ABSTRACT

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DEVELOPMENT OF THE FINTECH INDUSTRY AND FINTECH TECHNOLOGIES UNDER COVID-19

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FinTech is a strong trend and a new vision in the field of financial services. Modern innovative technologies have significant potential to transform such a market and improve the quality of financial institutions' services to their customers [1]. FinTech companies are already in critical competition with traditional financial market participants.

There are various assumptions that over time FinTech companies will be able to compete with classical banks, as they are more technological and innovative, accessible to a wider range of people, are able to quickly adapt to market fluctuations, a wide presence in social networks and social media [2]. The strengths of classical banks are knowledge of clients, compliance with requirements, trust, security and experience of credit institutions.

Many FinTech companies have already entered the market and are operating as startups [3]. It remains to be seen whether they will grow and eventually take over a larger share of the financial sector, or whether they are more likely to occupy niches and provide specialized services to larger institutions. The crucial role of technology differentiates FinTech from traditional banks, but many traditional large classic banks are also adopting FinTech solutions and investing in financial innovation by creating FinTech units within their corporations, in some cases, entering into partnerships or even acquiring FinTech companies.

It cannot be denied that FinTech companies are making investments more democratic, enabling free capital flows, driving change, providing comprehensive financial services that are more accessible to more people, better serving the day-to-day needs of people, and responding to a new generation of investors.

It should be noted that part of the success of FinTech to some extent due to rather weak regulation in this industry, as companies can appear more freely, adapt faster and more easily modify services. Until now, the FinTech industry has not been tightly regulated, for example, compared to classical banking services, where the regulation is very strict. As a result, FinTech now has some advantages, but it also erodes customer confidence. But the FinTech industry will also be subject to stricter regulation in the near future, which could affect the future prospects of some market players and their ability to develop in the booming FinTech industry in the post-Covid 19 environment. The FinTech market continues to expand access to financial services during the Covid-19 pandemic - especially in emerging markets [3].

24/7 access to efficient and adaptive financial services is crucial for poverty reduction and economic growth. FinTech innovations help to reduce the cost of providing services by enabling more people to reach and reducing the need for face-to-face interactions needed to sustain economic activity during a pandemic.

FinTech has demonstrated its potential to address gaps in the provision of financial services to households and firms in emerging markets and developing countries. The survey shows how the FinTech industry is adapting to the pandemic and offers ideas for regulators and politicians who seek to innovate and benefit from FinTech technologies while managing risks to consumers, investors, financial stability and integrity. This study shows the global FinTech industry, which has been largely resilient despite the Covid-19. However, its growth should be interpreted in nuances and in the context of unevenness, and opportunities for the industry should be combined with the challenges it faces.

Clearly, COVID-19 has disrupted the global economy, with lasting consequences for corporations and consumers. Despite this complex background, FinTech has proven to be resilient and adaptable: contributing to the pandemic effort, adjusting operations and offerings to serve vulnerable market segments such as micro, small and medium-sized businesses, while recording annual growth in most regions.

Covid-19 is accelerating changes in people's interactions with financial services, leading to unprecedented demand from developing countries for the transition to secure and inclusive digital financing. There are warning signs that some firms are deteriorating their financial situation and are concerned about the ability to raise capital in the future. This is something that the FinTech community needs to keep in mind, taking into account the significant economic opportunities that FinTech offers.

However, firms also reported some operational and financial problems during the pandemic. Two-thirds of firms said they responded by changing their business model, including by lowering fees, changing eligibility criteria, and simplifying payment requirements. About 60% reported the launch of new products and additional services, such as information provision. 40% of firms surveyed indicated that they have either introduced or are in the process of implementing enhanced anti-fraud or security measures in response to pandemic conditions. Other operational issues reported by firms included increased downtime of agents or partners and an increase in failed transactions and access requests. In addition, FinTech companies have reported increased costs for adaptation and data storage.

Considering the above, questions arise about how classic banks should behave in the face of the growing popularity of FinTech companies - try to emulate them, compete, cooperate with them, or simply take a wait and see how FinTech companies will operate in the full economic cycle. In addition, there are economists who point out that most modern FinTech companies have not yet gone through a full economic cycle (since the global economic crisis catalyzed by the COVID19 epidemic is still ongoing).

Therefore, the key to the successful future activities of both classical transnational banks and FinTech is “cooperation”, not confrontation. FinTech perfectly complements the classical banking activity, allowing, for example, to more efficiently and promptly use the available financial data and offer additional services of the intellectual analysis of financial Big Data and further formation and updating the corporate knowledge bases for financial AI systems.

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