

COVID-19 IMPACT ON INDIAN BANKING SECTOR

RIVA KUMARI YADAV

INTRODUCTION

ABOUT COVID-19

COVID-19 is a disease which is caused by a new strain of coronavirus; where 'CO' stands for corona, 'VI' for virus, and 'D' for disease. This started from Wuhan, China, which is now a global concern and was declared as a global pandemic in 2019-20. In India, it started to spread in March 2020.

THE LOCKDOWN

In order to defeat the pandemic, Indian Government announced lockdown in the country starting on March 24, 2020 and which was extended to 3rd May, 2020 in the second phase. The lockdown was necessary as to prevent the faster spread of Novel Coronavirus and to save lives of people of the country, knowingly that it was going to affect the various sectors of our economy severely. The Banking and Non-banking finance companies (NBFCs) which are backbone of India's economy are not exception to the above. This report is an attempt to analyse the impact of this pandemic on the banking sector due to lockdown which has resulted into closure of all commercial organisations, educational institutions, public and private offices, suspension of means of transportation, etc. Though the situation is getting better, even

the lockdown is not in continuation , still as the pandemic has not ended yet the country continues to suffer.

THE BANKING SECTOR

The covid-19 pandemic is one of the most serious challenges faced by the financial service industry like banking sectors. Though India has overcome many pandemics in past like swing flu, plague, etc. but many experts call it as a “black swan” for the economy.

Rating agencies like “MOODY’S” has noted banking sector from “negative to stable”. It said that:

- the stress among NBFC’S limited their capacity to lend.
- Also due to increase in unemployment and decrease in economy, has caused deterioration of household and corporate finance.
- Due to rise in provision and fall in revenues will lead in decrease in banks overall profitability.
- The future of banking after pandemic As the banking sector has faced many challenges posed by the covid-19 pandemic, banks have learned many valuable lessons about their customers, their own capabilities and market as a whole.

It will help in serving them years ahead, or if in case similar kind of situation arises.

- Seeing the current situation, the influence areas are now towards digitization of the banking sector.

This can be posed by:

- o Eliminating the dependency on manual entries,
- o Moving from traditional way of system to the digital and adopting banking technologies and blaze the digital transformation.

OBJECTIVES OF RESEARCH

The objectives of the research as follows:

- To determine the actual and potential impacts of covid-19 pandemic on the Indian banking sector.
- To analyze the recent measures adopted by the Indian banks to cope-up with the problem.
- To analyze the present state and recovery rate for the same.
- To determine the future for the banks after pandemic.
- Predicting for the possible suggestions that would be required to cope up with the damages after pandemic.

- Lastly, to analyze the new digital trends adopted by Indian banks.

PROBLEM STATEMENT

This research report highlights the main impact of covid-19 pandemic on the banking sector.

On 31 December, 2019, first of all the news came on Novel Coronavirus outbreak from Wuhan city of China. This coronavirus is a new virus that has not been identified in human so far. To deal with COVID-19, Indian Government announced complete lockdown in the country starting on March 24, 2020 and the same was extended to 3rd May, 2020. Same action has been taken by many governments around the world. WHO has appreciated the timely action in the form of lockdown by Indian Prime Minister- Narendra Modi and many others as it seems the best alternate to stop the spread of the virus in the absence of any cure or vaccine of this disease.

However, the Transnational institutions like IMF and World Bank, central banks of various countries, economists, fund managers and consulting firms have expressed their fear regarding the devastating effect of lockdown on GDP world over in general and emerging economies like India in particular.

According to KPMG, the lockdown in India will have a huge impact on the economy chiefly on consumption which is the biggest component of GDP. It says that reduction in the urban transaction can lead to a steep fall in the consumption of non-essential goods. Further, according to the assessment of World Bank, the growth rate in India is expected between 1.5

per cent to 2.8 per cent. Adding more, the lockdown and pandemic is targeting several other sectors including banks, NBFCs, MSME, hospitality, civil aviation, agriculture and allied sector.

Different experts and authorities have given different opinions about the impact of Pandemic, Covid-19 caused lockdown on current position and future of Indian Financial sector, primarily on Banks and NBFCs. So, the flooding of information has confused investors, depositors, borrowers and other stakeholders in this sector of high importance.

LITERATURE REVIEW

The COVID-19 impact on banking will be severe fall in demand, lower incomes, and production shutdowns and will adversely affect the business of banks. The situation is exacerbated by staff shortages, inadequate digital maturity, and pressure on the existing infrastructure as firms scramble to deal with the impact of COVID-19 on financial services. Banks certainly have their hands full in light of the novel coronavirus outbreak COVID-19. Borrowers and businesses face job losses, slowed sales, and declining profits as the virus continues to spread around the world.

Banking customers are likely to start seeking financial relief. An obvious way that pandemics can impact financial systems is through their enormous economic costs. To managing the direct economic impact of the coronavirus, banks need to have a plan in place to protect employees and customers from its spread. Many banks are already starting to

encourage remote working of some employees. In this paper, we are aimed to demonstrate an impact of pandemic covid-19 on the banking and financial sector.

India's coronavirus outbreak threatens a years-long clean up of its financial system, according to the Indian bank. Banks sit at the heart of the economy and provide funding to corporate and individuals. Their stability is crucial to keep the system up and running This report is an attempt to assess the impact of this pandemic on Banks and NBFCs due to lockdown which has resulted the closure of all commercial organizations, educational institutions, public and private offices, suspension of means of transportation, etc.

The conclusion in this regard is based on the views expressed by several groups including economists, financial institutions like IMF, World Bank and consulting firms. Secondary sources of information are used to collect the required information.

RESEARCH METHODOLOGY

RESEARCH DESIGN

This is an exploratory and descriptive research, wherein the existing information is used to derive the conclusions and suggestions. The research is primarily descriptive in nature, as majorly the second hand information is been used for the research process. The report is aimed to analyze the impact of Covid-19 and Lockdown on India's Banking sector.

To achieve this objective some extracts have been drawn from the existing literature available on various sites of internet and newspapers in the form of highlights of interviews of renowned economists, senior officials of economic bodies, Chambers of commerce and industry, fund managers, economic and financial advisors,, authorities of international institutions like world Bank and IMF and so on.

Further, research articles and reports of diversified groups like consulting firms, transnational institutions, rating agencies, central banks, regarding the impact of corona on financial sector of India were referred. The relevant information available in various forms and at various sources was scanned and understood carefully while drawing a right conclusion for this article.

Presently, there is no factual data about the impact of COVID-19 on banks and only the intuitive estimates are available. The quantified data is available only about the number of positive cases, no. of deaths, cases recovered and so on. On account of non-availability of quantitative data, the use of statistical tool was not possible, hence a descriptive article has been prepared with the help of online views of various experts regarding the impact of ongoing pandemic.

REFERENCES

The second hand information was used for the report as follows:

- Internet sites:
- Research gate
- Wikipedia
- www.cxotoday.com
- www.businessstandard.com
- Newspapers referred:
- Economic times
- Hindustan times