International Journal of Scientific Research in Engineering and Management (IJSREM)
Volume: 04 Issue: 10 | Oct-2020 ISSN: 2582-3930

Impact of COVID - 19 on Banking Sector

Nidhi N. Shah[1], Shubham M. Palande[2], Aditya P. Vedpathak[3], Kalyani S. kinge[4]

[1]Nidhi N. Shah D.Y.Patil Institute of MCA &Management
[2]Shubham M. Palande D.Y.Patil Institute of MCA &Management
[3]Aditya P. Vedpathak D.Y.Patil Institute of MCA &Management
[4]Kalyani S. Kinge D.Y.Patil Institute of MCA &Management

---***---

Abstract -This paper is a study of world financial crisis due to covid-19.This study is based on secondary research. The analysis was carried on the basis of information and news available about the covid -19.For the analysis the authors have considered Banking sector of India.This research author has used graphical representation analysis technique. Also followingmonetary policy are used open market operations, bank rate policy, reserve system, credit control policy, moral persuasion.

Key Words:Banking, RBI, Digital, Private, Public, Policies, Covid-19

1.INTRODUCTION

According to the Reserve Bank of India (RBI), India's banking area is adequately promoted and very much directed. The monetary and financial conditions in the nation are far better than some other nation on the planet. Credit, market and liquidity hazard examines propose that Indian banks are commonly strong and have withstood the worldwide decline well.

Indian banking industry has as of late saw the turnout of creative banking models like installments and little account banks. RBI's new measures may go far in helping the rebuilding of the homegrown banking industry.

The computerized installments framework in India has advanced the most among 25 nations with India's Quick Installment Administration (Demons) being the main framework at level five in the Quicker Installments Development Record (FPII) may stand up to nimbly unsettling influences, creation, decline influence on thing costs in view of overpowering dependence on contraptions part deftly really or by suggestion and neighborhood manufacturing.

The Indian banking framework comprises of 20 public area banks, 22 private area banks, 44 unfamiliar banks, 44 local country banks, 1,542 metropolitan agreeable banks and 94,384 provincial helpful banks notwithstanding helpful credit foundations. As on May 31, 2020, all out number of ATMs in India expanded to 210,415 and is required to arrive at 407,000 by 2021.

As per Reserve Bank of India (RBI), India's unfamiliar trade reserve arrived at US$ 534.56 billion as on July 31, 2020. As per RBI, bank credit and stores remained at Rs 102.19 lakh crore (US$ 1.45 trillion) and Rs 140.20 lakh crore (US4 1.98 trillion), separately, in the fortnight finishing July 31, 2020. Credit to non-food businesses remained at Rs 101.33 lakh crore (US$ 1.43 trillion) on July 31, 2020.

Asset of public area banks remained at Rs 72.59 lakh crore (US$ 1,038.76 billion) in FY19. All out resources over the banking area (counting public, private area and unfamiliar banks) expanded to US$ 2.27 trillion in FY19.

Indian banks are progressively zeroing in on receiving incorporated way to deal with hazard the board. The NPAs (Non-Performing Resources) of business banks has recorded a recuperation of Rs 400,000 crore (US$ 57.23 billion) in FY19, which is most noteworthy over the most recent four years.

According Union Budget 2019-20, speculation driven development expected admittance to ease capital, and this would require venture of Rs 20 lakh crore (US$ 286.16 billion) consistently.

RBI has chosen to set up Open Credit Library (PCR), a broad data set of credit data, available to all partners. The Indebtedness and Bankruptcy Code (Revision) Mandate, 2017 Bill has been passed and is relied upon to reinforce the banking area. Complete value financing of microfinance area grew 42 percent y-o-y to Rs 14,206 crore (US$ 2.03 billion) in 2018-19.

Bank accounts opened under the Administration's leader money related incorporation drive Pradhan Mantri Jan Dhan Yojana (PMJDY) arrived at 40.05 crore and stores in Jan Dhan bank accounts remained at more than Rs 1.30 lakh crore (US$ 18.44 billion).

Rising pay is relied upon to upgrade the requirement for banking administrations in rustic zones, and accordingly, drive the development of the area.

The advanced instalments transformation will trigger huge changes in the manner credit is dispensed in India. Charge cards have fundamentally supplanted Mastercards as the favoured instalment mode in India after demonetization. Instalments on Brought together Instalments Interface (UPI) hit an unsurpassed high of 1.49 billion as far as volume with exchanges worth almost Rs 2.90 lakh crore (US$ 41.22 billion) in July 2020.

According to Union Budget 2019-20, the Legislature proposed a completely mechanized GST discount module and an electronic receipt framework to wipe out the requirement for a different e-way bill.

Market Size

The Indian banking framework comprises of 20 public area banks, 22 private area banks, 44 unfamiliar banks, 44 provincial rustic banks, 1,542 metropolitan helpful banks and 94,384 country agreeable banks notwithstanding helpful credit establishments. As on January 31, 2020, the all-out number of ATMs in India expanded to 210,263 and is additionally expected to increment to 407,000 by 2021.

Public area banks' resources remained at Rs 72.59 lakh crore (US$ 1,038.76 billion) in FY19.

During FY16-FY20, credit off-take developed at a CAGR of 13.93 percent. As of FY20, all out credit stretched out flooded to US$ 1,936.29 billion. During FY16-FY20, stores developed at a CAGR of 6.81 percent and arrived at US$ 1.90 trillion by FY20. Credit to non-food businesses expanded 3.3 percent y-o-y, arriving at US$ 1.26 trillion on February 28, 2020 and US$ 1.42 trillion on Walk 13, 2020.

2. Body of Paper

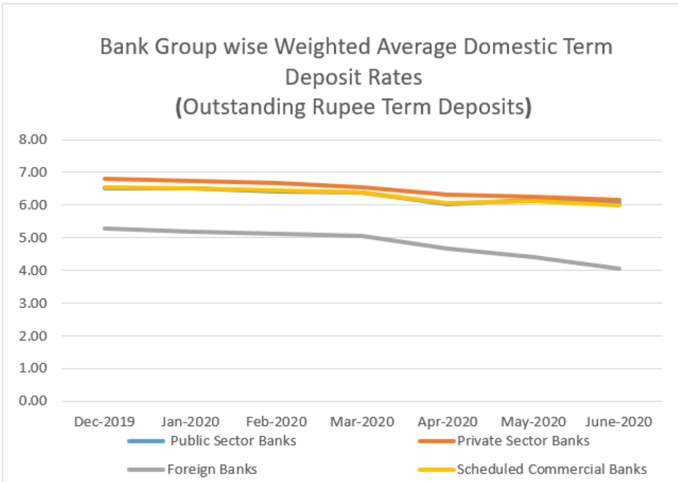
What is Domestic Term Deposit Rates?

Term Deposit otherwise called Fixed Store, is a venture which is made by stopping a particular measure of cash inside a money related organization for a prearranged time-frame. This venture is held by a fixed pace of enthusiasm for the duration of the life of the arrangement, which typically goes from multi month to 5 years. It is a famous method of speculation as its rates are significantly impenetrable to advertise changes. A financial specialist can get the cumulated returns toward the finish of the residency; any untimely withdrawal is liable to charges applied by the particular organization. On the off chance that the speculator wishes to get the intrigue pay before the hour of development, they can select an arrangement which gives the enthusiasm during week by week, month to month, quarterly or yearly stretches. Term Stores can be profited through money related establishments like banks, Non-Banking Monetary Organizations (NBFCs), credit associations and building social orders.

Tabular Representation

Bank Group Wise Weighted Average Domestic Term Deposit Rates (WADTDR) (Outstanding Rupee Term Deposits)				
Month-end	Public Sector Banks	Private Sector Banks	Foreign Banks	Scheduled Commercial Banks
Dec-2019	6.50	6.82	5.29	6.55
Jan-2020	6.51	6.73	5.20	6.52
Feb-2020	6.43	6.69	5.13	6.45
Mar-2020	6.38	6.54	5.05	6.38
Apr-2020	6.04	6.32	4.67	6.07
May-2020	6.17	6.24	4.41	6.12
June-2020	6.05	6.15	4.06	6.00

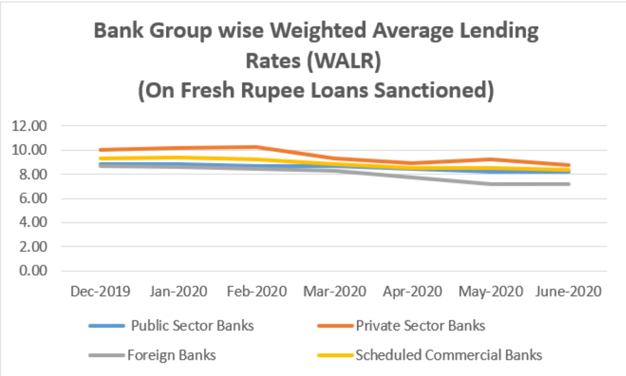
Graphical Representation:



Tabular Representation:

Bank Group Wise Weighted Average Lending Rates (WALR) (On Fresh Rupee Loans Sanctioned)				
Month	Public Sector Banks	Private Sector Banks	Foreign Banks	Scheduled Commercia Banks
Dec-2019	8.80	10.00	8.64	9.29
Jan-2020	8.85	10.19	8.58	9.36
Feb-2020	8.64	10.27	8.42	9.26
Mar-2020	8.64	9.29	8.28	8.82
Apr-2020	8.44	8.91	7.73	8.52
May-2020	8.21	9.21	7.19	8.54
June-2020	8.18	8.74	7.20	8.35

Graphical Representation:



What is lending Rate?

The Interest rate is the sum charged on top of the head by a moneylender to a borrower for the utilization of resources. Most home loans utilize basic intrigue. Be that as it may, a few advances utilize progressive accrual, which is applied to the head yet additionally to the aggregated enthusiasm of past periods.

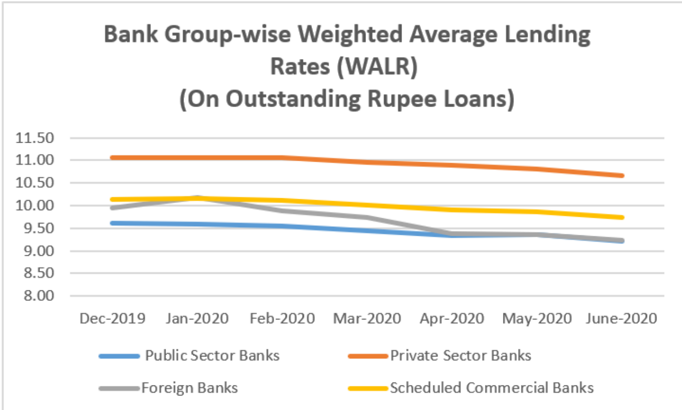
An advance that is viewed as okay by the moneylender will have a lower loan fee. A credit that is viewed as high danger will have a higher loan cost. Purchaser credits commonly utilize an APR, which doesn't utilize accruing funds.

The APY is the financing cost that is procured at a bank or credit association from an investment account or authentication of store (Disc). Investment accounts and Compact discs utilize aggravated premium.

Tabular Representation:

Bank Group-wise Weighted Average Lending Rates (WALR) (On Outstanding Rupee Loans)				
Month-end	Public Sector Banks	Private Sector Banks	Foreign Banks	Scheduled Commercial Banks
Dec-2019	9.60	11.06	9.94	10.14
Jan-2020	9.59	11.06	10.17	10.15
Feb-2020	9.55	11.06	9.89	10.11
Mar-2020	9.45	10.95	9.74	10.00
Apr-2020	9.34	10.90	9.37	9.90
May-2020	9.35	10.81	9.36	9.87
June-2020	9.22	10.66	9.24	9.74

Graphical Representation



Monetary policy is the macroeconomic policy laid down by the central bank. It involves management of money supply and interest rate and is the demand side economic policy used by the government of a country to achieve macroeconomic objectives like inflation, consumption, growth and liquidity.

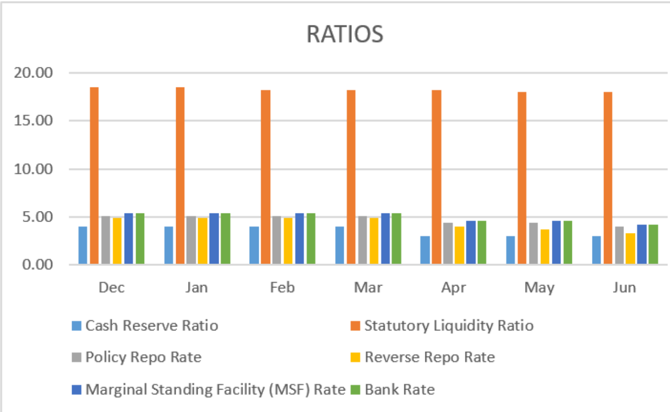
In India, monetary policy of the Reserve Bank of India is aimed at managing the quantity of money in order to meet the requirements of different sectors of the economy and to increase the pace of economic growth.

The RBI implements the monetary policy through open market operations, bank rate policy, reserve system, credit control policy, moral persuasion and through many other instruments. Using any of these instruments will lead to changes in the interest rate, or the money supply in the economy. Monetary policy can be expansionary and contractionary in nature. Increasing money supply and reducing interest rates indicate an expansionary policy. The reverse of this is a contractionary monetary policy.

Tabular Representation:

RATIOS	Dec 2019	Jan 2020	Feb 2020	Mar 2020	Apr 2020	May 2020	Jun 2020
Cash Reserve Ratio	4.00	4.00	4.00	4.00	3.00	3.00	3.00
Statutory Liquidity Ratio	18.50	18.50	18.25	18.25	18.25	18.00	18.00
Policy Repo Rate	5.15	5.15	5.15	5.15	4.40	4.40	4.00
Reverse Repo Rate	4.90	4.90	4.90	4.90	4.00	3.75	3.35
Marginal Standing Facility (MSF) Rate	5.40	5.40	5.40	5.40	4.65	4.65	4.25
Bank Rate	5.40	5.40	5.40	5.40	4.65	4.65	4.25

Graphical Representation:



3. CONCLUSIONS

- The coronavirus crisis has left some banks struggling to hang on to deposits, as funds migrate to the perceived safety of state-owned lenders. Besides other smaller private lenders, more prominent name among such banks are IndusInd, RBL Bank Ltd, and Yes Bank.

- According to a report, more than 25%, 35% and 45% of loan book is of most vulnerable sectors to the lockdown, such as small businesses and automobile finance in case of ICICI Bank, Axis Bank, and IndusInd Bank Ltd respectively. Ability to withstand deposit shocks will be key for Private banks for their survival in coming several months.

- Liquidity conditions of smaller private banks could force them to reduce lending on account of which companies relying on banks for lending might face weak financials and poor liquidity. And in this situation the companies may default on loans.

- RBI has given all banks a three-month grace period during which they have some relief from rules governing bad loan recognition. But from September onward, non-performing assets are likely to surge if the crisis is still acute. If asset quality starts to deteriorate, the bad-loan ratios of private banks could rise from the 3.9% recorded in September-2019.

- It is well known by the bankers that since the imposition of lockdown by the Government of India the RBI has taken numerous requisite steps to ensure normal business functioning by the entire banking sector.

- Further, as fresh measures, the RBI infused $6.5 billion of additional cash for banks to lend to shadow lenders and small borrowers. Moreover, RBI has relaxed the timelines for bad loan rules, and barred lenders from paying dividends for the year ended March 31, 2019.

- Even after withdrawing lockdown, the banking sector will take a long time to revert to any normalcy.

ACKNOWLEDGEMENT

With immense pleasure, we are presenting this research paper as a part of the curriculum of MBA. We wish to thank all the people who gave us endless support right from the stage the idea was conceived. Lastly, we offer our regards and blessings to all of those who supported us in any respect during the completion of the project.

REFERENCES

1. https://www.rbi.org.in
2. https://www.ibef.org/industry.aspx
3. https://www.icra.in
4. https://www.investing.com
5. https://www.entrepreneur.com/article/351424