



# A Report on Impact of Covid-19 (Pandemic) On Commercial Banking Sector

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**Abstract:** This research paper emphasizes on majorly the socio-economic impact of the pandemic and lockdown on the lives of employees and customers using commercial banking sectors. It is a match of between the conditions arising out of covid-19 situation. Customers on one hand were not able to access their own money in cash or were lagging online or Digital transactions. They were facing many critical issues right from digital banking application access till the other services aligned. As a part of bank employees of the bank also worried whether their jobs will be retained or they will have to lose them. Low revenue and the loss of business leads to loss making or no profitability for the banking businesses. This pandemic has given major shock to the banking sector in India and hampered upon lives of common people on the one hand and service providers on the other.

**Key Words:** Banking Sector, Profitability, Pandemic, socio-economic impact

## I. INTRODUCTION:

COVID-19 has emerged as the black swan event of the century, with significant macroeconomic impact both globally and in India. (Resmi R, 2021) Covid has impacted every sector adversely and banks are one of the main affected sectors due to the pandemic Covid. Though some factors which are in a negative way still there some factors grown up in a positive way too. In this research report we are going to come across some of the major factors which has arisen due to the Covid in these banks.

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.

Banking is the backbone of the Indian economy. This article is an attempt to assess the causal impact of a pandemic like covid-19 on banks due to lockdown. (Kumar, 2021) The adverse effects of the COVID-19 pandemic are trickling down to major sectors of the Indian economy, with manufacturing, auto, retail, aviation and hospitality bearing the brunt of the lockdown. (Perwej, 2020) Most of the Indian Banks were facing the problem of NPA, Non-recovery of loan, customer frauds, Bad Loans etc. and to add on to it COVID-19 has expedited the collapse of Indian Banking business. No doubt banks are established in India with a fundamental purpose to make profit by giving expected comfort to customers. But Covid19 has changed the scenario of Indian customers. Due to shut down of businesses income source of the people came to halt. Then where lie the scope of availing loan and repaying with interest. These challenges our Indian banks are facing in current pandemic situation.

### Modern Age Banking:

As financial services providers, they give you a safe place to store your cash. Through a variety of account types such as checking and savings accounts and certificates of deposit (CDs), you can conduct routine banking transactions like deposits, withdrawals, check writing, and bill payments. You can also save your money and earn interest on your investment. Banks also provide credit opportunities for people and corporations. The bank lends the money you deposit at the bank-short-term cash-to others for long-term debt such as car loans, credit cards, mortgages, and other debt vehicles. (Gawande D. N., Digital Lending: A New Era of Banking in India, 2018) This process helps create liquidity in the market—which creates money and keeps the supply going.

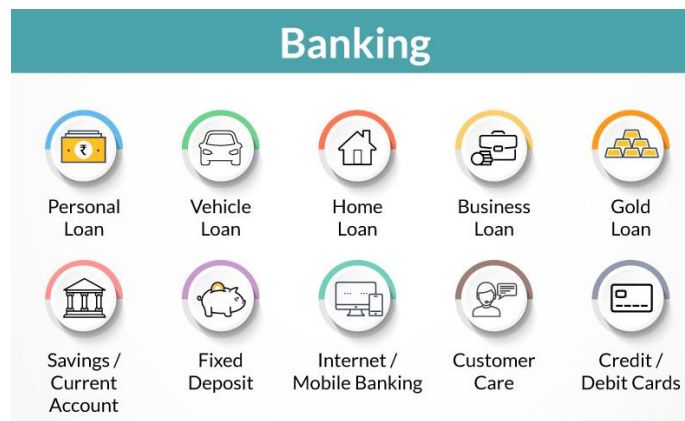


Figure-1 Services in Banking

No doubt banks are established in India with a fundamental purpose to make profit by giving expected comfort to customers. But Covid19 has changed the scenario of Indian customers. Due to shut down of businesses income source of the people came to halt. Then where lie the scope of availing loan and repaying with interest. These challenges our Indian banks are facing in current pandemic situation. To study more about the Impact of Covid-19 in Commercial banking sectors, research studied 5 commercial banks named Indusind Bank, HDFC Bank, Axis Bank, IDFC First Bank and Chhattisgarh Rajya Gramin Bank.

## II. REVIEW OF LITERATURE

The intensity of the economic slowdown depends upon the nature and duration of the lockdown across the country. With a large population and more dependence on informal labor and unsystematic banking, practices have turned the economy into a disruptive situation. The damage to the economy is worse than the current estimates. The current article gives an overview of the impact of the COVID-19 situation on the Indian economy and its banking sector.

The study is the analyses of data which is secondary in nature and based upon various research article published on the COVID-19 pandemic outbreak. The research paper also analyses the various policy measures taken by the Reserve Bank of India and the Indian Government at the center level and state level to improve the current economic situation of the country.

Research shows that the COVID-19 outbreak has affected the banking sector through declining credit delivery to the real sectors. In terms of nominal value, total credit decreased in parallel with economic deceleration during the pandemic. (Gawande N. , 2017) Working capital credit and investment credit were influenced by the pandemic, but not consumption credit or SME credit. In the economic sector, the credit of the industry, agriculture, and construction were affected by the COVID-19 outbreak, but not the credit of the trade.

COVID-19 pandemic's impact on the banking sector in Indonesia between 2011 and 2020. (Ninad Gawande R. D., 2013) The study reveals that a credit crunch has transpired during the pandemic period. The result reveals that credit delivery decreased more during the pandemic than during the non-pandemic period. They demonstrate this effect in our examination of the pandemic's impact on credit performance. The COVID-19 pandemic could be one of the most serious challenges faced by the financial services industry in nearly a century. 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. (Perwej, 2020)

For many sectors, including banks, COVID-19 will have a long-lasting effect. The strategy of banking players with three emerging segments will be decided by post-crisis, digital maturity and COVID- 19 resilience: banks that are already future-ready with truly digital banking capabilities and cost elasticity, banks that are digital laggards that need to develop and refresh due to sub-par COVID-19 resilience, and finally banks that will fail to survive as a result of being digital. (Vijendra Singh Sikarwar, 2021) In India and around the world, COVID-19 will improve our behavior as clients, people and employees. (Vijendra Singh Sikarwar, 2021)

COVID-19 is undoubtedly one of the biggest global events of our lifetimes, presenting unprecedented challenges to many industries, governments and people all over the world. (Resmi R, 2021) The pandemic remains a health and humanitarian crisis, and the business and economic impact has been deep and far reaching. Financial services firms, in particular, have the opportunity to help consumers and businesses weather the economic downturn and navigate the current storm. (Resmi R, 2021) COVID-19 will have long-lasting impact on many industries including banks.

## III. RESEARCH METHODOLOGY

This Research report is based on the primary and secondary data collected through various sources and medium. The research is based on the study of the impact of Covid-19 on Commercial banks like IndusInd Bank, IDFC First Bank and CRGB (Chhattisgarh Rajya Gramin Bank).

For this research report I have collected Primary data by interacting with the bank employees and customers, Surveys, observations, experiments, personal interview. Secondary data has been collected through articles, Government publications, websites, books, journal, and some pre-published research papers.

**Need of the Study:**

Researchers have keenly observed the pre-pandemic and the post pandemic (Covid-19) scenario and its effect on the commercial banking sectors in India. Also, to know about the positive and negative impact of the Covid-19 from the customers and employees prospective.

**Objectives of the Study:**

- To understand the impact due to Covid 19 on the commercial banking industry in India.
- To understand the problems faced by employees and customers.
- To study the socio-economic impact of the pandemic on employees and customers.

**Data Collection Methods:**

Primary Data that has been generated by the researcher himself/herself by using online survey method. She also interviewed the Banking Officials with a structured questionnaire specially designed for understanding and solving the research problem at hand.

Secondary Data: Using existing data generated by large government Institutions, healthcare facilities etc. as part of organizational record keeping. The data is then extracted from more varied datafiles. Such data are cheaper and more quickly obtained than the primary data and may be available when primary data cannot be obtained at all.

**a. Research Design**

Research design refers to the framework of market research methods and techniques that are chosen by a researcher. The design that is chosen by the researchers allow them to utilize the methods that are suitable for the study and to set up their studies successfully in the future as well. In view of objects of the study listed above an exploratory research design has been adopted. Exploratory research is one which largely interprets and already available information and it lays particular emphasis on analysis and interpretation of the existing and available information.

- To know the financial & socio-economic status of the respondents.
- To offer suggestions based on research findings.

**b. Sample Size**

Sample size has been taken from 60 Bank Employees and 108 Bank Customers. The responses were noted through the structure questionnaire form and personal interview process.

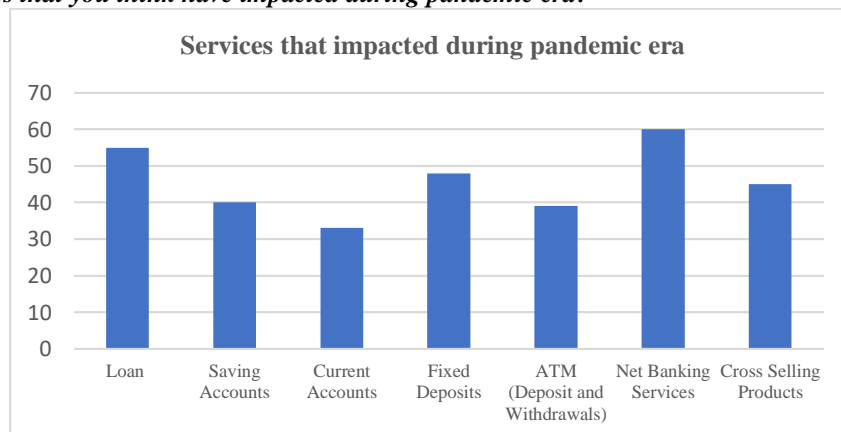
**IV. DATA ANALYSIS & FINDINGS:**

Indian banking industry was confronted with an ever-increasing demand from customers to provide innovative digital products and services in a highly competitive market during Covid -19 pandemic period. Competitive markets and increasing demand for digital solutions during pandemic period facilitates end-to-end digital customer journeys such as innovative banking technology, advanced-analytics-based products and a core-banking -system push cloud adoption. During these pandemic times banks are concentrating more on value-based services through the means of electronic banking. The evolving way of Internet banking, Mobile banking and Information Technology-enabled services are replacing the traditional way of banking operations. (Ninad Gawande V. I., 2012)

As decisions on how the banking sector responding to the pandemic challenges and relevance of the services and products that they are providing to the customers on a safe and convenient mode, will be the key to successful banking, this study mainly focus on the emerging phase of banking operations on Improved and Customized Banking Services through Technologically Improved Banking and analyzing the growth of the new banking trends during the Covid-19 pandemic times.

**a. Responses from Bank Employees through google survey form:****1. Do you feel that Covid Lockdown made an impact on Banking business operations?**

In answer to this question, all the 100% respondents agreed upon that there is surely an impact of Covid Lockdown on the Banking Business.

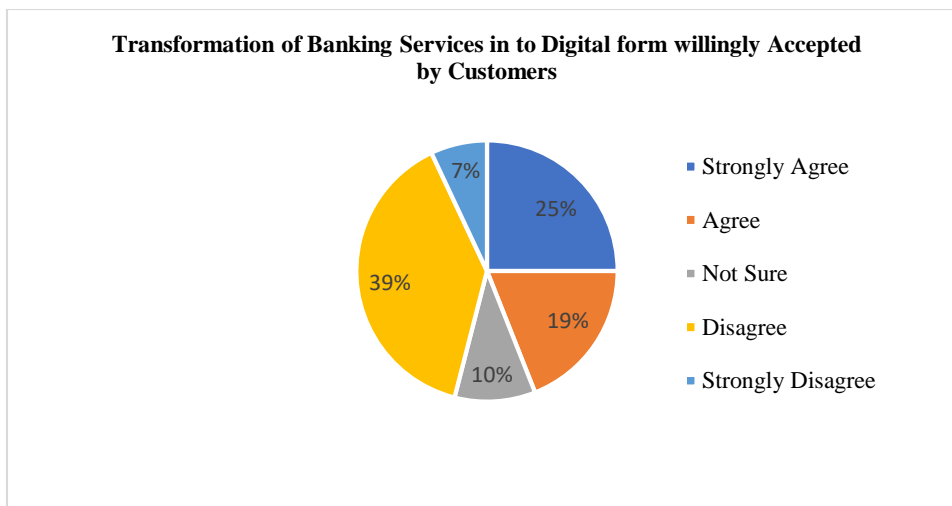
**2. What are those Services that you think have impacted during pandemic era?**

The Banks provide Core services such as Loan and Account Services. So, 55 respondents feel that Covid impacted Loans business. 60 respondents feel that they have found out that Net Banking Services have also impacted deeply and shown positive development. Only 38 respondents feel that Current Account Business has been impacted.

**3. Do you think that the event of Lockdown has brought out the opportunity to promote digital banking?**

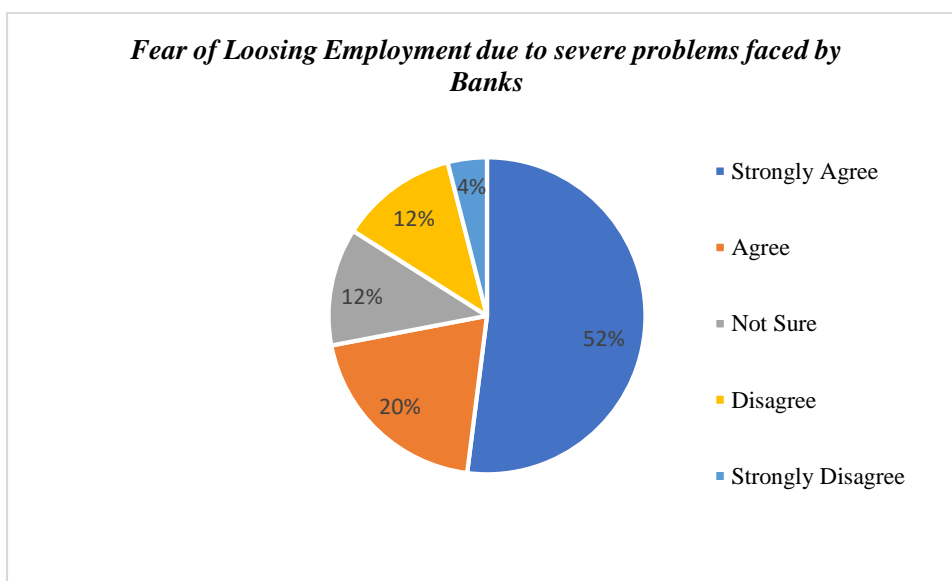
All the 70 Respondents have responded that they feel pandemic sure brought down the opportunity to promote digital banking widely in Indian Commercial Banking sector.

**4. Do you think that this transformation of Banking Services into Digital form willingly Accepted by Customers?**



As per the survey conducted, 39% of the respondents agreed that the customers have not accepted Digital transformation willingly. 25% strongly agreed upon the opinion, 19% simply agreed that the customers have adopted the change.

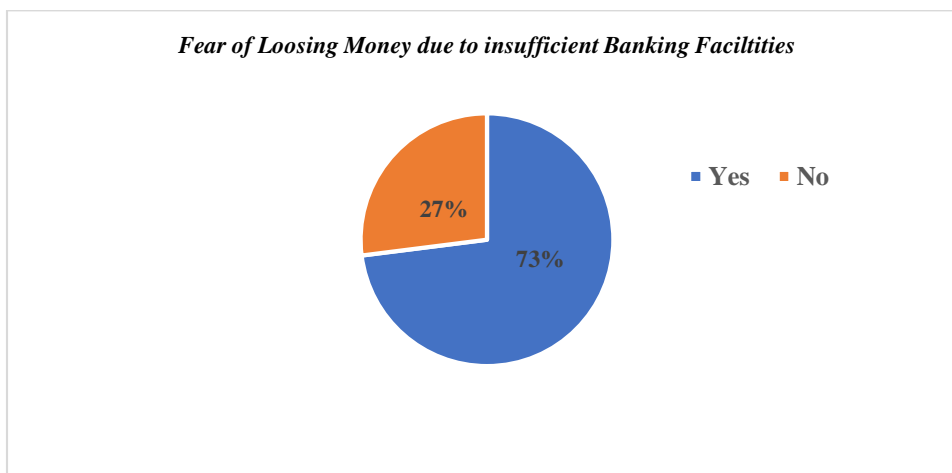
**5. Did you feel the fear that as the Bank is facing severe problems, they may curtail the employment and you may lose the job?**



Employees were in Fear of loosing their Job due to anticipated revenue loss in Banking Sector. 52% employees strongly agreed that they felt the sense of fear of loosing the Job. 20% of the employees have agreed to this and only 4% people are strongly agreed to that they were fearful about their job loss.

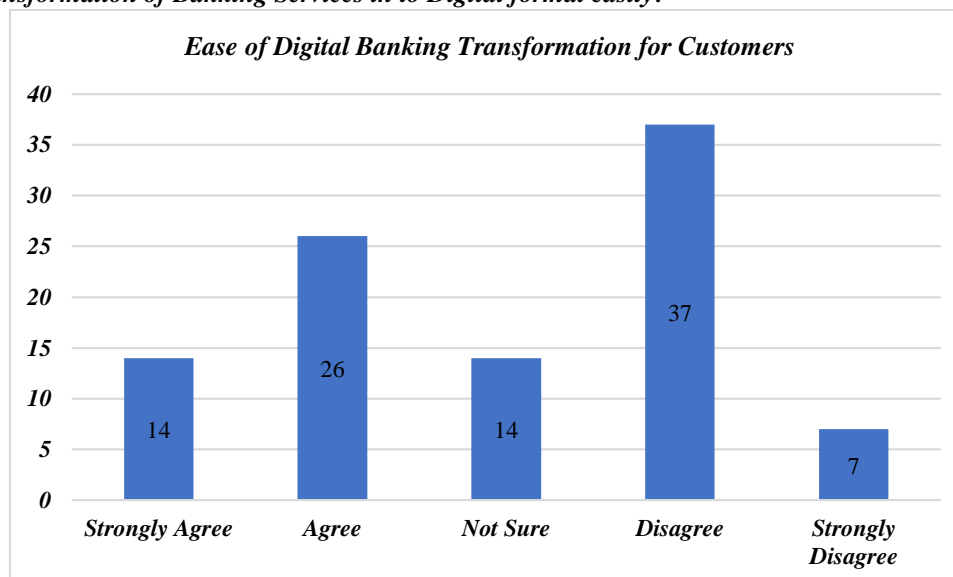
**Responses from Bank Customers through questionnaire form:**

1. *Did you feel that due to lack of access to banking services, you may lose your money deposited in the bank?*



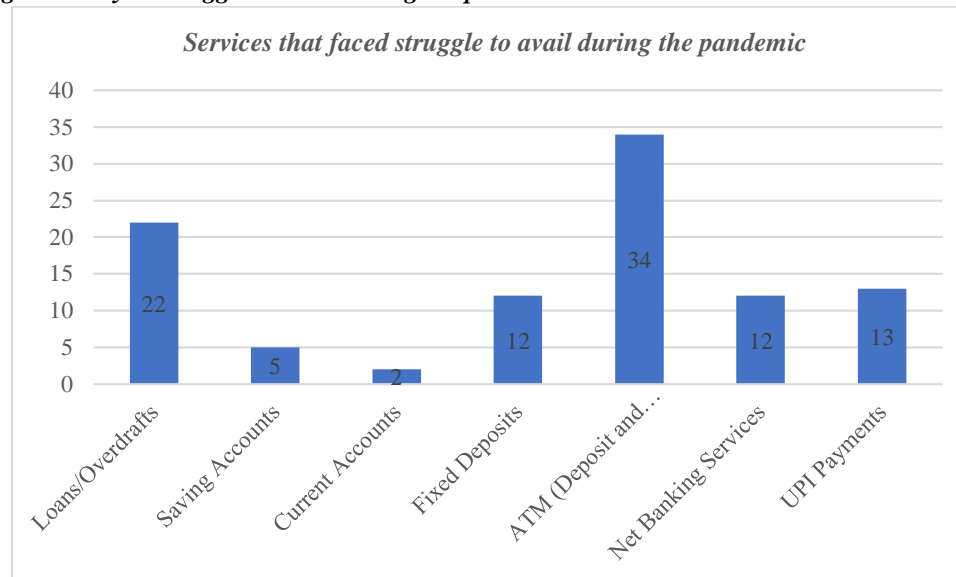
When Asked to Customers, whether they sense the fear of losing deposited money due to insufficient banking facilities, 73% of the people have accepted that they were feared to gain their money back out of the bank during lockdown. Whereas, 27% people were not feared about their money which was deposited in the Bank.

2. *Did you accept the transformation of Banking Services in to Digital format easily?*



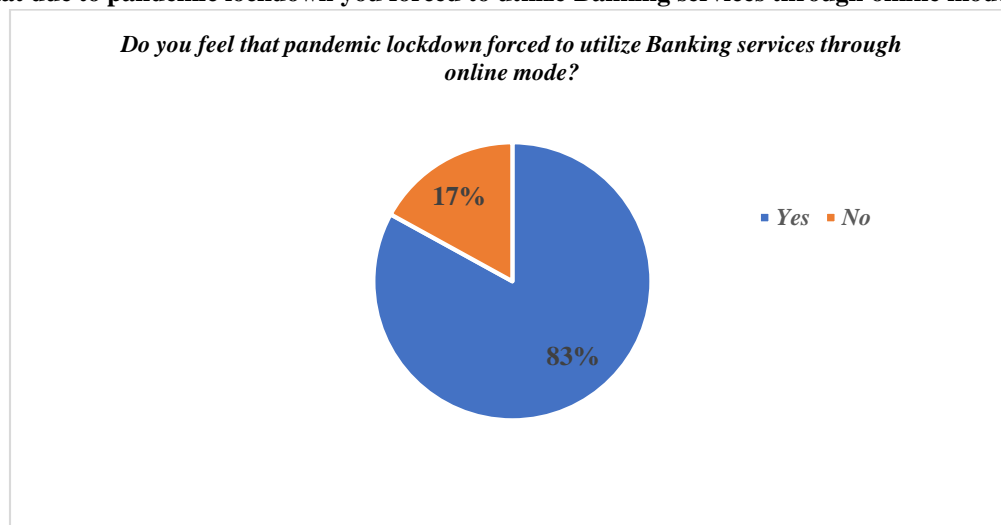
The customer was asked whether the transformation of Banking Services in to Digital format was an easy process for them, 37% of the respondents disagree, 26% were agreed that they faces issues while transformation and was not easy for them. 14% are strongly agree and 14% were not sure about it.

### 3. Which of the following services you struggle to avail during the pandemic?



34% of the respondents noted that ATM services made them struggled. 22% respondents felt difficulty in taking loans or overdraft facility easily. UPI payment and settlements were also not happening smoothly or they were got delayed and ultimately made them panic.

### 4. Do you feel that due to pandemic lockdown you forced to utilize Banking services through online mode?



Respondents agreed that pandemic lockdown condition had forced them to take and 83% of the respondents said Yes to the asked question.

### 5. What was the biggest issues you face while making Monetary Transactions Online?

<i>Issues face while making Online Transactions</i>	<i>%</i>	<i>Mean</i>	<i>Standard Deviation</i>	<i>Sample Variance</i>	<i>Kurtosis</i>
Inability to cope with User interface	58.33	1.41	0.4944	0.2444	-1.9019
Internet Connection	12.96	1.87	0.3388	0.1148	2.9867
OTP Receipt Issues	89.81	1.09	0.2925	0.0855	6.1419
Delay in Payments / Receipts	70.37	1.29	0.4558	0.2077	-1.1373
Higher Transaction Charges	46.30	1.5	0.5013	0.2512	-2.0204
Service Request Generation or acceptance	29.63	1.71	0.4600	0.2116	-1.2307
Per Day Transaction Limits	62.04	1.37	0.4861	0.2362	-1.7533

According to the responses received about the issues, it has been found that 89% of the people faces difficulty in receiving OTPs on their mobiles. 70 % of the respondents faced delay in payments and receipts issues online. 62% respondents also reported that they faced issues of daily transaction limits by banks. As per the descriptive statistics calculated Kurtosis of the data collected inclined towards the prominence of the issue of OTP messages receipts while making online monetary transactions.

## V. CONCLUSION

Most of the responses says that there must be more awareness about the Online Banking/Internet Banking. The positive economic growth of any country reflects the financial soundness and increased purchasing power of that country. (Archana Patel, 2021) The Covid-19 pandemic destroyed the growth of the various economic activities in countries so India as well. Banking sector has played a vital role in supporting the economy of the country by maintaining liquidity. The Covid 19 pandemic has a direct and positive impact on the development and introduction of Technologically advanced banking products to their customers banking sector in India. The migration of banks to the digital banking has much more importance to the banking sector and it is important to take steps for the development of the emerging banking technologies.

COVID-19 has generated significant instability and high volatility in global capital markets. While the full impact is yet to be determined, it's expected that the adverse impact is likely to continue from the virus' knock-on effects. (Global banking M&A outlook H2 2020 report, 2020) According to reports, the areas of the overall banking sector most likely to be impacted, including valuation and profitability. Thus it can be seen that the Employees and Customers as the stakeholders in the Indian Banking Industry, were very fearful with the crisis condition. Employees suffered from fear of losing employment from their respective banks. (Gawande D. N., Indian Financial System, 2022) On the other hand customers were fearful about their money which they deposited in the bank. Customers faced some severe issues related with online banking which they ought to shift upon such as Delay in payments, slow response to their online requests, difficulties in user interphase etc.

Although, this crisis given an opportunity to Banking sector and the higher authorities to think over optimization of Banking applications and ease of transactions.

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