ROLE OF FINANCIAL INCLUSION IN THE PANDEMIC OF COVID – 19

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ABSTRACT

An increasing number of developing countries and emerging economies have imposed very strict lock down measures to prevent the uncontrollable spreading of the corona virus and turning the COVID – 19 crises into a humanitarian crisis. This paper made an attempt to address the effect of COVID – 19 on Financial Inclusion. The unbanked population suffers because of steep fall in income and the absence of a financial security need to keep them afloat during troubled times. Due to the virus crisis main effects like volatility in local currency rates, increasing oil prices, and gold rate further plague the situations.

Keywords: COVID – 19, Corona virus, Financial Inclusion

Introduction

Global unsettling repercussions of the COVID – 19 pandemic led to strict lock down implementations in developing economies alike. Countries are witnessed their social and economic life came to a complete standstill, which adversely affected the lives of millions of people. This paper reveals the view of Financial Inclusion during the COVID – 19. COVID – 19 is the disease caused by SARS-COV-2-a novel strain of corona virus from the SARS Species (Ozili&Arun, 2020). COVID – 19 has taken the world by surprise. The death trolls are raising daily, the economy is losing its balance, and entrepreneurs are looking for exit strategy. Individuals are hungry and households are struggling to feed their families particularly in developing countries that have imposed due to lock down restrictions.

Central ad State Governments are reacting to the corona virus crisis by issuing policies to low income and needy poor people. Now it's the time for governments and financial institutions to play their role in providing the greater access to financial services for poor individuals and households during the Covid – 19.

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Developing countries have the largest share of the world's unbanked population (Dupas et.al. 2018) state that has low levels of financial inclusion compared to developed countries. It is expected that the effect of the Covid – 19 on the unbanked population will be more in developing countries due to weak health care system, low level of financial development, regulatory weaknesses, and weak rule of law.

According to (Han &Melecky, 2013) stated that high levels of financial inclusion can help to mitigate the negative effects of economic crisis on poor households thus improving their welfare measures. The consequence of corona virus is massive suffering for the low-income strata and struggles for survival for the daily wage earners. The unbanked population suffers a lot because of a high fall in income and the absence of a financial security need to keep them a float during the critical situations. In the plague situations, the side effects which is likely volatility in currency rates, fall in oil prices and wide spread inflation in gold rate.

Corona virus lock down has a profound impact on the lives of hundreds of millions of vulnerable people. Many of the low income groups are finding very hard to pay their loan due to fall in their income and most of them are unable to pay their microfinance loans.

Impact of financial Inclusion on COVID -19

In the early period 2008 financial crisis, put stress on capital markets and on the macro economy in general. At that time, financial crisis is small in concern with micro and small businesses also suffered but were quickly recovered. When compared with Covid -19 is completely different, this crisis hits the most vulnerable people lives the hardest in their health and wealth.In the emerging markets micro and small business are the pillars and engine of the economy. Collectively, they created an account for the most of the employment opportunities. If they are not supported the economic side effects of Covid -19 will have a devastating and lasting impact on many lives far beyond the direct medical impact of the corona virus.

Many of the daily wage workers, micro and small entrepreneurs may hardly be unable to repay their loan instalments as their incomes are dropped due to lock down implementation. Further, a micro finance loans are very often happens on a cash basis, at branches or at group meetings and thus, apart from clients incomes are also dropped and the repayment process is also disturbed. It is a crucial moment that not all financing dries up, certain sectors like food production, health care need to their operations and serve the poor needy people. This is only possible if selected sectors are being supported by governments as well as by the financial sector.

The good news is that we cannot prevent damage from happening; we have an ability to support many and limit the long-term impact. It requires decisive and coordinated action to maintain a strong foundation for micro and small enterprises to get back their feet and drive the economic recovery once the Covid – 19 crises recedes. The research experts states that micro and small enterprises are very flexible and quickly to respond the new circumstances. In our country, central banks and national governments have taken proactive measures to uplift the small businesses and micro India, Georgia and Peru to reduce and ease the immediate burden, this obviously their lenders who also have financial obligations.

Role of Fin techs in Financial Inclusion on COVID - 19

Financial lending institutions in emerging markets like India serve base of the pyramid and play a significant role in the society due to their massive out reach of pandemic Covid – 19. As the economy shifts from response mode to recovery mode, the pandemic has brought wide opportunities for financial inclusion during the pandemic Covid – 19.

- **Growth of Digital Finance –** The advancement of technological solutions are increased in mobile penetration, affordability of data services were already spreading a digital revolution in Indian Financial Markets. Significant hurdles such as inadequate financial literacy, massive digital discrepancies between urban and rural populace and a lack of banking infrastructure posed substantial impediments to its growth.

  Now the implementation of social distancing norms promises tremendous growth in adopting digital financial services and ecommerce. Digital lenders benefit from an increase in their scale rate, outreach and efficiency.
- **Secondly,** Fin techs are trying had to respond the crisis and meet the uncertainty with a positive financial approach. This shows how fin tech plays a shoring up their capital and funding from investors and lenders.
- **Thirdly,** Most of the Fin techs are working towards maintaining their operational efficiency in the face of sudden increase in the number of customer’s requests for self control and relief. On the other hand, wealth focussed fin techs are polishing their

infrastructure trying to expand capacity and investing in new resources to with stand the extreme stress to their systems resulting from higher transactions volumes.

Conclusion

In this regard, it is fair to say that financial inclusion is facing the biggest test it's ever had in recent memory. While governments and hospitals around the world implement strict lock down measures to contain the spread of the virus, scientists and researchers are working tirelessly to create a vaccine. Technology has been a saving grace and allowed us new ways to connect, notably through video calls and virtual group meetings provided us with app-based payment capabilities. However, fin techs cannot solve the problem of financial inclusion on its own and risk oversimplifying the problem of financial exclusion/inclusion dichotomy. Many excluded communities are difficulties to reach and not economically viable more during the pandemic COVID – 19.

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