

THE IMPACT OF THE COVID-19 PANDEMIC AND THE EVOLUTION OF THE FINANCIAL FIELD IN AN UNCERTAIN ECONOMY

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Abstract: *In the following pages I have carried out research on the challenges of the new decade in the field of financial services. During the research I discussed about the impact of the Coronavirus Pandemic in the previous year, which was the response of the financial field in front of the crisis, but also what measures and changes were implemented. The motivation for choosing this topic is due to the current economic context. The incidence of the Coronavirus Pandemic has had a major impact on Romania, by triggering the double crisis, the health and economic crisis, thus demonstrating the degree of importance of digitization, the concrete proof coming from companies that have invested in lawsuits and had a greater degree of resistance in front of the Coronavirus Pandemic. Due to the current context, digitalization and information technology have registered an accelerated growth, so that the economic field has had to turn to new innovative systems, to make investments in database development and process technology. These investments are necessary because in the field of financial services, data are the basis of decision-making processes and directly influence any decision on the allocation of the budget. The main results obtained during the study were based on concrete information from specialized studies carried out by institutions representing the financial field. During this study we analyzed the process of Digitalization, what essential points it has pursued, what practices it has adopted, the extent to which it has been influenced by the European Commission, the level at which it was located on the territory of Romania compared to the other Member States of the European Union and the advantages and opportunities it has offered to the collapsing economy due to the Covid-19 Epidemic launched in Romania in 2020.*

Keywords: The concept of digitization, Covid-19, information technology, the financial field, European Commission.

JEL Classification: G2, N2, M2

INTRODUCTION

In the pandemic situation we are going through, it was absolutely necessary to adopt an accelerated technological process because the economic field depended to a large extent on this issue. Given that most companies have moved their business to the online environment, digitalization and information technology within companies has benefited from a significant investment, aimed at developing databases and technological processes, the fact which impacts companies in a positive way.

In the context of accelerated digitization, the way of working has been changed from an organizational point of view, with more and more companies opting for telework and frequently using information technology in the process of carrying out activity.

In the first chapter of the research we exemplified the motivation of the chosen topic, confirming the fact that the Digitalization represents a generally valid necessity developed definitely by the Covid-19 Epidemic. In the same part of the study we discussed the strategy adopted by the European Commission and how it influenced the development of the action focused around digitalization.

Another key point of the research was Chapter 2 which describes in detail the advantages of the digitization process, the impact on the processes, the type of investment and how it influenced investments in the process of digitization at national level.

In the third chapter we analyzed the challenges that the process of digitization determines during its development, how the existing domains on the territory of the country mainly impacted and what were the values recorded by the DESI Index within the Member States of the European Union .

In chapter four we carried out SWOT analysis of the digitization process, highlighting the conclusive factors underlying the process, what strengths and weaknesses are highlighted at the level of the process itself, what threats it reflects and what opportunities exist. The analysis aims to briefly place the determining factors underlying the digitization process.

The study ends with a chapter of conclusions, meant to structure the information studied during the research and to concretely exemplify the content of the research concluding the studied facts, but also to highlight the personal conclusions developed during the research.

1. Digitalization- a necessity in the Covid-19 era

The digitalization is considered a transformation in the public and private environment, a global trend, which used the technology of informations and communications, to optimize at maximum the information and to offer the best services. (Lappi, 2019)

Thanks to the Coronavirus Epidemic, digitalization has undergone a strong acceleration, which has been felt on the way of organizing work. For this reason, optimal solutions were needed to respond to the current demands and situation, but at the same time respect the safety of work and not restrict the rights of employees.

The year 2020 triggered a transformation in terms of operations, as most of them moved to the virtual environment, thus limiting contact between people and at the same time allowing the activities to be carried out normally.

Becoming the characteristic term for the new normality we are going through, digitalization has become a necessity of the financial field. As the future is uncertain, the outlook is accelerating and the main factors in the economic market are aimed at strengthening security and automating the whole set of operations.

Digitalization, called by the specialists the 4th Industrial Revolution, also has an important contribution in terms of the quality of services. According to statistical research studies, it was observed that in the first week after the pandemic was triggered, the percentage of use of digital applications increased by 72%.

The Fourth Industrial Revolution is composed of Steam, Electric, Electronics and Digitalization, Klaus Schwab describes the world where the technology manage the life, and the new reality are in the offline. (Miller, 2015)

In the last part of the Fourth Industrial Revolution it is included the artificial intelligence, the robots and the digital process, they make the transition from analog to digital.

According to the study made by McKinsey Global in 2017, with participation of 46 countries, the result of the study was the major impact of digitization will be in the countries with an developed economic system.

The European Commission is of the opinion that the future, in of finances, will be a digital one, due almost entirely to the Covid-19 pandemic triggered in the previous year. Both businesses and consumers have resorted to digital financial services, which has led to changes in business models, but also the emergence of new technologies designed to simplify the entire financial process. Financial digitization was an asset, which allowed users to continue their

activities even if the country was going through a difficult scenario both financially and sanitary.

For example, the possibility to verify identity online has allowed financial institutions to collaborate more easily with users, in case of a bank transfer, in case of opening an account, or in case of accessing a credit. Payments have also moved to the digital environment, through online or contactless payments, which have partially or completely eliminated cash payments.

Online commerce, in turn, has enjoyed an impressive growth, with more and more economic agents opting for this type of activity. The Covid-19 pandemic has undoubtedly demonstrated that the financial system can work very well in digital format, bringing benefits the activity.

The European Commission fully supports financial digitization, considering that it is the main factor in the economic recovery and also the main pawn in modernization of the world economy.

Digitalization implicitly brings innovation and development, due to the opportunities it offers to enterprises, operations become easier, the services offered and savings increase qualitatively, due to lower costs.

Another essential factor is the fact that digital platforms have the ability to communicate through technology, so that the information arrives in a relatively shorter time and benefits from an amplified fairness, aspect that directly impacts the financial services offered.

The possibility of storing data in the cloud, for example, offers easy access, a concrete analysis, the possibility of long-term research and also increases the protection of the final consumer and his data.

Digital development is also due to the emergence of more and more startups specialized in information technology, due to the fact that the demand of enterprises has increased, this market sector has developed considerably, due to the financial stability it offers.

In this context, the European Commission has adopted a strategy for the digitization of financial services, which includes: Principles; Priorities; Regulations.

Following the study of market trends and taking into account the view of the participating respondents, the European Union has established four priorities:

- the first priority is focused on cross-border services and on European consumers, mainly pursuing the expansion due to the fact that online services involve high costs, so that massive development would bring higher revenues aimed to exceed costs;
- the second priority would be the existence of a regulation, meant to protect the market and the final consumer, in the sense that it guarantees the conformity of an innovation in the field of financial services;
- the third priority is to create a space at European level in which the financial data is collected, thus facilitating access to databases and data exchange;
- the fourth priority is represented by risks and challenges, aiming at balancing the competition both for the financial institutions and for the competitors on the new or old market.

Therefore, the European Commission is committed to implementing by 2024 the strategy proposed by achieving the objectives, taking into account the fundamental priorities.

According to statistics produced by the Bank for International Settlements in 2018, the volume of financing through digital platforms was worldwide at the value of 304.5 million dollars, Europe having a percentage of 6% of the total value, which represents a very small share, aspect represented in figure no. 1.

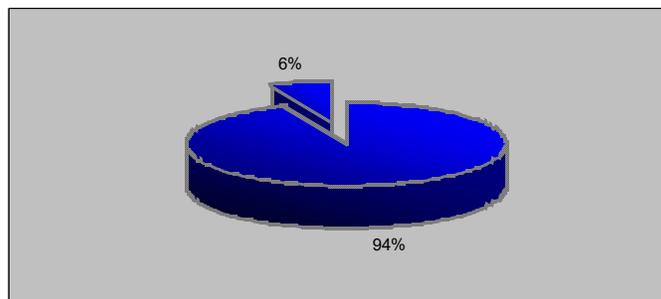


Figure No. 1 Volume of financing through digital platforms

Source: <https://www.bis.org/statistics/>

2. THE ADVANTAGES OF THE DIGITIZATION PROCESS

Digitalization is a continuous process that requires changes in business models, operating mode, requires changes at the level of the company's competence and why not at the level of customer interaction. Like any long-term investment, digitalization comes with a number of advantages: Increase in revenue; Simplification of processes; Supplier-customer interaction.

When I say revenue growth, I mean that by investing in digitalization, various opportunities come to the fore, which become profit-generating, a concrete example would be the development of an online application that is automatically productive.

The simplification of the processes requires numerous investments in automation, so that the processes are carried out in an automatic way, avoiding human errors, the time allocated to the process is reassessed, being possible a larger production volume in a shorter time.

The interaction between supplier and customer can be improved through digital technology, because the data are at hand and can be analyzed concretely to understand the needs of customers and to be able to work in the direction of improving the quality of the products offered.

The defining role belongs to human capital when pursuing digital development in a business. It is necessary to analyze in detail the capacity of the staff at the present time and the skills they have. Also, the investment in their preparation is impetuously necessary, because only in this way the digitization process will be total and will offer the expected results.

Companies that have opted for digitization, have recorded impressive growths, they have enjoyed process optimization, have considerably increased the percentage of quality and customer satisfaction, which has led to a more financially sound company and a long-term returnable investment.

Romania receives significant financing through the funds provided by the European Union in the period 2021-2028, the budget being 79.9 billion euros, money that will be invested in the country's recovery. From this budget, 20 million euros is allocated to investments in digitalization, such as investments in the cyber security, investments in IT infrastructure, software investments, the source for this information was the official site of European Union. (<https://ec.europa.eu/romania/>)

Public institutions also need to implement digital processes. As we well know, the existing systems are technologically insufficient, the response time increases frequently, due to delays caused by poor or non-existent connectivity.

According to the data analyzed by The Economist Intelligence Unit, a percentage of 88% of the heads of governments consider digitization and automation a priority aspect, but only a percentage of 35% are taking concrete steps in this regard.

Among the main benefits that governments would have from the implementation of digital systems are:

- increasing the degree of productivity;
- total elimination of human errors;
- qualitative results;
- low costs;
- process automation.

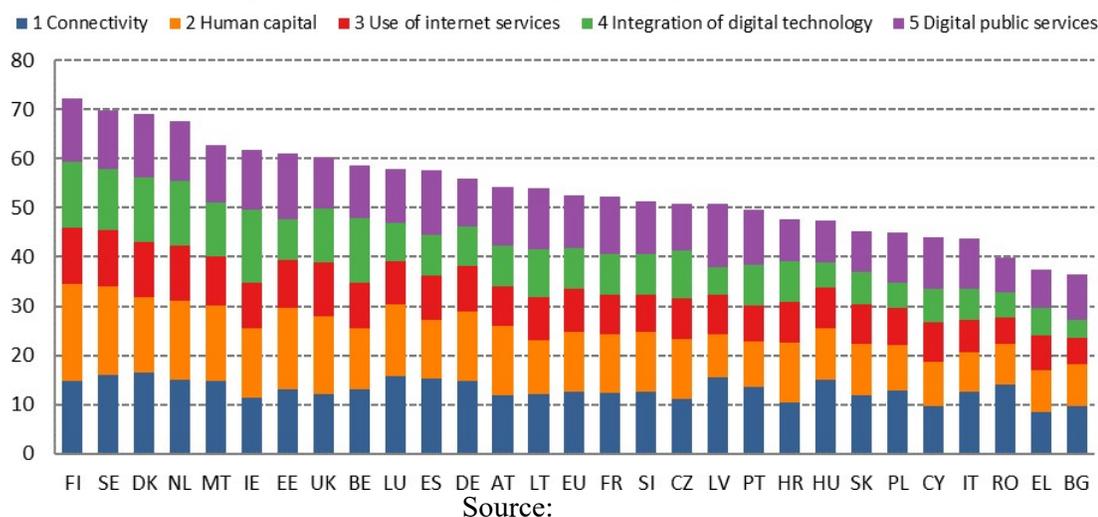
3. THE CHALLENGES OF THE DIGITALIZATION PROCESS

The process of digitization like any other new concept, must overcome certain challenges in order to complete its implementation process in its entirety, among the challenges that may appear in this process we find:

- Bureaucracy – proves to be reluctant to change, because it perceives digitalization as a restructuring of staff in the service of the state, which represents a decreasing number of officials and a growing number of digital applications;
- The mentality – is a conservative one, people are not open to novelty, but this can be changed to the extent that the opportunities and benefits that digitization brings are presented;
- Specialists – due to the wage difference, most specialists in the field have migrated to the private sector, so that the state has a less trained staff in the IT field;

The DESI Index (Digital Economy and Society Index) is used to determine the degree of digitization in each State of the European Union:

Figure No. 2 DESI ranking at European level



https://ec.europa.eu/romania/news/20200611_digital_resilience_report_ro

According to the data reported by the European Commission, Romania is on the 26th place in terms of digital performance, followed by two states, namely Greece and Bulgaria. The results obtained by Romania are the result of the progress that is being carried out at a slow pace and the evolution that the country's policy has had in recent years. (European Commission, 2020)

So the emergence of the Covid-19 Pandemic caught Romania totally unprepared for such a scenario, not being sufficiently familiar with the online system, the whole country encountered difficulties during the lock period. A concrete example would be the postponement of the payment of state debts spent last year in the middle of the pandemic in order to avoid crowding at the counters.

Another example is education, forced by the epidemic crisis to close its doors and opt for digital platforms, has encountered difficulties in implementation due to the fact that not all units were equipped with systems that allow the support of online courses, or students did not have digital equipment, especially those in rural areas. But in this case, the mobilization was massive, major companies on the Romanian market supported the initiative, both financially and through donations of digital equipment, which determined a promising start for a digitalized education.

The desire for digitization should start first of all from the political class, which should support the investment and opt for quality digitization. The process of digitization can be a gradual one, to take place over a period of several years, the most important being final result. Applications should be easy and understood by all, so it will be available to any person regardless of their training. And it would also be a real plus if the applications were connected to each other, so that the transfer of data would be possible, and the roads between state institutions would be considerably reduced.

In Romania there is a specialized agency in this regard, namely, ADR (Authority for the Digitalization of Romania), but also some digital systems, but most of them work on outdated systems, the activity is difficult, they are not made for access of users large enough, for this reason the connection is not realized, the lost time is much longer than expected, so people refuse to use them and go on the old technique, the physical one at the counter.

The need for a strategy in the process of digitization is essential, it should contain essential aspects such as:

- What is the allocated budget;
- What is the duration of the implementation;
- What we want to achieve;
- Which institutions will be part of the digitization process;
- What is the order in which the applications will be created;
- How to achieve connectivity between applications;
- What is the time allocated to testing.

The investment in the digitization process is an expensive one, but in the long run it pays off and proves its usefulness in terms of cost-benefit, because it brings multiple benefits at significantly lower costs.

4. SWOT ANALYSIS OF THE DIGITIZATION PROCESS

In this chapter we have carried out a SWOT analysis on the concept of digitization, in order to establish concretely following the information presented in the previous pages:

Strong points	Weaknesses
<ul style="list-style-type: none"> • Increase productivity; • Elimination of human type errors; • Operational flow becomes faster; • The quality reaches a much higher degree; • Decrease in long-term costs; • Long-term income growth; • Existence of a specialized national agency. 	<ul style="list-style-type: none"> • Massive restructuring; • Reducing human interaction; • Implementation difficulties; • The allocated budget.

Threats	Opportunities
<ul style="list-style-type: none"> • Reluctance of the population to change; • Lack of specialized staff; • Lack of financial support from the political class; • Slowness caused by bureaucracy. 	<ul style="list-style-type: none"> • Support from the European Commission; • Real development opportunities; • Optimization and simplification of processes; • Increased degree of innovation; • Digitization of Romania.

CONCLUSIONS

The Covid-19 pandemic represented a dramatic change in everyone's lives, but it also brought with it good aspects, such as awareness of the need for digitization. Thus, the importance of digitization in society was reconsidered and it was observed that it is an absolutely necessary factor in such a crisis.

It is also important to become aware of what the concept of digitization represents, what risks are associated with it, it is necessary to study the approach of this new concept, because a transformation of this magnitude will have strong repercussions on each individual, because of social isolation.

Digitalization has become a necessity in the financial field, simplifying processes and increasing the degree of innovation of the field located in a permanent development, this proves to be an asset in any process.

The banking field has developed its own digital applications, designed to facilitate transactions, while keeping existing customers providing them with services to the requirements and keeping the social distance so necessary in the times we are going through.

The advantages are immeasurable and among them we find an increasing degree of productivity, the elimination of human errors, so the information will become even more accurate by simplifying the processes, the quality of the activity undertaken through digital environment is improved considerably, the costs adjacent to the activities are gradually reduced to the extent that the activities are digitized, the processes become automated so that the time in the production process is reduced.

The double crisis triggered in the previous year, the health and financial crisis, had serious repercussions for the Romanian State, the sectors of activity being affected in a large proportion, but also represented a different normal, the digital, based on limited interactions, in which the technology plays the main role, a normal in which we realized the importance of things and we learned to focus on the really important ones, we started to invest in development on various sectors, maybe why not in the not too distant future we will become a digitalized Romania according to the European structure.

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