

# ***The Impact of COVID-19 on Financial Technology Enterprises and Countermeasures***

## ***-- Taking Ping An Insurance of China as an Example***

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**Abstract:** Financial technology enterprises are essential and important in promoting economic progress and social development. Financial technology companies have seen their performance decline amid the pandemic, but the epidemic has also accelerated their push to go online. It is of great significance to analyze the impact of COVID-19 on financial technology. This study analyzed the impact of the epidemic on fintech enterprises by the existing literature and practical problems. The study also took Ping An Insurance of China (Ping An), an outstanding financial technology enterprise, as an example to examine the impact of the epidemic on it and its coping strategies. In the study, some suggestions are provided for financial technology companies. After the epidemic, financial technology enterprises need to increase financial need, accelerate the speed of online business and build a sense of social responsibility.

**Keywords:** COVID-19, financial technology, online business, Ping An insurance of China

## **1. Introduction**

With the wide application of emerging technologies in the financial field, the fintech industry is ushering in a new period from quantitative change to qualitative change. Fintech refers to the emerging business models, new technology applications and product services that have emerged from the integration and development of finance and the new generation of information technology [1]. The rapid development of fintech has played a constructive role in improving the efficiency of financial services. After the outbreak of the epidemic, it brought some negative impacts to financial technology companies, but it also brought some opportunities. In the first quarter of 2020, the economic benefit of major financial technology companies declined significantly or even turned into a loss [2].

However, in the long run, the epidemic will provide an opportunity to develop new business models and accelerate the realization of online financial services. The epidemic is a stress test that will in which the risk management capability will be tested and the optimization of operation models will be accelerated for fintech companies [3].

This paper aims to analyze the impact of the epidemic on financial technology companies and the company's countermeasures based on the existing literature. The study also takes Ping An as an

example to investigate the impact of COVID-19 on it and discuss its coping strategies. Besides, some useful suggestions are also provided for financial technology companies.

## **2. Current Situation of Financial Technology Enterprise**

### **2.1. An Overview of Financial Technology**

It is widely argued that fintech is a combination of finance and technology. According to the financial technology development plan of the People's Bank of China, financial technology is defined as technology-driven financial innovation, which aims at making full use of modern science and technology achievements to offer transformation and innovation for financial products and models, thus promoting finance development more efficiently [4]. The development of financial technology includes three stages. The first stage is the financial information stage, focusing on the information application of IT technology. The second one is the Internet finance stage, focusing on the Internalization of structure. The next stage is financial technology development, which focuses on comprehensive technology application reform during the whole process. During the last stage, cutting-edge technology drives the transformation and optimization of financial business.

### **2.2. Development Characteristics of Financial Technology Enterprise**

#### **2.2.1. National Policy Support**

The Financial Technology Committee of the People's Bank of China was established in May 2017 to strengthen the research planning and overall coordination of financial technology work. In October 2020, "Proposals of the Central Committee of the Communist Party of China on Formulating the 14th Five-Year Plan for National Economic and Social Development and the Long-term Goals for 2035" were reviewed and approved. The "14th Five-Year Plan" is proposed to encourage enterprises to increase investment in research and development, improve innovation capabilities, and accelerate digital development, thus improving financial technology, and enhancing financial inclusion effectively [5]. Thanks to the promotion of relevant policies, the deployment of financial science and technology projects is realized and the planning documents are also released.

#### **2.2.2. Overall Strength Improvement**

With the strong support of policies, the overall strength of financial technology enterprises has gradually improved. A study sorted out the data of the global financial technology invention patents in 2019 in areas such as finance, payment, shopping, e-commerce, insurance and taxation defined by WIPO (World Intellectual Property Organization). And the number of patents is sorted and counted [6]. Among the top 10 companies in terms of patent applications in the global financial technology field, 7 companies are from China, and 3 companies are from the United States. They are Ping An Group, Ant Group, Bank of China, Tencent Technology, Capital One, Alibaba, Industrial and Commercial Bank of China, China Construction Bank, MasterCard and VISA in order. Ping An is outstanding in terms of 3008 patent applications. The issuance and utilization of patents are the embodiment of the hard power of science and technology, and also enhance the competitiveness and international influence of enterprises.

### **3. The Impact of the Epidemic on Fintech Enterprises**

#### **3.1. Risk at the Micro Level**

Major emergencies are said to have a considerable effect on economic growth. From a micro viewpoint, the performance of financial technology businesses have been impacted in the near term, as well as the economic behavior of micro-entities in the industry. Changes in the risk of crisis events have caused effects on the behavioral decisions of supervisory agencies, enterprises and consumers, resulting in a significant loss in social credit in the short term. The business of many fintech companies involves financial services. When the upstream and downstream cash flow turnover of enterprises is slowing down, there will undoubtedly be some difficulties for fintech companies because credit is the foundation of financial progress. For example, the performance of major fintech companies will decline after 2020. According to the 2021 financial report, although the revenue of China's Ping An has increased, its net profit attributable to the parent company has decreased by 30% year-on-year.

#### **3.2. Risk at the Macro Level**

From a macro viewpoint, industry risks will rise in the near future, hastening the process by which financial regulation once again becomes the core of risk management. With the gradual spread of COVID-19, the risk spillover effect among various industries in the financial market has increased significantly. Among them, the information technology, daily consumption, optional consumption, finance, and real estate sectors have the highest risk transmission increments, becoming the industries with the highest net output of risk margins. Fintech companies face many difficulties. For example, small and medium-sized enterprises are cut off from loans due to the epidemic, and insurance companies cannot sell insurance offline.

#### **3.3. The Opportunities Brought by COVID-19**

During the epidemic period, traditional offline financial services were limited, while financial technology used ever-changing digital technologies to improve the coverage of financial services, and incorporated small and micro enterprises into the financial service system through the inclusive effect [7]. After the outbreak of the COVID-19 epidemic, the financial technology industry has attracted people's attention due to its main features such as digitization, online, and remoteness. During the epidemic, the business volume of enterprises has increased significantly.

### **4. Case Analysis**

#### **4.1. The Introduction of Ping An**

Ping An Insurance Company Of China(Ping An) was founded in Shekou, a district of Shenzhen city in Guangdong province in 1988. It is the first joint-stock insurance company in China [8]. At the beginning of its establishment, the company mainly engaged in the property insurance business. With the expansion of its business scope, it launched a life insurance business in 1994. It started a trust business in 1996. In 2003, the banking business was promoted. Ping An has successively deployed other financial businesses such as securities, trust, and banking, finally forming a giant financial group. In 2004, Ping An completed its H-share listing. In 2007, Ping An completed its A-share listing. Ping An has controlled Lufax Holdings, OneConnect, Ping An Good Doctor, Ping An Medical Insurance Technology, Autohome and other technology subsidiaries through joint ventures and joint ventures.

## **4.2. The Impact of the Epidemic on Business Operations**

On the one hand, Ping An faced serious risks because of COVID-19. Because the epidemic has affected the cash flow of some enterprises and households, their repayment borrowers have been delayed, which has stunted the operation of the banking business. Because of the decline in people's income during the epidemic, the purchase of insurance has been cut back, which has also impeded the operation of the insurance business. Various risks have led to a sharp drop in Ping An's net profit, which is unprecedented in history. In history, Ping An has maintained rapid growth in performance since its listing, except for the large-scale provision for asset impairment in 2008, which led to a decline in performance.

On the other hand, the epidemic's spread has made Ping An and its affiliates more well-known. In recent years, Ping An has taken a leading position in the field of financial technology and vigorously developed its online business. During the epidemic, Ping An provided uninterrupted financial services with online and offline linkages. For instance, Lufax of Ping An Holdings has become the world's leading online wealth management and personal loan platform. Another example is that Ping An Good Doctor of Ping An Holdings can solve the current characteristics of uneven distribution of high-quality resources in the medical industry and poor medical service experiences, and can also solve the problem of insurance deficits that are expected to occur in social medical care. In the context of the economic recession caused by the epidemic, Ping An has achieved revenue growth by virtue of its strong strengths in the financial technology field [9].

## **4.3. Strategies to Deal with the Epidemic**

### **4.3.1. Strategies During the Mid-outbreak of COVID-19**

After the outbreak, the company's offline business was blocked. In the second half of 2020, under the guidance of a quality manpower development strategy, the company resumed the agent assessment mechanism and eliminated low-capacity agents. As of the end of December 2020, the number of Ping An Life Insurance agents has decreased by 12.3% compared with the beginning of the year. The agent assessment system not only reduces the cost of the company's offline operations, but also improves the work efficiency of employees, helping the company survive the epidemic. The development of offline business is difficult, and Ping An deploys online business. Ping An has promoted the transformation of insurance sales to online through a series of online operation methods such as online training, which has weakened the impact of the epidemic on the company's business. In terms of daily management, agent morning meetings, attendance, training and so on will be carried out online in the short term. From the perspective of marketing and customer acquisition, internal and external traffic platforms are utilized to obtain sales leads, and promote customer conversion and sales online. Ping An provides customers with online full-process services to improve the customer experience when it comes to customer service. The application of Ping An Technology in life insurance has entered the 3.0 intelligent era, and has formed three major tools to support agents' daily sales and customer management. The same online process will also continue to be staged in other financial fields such as banking and securities. In non-financial fields, such as Ping An Good Doctor and Autohome, Ping An has also accelerated its online and technological transformation through its advantages in the field of financial technology [9].

### **4.3.2. Strategies in the Late Stage of COVID-19**

With the improvement of the prevention and control of the pandemic in China, it is of vital importance to reopen for some businesses. Ping An has actively played its role in science and technology, and has launched a great number of products to help the anti-epidemic work. In 2020, according to the

characteristics and needs of small and micro customers affected by the epidemic, Ping An customized convenient small package products to support online businesses. With the help of the whole process risk control model of "Xingyun Internet of Things", Ping An incorporated new situations such as WeChat and Alipay account flow into the assessment of screening income repayment ability, effectively helping small and medium-sized enterprises and farmers in remote areas to invest, and at the same time reduced fees and profits, which should be exempted. In the first half of 2022, Ping An's fee reduction policy has benefited 692000 financial consumers. In addition, Ping An Bank launched the residential mortgage loan business, so that entrepreneurs in different places affected by the epidemic can obtain financial support for entrepreneurship and employment in different places by mortgaging their home properties, which improves the possibility of entrepreneurship financing for small and micro enterprises and promotes the vitality of economic development [10]. In addition, Ping An took the initiative to assume social responsibility, and innovate financial service products, thus emphasizing the role of financial intermediaries and seizing the opportunity by virtue of its customer channel and internal management advantages.

## **5. Suggestions for the Development of Financial Technology Companies**

### **5.1. The Innovation of Financial Products**

Under the impact of the epidemic, people's income has suddenly dropped sharply, making people more aware of the importance of financial management, savings and investment. Financial technology companies should continue to develop new financial products based on people's growing needs and increase financial innovation [11]. Fintech companies need to respond to market demands, enhance technical capabilities, leverage expertise, and provide the latest solutions to meet user needs.

### **5.2. The Acceleration of Online Business**

Online business is a major channel for enterprises and individuals during the pandemic. Some enterprises are less online, and currently only attend online meeting training. It is a useful way to lower the impact of the epidemic on the operation of a company. Only by being fully online can we weaken the impact of uncontrollable factors such as the epidemic on the company's operations. Fintech companies should realize online customer expansion and provide customers with full-process online service.

### **5.3. The Building of a Sense of Social Responsibility**

When the entire social economy is hit by the epidemic, mature enterprises should take the initiative to assume corresponding social responsibilities. Financial technology companies are the integration of finance and technology. They can not only use technology to help prevent and control the epidemic, but also help small and medium-sized enterprises with capital turnover difficulties to raise funds during the epidemic. After the epidemic is over, financial technology companies must become the core force for economic recovery.

## **6. Conclusion**

This paper aims to explore the impact of the epidemic on financial technology companies and the strategies of financial technology companies to deal with the epidemic based on a case analysis of Ping An. The other research purpose is to put forward some suggestions for the development of financial technology after the epidemic according to the current situation of financial technology companies. The conclusion of the study is that the epidemic will lead to a sharp decline in the

performance of fintech enterprises in the short term, but will promote their development in the long term.

The study offers three recommendations for fintech companies: the innovation of financial products, the acceleration of online business, and the building of a sense of social responsibility. This study brings development ideas and enlightenment to the fintech industry.

The shortcoming of this paper is that it mainly studies the impact of the epidemic on financial technology companies and the company's coping strategies. In the future, it will be necessary to study the development direction of financial technology companies after the epidemic.

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