidemic, business operations of various shopping malls, cinemas, catering, tourism and other types of enterprises have been interrupted, their cash flow has broken, and the burden of capital pressure has increased. Many small, medium and micro enterprises and individuals are facing huge financing and repayment pressures. In response to this situation, various banks and financial institutions use financial technology to provide enterprises with online credit services in a timely manner. Through "big data + AI", they conduct multi-dimensional big data verification and comprehensive analysis, intelligent modeling and precise analysis, so as to provide Small, medium and micro enterprises affected by the epidemic provide precise financial services and credit support to help them tide over the epidemic and resume normal operations. For example, China Merchants Bank's financial technology innovation project "remote lending" played an important role during the epidemic. In just over a month, Wuhan, the main battlefield of the epidemic, provided a loan of 140 million yuan for anti-epidemic medical supplies. The Bank of China approved the "The "BOC Brain" artificial intelligence platform launched the "Anti-epidemic Loan" to provide emergency loan products for the production and supply of epidemic prevention materials.

1.3 Online payment helps non-contact life consumption

During the epidemic, non-contact social life has become a rigid demand. financial technology leads the application services in the field of Internet consumption and provides tremendous help to epidemic prevention and control. For example, the Industrial and Commercial Bank of China develops a new crown pneumonia prevention and control emergency material management system, which is provided for free to key epidemic prevention units such as the epidemic prevention and control headquarters, health and health commissions, and medical institutions; China Construction Bank has launched the "CCB Smart Community Management" for civil affairs departments at all levels and communities Platform" to help urban and rural communities build an "online + offline" three-dimensional prevention and control system. financial technology has also promoted the rapid popularization of online payment services. In order to reduce the risk of "human-to-human transmission", with the support of financial technology and other underlying technologies, major e-commerce platforms and express companies such as Alibaba, JD.com, etc. have launched "contactless delivery" services for vegetables, daily necessities, and medical care. Protective equipment can be ordered online, especially during Wuhan's closure period, the supporting role of financial technology in "online procurement and

offline contactless distribution" has been fully demonstrated, ensuring the daily supplies of more than 10 million people Procurement and distribution.

2. ISSUES HIGHLIGHTED BY FINANCIAL TECHNOLOGY DURING THE EPIDEMIC PREVENTION PERIOD

2.1 Obvious gaps in digital transformation capabilities of financial institutions

During the epidemic, the online credit services provided by financial institutions solved the problem of financing difficulties for many small and medium-sized enterprises. However, due to the comprehensive influence of institutional scale, technical strength, digital genes and other factors, the digital transformation capabilities and speed of different financial institutions have obvious gap. In terms of banks, state-owned banks and joint-stock banks are able to invest more resources in the field of financial technology than regional small and medium banks. The disparity in technological strength between different banks has also resulted in a greater difference in interest rates between financial technology credit products. Just take the infrastructure transformation of cloud services as an example. Large state-owned banks often invest hundreds of millions of yuan, while most small and medium-sized banks focus on short-term business improvement while ignoring their long-term business innovation. effect. Insurance. In recent years, some medium and large insurance companies have established professional technology subsidiaries. Compared with small insurance companies, they can promote the technological transformation of insurance business faster. Under the impact of the epidemic, various insurance companies tend to integrate offline and online operations.

$$AR_t = R_{t_{cs}} - \frac{1}{K} \sum_{i=T_0+1}^{T_1} R_{t_{cs}}$$

2.2 Online financial service products face security risks

Under the epidemic, various financial institutions have launched online non-contact financial service products, but consumers do not recognize their safety. One is the risk of online fraud in the online exhibition industry. Many financial institutions have been hit by the offline exhibition industry, and the hastily launched online alternative products lack complete security system protection, and face the risks of fraudulent account opening, fraudulent loan, fraudulent insurance caused by online fake identity. Second, some consumers do not approve of online access points. The most fundamental difference between offline outlets and online outlets is that the customer himself arrives at the site to handle the business, which solves the security problems of customer

identity authentication and personal wishes. In recent years, despite the increasing popularity of comprehensive online financial services such as online banking, mobile banking, mobile securities apps, and online insurance, many customers are still unwilling to use them because of concerns about the safety of funds. Third, the security of online payment needs to be improved. Online consumption has become the main consumption mode during the epidemic. Online payment verification mostly uses payment passwords and SMS verification codes. Some mobile apps use mobile SMS verification codes to complete high-level operations such as online account opening and payment password setting. Incidents of theft happen from time to time.

2.3 Offline mobile payment has insufficient capacity to prevent and control the epidemic

Static QR code payment has become the most important payment method for offline non-contact life consumption, but it has security risks such as leakage or tampering of user information, malicious stealing, and hidden Trojan horse viruses. Face payment is highly secure, but it has been hit hard by the epidemic. The current offline face security payment products can meet the security requirements of mobile payment. However, during the epidemic, the "mask crisis" is encountered. When people wear masks, the accuracy of face recognition is affected, and there are even problems that cannot be paid using face recognition. Happening. The outbreak of the epidemic has caused face payment to experience a cliff-like decline, which has brought tremendous pressure to many service providers. In addition, some offline face payment products require the input of a custom password or mobile phone number, and there is still a risk of exposure to infection.

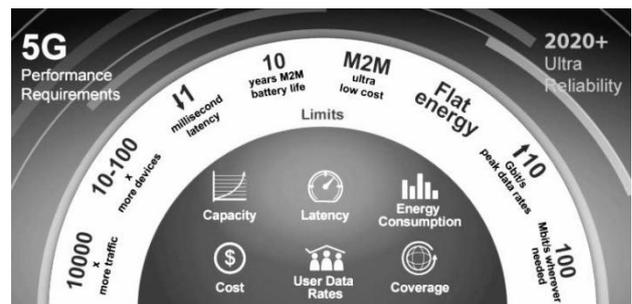


Fig.3. Methodology the epidemic promoting the development of financial technology

2.4 Strengthen the macro-control and guidance for the development of financial technology

The first is to deepen the role of small and medium banks in serving small and micro enterprises. Government departments should guide small and medium-sized banks to use the in-depth application of

financial technology as an important means of differentiated competitive strategies, accelerate the pace of digital transformation, accurately support small and micro enterprises with weaker risk capabilities, and provide them with distinctive financial technology products and Internet transactions service. The second is to introduce a mechanism that combines policy support with assessment and supervision to effectively guide the interest rates of commercial banks' financial technology credit products. For credit products with lower interest rates, a comprehensive use of re-lending and rediscount funds is used to support them to reduce their costs. The third is to promote financial institutions to continuously improve the overall layout of financial technology, establish a professional training mechanism, set up professional companies and professional credit products teams, and accelerate the development of key technologies such as big data, artificial intelligence, cloud computing, and blockchain. Landing and implementation in the financial field.

3. CONCLUSION

The outbreak of the epidemic is a huge test for the management ability and risk control level of financial institutions. How to solve the problems exposed by financial technology under the impact of the epidemic, while improving the technical means and service level of financial technology, has a significant impact on the digital transformation of financial institutions. A major role, which requires the joint efforts of the government, regulatory agencies, and financial institutions. With policy support, effective supervision, correct guidance, and technological innovation multi-pronged, financial technology can better protect the development of the financial industry and serve people to the utmost extent under the epidemic.

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