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AN IMPACT OF COVID-19 PANDEMIC ON INDIAN BANKING SYSTEM

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Abstract :- The COVID-19 pandemic could be one of the most serious challenges facing the financial services sector in nearly a century. The impact of COVID-19 on the banking sector will be a sharp drop in demand, lower revenues and production interruptions, and will adversely affect the business of banks. The situation is exacerbated by understaffing, inadequate digital maturity and pressure on existing infrastructure as companies struggle to cope with the impact of COVID-19 on financial services. Banks are certainly very busy in light of the new COVID-19 coronavirus outbreak. Borrowers and businesses face job losses, slowing sales, and falling profits as the virus continues to spread around the world. Bank customers are likely to start seeking financial help.

One obvious way pandemics can affect financial systems is through their enormous economic costs. To manage the direct economic impact of the coronavirus, banks must have a plan to protect employees and customers from its spread. Many banks are already starting to encourage teleworking for some employees. In this article, the researcher aimed to demonstrate the impact of the covid-19 pandemic in the banking and financial sector. The coronavirus outbreak in India has been threatening a cleanup of its financial system for years, according to the Association of Banks of India, banks are at the heart of the economy and provide finance to companies and individuals. Its stability is essential to keep the system running.

Keywords: COVID-19, Indian Banking, Credit Management, Revenue Pressure.

Introduction :- Globally, the coronavirus epidemic has now affected millions of lives with thousands of deaths worldwide. The growing threat of this virus continues to increase as new cases emerge every day. However, countries affected by the coronavirus are now taking important steps to tackle it using artificial intelligence and big data technologies. According to the World Health Organization (WHO), AI and big data have played an important role in COVID-19.

The ongoing spread of COVID-19 has become one of the biggest threats to the global economy and financial markets. To contain the impact of the coronavirus epidemic, India, like many countries around the world, is taking various measures, including a nationwide lockdown, limiting the movement of the entire population, closing public places and transportation and solicitation of the public to stay indoors. , keep social distances and work from home. The resulting economic disruption is enormous and the short-term decline in activity by companies, large and small, considerable. The adverse effects of the COVID-19 pandemic are seeping into major sectors of the Indian economy, with industry, automotive, retail, aviation and hospitality being the hardest hit by the lockdown.

This, in turn, has impacted the fast growing digital payments which are closely linked to the aforementioned industries. Store closures, travel bans and reduced consumer discretionary spending have an even more negative impact on digital payments. The new use cases have been generated alongside application areas where the demand for IoT software solutions has seen a strong increase. The data is necessary for our understanding of the world and, in particular, for the emergence of phenomena such as the COVID-19 epidemic. In the past, India has faced diseases such as smallpox, plague and polio. All of these individually were quite serious incidents. However, Covid-19, which originated in China in December 2019 and quickly spread to almost every country in the world in the coming months, could prove to be the biggest health crisis in our history. Many experts have already called it a black swan event for the global economy. India recorded the first case of the disease on January 30, 2020. Since then, cases have steadily and significantly increased. Corona virus concerns are likely to aggravate difficulties for Indian banks, rating agency Fitch said, lowering the OE score for the critical sector by a notch. In this document we seek to investigate the impact of COVID 19 in the financial sector, more specifically the impact on banks and banking technology companies.

Moody's Revises Indian Banking after Covid-19 Influence :- Rating agency Moody's revised India's banking system from stable to negative, citing disruptions in economic activity caused by the COVID-

19 outbreak and a consequent decline in asset quality. He said asset quality will deteriorate in corporate, small and medium-sized companies and in the retail segments, putting pressure on profitability and capital from lenders. According to Moody's, stress among non-bank financiers will limit their ability to lend, further hampering economic growth in India, which was in decline prior to the Covid-19 outbreak.

According to Moody's, a sharp decline in economic activity and rising unemployment will lead to a deterioration in family and business finances, which in turn will translate into increased delinquencies. The rating agency said that the increase in provisions and the decline in income will affect the profitability of banks, causing a deterioration in capitalization. If the government infuses more capital into public sector banks (PSBs), as it has done in recent years, it will ease the pressure on capital. COVID-19 is an ongoing event that brings uncertainty to all aspects of society. The safety of people is the top priority along with business continuity and the provision of consistent and transparent financial reports to stakeholders. The Indian government and the RBI have introduced various economic and fiscal stimulus measures to overcome the COVID-19 crisis. To navigate these unprecedented times, BFSI must focus on liquidity, credit risk, the well-being of its employees along with the quality of financial reports and information. COVID-19 would impact financial services entity balance sheets in the areas of business model assessment, post-balance sheet events, and some other key areas. The Reserve Bank of India has taken some steps to provide some relief to lenders in the areas of liquidity, regulation and supervision and financial markets. In light of these measures, banks should consider financial and reporting considerations on business performance, liquidity and credit risk assessment, etc.

Worldwide Banking System and Influence of Covid-19 :-The COVID-19 pandemic has affected almost every aspect of life around the world. Declining productivity and blockages have already begun to affect the business sector's finances. Supply chain disruptions, production bottlenecks and crippled health systems need a large public fund and encouragement to keep operations running smoothly. Proceeds from tourism, the entertainment sectors, among many others, have already paralyzed the economic situation. The researcher has already seen huge losses in financial markets of up to 59.87 trillion rupees as a result of this pandemic.

Investor sentiment is at an all-time low and it is also becoming clear how difficult it will be for banks around the world to maintain good assets and good profits. Due to closures and slowing revenues, many loan repayments, especially in Europe, the United States, may fail to leave banks running dry. What used to be your assets would now become a great risk. The US and Europe can already be seen as the emerging epicenter after China has started to recover from this economic shock. Italy, the second country with the best health services in the world, has been in a socio-economic disaster since the Corona virus hit the country. The situation continued to degenerate even after the complete closure and the borders. The rating agency Fitch has already warned about the coping mechanism of the Italian banking system with COVID-19. So countries that were already entering recession like Greece raise investor concern. People have put large wallets in the US or Europe and are now in trouble as the pandemic empties their pockets as financial markets collapse around the world. Bank stocks fell sharply, demonstrating shaky confidence in the global financial system. Supply chain disruptions, production barriers and crippled health systems need a large public fund and encouragement to continue operations smoothly.

In its first emergency move since the 2008 recession, the US Federal Reserve (Fed) recently cut the federal funds rate by 50 basis points. The Fed has also actively intervened in the repo market to add more liquidity. Meanwhile, the Bank of Japan (BoJ) issued an emergency statement saying it would inject liquidity into the market by increasing asset purchases. The People's Bank of China (PBOC) has also injected more than $ 240 billion of cash into the financial system as a countermeasure to the virus. Additionally, the Bank of England and the European Central Bank (ECB) have announced several plans to tackle COVID-19 in the coming days. Meanwhile, banking and capital market companies around the world are mobilizing and taking steps to minimize the effects of COVID-19 on day-to-day operations.

The Influence Areas of Covid-19 on Digitization of the India Banks :-Banking services in India are classified in the list of essential services. Banking and financial institutions have come under enormous pressure to ensure normality amid the closure and health crisis. Banking operations such as cash deposits, withdrawals, check clearing and other traditional cashier services had to be done with a safe distance of at least one meter. Social media was abuzz with a bank employee's efforts to handle checks with tongs and disinfect them with a steam iron. Operational and technical challenges for both customers and employees have highlighted a gap and a general lack of agility in our banking systems in the face of an emergency. Immediate learning of the current COVID-19 situation will add the rigor needed to digitize and optimize the bank's backend operations. This will eliminate the reliance on manual entries, person-led reviews, such as paper and employee intervention within banks.

When the COVID-19 situation is over, Indian banks are expected to shift gears from traditional forms of banking. Traditional banks will have the opportunity to take a leap in adopting cutting-edge banking technologies and pave the way for digital transformation. At present, 27 of India's public sector banks (PSUs) are being consolidated into 10 major banks. It is an opportune time for PSUs to explore better technology integration and customer adoption. Other Indian banks (both public and private) that are already in line with some basic banking functions will focus on a complete transition by digitizing all their functions, processes and systems. Traditional Indian banks and financial institutions will also seek collaboration with new entrants and finches. These need-driven partnerships will drive innovation and together reap the benefits of the banks' large customer base and new finch technologies.

Indian Public Sector Banks in Consolidation Mode :- The government's move to merge 27 public sector banks (PSBs) into 10 large banks is currently underway as Covid-19 is creating another direct disruption in sectors such as travel, transportation, tourism, hospitality and commerce, etc. Banks like Union Bank of India, Punjab National Bank, Indian Bank and Canara Bank are in the process of streamlining branches and people, technology integration and stressed lending strategy, etc.

The Biggest Business Impacts of the Covid-19 Pandemic :- The COVID-19 pandemic continues to spread globally, Business Insider Intelligence and e-Marketer continue to work to analyze the commercial impact of the virus in each of our coverage areas. The Corona virus is shaking business and consumer behavior on a large scale. Both the public and private sectors are fighting to slow the spread of the disease and contain the COVID-19 infection, while the full economic consequences of this black swan event are still unclear.

The government knows that the effects of the virus and the drastic measures taken to contain it are already accelerating change in all sectors. These are the three main ways Business Insider Intelligence and e-Marketer analysts believe the pandemic will affect telecommunications and technology, digital media, payments and commerce, financial technology, banking and industry. . Many organizations are already taking "no regrets" measures to emerge stronger from the pandemic. These leaders address the crisis with a spirit of reinvention by accelerating digital transformation, establishing variable cost structures and implementing agile operations. But in recent weeks the landscape has changed: the pandemic continues to peak in some markets and returns in others.

Credit Management :-Even with Indian government stimulus packages and Reserve Bank of India (RBI) liquidity measures, banks can expect increased loan defaults as borrowers of all age groups Customers find it difficult to make payments facing an economic crisis resulting from the loss of businesses and jobs. In addition to the moratorium line announced by the RBI for all term loans, as part of the COVID-19 package, lenders should consider proactive loan restructuring to reduce the cash flow burden in the short term by reducing so are insolvencies in the immediate future. Therefore, banks need to prepare for losses and develop the capacity to cope with an increase in bad loans. As consumer demand picks up, albeit gradually after closure, banks will need to reuse their customer acquisition and marketing model, taking into account the change in consumer behavior after COVID-19, as well as focus on travel and reengineering digital observe underwriting rules for better risk discovery.

Revenue pressure :- Revenues from retail and commercial banking services are down sharply as consumption and underlying transactions declined exponentially. While central banks around the world have cut interest rates, banks are cutting yields to generate business, significantly reducing net interest margins. Proceeds from payments and other paid services are suffering from a general slowdown in economic activity. With measures such as periods of loan default, the cash flow of banks was also affected. Banks can also focus on cash back and loyalty rewards to encourage spending in the sectors that need it most.

Banking and Capital Markets :-The new regulation that followed the 2008 global financial crisis put banks in a good position to enter the COVID-19 pandemic. The similarity with banks, households and businesses entered the crisis with relatively high leverage and, therefore, more susceptible to economic shocks.

The practice of central banks to aggressively cut interest rates further from previous record lows has put further pressure on banks' interest margins. Furthermore, although central banks focus on corporate financing, they may later choose to stress-test bank resolutions developed after the global financial crisis. This may suggest that banks will be able to replenish their capital buffers only through undistributed profits and dividends, rather than through the issuance of rights. All of these pressures can generate losses across the banking sector. TP models that attribute lower cost to reward for sales branches may require retesting, in terms of major or suitability in a COVID-19 environment where the bank is suffering losses as a whole.

Will Indian Banking Sector Conquer the Impacts?

The COVID-19 pandemic, in fact, is the third silent world war as it has upset normal life and revolutionized the modern world in a short time. COVID-19 unleashed its power over humanity without shedding blood, but it silently killed people and spread fear of death. So there is nothing wrong with equating the current situation with a world war. The whole world is still struggling to survive the pandemic. The impact of COVID-19 on business and industry will lead to bad debt and this can seriously affect your profits. It is also crucial to consider how the war created by COVID-19 has affected the Indian banking sector as a whole. The first case of COVID-19 was reported from Wuhan, China in December 2019. China took it lightly, but soon realized they were playing with fire. Other countries didn't take the disease seriously until it hit. The COVID pandemic has affected both developed and developing countries. The world has stopped and the situation has stopped the wheel of the economy. Many people have lost their lives, many are in treatment and no one is sure we can defeat this epidemic. It has affected all sectors of the world, causing job losses and falling incomes.

The Indian banking sector, COVID-19 and the subsequent blockade have hit him hard. The central government declared nationwide closure on March 24 and abruptly shut down all commercial activities. In the banks, a decline in credit activity has begun. Several changes occurred in the banking sector during this great lockdown. The opening hours of the banks were reduced and managed with fifty percent of the employees. The banks had to guarantee the social distancing of customers. The main source of income for banks is interest earned on loans and advances. However, during the lockdown period, loans showed a downward trend as people preferred to deposit what they could to secure their future.

Challenges in Banking :- Financial institutions around the world have steadily evolved their businesses due to regulatory and competitive pressures, the stressed interest rate regime, and changing customer expectations. Banks form the backbone of all economies and play a vital role in the lives of citizens by providing them with essential financial services. The Indian banking sector embarked on the digital transformation journey a few years ago. While the initial goal may have been to thwart competition from tech-savvy New Age gamers, the COVID-19 crisis could change the game, prompting banks to embrace digital technology.

It is important not only to manage the COVID-19 crisis, but also to prepare for the post-crisis recovery. As both urban and rural India have high mobile penetration and data access, banks may be looking to expand digitally. Current circumstances have increased familiarity with the use of technology among suppliers and customers. Banks can partner with technology providers or create their own digital solutions to enable digital banking for their customers. Similar digital initiatives are needed to empower employees, suppliers and other stakeholders. Over the next few months, banks' major cost ratios are expected to experience severe stress, forcing banks to rethink their fixed cost strategy.

The banking sector continues to serve customers as it intends to optimize its delivery models. For the income-generating workforce, productivity is under pressure from social distancing norms. The non-generating banking workforce, systemic access and connectivity challenges are proving restrictive. The current crisis is different from previous ones due to several factors, such as the challenges of a large number of people related to the workspace, privacy and technological infrastructure. Banks need to change their view of income due to reduced lending capacity, low interest income and increased stressed assets.

They also need to behave towards customers and employees, which could force them to change their business models and strategies. These changes may not be immediately visible, but they will ultimately impact the business. Banks need to rethink their stress to be more effective and attentive to customers. Banking business in India is mainly focused on bank branches due to the large volumes of cash transactions. Branches are the face of a bank and allow customers to visit and talk to them, especially on the Tier-II and Tier side to educate and help their customers slowly migrate to digital channels without compromising their convenience and comfort.

CONCLUSION :- The global spread of COVID has been hindered. COVID has impacted all industries around the world in recent months. As industries try to recover, new strategic initiatives and more preparedness are needed. Banks and the financial services sector in general face multiple challenges due to the continuing global impact of COVID-19. The outbreak of the COVID-19 pandemic is an unprecedented shock to the Indian economy. Banks must continue to leverage technology and create flexibility in their infrastructure to address these challenges.

Banking services in India are classified in the list of essential services. Banking and financial institutions were under enormous pressure to ensure normal functioning during the lockdown and health crisis. Operational and technical challenges for both customers and employees have highlighted a lack and general lack of agility in our banking system in the face of an emergency situation. In this research work, the researcher aimed to demonstrate a close look at the impact of the COVID-19 pandemic on the Indian banking system and briefly discuss Indian banks ready to assimilate COVID-19, as well as the influence of COVID-19 in the industry financial services. Immediate learning from the current COVID-19 situation will add the rigor needed to digitize and optimize banks' backend operations. At the end of the work, the researcher discussed the challenges created by COVID-19 before the Indian banking system.

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