

# THE IMPACT OF COVID-19 ON THE INDIAN BANKING SYSTEM

**Geeta Rajeshbhai Luhana, Dr. Rajeshkumar Girdharbhai Patel**

Research Scholar at Sankalchand Patel University Faculty of Commerce.

Assistant Professor,  
Smt. S.B. Patel Institute of Business Management,  
Faculty of Management Studies,  
Sankalchand Patel University, Visnagar

## Abstract

The COVID-19 pandemic could be one of the most serious challenges faced by the financial services industry in nearly a century. Perhaps the most tragic period of history human has ever seen. Whether its developing country, under developed or world's most powerful economy for that matter, no country escaped safe from its brunt. The economy was already in an unstable stage before the covid-19 outbreak and after the shutdown of economic activities and nationwide lockdown, the economy is likely to face a prolonged period of slowdown. The COVID-19 impact on banking will be severe fall in demand, lower incomes, and production shutdown and will adversely affect the business of banks. Reserve bank of India; the apex bank of India made necessary changes with the help of expert in their policy for facing COVID-19 Pandemic. Entire Indian banking sector faced and continue to face many challenges such as liquidity issue, Reserve Bank of India reduced REPO rate to name of few. Since people are struggling to receive income, Reserve Bank of India decided to provide concession for paying EMI from customer by increasing the period for re-payment. The objective of the research paper is to study the changes RBI bought in its policy due to COVID-19 and also in general how COVID-19 has impacted the Indian banking sector.

The current article gives overview of the impact of COVID-19 situation on the Indian economy and its banking sector. In this paper, we are aimed to demonstrate an impact of pandemic COVID-19 on the banking and financial sector. India's corona virus outbreak threatens a years-long clean-up of its financial system, according to the Indian bank.

**Keywords:** COVID-19, Pandemic, Finance, Reserve Bank of India, Indian economy, Indian Banking system.

## INTRODUCTION

COVID-19 is a transferrable infection caused by a newly exposed virus named coronavirus. This virus is mainly spread through drops created when an infected person coughs sneezes or exhales. Coronavirus is moving almost every economy in the world very badly. It came as an extraordinary shock that the world led to a global health emergency which is having a deep impact on how we observed our lives till now. In just a limited months, the world has transformed. After COVID-19, the consumers' opinion of online banking is many changes. During the COVID-19 situation, the Government has declared a lockdown from March 2020 to August 2020. Due to this most of the firms and organizations are locked and most of them vanished their jobs. But banks were acceptable to function with limited staff and in certain areas. So, people cannot derived out for their regular needs for banking and they find it difficult and the banks request their customers to use online banking services. The banks were focused more on online banking for the better experience and happiness of the customers.

According to health recommendations, one of the most operative ways to contain the current COVID-19 epidemic is to avoid personal contact. This means falling the movement of people and increasing the time they spend at home as much as possible. In line with these signs, most banks in the affected countries have reduced the opening hours of their branches and they endorse their customer's use online banking. To inspire the use of this channel, many banks have taken the opportunity to send out encouraging messages and to remind their users of the benefits of online banking. These benefits include the ease of carrying out any transaction 24/7 and liking permanent access to all financial information in real time. Some banks have also tried to encourage online banking by sharing seminars and increasing the types of transactions customers can carry out remotely. The role of banking in the COVID-19 situation: However, it is clear that people still need banking services, and even minimal in-branch services, because not all users will directly transition to digital channels. For example, senior customers, who are among the weak to COVID-19, are the least likely to rise their use of online banking.

Reserve Bank of India is the apex body of India. RBI frame the monetary policy and give guidance to all public sector and private sector banks. RBI issue the Bank notes and keeping of reserves with a view to securing monetary stability in India and operate currency and credit system in India. RBI maintain price stability while keeping growth of the country. Reserve Bank of India announce COVID-19 Regulatory Package for all commercial banks (including Small Finance Bank, Local Area Bank, Regional Rural Bank), All Primary (Urban) Cooperative Banks / State Co-operative Banks/ District Central Cooperative Banks All All-India Financial Institutions, All Non-Banking Financial Companies (including Housing Finance Companies).

COVID-19 created crises in India overall 1.5 trillion revenue loss. 20 to 25% reduction in refinery utilization. Fall in production due to shutdown, import restriction and labor unavailability. 35-40 % reduction in refinery utilization. Slowdown in pharmaceutical sector due to restriction in import. Closing the business of small and medium dealers. Sharp decline in renewable energy sector due to lack of competitive price. Reduction and postponement in capacity additions due to financial viability concern and global supply chain disruptions. Government & RBI are continuous in action mode for providing relief to the people. Government has announce 1.7 trillion package for the poor people who needs money for their livelihood and food security. Many corporate employees lose their job due to COVID-19 Pandemic. Government are continuously forming economic measure and strategy so the unemployment rate will reduce. Government has also given instruction to many welfare agencies in India for strengthening their self and to support the society for upliftment. Government also give concentration on municipal party. Gram panchayat for knowing the root cause and find out the solution for minimizing the problem. Government also give emphasize on priority sector like hospital, schools, service sector who takes loan from bank and they need support for survival.

### FOLLOWING ARE THE OBJECTIVES OF RESEARCH PAPER

1. To study the Change in RBI policy due to COVID-19.
2. To study the effect of COVID-19 in Indian Banking Sector.
3. To find out solution for Indian Banking system to face COVID-19 Pandemic.
4. To find out the key contests faced by Indian banking sector.
5. To know how long will it take India's economy to repossession from this epidemic situation?

### RESEARCH METHODOLOGY

As definite earlier, the purpose of this paper is to measure the impact of covid-19 in India's banking sector. In order to achieve this objective, some decisions have been drawn from the present literature available on several sites of the internet as highlights of interviews with well-known economics and fund managers, economic and financial advisors and senior officials of economic bodies, chambers of commerce and trade. At present, there is no accurate data on the impact of COVID -19 on various sectors of the economy including banks and only an uneven estimate is available only about the number of positive cases. The use of statistical tools was not possible due to the absence of quantitative data. Therefore a descriptive article has been arranged with the help of online opinions of experts regarding the impact of ongoing endemic.

The data collection of the relevant study below two method:

- **Primary data**

The primary data is collected through a structured questionnaire. The questionnaire is considered keeping in view the objectives of present research work.

- **Secondary data**

The relevant secondary data is gathered from the Reserve Bank of India publications, Indian Bankers Association publications, National Institute of Bank Management publications, business newspapers, journals and magazines. The data and the information collected with the help of questionnaire are processed and analysed using SPSS software.

### REVIEW OF LITERATURE

Covid-19 Virus starts spread up in the world from 1st December 2019 , Many of the researcher starts writing on the research article related to Covid-19 , Their Effect on word economy , Covid-19 effect on Indian economy , How the human beings psychological become week due to Corona Virus.

- **Pramath Kakodkar, Naghham Kaka, M N Baig in January 2020**, the research is based on "clinical Course and Management of the COVID-19 pandemic. Due to COVID-19 Pandemic how the multiple parameter of the clinical course & management of the COVID-19 need optimization. From the social media , misinformation passed out to the people Research paper emphasize on what are the true guidelines for taking measures from COVID-19 , what preventive measures suggested by World Health Organization , How the people become mentally fit from this COVID-19 phobia.

- **Abel Brodeur David Gray, Anik Islam, Suraiya Jabeen in June 2020**, The research paper is focus on to survey the emerging & rapidly growing literature on the economic consequences of COVID-19 & government response. How much death cases occurred due to COVID-19, how many people follow social distancing as preventive measures. How the word is change due to this pandemic. What are the effect of COVID-19 pandemic in service sector?
- **Research paper is published in June 2020** on the title of “Covid-19 Pandemic And Lockdown Impact On India’s Banking Sector: A Systemic Literature Review”, the paper emphasize on impact of Covid-19 pandemic on Banks, NBFC , Educational Institution , Public & Private offices , suspension of means of transportation. What are the severe effect of COVID-19 in economy are described in the research paper.
- **Ashish Bagewadi & Dewang Dhingr in September 2020**, this paper emphasize on pre & post effect of COVID-19 in Banking sector along with that what are the effect of COVID-19 on environment is publishes on research paper.
- **Research Paper published on June 2020** on the title of “A study on impact of COVID-19 on banking sector: An Indian Perspective. Research paper is emphasize on decrease in productivity of the corporate, Supply chain disruption, Manufacturing Hindrances & crippled health systems. Banking & Financial system suffer from losses. Increased in Bad loan, reduce income of tourism entertainment sector etc.
- **Research Paper is published on June 2020** based on The Impact of COVID-19 on Financial Markets, Banking Systems, and the Overall Economy. The paper emphasize on what are the effect of COVID-19 on fiscal policies, why the financial market go down what are the changes in banking policy, why the economy is slowdown etc.
- **Aravind M & Manojkrishnan C G. (2020)** made their research paper on. COVID 19: Effect on the leading pharmaceutical stocks listed with NSE. International Journal of Research in Pharmaceutical Sciences. Covid19 outbreak has affected leading pharmaceutical stocks listed with the National Stock Exchange of India and the stock are maintaining their momentum with the market index of Nifty. And the demand of pharmaceutical stock should increase in the coming days.
- **Kaur, J. (2017)** focused on the growth of E-banking in India as global economy is changing at a rapid pace as well as technology is playing a major role in this transformation. In this study, secondary data is used to find the actual growth of different e-banking products (ATM, Debit card and Credit card) from 2012 to 2016. Undeniably, internet is a main driver which helps in the usage of these products and services for customers. It is found that internet penetration in India has increased over a period of time which played a significant role in the growth of digital market and online banking system and indicates that ATM deployment, issuance of Credit cards and Debit cards witnessed an increasing trend from the period 2012 to 2016. However, Debit cards are more preferred as compare to the Credit cards in India.
- **Ahmed, E.M and Phin, G.S. (2016)** investigated demographic characteristics, social factor, and attitude and customer perception towards internet banking influence the adoption of internet banking in an emerging economy like Malaysia. The study focused on the local and multinational banking industry in Malaysia and used a questionnaire to obtain the relevant data. Implementation of the questionnaire was done by using the proportional stratified sampling method. Of the 300 questionnaire distributed 120 were returned complete and clean which analysed with the help of mean, standard deviation and chi-square test and found the social factor influences the adoption of internet banking in an emerging as Malaysia.
- **Das, M.R. (2015)** examined on new paradigms in banking in the case of Indian banking sector. The main objective of this study is to provide information about historical account of different models in the Indian banking sector, analysis the current paradigm in public sector banks excluding other segments of the scheduled commercial banking sector such as, private sector banks, foreign sector banks, regional rural banks and local area banks. Secondary data is used in this paper that segmented in tabular form to differentiate several changes in models, driver and outcome with passage of time period. The study found that SBI opened 416 branches within 5 Years which exceeded the target of 400 and the number of regional rural banks also rose and commended over nine-tenth of bank deposits. Banks expanded their branches in rural areas and started giving agriculture finance due to it, credit-deposit ratio increased significantly.

## 10 DECISIONS TAKEN BY RBI TO COUNTER THE CORONA VIRUS IMPACT ON ECONOMY

The Reserve Bank of India asked all loaning institutions to allow three month pause on EMI payments in order to infuse liquidness into the system during novel corona virus crisis. RBI governor Shaktikanta Das in a press conference said these are unexpected situations, and extraordinary actions are required to support the sagging economy as all the economic activities have come to a close.

**1. Repo Rate** - RBI declared that it was cutting the Repo rate by 75 bps, or 0.75% to 4.4. The Repo rate was prior 5.15; last being changed in October 2019.

**2. Reverse Repo**- The regulator also declared that it would change the reverse repo rate by 90 bps, or 0.90%. On a daily average, banks had been places Rs 3 lakh crore with the RBI. The present reverse repo rate was 4 %.

**3. Loan Moratorium**- In a substantial relief for the middle class, the RBI Governor also declared that financiers could give a moratorium of 3 months on term loans, outstanding as on 1 march, 2020. This is appropriate to all

commercial banks excluding regional, rural, small finance, co-op bank, all India financial institutions and NBFCs including housing finance and microfinance.

**4. CRR-**The RBI also declared that the cash reserve ratio would be reduced by 100 bps, or 1%, to 3%. This would be valid from March 23, and would inject Rs.137, 000crore.

**5. LTRO -**The RBI will also accept long term Repo operations; permitting further liquidity with the banks. The banks however are identified that this liquidity will be deployed in commercial papers, investment grade corporate bonds and non -convertible debentures.

**6. Ease of working Capital financing-** Lenders were allowed advancing to recalculate drawing power by reducing margins and / or by reconsidering the working capital cycle for the debtors. The RBI also identified that such a move would not result in asset classification downgrade.

**7. Working capital interest -**A three month interest delay shall also be permitted to all advancing institutions.

**8. Deferment capital interest-** The net stable funding ratio, which decreases funding risk by requiring banks to fund their activities with appropriately stable sources of funding was suspended to October 1, 2020. The NSFR was earlier supposed to be applied by April 1, 2020.

**9. MSF-** Marginal standing facility has also been greater than before to 3 % of SLR, available till June 30, 2020. This measure should provide security to the banking system by allowing it to avail an additional 137000 crore of liquidity under the LAF window in times of stress at the concentrated said the RBI.

**10. Fresh Liquidity -** The effect of all the declarations today shall inject almost 3.2% of GDP, the Governor said in his brief today. The RBI also added that since February 2020 it had added Rs 2.8 lakh crore of liquidity, equal to 1.4 percent of GDP.

## FINDINGS

1. Government take inventiveness by announcing Rs. 1.7 trillion release package for the poor people that includes cash transfer and food safety.
2. Financial Institution announce larger corporate surety out packages.
3. Government Introduce emergency / extreme measures for economic survival.
4. Indian government establishment administrative machinery to effectively distribute benefit of welfare program.
5. Indian government Increasing authorization of local bodies for effective crisis management of emergency.
6. Government push primacy sector by providing lending from banks.
7. Reserve bank of India provide 3-Month Delay period for paying term loans.
8. Reserve Bank of India provide reduction in Asset Classification Norms to the public and private sector Banks.
9. RBI gives the guidelines for institution of operating limits for customers for structural strengthen.
10. Reserve Bank of India compact REPO Rate by 90 BPS.
11. RBI Compact further REPO Rate by 2-3%.
12. Reserve Bank of India Continuous REPO Rate reduction to near zero level.
13. RBI work on done 25000 crores. Long Term Repo Operation (LTRO).
14. Reserve Bank of India make further infusion of domestic liquidity.

## CONCLUSION

The global spreads of COVID-19, the bank operations have been troubled. The COVID-19 disease has severely obstructed every industry across the globe in recent months. As industries challenge to recover, there is a necessity for new strategic initiatives and higher preparation. Banks and the wider financial services sector are opposite multiple challenges from the constant global impact of COVID-19. The outbreak of the COVID-19 disease is an extraordinary shock to the Indian economy.

In this paper, we expected to establish a close look to about the impact of disease covid-19 on the Indian banking system and permanently discussing Indian banks ready to conform covid-19 as well as influence of covid-19 on financial service sector. The instant learning from the current COVID-19 situation will add the much-needed accuracy towards digitizing and optimizing the bank's backend operations. Banking procedures such as cash deposits, withdrawals, traditional teller services had to be achieved by maintaining a safe distance of at-least a meter. Indian banks (both public and private) which are already working with some core banking functions will emphasis on a complete transition by digitization of all their tasks, processes, and structures. In the end, we are in a nutshell discussing about the disease covid-19 effect in banking structure.

## REFERENCES

- [1] Robin Harding and Hudson Lockett, "Bo J spurs Asia markets rebound with vow to fight corona virus," Financial Times, 2020

- [2] D. Ivanov, "Predicting the impacts of epidemic outbreaks on global supply chains: A simulation-based analysis on the corona virus outbreak (COVID19/SARS-CoV-2) case", *Transp. Res. E Logistics Transp. Rev.*, vol. 136, Apr. 2020
- [3] Asif Perwej, "A Pervasive Review of the Customer Contentment in the Bhilwara Banking Sector.", *International Journal of Advanced Research Social Science and Humanities bearing (IJAR)*, Volume: 07, Issue: 01, Page 518-527, 2019
- [4] Asif Perwej, "Effective Management of Customer Relationship Management In Banking Industry", *Management Journal of KITE Group*, ISSN – 0974 - 7079 YOJNA, Vol. 2&3, No. 1, Pages 46-50, 2010
- [5] Nikkinen Jussi, Vahamaa Sami. Terrorism and stock market sentiment. *Financial Review.*, Vol. 45(2), PP. 263–275, 2010
- [6] Albulescu, C. Corona virus and Financial Volatility: 40 Days of Fasting and Fear. *SSRN Electron. J.* 2020
- [7] K. Yang, "Unprecedented challenges, familiar paradoxes: Covid-19 and governance in a new normal state of risks," *Public Administration Review*.
- [8] Michie J. "The Covid-19 crisis and the future of the economy and economics.", *International Review of Applied Economics.*; 34(3), PP. 301–303, 2020
- [9] Gourinchas, P.-O. Flattening "the pandemic and recession curves. In *Mitigating the COVID Economic Crisis: Act Fast and Do Whatever It Takes* "CEPR: London, UK, pp. 31–40, 2020  
sBaldwin, R.; di Mauro, B.W. "Mitigating the COVID Economic Crisis: Act Fast and Do whatever", CEPR Press: London, UK, pp. 1–24, 2020
- [10] Dr...Rosy Kalra (May 2012)," Credit Appraisal System in Allahabad Bank", *IJMIE*, Volume 2, Issue 5, ISSN: 2249-0558.
- [11] Jayaraman and Srinivasan (2009), "Relative Efficiency of Scheduled Commercial Banks in India (2001-08), *Journal of Social and Management Sciences*, ISSN No. 0970-8448, Vol.38/10, pp 111-126, Pune.