

COVID-19 PANDEMIC AND IMPACT ON INDIAN BANKING SECTOR

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Abstract

COVID-19 Pandemic crashes the whole financial status of the sector. Possibly the maximum tragic duration of history human has ever visible. Developing country or under developed country, no country escaped safe from its brunt. The Indian financial system has been especially affected because of COVID-19 Pandemic. Indian Banking sector faced and retain to face many demanding situations. Government authorities and RBI made important adjustments in their policy with the help of reforms for facing COVID-19 pandemic. The objective of this study is to study the situation of Indian banking sector during the covid-19 Pandemic and the reforms RBI bought in its policy because of COVID- 19 and also in standard how the Indian Banking sector is affected by COVID-19. It's proper that banks are installed in India with a number one purpose to make income by means of giving expected offerings to clients. However Covid19 has changed the state of affairs of Indian customers. Due to lockdown and close down of agencies earnings source of the people got here to close down. These demanding situations our Indian banks are going through in contemporary pandemic state of affairs.

Keyword: Banking, Covid-19, RBI.

Introduction

The corona virus epidemic has hit millions of lives with thousands of deaths across the world. The rising threat of corona virus continues increasing as everyday new cases are coming out. The Corona virus disease first time identified in Wuhan, China in December 2019 and spread to the overall world. After observing its infection and increase the rate of death World Health Organization (WHO) declare it as Pandemic on 11th March 2020. As seen current situation India is extensively affected from Corona virus. Total world goes into recession from COVID-

19. In India, COVID-19 impacted the entire sector. In a report published by the RBI, states that corona virus has impacted better companies, organizations and businesses that were

performing well before this pandemic.

Indian economy basically depends on the three sectors namely primary sector, secondary sector and tertiary sector and all the three sectors are being majorly supported by banking sector (Singhal, Goyal & Singhal, 2020; Singhal, Goyal & Singhal, 2021). Banking sector is providing the financial support to all these sectors by disbursing loans, advances, short term credits, issuing letter of credit, bank guarantees etc. as its traditional work. The new phase of Indian Banking resembles in work like providing forex support, digital banking, e-commerce, tele banking, e-kiosk and many more. If banking sector gets impacted by any obstacle its consequences will definitely be borne by all these three sectors which are pillar of the Indian economy. Banks get outbreak due to novel Corona Virus. Borrowers and Industries face the dangerous problem like job losses, slowdown in sales and decreased in the profit as virus spread in overall India. Banking customer wanted some financial relief and Reserve Bank of India encouraging national banks to provide the relief by framing good banking policies towards customer. Indian Banks face so many challenges due to COVID - 19 Pandemic. The total operating environment is negative due to uncertainty surrounding the severity and duration of the pandemic and associated effects on Indian bank of restrictions on economy activity.

Research Methodology

Research is based upon effect of COVID -19 in Indian Banking Sector. The Research is based on the secondary data. For the Research paper data is collected from Reserve Bank of India Website, Reserve Bank of India Manual, Guideline provided by RBI in their manuscript, Books, Internet, Magazines and Newspaper.

Objectives of the Study

1. To study the effect of COVID-19 Pandemic in Indian Banking Sector.
2. To study the Government authority and RBI Reforms due to COVID-19 Pandemic.
3. To find out solution for Indian Banking system to face COVID-19 Pandemic.

Impact areas of Covid-19

Banking operations such as cash deposits, withdrawals, clearing of cheques and other traditional teller services had to be executed by maintaining a safe distance of at-least a meter. The operational and technical challenges for both the customers and employees

highlighted a deficiency and the general lack of agility in our banking systems when faced with an emergency situation. The immediate learning's from the current COVID-19 situation is to shift towards digitizing and optimizing the bank's backend operations. This will eliminate the dependency on manual entries, person led reviews i.e., paper and employee intervention within banks.

The COVID-19 situation will not only accelerate the adoption of technology, but will renew focus on key areas of banking:

- ❖ **Implementation of New Technologies** – In the consequences of the pandemic and economic uncertainties, budding technologies will play a key role in speeding up transactions and reducing costs for banks. Indian banking sector has realized the role of technology in achieving the success. It predicts higher rates of adoption of micro service building by dropping vertically integrated loads. These new technologies will play major roles in digital transformation of Banks and Financial Institutions.
- ❖ **Channels of Digitization** – As per the 2017 global index report by the World Bank, India is home to the world's second largest unbanked population at 190 million adults without access to a bank account. With increased access of mobile and Internet, the primary focus would to accelerate technology enabled digital financial inclusion. The business focus would also be to create a steady shift in customer preference from visiting bank branches to using digital channels. Banks will enable its customers to interact over multiple automated and digital channels to offer the optimal channel mix.
Banks will consider important factors such as demographics, access to internet, last mile connectivity, customer banking behavior patterns etc. to enable effective adoption by the Indian banking consumers.
- ❖ **Security, Privacy and Customer Trust** – According to RBI, for the financial year 2017-18, India's banking sector witnessed a spike in cyber frauds and pegged the losses at \$ 13.7 million. With increased use of cashless and digital economy, it will be imperative for the banks to implement secure frameworks and systems. Some of the obvious cyber risks include financial frauds, money laundering, data loss, identity thefts and privacy breaches. Banks need to take strict steps to identify both internal

and external system permeability. They should be technically strengthened by rigorous KYC, strong customer authentication (SCA), financial grade APIs, firewalls, smart networks, etc., for secure and seamless transactions.

- ❖ **Policy and Compliance** – The focus should be on increased digital payment infrastructure, especially in rural India, with an intention to create a financial ecosystem for the unbanked and under-banked population of our country.

Government authority and RBI Reforms in India

Reserve Bank of India is the apex frame of India. RBI frame the economic policy and supply guidance to all public region and personal quarter banks. RBI issue the bank notes and preserving of reserves for you to securing monetary stability in India and operate currency and credit score system in India. RBI hold fee stability while preserving boom of the united states. Reserve bank of India announce COVID-19 Regulatory package deal for all industrial banks (which include Small Finance financial institution, local area bank, regional Rural bank), All primary (urban) Cooperative Banks / nation Co-operative Banks/ District principal Cooperative Banks All All- India economic establishments, All Non-Banking economic businesses (including Housing Finance groups). Government has introduced 1.7 trillion applications for the poor individual who desires money for his or her livelihood and food protection. Many corporate personnel lose their process due to COVID-19 Pandemic.

The Government is 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 gives concentration on municipal party. Gram panchayat for knowing the basis cause and determine the answer for minimizing the matter. Government also gives emphasize on priority sector like hospital, schools, service sector who takes loan from bank and they need support for survival.

The Government of India and RBI has introduced various economic and monetary stimulus measures to bridge over the COVID-19 crisis. To navigate through these unprecedented times the BFSI needs to focus on liquidity, credit risk, wellbeing of its employees along with the quality of financial reporting and disclosures. The COVID-19 would impact the

financial statements of the entities in the financial services in the areas of business model assessment, post balance sheet events and certain other key areas. The Reserve Bank of India has taken

certain measures to give some relief to the lending institutions in the areas of liquidity, regulation and supervision, and financial markets. In light of these measures, banks need to consider financial and reporting considerations around going concern, liquidity and credit risk assessment, etc.

COVID -19 Regulatory Packages

By RBI Circular announced certain regulatory measures for overcoming from the COVID-19 Pandemic Disruptions by forming provisions and Asset Classification Norms. In Announcement they declare providing relaxation in repayment of debt and improving access to working capital management along with that RBI focus on prevention of financial stress to the business holders, so that they continue their business in favorable environment.

Payments Rescheduling - Term Loans and Working Capital Facilities

For decreasing the impact of COVID-19 Pandemic all business financial institution (such as nearby rural bank small finance financial institution and neighborhood region bank) , co-operative bank all India monetary organization and Non- banking economic agencies (along with housing finance businesses) (lending institutions) are allowed to provide relaxation for next 3 Month i.e. 1st June 2020 to 31st August 2020 in charge of all Equated month-to-month Installment (EMI) in recognize of time period mortgage that includes agricultural term mortgage , Retail loan , and crop mortgage. In time table repayment such mortgage's residual tenor might be shifted to the board. Hobby will continuously accrue of the time period loan at some point of moratorium duration. In appreciate of running capital facilities Reserve bank of India comes to a decision to sanction within the shape of coins credit and Overdraft. Banking industry laid low with stress as strong enterprise downturn and enterprise closure. As a result, structural shift in banking policy and industry.

Necessities for Making Working Capital Financing:

Reserve Bank of India provide the facilities to pay the working capital loan in the form of Cash Credit or to borrowers and minimizing stress of financial institution. This step has taken by RBI as a measure for facing COVID-19 Pandemic. RBI declare Recalculate the

“Drawing power n” by reducing working capital margin till August 31, 2020. This temporary arrangement done by Reserve Bank of India till 31st March 2021. Reserve Bank of India continuously take the review for sanctioning working capital limits up to 31st March 2021, based on Reassessment of working capital cycle. The above measures will be contingent on the financial institute satisfy themselves that the same needed on account of the economic fallout from COVID-19 pandemic. Further, accounts provided relaxation under these instructions shall be subject to subsequent supervisory review with regard to their justifiability on account of the financial economy fall down from COVID-19 pandemic. Financial Institutions worked accordingly the policies that are framed by the board of Reserve Bank of India.

Asset categorization

Reserve Bank of India decides to convert accumulated Interest into Funded Interest Term Loan and change the credit policy of the borrower to particularly overcoming from COVID-19 Crises. RBI work on resolution of stressed assets as direction getting from 7th June 2019 in prudential framework and relatively will not result in downgrade of Asset Classification In respect of account classified standard on February 29, 2020, even if past due the COVID-19 Pandemic period. Wherever granted in respect of term loans, will be excluded by the financial institutions from the number of days overdue for the purpose of asset classification under the Income Recognition and Asset Classification (IRAC) norms. The asset classification for such accounts will be identified on the basis of revised due dates and the revised repayment schedule.

Reforms by Financial Institution

Financial Institutes provide COVID-19 insurance to the customer for facing unpredicted circumstance. Financial Institutions are providing loan term relaxation to the general public. They're performing on data partnership for trade finance. They're performing on to make comprehensive digital platform for customer service. Financial Institutes provide digital trade financing to the customer for giving effective service. they're providing “Home delivery of cash”. Financial Institutes also performing on Revamping of their Internal System. Migration to cloud system to enable employee remote access. they're Giving assurance to employees for job security.

Findings of the study

Government is taking initiative through saying remedy bundle for the terrible folks who includes coins transfer and meals protection in the U.S. Government Introduce emergency / drastic measures for economic survival. Government is pushing precedence area by way of presenting lending from banks. Economic employer declared large company bailout programs. Indian Government authorities strengthening administrative machinery for efficaciously distribution of gain of welfare application. Indian government is functioning on growing empowerment of nearby our bodies for powerful crisis management of disaster.

Reserve bank of India offers the policies for institution of running limits for purchasers for structural give a boost to. RBI offer three-Month Moratorium length for paying term loans. Federal Reserve bank of India offer relaxation in Asset class Norms to the majority and personal quarter Banks. Federal Reserve bank of India reduced REPO fee by way of ninety BPS. RBI decreased further REPO fee via 2 to 3%. Reserve bank of India sustained REPO rate reduction to close zero degree.

Conclusion

Banks will perform at some point of an economic device it truly is awash with liquidity and interest charges are extraordinarily low. The authorities are going to be a key participant inside the monetary area, both as a borrower (to fund its deficit) and as a “risk absorber” supplying guarantees, lower back-stops and greater direct economic aid for borrowers whose groups and cash flows bear the brunt of the virus. This brings us to the associated problem of the way banks' mortgage books are in all likelihood to seem within the destiny when you consider that principal financial upheavals always reason an escalation in chance notion and a flight to nice. RBI frames the policy for ensuring business continuity, have interaction in partnership to optimize manner and beautify revel in. Reprioritize sectors and patron segment supported boom and threat profile.

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