

# A Study of the impact of “Corona” endemic on dynamics of Fin Tech revolution in Banking System

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## **ABSTRACT**

*The unprecedented worldwide upsurge of the novel coronavirus is the prime human disaster that has affected the lives of millions of people since March 2020 causing a long term impact due to this pandemic situation irrespective of its nature of operation. There has been a revolution in the field of online communication and enormous e-commerce usage since the last two decades. To cope up with this technological revolution, the Banking sector in India has successfully incorporated the Fin Tech (Financial Technology) which has revolutionized the way consumers access their finances. By offering these technically advanced services and products, the Fin Tech is predicted as a potential threat to the brick-mortar or traditional banks. The pandemic outbreak has adversely challenged the banking sector in India. During the normal era, the banking customers used to visit their respective branches to avail banking services, but in this new-normal era, banks have experienced a paradigm shift towards the digital or internet banking. It is a challenge to the banking sector to understanding the new behaviour and to meet the requirement of the consumers with relevant products and convenient services, and to adapt their business services to social changes related to the pandemic situation. The paper highlights on the banking services during the pandemic and the growth of e-banking. The main objective of the study is to provide a genuine perspective on the impact of pandemic on consumer behaviour of banking products and services and thereby analyse the growth of e-banking. We have analyzed the e-banking transactions of two new generation banks for a period of 4 years from 2019 to 2022. The findings of the paper reflects a direct and positive influence of e-banking on the consumers' lifestyle.*

**Keywords:** *Coronavirus, Fin Tech, Internet and Banking, Consumer Behaviour, Banking Strategies.*

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## **I. INTRODUCTION**

The unforeseen worldwide outbreak of the novel coronavirus is the prime human disaster that has affected the lives of millions of people thereby devastating the global economy as a whole. Each and every sphere of the global market has been distressed since March 2020 causing a long term impact due to this pandemic irrespective of its nature of operation. In this pandemic situation also, the banks have successfully maintained the liquidity flow to finance the economy, lent to individuals and business and to maintain their customer base. To cope up with this unprecedented situation since last two years, the banks have transformed their strategies that define their future and rethink their entire flow of activities. This crisis has created an opportunity to change the banking business as well as rethink to develop the bank-customer relationship by incorporating Fin Tech. The process not only involves digitalization and modernization of the banks' financial activities, but also focuses on the development of skills and promotional activities for a sustainable bank-customer relationship so that they can perform their transactions according to their convenience.

To endure with the government mandates during the pandemic Fin Tech was imposed to facilitate the banking consumers'. Banks also noticed a paradigm shift in customer approach towards digital or electronic banking. Mobile banking allows the users to access their accounts, check the status of the services instantly and timely update and handle transactions and communication with bank, anytime, anywhere around the world. Mobile banking wallets has also boosted the banking sector and enhanced daily transactions in an efficient and safe mode.

## **II. LITERATURE REVIEW**

Related studies highlight the situations and provide the backup of the study, so we have lined up and presented the related papers to the best of our knowledge. Nair, Veeragandham, Pammani, Prasad and Guruprasad (2021), highlighted on the changes, functioning and reforms of Fin tech Industry has undergone during the pandemic in India. The pandemic has severely affected the global economy and has also adversely affected the Indian banking operations Panchal (2021). According to Patil, Alex (2020), Government intervention is required to take decision and action to reduce their uncertainty and financial stress in the economy and take remedial measures for smooth functioning of both money and capital markets. They observed that most of the Indian Banks are facing the problem of Non-Performing Assets (NPA) i.e. non recovery of loans, customer grievances, Bad Loans during Corona situation ultimately resulting to shut down. Muzawar(2020), highlighted on the pandemic, global shutdown and the various Government mandates on social distancing has also indulged the customers to conduct online transactions as a result of which the degree of e-banking services usage of the customers has increased during the new normal era compared to the normal era. According to a survey conducted by Daniel, Gardan, Claudia (2020) it was observed that some banks even offered financial education courses to all categories of their bank customers. Suhas, Ramesh(October 2018) observed that all the e-banking transactions have an edge over the conventional brick and mortar banks in terms of security, speed and convenience. The researchers focused on the varied assistance and services provided by e-banking to their customers and the hindrances faced by the customers during the adoption of e-banking. The literature review process revealed that a number of studies have been conducted in the field of Technologically Improved Banking Services to identify the impact of Covid-19 on Mobile Banking Services, Internet banking, Real Time banking and Customer behaviour and satisfaction. So, the paper focuses on the impact of Coronavirus on new generation private sector banks namely – AXIS bank and ICICI bank during the pandemic period in India.

### **STATEMENT OF THE PROBLEM**

Banking sector is responsible for all the financial activities in the country and works as a supporting hand to all the industries who have witnessed a great challenge during the pandemic. Banks were also directly affected during this new normal era and were forced to rethink their business operation and strategy, to revise and analyse the directions of their existing activities by encouraging the bank customers to conduct contactless transactions i.e. digital transaction to abide by the government mandates of social distancing. As a result of which mobile banking, online banking, G-Pay, e-wallets and various other Fin Tech tools strengthened the digital platform to conduct transaction at their fingertip according to their convenience in this new normal era.

Thus technology has redesigned the banking landscape by enhancing non-branch banking which in turn helped to create customer value. It is imperative for banks to adopt technology in the age of transformation to survive in the ever-changing market. The banking industry transformed the traditional banking methods to modern credible digital interface to digitalize their processes to retain the customer base.

This study contemplates on how the novel coronavirus has affected the Indian banking sector and inducted the Fin Tech services for banking transactions and analyse the growth of e-banking in new generation banks.

### **SCOPE OF THE STUDY**

This study looks over the ever changing banking during the novel coronavirus pandemic. It mainly focuses on the dynamics of adaptive strategy of the banks during the pandemic era, by comparing it with the normal and new normal era. This analysis also focuses on the banking strategies to adapt these digital transformation. The result of the study will help the Indian banking sector to strengthen the Fin Tech services by formulating suitable strategies to retain the customer base along with their trust and loyalty by reducing the cost of operation, generate substantial revenue from the online banking and e-payment transaction and encourage them to provide more financial product and services that will meet the customer's needs in the future. An analytical study on banking strategies is important to properly support future research in the area of Emerging Technology in Improved Banking Services of Indian banking sector.

### **OBJECTIVES OF THE STUDY**

The study mainly focuses on the following objectives:

- To scrutinize the Fin Tech service in the banking sector during the pandemic era in terms of value and volume.
- To compare the digital banking status in India between the pre and post pandemic era.

### III. RESEARCH METHODOLOGY

To conduct this empirical study, secondary data is collected from Bank’s annual reports, Magazines, newspaper, articles, and journal reviews. The population for the study includes all the Public & Private banks in India. The sampling units consists of two new generation banks - AXIS bank and ICICI bank.

#### ANALYSIS

Financial inclusivity and accessibility are the foundation of global economic development, especially when the entire world is going through economic turmoil and uncertainties. The global banking and financial services industry, has undergone through a seismic shift in the post pandemic era. The larger economic objectives enable accessible and inclusive global banking using Fin Tech and Application Programming Interfaces (APIs). Ahamed, Abdelaal(2022) observed that the multinational banks spread across the globe provides an opportunity to use the updated Financial Technology solutions to avail the best infrastructure in terms of internet and mobile penetration across the world has been a key enabler of this revolution, which is forecasted to make global banking industry a \$43.15 billion business world wide by 2026. According to Karl Flinders (2022)almost 2,50,000 citizens of the United Kingdom changed current account providers i.e. Current Account Switching Services (Cass) within three months from October 2021 in the late upraise that was totally led by consumers looking for the updated digital banking services. The traditional banks have taken a backseat during this pandemic due to the social mandates compared to the Digital banks.

The emanation of Omicron variant and initial digital current account providers continue to attract new customers as majority of the customers are interested on the current account providers with high quality Fin Tech services. Digital challengers have won millions of customers where people have changed for non-financial reasons, mainly the reasons cited includes:

- Better online banking facilities (51%)
- Sophisticated Fin Tech system (41%)
- Improved customer service (38%).

**Table 1: Overall e-banking transaction of banking sector in India (2019-2022)**

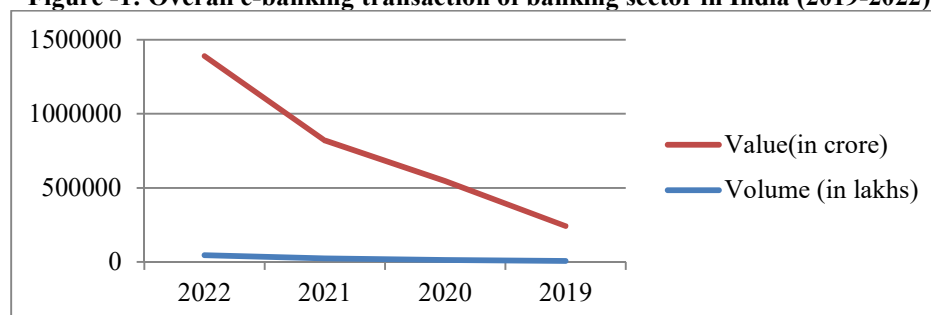
Year	Volume (in lakhs)	Value (in crores)
2022	44750	1344959.00
2021	22713	796402.00
2020	12525	532731.00
2019	5270	236900.00

Source: Reserve Bank of India Bulletin -2022

According to Reserve Bank of India Bulletin in 2022, the overall e-transaction of banking volume in the year 2019 was 5270 lakhs and it increased to 12525 lakhs in 2020. Further it increased to 22713 lakhs in 2021 and in 2022 the overall e-transaction has increased to 44750. This reflects a steady growth of overall e-transaction volume of banking sector in India. In case of the monetary value (crore) also a steady growth was observed regarding banking transactions. The value of e-transaction was Rs. 236900 crores in 2019which increased to Rs. 532731 crores in 2020. The value further showed a continuous increase from Rs. 796402 crores to Rs. 1344959 crores in the year 2021 and 2022 respectively. From the table it is clear that like the volume, the value of overall e-banking transaction showed an increasing trend.

In Pre-covid era (2019 & first quarter of 2020) the e-transaction in the banking sector, the volume has increased by 7255 lakhs from the year 2019 to 2020. Similarly in the case of value, it increases by Rs. 295831 crore. And in the new normal era (2021& 2022) the volume and value have increased by 22037 and 548557 respectively. The figure reveals an overall growth of e-transaction both in terms of value and number of customers during the normal and new normal era.

**Figure -1: Overall e-banking transaction of banking sector in India (2019-2022)**



Source: Reserve Bank of India Bulletin - 2022

Indian banking industry confronted with an ever accelerating demand from customers to provide innovative digital products and services in a highly competitive market during the pandemic era. Information Technology transformation by using Application Programming Interfaces (APIs) has simultaneously expedited the technical up gradation and enabled new business ideas over the period. Competitive market and increasing demand for digital solutions during pandemic period facilitated the end-to-end digital customer journeys such as innovative banking technology, advanced-analytics-based products and a core-banking -system push cloud adoption. Introduction of new digital capabilities such as robotics, smart automation, and advanced analytics enabled to generate full business value of banking System in India. APIs are the core of IT architecture and plays a vital role in digital strategy of banking.

## 2. The e-Banking Transactions of Axis Bank

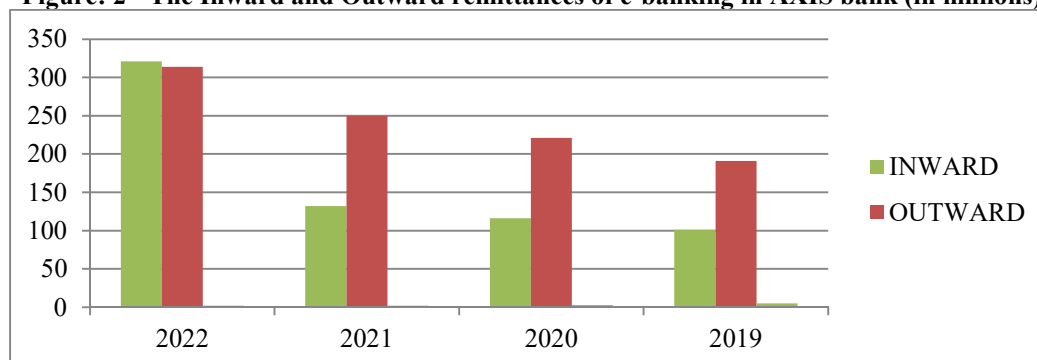
**Table.2: The Inward and Outward remittances of e-banking in AXIS bank (in millions)**

Year	Inward remittances	Outward remittances
2022	321	314
2021	132	250
2020	116	221
2019	101	191

Source: Reserve Bank of India Report -2022.

As per the published reports of Reserve Bank of India in 2022, during the normal era i.e. in the years, 2019 and 2020 the Inward transactions of e-banking in AXIS bank has increased by 15 million and the outward transaction also followed the trend by 30 millions acceleration. During the new normal era i.e. in the years 2021 and 2022 both the inward and outward transactions of AXIS bank have increased by 189 million and 64 million respectively. So it is clearly evident that both the Inward and Outward transactions of e-banking in AXIS bank have reflected an accelerated trend during the pandemic era.

**Figure: 2 - The Inward and Outward remittances of e-banking in AXIS bank (in millions)**



## 3. The e-Banking Transactions of ICICI Bank

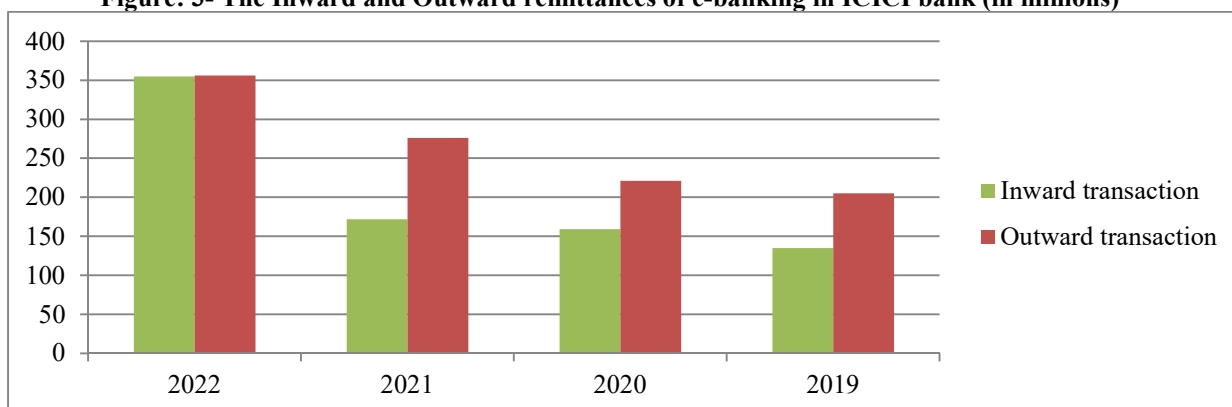
**Table: 3 - The Inward and Outward remittances of e-banking in ICICI bank (in millions)**

Year	Inward remittances	Outward remittances
2022	355	356
2021	172	276
2020	159	221
2019	135	205

Source: Reserve Bank of India Report -2022.

As per Reserve Bank of India Report 2022, during the normal era i.e. 2019 & 2020 the Inward transactions of e-banking in ICICI bank has increased by 24 million and outward transaction also increased by 16 millions. During the new normal era, i.e. 2021 & 2022 the inward and outward transactions of ICICI bank have increased by 183 and 80 million respectively. So from the report it is quite evitable that ICICI bank reflected a continuous growth both in the field of inward and outward transaction of e-banking in ICICI bank.

**Figure: 3- The Inward and Outward remittances of e-banking in ICICI bank (in millions)**



#### **IV. FINDINGS OF THE STUDY**

The study was mainly conducted on two new generation bank in India- AXIS bank and ICICI bank based on the secondary data mainly Reserve Bank of India Report -2022. The observations from the study are as follows:

- The novel Coronavirus has a direct and positive impact on the introduction and evolution of Fin Tech services to their customers in the Indian banking sector.
- There is a steady growth in the overall e-transaction volume of banking sector in India.
- The monetary value of e-banking transactions has also reflected an increasing trend.
- During this pandemic era the Fin Tech services has recorded a growth at an exponential rate.
- The Inward and Outward transactions of e-banking for both the new generation banks- AXIS bank and ICICI bank have shown a steep growth after the pandemic.
- An increasing trend of growth is observed in the overall e-transaction in banking sector in India.

#### **V. SUGGESTIONS**

Based on the observations, the suggestions are as follows:

- The Indian banking system needs to customize their Fin Tech services according to the ever changing customers' need.
- Banks need to have more focus on digital transformation and to migrate its traditional banking services to digital technologies as per the desire of customers. It also need to focus on accessibility, transparency, ease of use and have transparent and lower costs.
- As the access to mobile banking is a priority challenge for banks it is necessary to ensure a secure IT system and to avoid failed transactions or system errors that would affect the consumers' trust.
- Banks also need to promote internet banking amongst their customers and create awareness among them regarding security and lucid approach.
- Banks should also be proactive enough to guide and educate their customers' on the digital technologies.
- In order to encourage e-banking amongst the users, banks should also focus on the customer care service by highlighting the benefits they offer and the steps that are initiated to increase the security of online transactions.

#### **VI. CONCLUSIONS**

Banks are an important pillar of the economy and the strategies they adopt is bound to create a great impact on the recovery of the economy during the endemic era. Fin Tech remains a priority option for the banks, in order to offer customers with the quality and secured services. The enormous usage of Fin Tech during the pandemic is expected to continue in the future years too, requiring banks to re-evaluate their banking activities. The migration of banks to the digital banking has much more importance to the banking sector and it is important to take steps for the development of the emerging banking technologies. The new - digital banks need to work harder to increase the level of consumer confidence, digital security, and the value of services .As the customer experience is more essential to banks, only those banks which modernize their IT infrastructure and provide online access to banking products and services will have benefits in future. The future of banking products and services is a combination of online and offline, to respond to a consumer whose preferences are constantly changing. So the banking sector in India needs to develop a well-developed strategy to digital technologies, in order to have a long term benefit.

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