



COVID-19 AND ITS IMPACT ON INDIAN BANKING SECTOR

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Abstract

The global devastation of the COVID-19 pandemic has turned the entire economic situation upside down. The Covid-19 pandemic has severely hit the economy. With the help of experts, the Reserve Bank of India, the country's apex bank, has adjusted its policies as needed to combat the COVID-19 epidemic. The Reserve Bank of India has reduced the REPO rate, among other problems that the entire Indian banking industry has experienced and continues to face. As many are struggling to make their payments, the Reserve Bank of India has decided to extend the repayment period to give customers a break on EMI payments. The research paper aims to understand the response to the Covid-19 pandemic as well as the overall impacts of the pandemic on the Indian banking industry. In addition, a plan is presented for the Indian banking industry to address the losses brought about by the COVID-19 pandemic. According to the report, in response to the COVID-19 pandemic, the Indian banking sector has implemented a number of new steps to improve its efficiency. Most of the Indian banks have been facing problems including non-performing assets (NPAs), loan non-renewals, consumer frauds, bad loans, etc. No doubt, banks were established in India primarily with the intention of making money by providing the desired level of convenience to their clients. However, COVID-19 has changed the situation for Indian clients. People's sources of income have ceased due to the demise of businesses. So where is the option to take a loan and repay with interest? These are the difficulties our Indian banks have faced during the pandemic.

Keywords: Covid-19, Indian Banking System, RBI Policy,

1. Introduction

Indian banking system is always coming up with new policies to mitigate the impact of COVID-19. The COVID-19 pandemic is affecting the entire planet. It will change how Dekorona works with the world. The viral disease was originally discovered in December 2019 in Wuhan, the capital of Chubai, China, and then spread to all countries in the world. On March 11, 2020, it announced actions and mortality. As observed in the past, corona virus has hit India in a big way. Currently, the World Health Organization reports that 7,273,958 confirmed cases of COVID-19 have been reported worldwide, including 4,13,372

deaths. the Indian government reported 8,102 deaths from these cases. The global downturn caused by COVID-19 is affecting every industry. persistent increase in unemployment rates and high levels of supply drastically reduced government earnings. A sudden collapse in the travel and hospitality industry. reduced consumer shopping activity. drastically reduced fuel-related activities. Major Indian corporations with declining industrial operations included TATA Motors, BHEL, Aditya Birla, Larsen and Turbo. Indian banking industry is hit by the coronavirus pandemic. There is an outbreak of the new Corona virus in the banks. As the virus spread across India, borrowers and the industry faced serious problems such as job losses, sluggish sales and declining profits. Reserve Bank India has urged nationalized banks to provide the financial relief that banking customers demanded by imposing customer friendly banking regulations.

It was decided to allow employees to work from remote locations due to employee security concerns. The World Health Organization (WHO) has recommended against touching banknotes in favor of contactless payments. Because the coronavirus has been shown to survive in banknotes for several days, the disease spreads faster. One positive change that the coronavirus has brought in India is that banks are gearing up to go digital.

People in India now rely on call centres, online banking and phone banking.

To launch the operation, HSBC Banks in India divided the population. The problem of non-performing assets has worsened at the banking level. NPA in India has recorded a significant increase. India's current NPA rate is 2%, which is comparable to China, but the country's credit cost ratio could be worse. As a result of the ongoing economic disruption caused by the COVID-19 epidemic and the decline in asset quality, the Indian banking system has moved from stable to negative. According to the report, small and medium-sized enterprises (SMEs) and the retail credit category have persistently poorer asset quality, putting pressure on lenders' profitability and capital.

The corporate sector's finances have already started to suffer from reduced production and foreclosures.

The COVID-19 pandemic has brought several challenges to Indian banks. Ambiguity in terms of severity has a detrimental impact on the operating environment as a whole. The Indian banking system is always coming up with new policies to mitigate the impact of COVID-19. The COVID-19 pandemic is affecting the entire planet. It will change how Dekorona interacts with the world. The viral disease was initially discovered in December 2019 in Wuhan, the capital of Chubai, China, and then spread to all countries in the world. On March 11, 2020, she announced the event and mortality. As observed in the past, the coronavirus has hit India in a big way. Currently, the World Health Organization reports that 7,273,958 confirmed cases of COVID-19 have been reported worldwide, including 4,13,372 deaths. the Indian government reported 8,102 deaths in these cases. The global downturn caused by COVID-19 is affecting every industry.

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The corporate sector's finances have already started to suffer from reduced production and asset seizures. The COVID-19 pandemic has brought several challenges to Indian banks. Severity ambiguity has a detrimental impact on the operational environment as a whole. 21 to 26% reduction in refinery utilization. A decline in production due to shutdowns, import restrictions and labor unavailability. Reduction of refinery utilization by 36-40%. Slowdown in the pharmaceutical sector due to import restrictions. Ending the business of small and medium traders. Sharp decline in renewable energy sector due to lack of competitive price. Reduction and postponement of capacity additions due to concerns about financial viability and disruption of the global supply chain.

Government and RBI are continuously in action mode to provide relief to people. The government has announced a package of 1.8 trillion for poor people who need money to live and secure food. Many corporate employees are losing their jobs due to the COVID-19 pandemic. The government continuously creates economic measures and strategies in order to reduce the unemployment rate. The government has also given instructions to many welfare institutions in India to strengthen their self and promote the society for upliftment. The government is also focusing on the communal side. Grampanchayat for knowing the root cause and finding solutions to minimize the problem. Government is also emphasizing on priority sector like hospitals, schools, service sector which takes loan from bank and needs support to survive.

1.1 Short Term Disruption in Indian Banking due to COVID-19 Pandemic.

1. Inability to access the data / Infrastructure, leading to reduce serviceability.
2. Temporary correction in valuation of FIs , with an expected reduction in returns
3. Difficulty in accessing branches for routine operation
4. Default in loan payment
5. Scaling down of non essential operations
6. Significant reduction in domestic and cross border trade

1.2 Prolonged crisis in In Indian Banking due to COVID-19 Pandemic

1. Increasing preference for distributed workforce shared services
2. Raising need and preference for digital transactions
3. Growing preference for health and life insurance policies
4. Accumulation of surplus capital due to limited deployment opportunities
5. Increase loan defaulters due to reduce revenue and margin

2. Review of Literature

Covid-19 virus starts spreading in the world from 1st December 2019 , Many researchers start writing about research paper related to Covid-19 , Their effect on word economy , Impact of Covid-19 on Indian economy , How human beings are psychological become a week because of the corona virus.. -19 pandemic. Given the COVID-19 pandemic, how multiple parameters of the clinical course and management of COVID-19 need optimization. From social media, misinformation given to people Research paper highlights what are the real rules for taking measures against COVID-19, what preventive measures are suggested by Word Health Organization, How people become mentally fit from this phobia of COVID-19 . pandemic of banks, NBFCs, educational institutions, public and private offices, suspension of means of transport. The serious effects of COVID-19 on the economy are described in the research paper. in the banking sector, along with what the effects of COVID-19 are on the environment, he publishes in a research paper. sector: An Indian perspective. The research paper emphasizes declining company productivity, supply chain disruptions, production bottlenecks and crippled healthcare systems. The banking and financial system suffers from increased bad loan losses, reduced income from the tourist entertainment sector, etc.

The post highlights what are the effects of COVID-19 on fiscal policy, why the financial market is falling, what are the changes in banking policy, why there is a slowdown in the economy, etc.

3. Research Methodology

The research is based on the effect of COVID-19 in the Indian banking sector. The whole world is suffering from the worst situation. Indian banking also affected. People's ability to repay the loan will decrease. India's GDP fell. India's economic progress has declined. The Government of India along with the Reserve Bank of India are constantly developing new policies to help reduce the impact of COVID-19.

4. Objectives of the Study

1. To study the change in RBI policy due to COVID-19.
2. To study the 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.

5. RBI Reforms In India

5.1 COVID -19 Regulatory Package

RBI Circular has announced certain regulatory measures to overcome the disruptions of the COVID-19 pandemic by creating asset classification provisions and norms. In the Notification, they declare relaxation in debt repayment and improved access to working capital management, along with RBI's focus on preventing financial stress on business owners to continue their business in a conducive environment.

(i) Change in payment schedule of term loans and working capital facilities To reduce the impact of the COVID-19 pandemic, all commercial banks (including regional rural banks, small finance banks and local banks), cooperative banks, all financial institutions and non-banking institutions in India to provide relaxation on next 3 months i.e. from 1st June 2020 to 31st August 2020 on payment of all EMIs in respect of term loan which includes agricultural term loan, retail loan and crop loan. For the repayment schedule, such loan with the remaining maturity period will be transferred to the board of directors.

Interest on the term loan will continuously increase during the moratorium.

In respect of working capital instruments, the Reserve Bank of India will decide on penalties in the form of cash credit and overdraft. Commercial banks decide to ease payments for the next 3 months from June 1, 2020 to August 31, 2020. All these facilities are subject to interest recovery. Financial institutions may, at their discretion, convert the accrued interest for the grace period up to 31 August 2020 into a Funded Interest Term Loan (FITL) which will be repaid no later than 31 March 2021. stress such as severe industrial downturns and business closures. As a result, a structural shift in banking policy and industry

(ii) Working capital financing provisions

Reserve Bank of India provides working capital loan disbursement facility in the form of cash loan or borrowers and minimizes the stress of the financial institution. This step was taken by RBI as a precaution against the COVID-19 pandemic. 2020. This temporary arrangement is being implemented by the Reserve Bank of India till March 31, 2021.

The Reserve Bank of India is reviewing the working capital limits on an ongoing basis till 31 March 2021 based on the reassessment of the working capital cycle. The above measures will depend on whether the financial institution is satisfied that it needs the same due to the economic impacts of the COVID-19 pandemic. Accounts provided with mitigation under these guidelines are further subject to subsequent supervisory review with respect to their justified decline due to the financial economy as a result of the COVID-19 pandemic. The financial institutions worked in accordance with the policy laid down by the Board of Reserve Bank of India.

(iii) Asset classification

The Reserve Bank of India has decided to convert the accrued interest into a term loan with funded interest and to change the borrower's credit policy to especially deal with the COVID-19 crises. will not result in a downgrading of the asset classification. For an account classified in default on February 29, 2020, even after the COVID-19 pandemic deadline. Wherever provided in connection with term loans, it will be excluded by financial institutions from the number of days overdue for asset classification purposes under the Income Recognition and Asset Classification (IRAC) standards. The asset classification for such accounts will be identified based on revised maturity dates and a revised repayment schedule. Similarly, in respect of working capital instruments sanctioned in the form of cash credit/overdraft including a special specified account?

5.2 Financial Institution form the reforms for Business Continuity.

1. Financial Institute provide COVID-19 insurance to the customer for facing unpredictable circumstance.
2. Financial Institution giving loan term relaxation to the public.
3. Financial institution work on data partnership for trade finance.
4. Financial institute provide plug and play non-financial services for Small Manufacturing Enterprises.
5. Financial Institute work on to form comprehensive digital platform for customer service.
6. Financial Institute provide digital trade financing to the customer for giving effective service.
7. Financial 8. Financial Institute also work on Revamping of their Internal System. Migration to cloud system to enable employee remote access.
9. By Managing Talent-Given assurance to employees for job security.

6. Findings

1. Government take initiative by announcing Rs. 1.7 trillion relief package for the poor people that includes cash transfer and food security .
2. Financial Institution declare larger corporate bail out packages .
3. Government Introduce emergency / drastic measures for economic survival.
4. Indian government strengthening administrative machinery to effectively distribute benefit of welfare program.
5. Indian government Increasing empowerment of local bodies for effective crisis management of crisis.
6. Government push priority sector by providing lending from banks.
7. Reserve bank of India provide 3-Month Moratorium period for paying term loans .
8. Reserve Bank of India provide relaxation 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 strengthening .
10. Reserve Bank of india reduced REPO Rate by 90 BPS.
11. RBI Reduced further REPO Rate by 2-3%
12. Reserve Bank of India Sustained REPO Rate reduction to near zero level.
13. RBI work on through 25000 carorers. Long Term Repo Operation(LTRO)
14. Reserve Bank of India make further infusion of domestic liquidity through dollar SWAPS LTRO.

7. Conclusion

The nationwide lockdown has hit the Indian economy hard with unemployment and a sharp drop in growth. Early implementation of the lockdown initially reduced the doubling of the number of cases and allowed time to upgrade critical medical infrastructure. Financial institutions facilitate a favorable healthy environment for employees and retraining employees for new processes for ways of working. They strengthen the customer-oriented approach through digital channels. RBI creates a policy framework to ensure business continuity, engage in partnerships to optimize the process and improve the experience. Re-prioritize sectors and customer segment based on growth and risk profile. As the situation changes due to the COVID-19 pandemic, the government is encouraging people to design an innovative business model for the new industrial environment. Focusing on building a robust digital ecosystem using the latest technologies.

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