



ORIGINAL RESEARCH PAPER

Commerce

INDIAN BANKING SYSTEM AND EFFECTS OF COVID 19 IN BANKING SECTOR

KEY WORDS: covid 19, banking system, RBI, Indian banks.

Kiran Net, M.com (CBL University, Bhiwani)

Pooja Net, M.com (M.D. University, Rohtak)

ABSTRACT

It is recognized that a dynamic and externally competitive real economic can be served by responsive banking system. A banking system should not only be able to meet the needs of economic but also resilient enough to with stand shocks and permote financial statement. A bank is financial institute which deals with deposit and advances and other related services. The banking structure played a major role in the mobilization of saving and promoting economic development. So, we come to know the performance of the banking system in India and havoc impact of covid-19 and digitalization in banking sector. The havoc created by the world wide pandemic covid-19 topped the complete Economic status of the world.

INTRODUCTION-

Banks is obliged by law, to repay the deposits and Borrowings as and when they fall due for repayment. The RBI regulates and operates the Banking system in India. It supervises and administrate exchange control and banking regulation and administers the government's monetary policy. The banking system in India work according to the guidelines issued by RBI. Indian banking industry which is almost 200 years old but after the reforms 1991, it is become the 5th largest banking industry in the world and will be third largest in 2025.

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 btheir 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. Grampanchayat 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. Many reports containing plenty of data stating the effects of this pandemic in the same context are available in the public domain. The investigation of the impact of Covid-19 from a large amount of distributed and unstructured data is very vital so that we can use those results to prevent the downfall of the economy and in turn minimize the pandemic effect.

This paper offers the Covid-19 Impact on Banking (Covid19) that provides semantic information about the impact of Covid-19 on the banking sector of India. Covid19 can be utilized to annotate the related data to provide meaningful insights. To lessen the impact of COVID-19 on Indian Banks, various policy measures were taken by Reserve Bank of India and Indian Government at centre level and state level. Some experts believe that banking sector mainly in India may take

long time to recover from the impact of this pandemic.

Bad Impact Of Covid- 19

- Reduction in domestic and international trade.
- Default loan payments.
- Employees loss their jobs.
- Difficulty in accessing routing operations.
- Reduction in service availability.
- Raising need for digital transitions.
- Growing preference for health and life insurance policy.

OBJECTIVES OF THE STUDY-

- To study about India banking sector and effect of covid-19 on performance of Indian banks.
- COVID-19 has negatively impacted many industries.
- To study how the steps taken by RBI have overcome the in Indian banks and what will be the future effects of the same.

The Review Of Literature-

Covid-19 pandemic adverse impact the Indian economy. Covid-19 threats have imposed many changes in the banking sector of India. To ensure speedy and effective customer services in the banking sector. Major Banks in India developed a shift in customer approach towards digital or electronic banking. So that banks have developed digital platforms for speedy & diversified services. Simple online banking tools, which enables even the illiterate and technologically backward people to perform simple and convenient operations at anytime anywhere banking. Mobile banking and digital platforms allows the users to access their accounts, check the status of the services and helps to update banking and non-banking transactions and communications with the help of Internet of Things and Artificial intelligence. Mobile banking wallets has boosted the banking sector and enhances daily transactions in an efficient and safe mode.

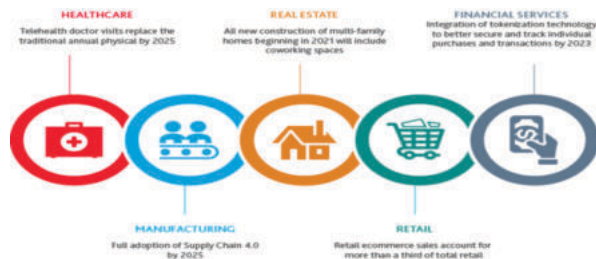
Dr. Jitender Singh and Dr. B. S. Boodle (2020) carried out a research study titled "Covid-19 Pandemic and Lockdown Impact on India's Banking Sector: A Systemic Literature Review" demonstrates the impact of this pandemic on Banks and NBFCs due to lockdown which has resulted into closure of all commercial organizations, educational institutions, public and private offices, suspension of means of transportation, etc. by considering views expressed by several groups including economists, financial institutions like IMF, World Bank and consulting firms.

Vikas Kumar and Sanjeev Kumar (Jan, 2021) carried out a research study titled "Impact of Covid19 on Indian Economy with Special Reference to Banking Sector: An Indian Perspective" demonstrates overview of the impact of COVID-19 situation on Indian economy and its banking sector and also analyses the various policy measures taken by Reserve

Bank of India and Indian Government at centre level and state level to improve the current economic situation of the country. In summary, during the epidemic period, banks will slow down the establishment of bank branches to prevent COVID-19, reduce risks, and improve efficiency. At the same time, the government and the public take various necessary measures to protect against COVID-19, such as: wearing masks and strict disinfection. Therefore, the impact of COVID-19 on bank branches may gradually diminish over time.

RESEARCH METHODOLOGY

Most of the bank branches encouraged their customers not to visit their branches and make use of online banking tools to carry out their day to day banking operations. Thereby the Covid-19 has pushed consumers towards the use of online and mobile banking. Banks have come up with technology called mobile banking services that encouraged customers to avail benefit of online, phone and mobile banking services as all these services are available at finger tips of customers in lieu of branch visits. Thus technology has altered the banking landscape by increasing non-branch banking which in turn helps create customer value. It is imperative for banks to adopt technology in the age of transformation to survive in the ever-changing market. The banking industry changed some of its old methods and is now finding new ways to retain its customer base. This period is of importance for banks, as it creates a modern credible digital interface to digitalize their processes. So in the Indian banking sector, digital means are getting popular as most of the customers are already much learned toward online banking. This study envisages how the Covid 19 impacts the banking sector in India and the growth of Technologically improved banking services of mobile/internet banking transactions in an overall aspects. And analyse the growth of mobile banking transactions in new generation banks.



During the pandemic, consumers have moved dramatically toward online channels, and companies and industries have responded in turn. The survey results confirm the rapid shift toward interacting with customers through digital channels. They also show that rates of adoption are years ahead of where they were when previous surveys were conducted—and even more in developed Asia than in other regions. Respondents are three times likelier now than before the crisis to say that at least 80 percent of their customer interactions are digital in nature.

Across sectors, the results suggest that rates for developing digital products during the pandemic differ. Given the time frames for making manufacturing changes, the differences, not surprisingly, are more apparent between sectors with and without physical products than between B2B and B2C companies. Respondents in consumer packaged goods (CPG) and automotive and assembly, for example, report relatively low levels of change in their digital-product portfolios. By contrast, the reported increases are much more significant in healthcare and pharma, financial services, and professional services, where executives report a jump nearly twice as large as those reported in CPG companies.

Financial inclusivity and accessibility is the cornerstone of global economic development, especially in a world that is traversing one of its toughest uncertainties of all times. The global banking and financial services industry, which has

undergone seismic shifts in the post Covid - 19 pandemic periods. The larger economic objectives enable accessible and inclusive global banking using fintech and application programming interfaces (APIs). For global banks that are spread across multiple countries and market, it presents an opportunity to use advanced technology solutions to make improved infrastructure in terms of higher rates of internet and mobile penetration across the world has been a key enabler of this revolution

STEP TAKEN BY RBI-

“Taking the actual growth rate of (-) 6.6 per cent for 2020-21, 8.9 per cent for 2021-22 and assuming growth rate of 7.2 per cent for 2022-23, and 7.5 per cent beyond that, India is expected to overcome Covid-19 losses in 2034-35,” said the report, released once every year. It is only by 2034-35 that India is expected to make good the losses arising from the pandemic, the “Currency and Finance Report” of the Reserve Bank of India (RBI) has said. The output losses for individual years have been worked out to Rs 19.1 lakh crore, Rs 17.1 lakh crore and Rs 16.4 lakh crore for 2020-21, 2021-22 and 2022-23, respectively,” it said. GDP growth for 2020-21 contracted by 6.6 per cent. the report said monetary policy had to assign priority to price stability as the nominal anchor for the growth trajectory. The RbI had Prioritized growth over inflation in the past two years due to the covid shock and has returned to giving precedence to infalation only in the April 2022 policy.

The report for 2021-22 year has the theme “Revive and Reconstruct” in the context of nurturing a durable recovery post-Covid and raising trend growth in the medium term.

Some of the reforms the government announced -- like goods and services tax, the production-linked incentive scheme, the Insolvency and Bankruptcy Code augmented with other measures to reverse the sustained decline in private investment and low productivity in the economy.

RBI Governor Shaktikanta Das, in the foreword to the report, said, “The resilience of certain sectors like agriculture and allied activities, information technology services, exports, digitalization and renewable energy during the COVID-19 crisis gives us the confidence that the Indian economy can stage a strong comeback.”

Recovery Path

6.5-8.5% is the feasible range for medium-term steady state GDP growth in India Timely rebalancing of monetary and fiscal policies first step towards achieving feasible growth Need to withdraw huge surplus liquidity present in the banking system Reducing general govt. debt to below 66% of GDP over next 5 years is important to secure India's medium-term growth prospects Growing focus on digitalization offers immense opportunities Source: RBI's currency and finance report

Estimates Of Gross Domestic Product For The First Quarter (april-june) Of 2020-21-

The National Statistical Office (NSO), Ministry of Statistics and Programmed Implementation has released the estimates of Gross Domestic Product (GDP) for the first quarter (April-June) Q1 of 2020-21, both at Constant (2011-12) and Current Prices, along with the corresponding quarterly estimates of expenditure components of the GDP.

- With a view to contain spread of the Covid-19 pandemic, restrictions were imposed on the economic activities not deemed essential, as also on the movement of people from 25 March, 2020. Though the restrictions have been gradually lifted, there has been an impact on the economic activities as well as on the data collection mechanisms. The timelines for filing statutory returns were also extended by most regulatory bodies. In these circumstances, the usual data sources were substituted by

alternatives like GST, interactions with professional bodies etc. and which were clearly limited.

- The data challenges in the case of other underlying macro-economic indicators like IIP and CPI, used in the estimation of National Accounts aggregates, will also have implications on these estimates.
- Estimates are therefore likely to undergo revisions for the aforesaid causes in due course, as per the release calendar.
- The next release of quarterly GDP estimates for the quarter July-September, 2020 (Q2 of 2020- 21) will be on 27.11.2020.

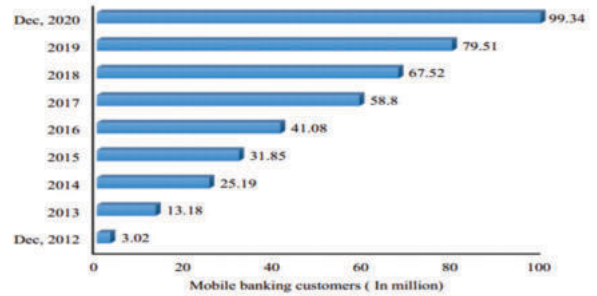
S. No.	Indicators	Q1 2019-20	Q1 2020-21
1	Production of Coal	2.6	-15.0
2	Production of Crude Oil	-6.8	-6.5
3	Production of Cement	1.0	-38.3
4	Consumption of Steel	5.0	-56.8
5	Total Telephone Subscribers	1.5	-2.0
6	Sales of Commercial Vehicles	-9.5	-84.8
7	Cargo Handled at Major Sea Ports	1.7	-19.8
8	Cargo Handled at Airports	-6.5	-57.2
9	Passengers Handled at Airports	-0.6	-94.1
10	Railways		
	(i) Net Tonne Kilometers	0.7	-26.7
	(ii) Passenger Kilometers	-2.2	-99.5
11	Aggregate Bank Deposits	10.4	9.6
12	Aggregate Bank Credits	11.9	5.6
13	LIC Premium - Non-Linked	35.6	-14.7
14	LIC Premium - Linked	-3.7	20.9
15	CPI General Index	3.1	6.6
16	IIP		
	(i) Mining	3.0	-22.4
	(ii) Manufacturing	2.4	-40.7
	(iii) Electricity	7.3	-15.8
	(iv) Metallic Minerals	17.9	-43.3
17	WPI		
	(i) Food Articles	7.0	2.5
	(ii) Minerals	18.3	-1.2
	(iii) Manufactured Products	1.5	-0.03
	(iv) All Commodities	2.7	-2.3

The pandemic forced many people, including the ones who resisted the use of digital technologies in banking services, to adopt the use of digital banking services. The longer duration of these lockdowns will help the customers to get familiarized with digital banking services, and the chances of them moving to physical branches will be less after the lockdowns are fully over. Apart from all the negativity, the pandemic has given many opportunities to the banking sector to launch many digital initiatives. Live chats, use of virtual assistants, WhatsApp Business, etc. became the new norm just after the initial relaxation of protocols being followed for Covid-19 restrictions.

Due to the Covid-19 pandemic, consumers are forced more towards online shopping, and it is quite evident through the Mastercard study, which points out that nearly 49% of Indian online customers are interested to do more online purchase in the future. Businesses related to the selling of groceries, pharmaceutical products, bill payments, recharges and online education have seen an immense rise in digital payments.

Just after the outbreak of the pandemic, even banks had to close their physical branches. For example, JP Morgan closed around 1,000 branches, whereas Citigroup closed around 100 branches in the USA. There has been a rise of about 8% in both the users of internet banking and mobile banking through financial apps as compared to both pre-Covid-19 and during Covid-19-related restrictions. The purpose of the study is to find out how demonetization and the current pandemic have reshaped the usage of digital banking services. It also tries to

find out the factors that influences consumers' adoption of these digital banking services.



CONCLUSION-

Banks are an important pillar of the economy and the strategies they adopt will influence the recovery of the economy after the pandemic times. Digitization remains a priority option for the banks, in order to offer customers with the quality and safest solutions in their current business with the bank. Government is required to take decisions and actions to lessen uncertainty and financial stress in the economy. Continuous measures should be taken to enable the smooth functioning of both money and capital markets. COVID-19 breakdown has caused severe damage in banking sector. As a consequence, the COVID-19 crisis is reshaping the global landscape and enables us to foresee the development trends of the global economy in the next ten or twenty years. Therefore, it is of paramount importance to examine the impact of the outbreak on the countries, given the important role of the banking sector in the economy. This paper offers a systematic analysis to examine the impact of COVID-19 on the financial performance of the banking sector.

REFERENCES

1. Dr. Nilam Paschal (2021), "Impact Of Covid-19 On Banking In India : An Empirical Analysis", Gujarat university Publications, Vol. 13. Issue No. 2.
2. Suhas, D, H.N. Ramesh, (2018), "E-banking and its growth in India – A synoptic view", Journal of Management Research and Analysis,
3. Ms. Tammana Muzawar, 2020, a Qualitative Study on Impact of Covid-19 on Mobile Banking Services.
4. Barua, S. (2020). Understanding Coronanomics: The Economic Implications of the Corona virus (COVID-19) Pandemic, vol. 8, no. 1, pp. 29-43. *Journal of the State of Goa, International Research Journal on Advanced Science Hub (IRJASH)*.
5. El Nahass, M., Trinh, V. O., & Li, T. (2021). Global Banking Stability in the Shadow of Covid-19 Outbreak, *Journal of International Financial Markets, Institutions and Money*, 54 vol. 72.