International Journal of Scientific Research in Engineering and Management (IJSREM)
Volume: 05 Issue: 05 | May - 2021 ISSN: 2582-3930

IMPACT OF COVID-19 ON INDIAN BANKING SECTOR

Dr. Jyoti Sondhi
Professor in Management Department, Abhilashi University Mandi (HP)

Abstract: Due to the ongoing uncertainty in the country caused by the second wave of Covid-19, it is critical that banks remain resilient and proactively collect and preserve capital as a bulwark against unexpected losses," according to a Reserve Bank of India (RBI) report. To stay resilient during the Covid-19 crisis, banks could pay up to 50% of profits in dividends in 2020-21. As a result of the covid-19 Pandemic, the whole planet is infected. It will alter the way the environment functions. It causes severe depression. The Atmanirbhar Bharat Abhiyan, moratoriums, and various economic relief packages have all been implemented by the government and the RBI. Although these steps are generally acceptable, their effective implementation will be critical in resolving issues. It is critical that banks support the governments and RBI's efforts to bring the economy back to life. An overly cautious approach will undermine the goals of economic incentives and can result in the failure of viable companies. Lending institutions must perform credit appraisals with accuracy, balancing them against the goals of the government's and RBI's relief measures. However, even if liquidity is given to viable businesses and projects through government and RBI relief initiatives, creditors may be unable to complete projects due to a lack of labor and raw materials, supply chain disturbances, pandemic outbreaks at work sites, and other factors. As a result of the cash flow problems, there could be defaults and a rise in non-performing assets, prompting lenders to pursue loan recovery plans and restructuring.

Introduction: Banks are the backbone of any economy, and they play an important role in citizens' lives by providing them with vital financial services. During a crisis like this, it's important for banks to stay open. However, banks, like other organizations impacted by covid-19, will need to make long-term improvements to their operations. Indian Banking Sector Affected by Corona Pandemic A new Corona Virus has caused an outbreak in banks. As the virus spreads through India, borrowers and businesses face dangerous problems such as job losses, slowed sales, and lower profits. Banking customer wanted some financial relief and Reserve Bank of India encouraging national banks to provide the relief by framing good banking policies towards customer. For security issues between employees it was agreed to offer facility for employees to work from remote areas. The World Health Organization (WHO) has urged people to use contactless payment wherever possible and to stop handling bank notes as much as possible. Banks must have a strategy in place to protect staff and customers from the corona virus, in addition to handling the virus's direct economic effects. Many banks are also encouraging some workers to operate from home. Customers who are wary of spending time in crowded public spaces will need a way to perform banking transactions without having to engage physically. Banks can ensure that both routine and unusual procedures are carried out with minimal disruption by introducing fully digitized and remote customer transactions. Corona virus was discovered to live for days in banking notes, speeding up the spread of the disease. One of the positive changes brought about by the Corona virus in India is that banks are expecting this turn toward digital marketing. People in India now rely on Online Banking and Telephone Banking, which began by splitting the population.

The objectives of studies:

1. To study the effect of covid-19 in Indian Banking Sector.
2. To find out solution for Fiscal and Monetary Policy to face covid-19 Pandemic.
3. To study the Change in RBI policy due to covid-19.

The study is focused on secondary information. Data for the research paper was gathered from the Reserve Bank of India website, the Reserve Bank of India Manual, RBI's manuscript guidelines, books, the internet, magazines, and newspapers.

Research Methodology:

The study is focused on the impact of covid-19 on the Indian banking sector. As a result, the whole planet is in a bad condition. Indian banking has also been impacted. People's ability to repay loans is limited. India's GDP has decreased. Economy growth of India got lower. The Indian government, in collaboration with the Reserve Bank of India, is constantly designing new policies to help reduce the effects of covid-19.The effect of covid-19 in Indian Banking Sector covid-19 has emerged as the black swan event of the century, with significant macroeconomic impact both globally and in India. The exponential spread of covid-19 has led to a significant fall in major indices, indicating its impact and potential to significantly affect GDP growth. While the overall impact of covid-19 on credit growth is expected to be negative across most sectors, the degree and nature of the impact is likely to vary based on the duration and extent of disruption.

The covid-19 Pandemic in Fiscal and Monetary Policy:

Responses to the covid-19 Pandemic in Fiscal and Monetary Policy Unimaginable suffering and agony have occurred around the world in the last year, resulting in significant loss of human life and wealth. Governments and central banks all over the world have unleashed both traditional and unorthodox policy support to combat the disaster's devastation. To contain the spread of the pandemic, governments around the world announced massive fiscal stimulus packages in 2020 totaling nearly $14 trillion (13.5 percent of global GDP) (IMF, 2021), and as a result, deficit and debt levels skyrocketed.

In India, the central government announced a series of economic packages, initially aimed at protecting the most vulnerable members of society, followed by counter-cyclical steps aimed at boosting consumption and investment in order to resurrect development. Central banks, on the other hand, had planned and introduced a variety of traditional and unconventional monetary policy initiatives in advance, based on lessons learned from previous crises, including the global financial crisis (GFC) of 2008. While raising the size and tenor of repo operations, most central banks have lowered policy rates, broadened the range of qualifying counterparties, and loosened collateral norms.

Despite government political, monetary, and other support, industry has struggled to cope with the ongoing economic slowdown. Reduced capital access has had an effect on a number of industries, including infrastructure. The fact that this industry is capital-intensive, subject to regulatory risk, and generates only average returns has greatly exacerbated its difficulties. Many infrastructure programs have stalled, and even those that are operational have seen revenue sources decline. This has a negative impact on the ability to repay current loan debt. Lenders can refuse to release balances if projects are under construction and loans have not been completely drawn due to draw-stop events, which usually involve an event of default or possible default, a real or forecast funding shortage, and construction delays. Under project contracts, the sector faces widespread payment concerns from counterparties.

Even where companies were able to get loans approved, the lockdown illustrated execution issues. Due to social distancing protocols, a limited number of available officials, and the closing of offices from time to time, getting documents stamped, notarized, receiving approvals from government authorities, the need for the physical presence of parties and registration of documents, and so on, have become tedious.

RBI's actions to mitigate the effects of the corona virus on the economy:

The Reserve Bank of India (RBI) announced a slew of steps aimed at alleviating the ongoing Corona virus outbreak in India. There are some of them:

1. Repo Rate – The RBI announced that the repo rate would be cut by 75 basis points, or 0.75 percent, to 4.4 percent. The Repo Rate was previously 5.15 percent, and it was last reduced in October.
2. Reverse Repo – The regulator also declared that the Reverse Repo rate will be reduced by 90 basis points, or 0.90 percent. Banks had been depositing Rs 3 lakh crore with the RBI on a regular basis. The current rate of reverse repo was 4%.
3. Loan Moratorium – In a massive relief for the middle class, the RBI Governor also announced that lenders could give a moratorium of 3 months on term loans, outstanding as on 1 March, 2020. All Commercial Banks, including Regional, Rural, Small Finance, Co-operative Banks, All India Financial Institutions, and NBFCs, including Housing Finance and Microfinance, are affected.
4. CRR – The Reserve Bank of India (RBI) also reported that the Cash Reserve Ratio (CRR) will be reduced by 100 basis points, or 1%, to 3%. This will take effect on March 28 and will inject Rs. 1,37,000 crore into the economy.
5. LTRO – The RBI will also conduct Long Term Repo Operations (LTRO), which will provide additional liquidity to banks. The banks, on the other hand, have agreed to invest this liquidity in commercial papers, investment-grade corporate bonds, and non-convertible debentures.
6. Working Capital Funding Ease – Lenders were permitted to recalculate drawing power by reducing margins and/or reevaluating the borrowers' working capital period. The RBI also stated that such a move would not result in a downgrade in asset classification.
7. Working Capital Interest – All lending institutions will be granted a three-month interest moratorium.
8. MSF – The Marginal Standing Facility (MSF) has been raised to 3% of SLR, with a deadline of June 30, 2020. The RBI said, "This measure should provide relief to the banking system by allowing it to access an additional 1,37,000 crore of liquidity under the LAF window at a reduced cost in times of stress."
9. New Liquidity – According to the Governor, the effect of today's

announcements would inject nearly 3.2 percent of GDP. The RBI also reported that it has injected Rs 2.8 lakh crore of liquidity, or 1.4 percent of GDP, since February 2020.

Conclusions: Indian Bank are facing multiple challenges from the ongoing global impact of covid-19 pandemic is an economy. Banks must continue to leverage technology and build flexibility in their infrastructure to navigate these challenges. Banking under immense pressure to ensure business lockdown and health crisis. The operational and technical challenges for both the customers and employees highlighted a deficiency and the general lack of agility in our ban systems when faced with an emergency situation. The studies to demonstrate a close look to about the pandemic covid-19 on the Fiscal and Monetary Policy system and briefly discussing ready to assimilate covid influence of covid-19 on immediate learning from the current covid-19 the central government announced a series of economic packages, initially aimed at protecting the most vulnerable members of society, followed by counter-cyclical steps aimed at boosting consumption and investment in order to resurrect development. Central banks, on the other hand, had planned and introduced a variety of traditional and unconventional monetary policy initiatives in advance.

References

1. Singh, J., & Bodla, B. S. (2020). Covid-19 pandemic and lockdown impact on India's banking sector: a systemic literature review. *COVID-19 pandemic: a global challenge*, 21-32.
2. Dev, S. M., & Sengupta, R. (2020). Covid-19: Impact on the Indian economy. *Indira Gandhi Institute of Development Research, Mumbai April*.
3. Joshi, A., Bhaskar, P., & Gupta, P. K. (2020). Indian Economy Amid COVID-19 Lockdown: A Prespective. *J. Pure Appl. Microbiol*, *14*, 957-961.
4. Sharma, G. D., Talan, G., & Jain, M. (2020). Policy response to the economic challenge from COVID-19 in India: A qualitative enquiry. *Journal of Public Affairs*, *20*(4), e2206.
5. https://www.rbi.org.in/commonman/English/Scripts/speeches.aspx?Id=3176
6. https://www.moneycontrol.com/news/business/economy/rbi-prescribes-a-set-of-reforms-for-economic-revival-post-covid-19-report-5757721.html
7. https://www.mondaq.com/3/Finance-and-Banking?cct=1&cr=1