GALGOTIAS UNIVERSITY

RESEARCH PROJECT

Bachelor of Business Administration

A Research report on Impact of Covid-19 on Banking Sector

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DECLARATION

This is to declare that the project entitled "A Research Report on effect of Covid-19 on Banking Industry" is prepared by **'Surbhi Agarwal', 'Ujjwal Kumar' and 'Anjali Somani**'**s** submitted to **'Dr Ferojuddin Khan'.** The project report has been submitted for consideration in partial fulfilment of the 3-year, Full time Bachelor of Business Administration (B.B.A) in Galgotias University.

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At Last, I am extremely thankful towards my family and friends for their help in completion of this project. Without the help of the people mentioned above, I would’ve faced many difficulties while doing this project.

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ABSTRACT

This research examines the imoact of covid-19 on banking sector. Additionally, this research aims to identify the long term and short term effects of covid-19 by a survey. About 72.2% people avoided visiting banks and prefferd using apps for money transfer. The results shows that there has been a major change as the interest rates of bank being high prople have shifted investing in shares and bonds. It has been also noticed during research that MSME helped the small business or enterprise by providing them money but people instead used that for repaying the loan carrying higher interest. People prefer investing in public sector banks than privte sectors due to high interest rates. Covid-19 has major effect on the transactions. Banks are bound to face challenges. However, if banks have strong risk management capabilities and are able to work with borrowers who have shown potential and are able to adapt to the new normal, there will be enough positives and benefits. The key is to identify the right borrowers and work with them to help them through the cycle.

INTRODUCTION

What is bank ?

A bank is financial institution that accepts deposit from the public and Create set demand deposit when simultaneously making loans.

Bank plays a major role in financial stability of a country.Generally in any country there are different types of bank which perform different type of functions And a central bank who govern all the banks in the country and make rules and regulation for every bank which every bank must have to follow.

But, before proceeding into details about banking we will discuss about how banking system started ?

History of bank start with the merchant of the world who used to gave grain loan to farmers and traders who carried goods between cities. This was around 2000 BC in india and sumeria. Later, in ancient Greece and during the Roman Empire, lenders based in temples gave loans, while accepting deposits and performing the change of money. Archaeology from this period in ancient China and India also shows evidence of money lending.

According to the Indian Central Banking Enquiry Committee (1931), money lending activity in India could be traced back to the Vedic period, i.e., 2000 to 1400 BC. The existence of professional banking in India could be traced to the 500 BC. Kautilya's Arthashastra, dating back to 400 BC contained references to creditors, lenders and lending rates. After the independence of the country in 1947, keeping in tune with the then economic policy, banking sector was highly regulated.

In ancient India there are evidences of loans from the Vedic period (beginning 1750 BC). Later during the Maurya dynasty (321 to 185 BC), an instrument called adesha was in use, which was an order on a banker desiring him to pay the money of the note to a third person, which corresponds to the definition of a bill of exchange as we understand it today. During the Buddhist period, there was considerable use of these instruments. Merchants in large towns gave letters of credit to one another.

By looking at History of bank we must know that bank has evolved from just a institution for lending money to a complete different financial ecosystem.Now we use banking system not just to deposit or lending money but we use it for different financial purposes like investment ,managing loans, shopping ,wealth management etc.

As we discussed the primary function of bank is to lend money and to give it to their customer when they need it but bank also has to generate some revenue to continue its operation. The most fundamental way in which bank makes money is when we deposit money to the bank promises us some interest on that amount and the same time bank give that money to a different person who required that amount in the form of loan and charges them more interest and the difference between our interest and the interest earned from loan is the bank’s revenue. Banks also has to deposit a certain portion of their capital to the central bank Which is called fractional reserve banking .

But in the process of lending and depositing money bank faces different types of risk also. Some of the main risk faced by the bank include -

• Credit risk - risk of loss arising from a borrower who does not make payments as promised.

• Liquidity risk - risk that a given security or asset cannot be traded quickly enough in the market to prevent a loss.

• Operational risk - risk arising from execution of a company's business functions.

• Reputational risk - a type of risk related to the trustworthiness of business.

• Macroeconomic risk - risks related to the aggregate economy the bank is operating in

Now we will understand how bank are driving force behind a country’s economy and how both are related ?

• Issue of money, in the form of banknotes and current accounts subject to cheque or payment at the customer's order. These claims on banks can act as money because they are negotiable or repayable on demand, and hence valued at par.

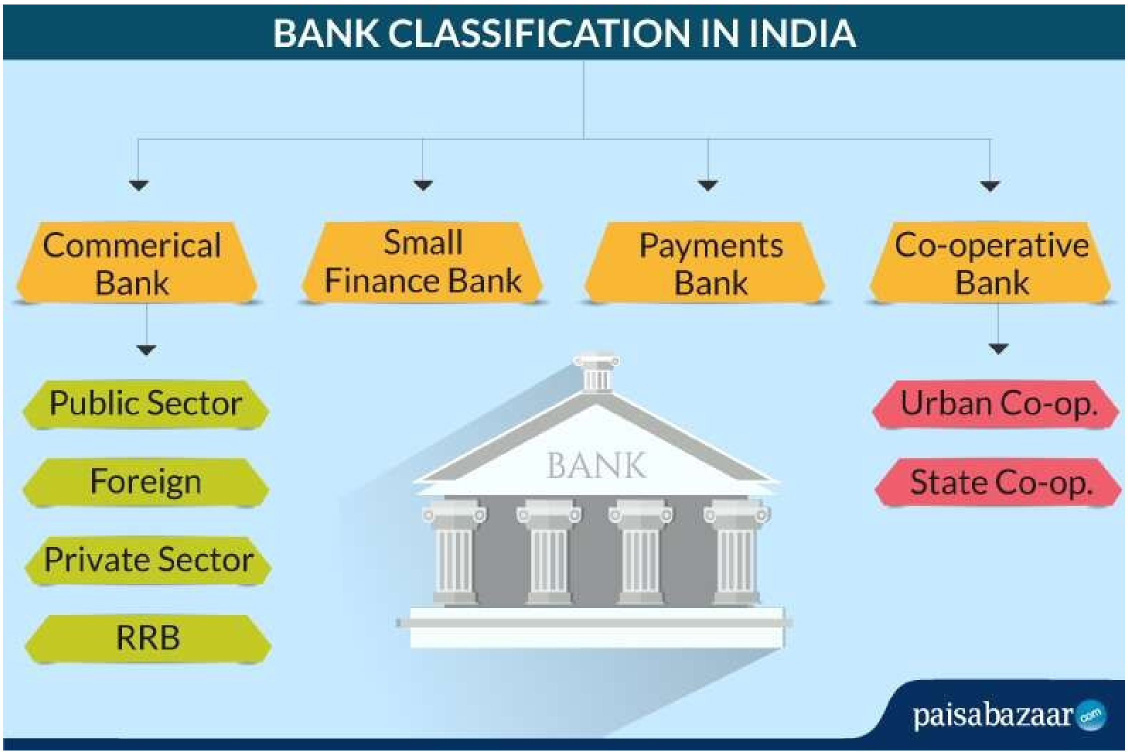
• Netting and settlement of payments – banks act as both collection and paying agents for customers, participating in interbank clearing and settlement systems to collect, present, be presented with, and pay payment instruments. This enables banks to economize on reserves held for settlement of payments, since inward and outward payments offset each other. It also enables the offsetting of payment flows between geographical areas, reducing the cost of settlement between them.

• Credit intermediation – banks borrow and lend back-to-back on their own account as middle men.

• Credit quality improvement – banks lend money to ordinary commercial and personal borrowers (ordinary credit quality), but are high quality borrowers. The improvement comes from diversification of the bank's assets and capital which provides a buffer to absorb losses without defaulting on its obligations. However, banknotes and deposits are generally unsecured; if the bank gets into difficulty and pledges assets as security, to raise the funding it needs to continue to operate, this puts the note holders and depositors in an economically subordinated position

• Money creation/destruction – whenever a bank gives out a loan in a fractional-reserve banking system, a new sum of money is created and conversely, whenever the principal on that loan is repaid money is destroyed.

Different types of bank -



Commercial banks -A commercial bank is a financial institution which accepts deposits from the public and gives loans for the purposes of consumption and investment to make profit.

It can also refer to a bank, or a division of a large bank, which deals with corporations or large/middle-sized business to differentiate it from a retail bank and an investment bank.

Commercial banks include private sector banks and public sector banks.

Public sector bank– Public sector bank are those bank in which majority of share is hold by the government and public they are also listed on the stock market.There are total 12 public sector banks in India.Public sector bank are further classified into two parts nationalised bank and State Bank and its associates.

Advantages of public sector bank :

1. The first and foremost advantage of public sector banks is that they are safe and people keeping money in fixed deposit and in saving account do not have to worry about the safety of their funds as chances of default by public sector banks is next to nil as government tends to bail out these banks in case they are in financial stress.
2. Another advantage of these banks is that there are less hidden charges and also lower limit of amount to be held as minimum deposit as far saving account is concerned
3. As far as employees are concerned these banks are more beneficial because of job security and once an individual gets into public sector bank he or she does not need to worry about retrenchment which is the case with private sector banks, though at higher levels of management private banks pay higher remuneration to its employees but at lower job security.

Disadvantages of public sector bank:

1. Public sector banks Are not as efficient as private sector bank there is generally delays in work And also technically it is not as updated as private sector banks.
2. Many times public sector bank has to do the task not just because the merit of

the task but because of the political pressure of the government also Which leads to irregularity in the normal working of the bank.And it also hampers growth of banking long term.

Foreign sector bank- Foreign bank is a type of International Bank that is obligated to follow the regulations of both the home and host countries. Because the foreign banks' loan limits are based on the parent bank's capital, foreign banks can provide more loans than subsidiary banks." Foreign Banks are present in India either as representative offices or as branches. A bank may choose to open foreign bank branches to meet the needs of multinational corporate customers.

Foreign Banks account for less than 1% of the total branch network in the country. However, they account for approximately 7% of the the total banking sector assets and around 11% of the profits. Most of the foreign banks in India are niche players and their business is usually focused on trade finance, external commercial borrowings, wholesale lending, investment banking and treasury services. Some other banks are confined to private banking and wealth management .

Private sector bank – Private sector bank is a bank in which a person or a business entity holds the majority stake.Although these banks have to follow the rules and guidelines of central bank but they can also formulate their own law for the benefit of the customer. Most of the private sector bank traded on the stock market and anyone can easily buy their stake from stock market.

These privates can make a quick financial decision according to the market condition. For this reason, interest rates fluctuate quickly on both deposits and loans. They offer very reliable services to the customers. They also offer various customized services to the customer to fulfil their individual financial needs. There is no job security in private banks. Most employees work very hard to satisfy the customer's financial requirements. In these banks, the employees get promotions on their merit and performance.

Advantages of private sector bank –

1. These banks offer quick service to its customers.
2. These banks also offer customize service to customers according to their own financial needs.
3. Private sector bank has a streamlined management system.
4. They offer diversified services to their customers.

Disadvantages of private sector banks–

1. Private sector bank charges extra money for all the financial services.
2. These banks mostly operates only in urban places and mostly try to be away from rural areas.
3. Private sector banks do not assure in job security to their employees.

Regional rural bank-Regional rural banks are type of commercial bank in India Operating at regional levels in different states in the country.They have been created with a view of serving primarily the rural areas of India with basic banking and financial services.

However, RRBs may have branches set up for urban operations and their area of operation may include urban areas too. The area of operation of RRBs is limited to the area as notified by Government of India covering one or more districts in the State. RRBs also perform a variety of different functions. RRBs perform various functions in following heads.

- Providing banking facilities to rural and semi-urban areas.
- Carrying out government operations like disbursement of wages

of MGNREGA workers, distribution of pensions etc.

• Providing Para-Banking facilities like locker facilities, debit and credit cards, mobile banking, internet banking,UPI etc.

• Small financial banks.

Small finance bank – A small finance bank are kind of smaller bank in India. These banks are also given licence for the deposition and lending of money .The aim of the small financial banks are to provide financial service to those economic sections of society which are not generally served by other banks such as Small and marginal farmers ,small businesses and Most importantly the business of small and unorganised sector.A small financial bank provide credit for low interest rate and is very popular in rural areas .A small financial bank are also registered as public limited company under The Companies Act of 2013. It will be licensed under Section 22 of the Banking Regulation Act, 1949 and governed by the provisions of the Banking Regulation Act, 1949; Reserve Bank of India Act, 1934.

Any company who provide financial services to a certain number of customers and controlled by groups or society and experience of atleast 10 years are eligible for the licence of a small finance bank.Pre existing non banking financial Corporation,Local area bank,Micro financial institution are eligible to apply for the licence of a small financial bank.But before applying for the licence of financial bank this small bank units must follow the all guidelines of regulatory institutions and also fulfill all the required conditions Mandated by Reserve Bank of India.

Advantages of small finance bank–

1. Easily avilable in rural areas.
2. Provide finance to economically weaker section of society who otherwise will not got the benefit of banking system.

3. Interest on saving account is generally more in small financial banks.

4. They have low operational expenditures.

ero balance account – A customer doesn't have to maintain any particular balance for continuation of this account it means your account will be continued whether it have any money or not so that more and more people can be easily access to this account.

2. Payment bank doesn't give any type of loan or credit card it means your money in the payment bank is fully safe.

3. Payment bank can be operated from mobile phone or computer so it is very easily accessible .

4. Payment bank give higher interest rate on saving account then PSU or private banks.

Disadvantages of small finance bank –

1. small finance bank have risk associated with it due to local nature of its operation So care must be needed before providing licence to any organization.

2. Most of the small financial bank are situated in any particular geographical area so they might face Systematic risk like climate of globe production any local issues etc.

3. These banks have to provide loans to its customer for minimum rate possible .so they does not get adequate profit for their operation that might hinder their growth potential in long term.

Payments bank –Payment banks are comparatively new form of banking introduced by Reserve Bank of India. It can operate fully from online mode but the condition is the maximum deposit from customer is to be INR 100000. payment bank cannot issue loan or credit card but they can issue debit card.both saving account as well as current account can be opened in payment banks.Bharti Airtel was the first company to get the licence of payment bank.

The amendment works just as a normal bank but it doesn't involve any credit risk .

Advantages of payment bank -

1..Zero balance account – A customer doesn't have to maintain any particular balance for continuation of this account it means your account will be continued whether it have any money or not so that more and more people can be easily access to this account.

2. Payment bank doesn't give any type of loan or credit card it means your money in the payment bank is fully safe.

3. Payment bank can be operated from mobile phone or computer so it is very easily accessible .

4. Payment bank give higher interest rate on saving account then PSU or private banks.

System	Access Deposit	Advance Loan	Make Payment
Commercial banks like SBI, PNB	YES	YES	YES
Payments network operators(Master card, VISA)	NO	NO	YES
Payments bank	YES	NO	YES

Disadvantages of payment banks –

1. Unfortunately one of the advantages is also a disadvantage of payment bank like I mentioned payment bank cannot give loans or issue credit card so when you need money for some reason and when need money quickly you cannot opt for payment bank.
2. one of the major disadvantage of payment bank is They don't have any fix source of revenue so it is difficult for payment bank to grow their business.
3. Nowadays most bank provide different type of services for his customers and customers can easily customize their requirement but in payment bank there is not a lot of options avilable for their customers.

Cooperative banks –cooperative Banks are small financial entities which provide loan to small businesses mainly And it can operate in rural as well as urban areas both.Cooperative banks are also monitored and regulated by Reserve Bank of India and it comes under banking act 1949.

Cooperative banks has a lot of significance for small business as their two third branches are concentrated in rural areas .Their 46 % loan is given to local business for housing ,dairy, transportation etc.

Types of cooperative banks –

- **Urban cooperative banks**
- **State cooperative banks**

Urban cooperative bank– Urban cooperative banks are those banks which are located mainly in urban or semi urban areas.Earlier these banks were restricted to provide loan for only agriculture purposes but now there is global population has widened and now they can provide loan for various different purposes also. Cooperative banks are based on the principle of mutual agreement cooperation and fast processing.

State cooperative banks – State cooperative banks are niche of cooperative bank in every state.these banks are also registered by reserve bank of india under banking act of 1949.

The word estate included in the name of bank does not mean that it is fully organised and controlled by state government .Other than a state government the district cooperative societies are also the shareholders of state cooperative bank.

Advantages of state cooperative bank–

1. They provide loan to small farmers and small businesses for them earlier it was very difficult to get loans from organised sector.
2. They can provide loan for cheap interest rate because the main function of cooperative bank is to provide banking facility to those people who are not included in the financial syestem of the country.
3. It is easily available for rural areas and easily accessible also.

Disadvantages of cooperative banks –

1. As state cooperative banks are managed by state government so many times they have to give loans to those person who are not eligible for loan also or chances of the money chances of getting back money is also very less so in that cases NPA increases which decreases the profitability of bank.
2. Many of the prominent figures of cooperative societies are recruited by government who can misuse banks for their personal interests.

Different types of bank account –

1. **Current account** – Current accounts are generally opened by traders or entrepreneurs who needs more transaction than normal customers.Bank Bank doesn't give any interest on the money in current account .this accounts don't have any this accounts don't have any per day transaction limit .

2. **Saving account**– In saving account you can also deposit your money and bank also provide minimum rate of interest on the amount deposited in saving account.In saving

account transaction made in a month is limited.There are various types of saving account based on the purpose of holding account type of depositor etc.Examples - saving account for children,for older citizens etc.

3. **Salary account**– Salary account you have to open because the tye up between your employer and the bank.In salary account the salary of the employer deposited at the beginning or end of a financial cycle as determined by the employer.

4. **Fixed deposit account** – In fixed deposit amount you earn a predetermined rate of interest on your amount invested. Time period of fixed deposit account vary from 7 days to 10 years .In most of the cases you are not allowed to withdraw money from fixed deposit account before the maturity. But some companies or bank provide withdrawal facility before the maturity of your principle but in that case the interest rate is reduced.

5. **Recurring deposit account** – Recurring deposit account is also like fixed deposit amount .In which you deposit the money and will get a fixed rate of interest but unlike fixed deposit account you don’t have to pay a lump sum amount at one in recurring deposit account you pay a fixed amount in equal interval of time .time to the son of recurring deposit vary from six months to 10 years .In recurring account also if you withdraw money before the maturity. You’ll face penalty in the form of lower interest rate.

LITERATURE REVIEW

A number of research papers and articles provide a detailed insight on Internet Marketing. The findings from the literature are presented below:-

Banks are financial institutions that qualify for deposits and loans. Banks can also provide financial services such as wealth management, currency exchange and safe deposit boxes. There are several different types of banks, including retail banks, commercial or corporate banks, and investment banks. In most countries, banks are regulated by the national government or central bank (Adam brone, Aug 2020)

The continued spread of the pandemic and its consequences will greatly slow down business development, so financial institutions must take other measures to ensure business continuity and maintain relevance to customers. Banks and financial institutions must also be prepared for what may happen after the lock-up period. This is essential for the development of flexible contingency plans, which can better prepare banks for crisis management and provide support solutions for their customers. (Economic times, Monish Shah)

The cash reserve ratio (CRR) will be restored in two stages from March 2021

To help banks overcome the chaos caused by COVID-19, the cash reserve ratio (CRR) of all banks was reduced by 100 basis points in the two weeks starting on March 28, accounting for 3.0% of net demand and term liabilities (NDTL) . , The exemption period is 2020. It is valid until March 26, 2021, for a period of one year. During the review of currency and liquidity conditions, it was decided to gradually restore CRR in two stages in a non-interfering manner. Starting from the two weeks beginning March 27, 2021, banks are now required to maintain CRR at 3.5% of NDTL and 4.0% for the two weeks beginning March 22, 2021. (Press Release, YogeshDayal Chief General Manager, Feb 05,2021)

Even before the outbreak of Covid-19, the Indian economy was not in good shape, which only made the situation worse. The report of the Reserve Bank of India (RBI) Committee of Experts on the resolution framework, led by the former President of ICICI Bank K V Kamath, is very clear. The report pointed out that the pandemic "has hit the best companies", as are businesses that could have survived before the outbreak. Experts believe that banks may be more reluctant to carry out loan restructuring this time because they have already suffered heavy losses in previous restructuring efforts.

COVID-19 will have long-lasting impact on many industries including banks. Post crisis, digital maturity and COVID-19 resiliency will determine strategy of banking players with three segments emerging: banks that are already future-ready with truly digital banking capabilities and cost elasticity, banks that are digital laggards and that need to evolve and renew due to sub-par COVID-19 resiliency, and lastly banks that will struggle to survive as a result of being digital laggards with sub-par financial and operational resiliency. COVID-19 will change our behaviors as customers, citizens and employees in India and around the world. As people become more focused on their well-being, businesses will also need to understand how they can be part of a new health ecosystem that is likely to dominate customer thinking going forward. The idea that "every business is a health business" is already emerging in many corners of financial services, and that is perhaps one of the few positive lasting impacts to result from COVID-19.

(The author is in reputed position is a global consulting company and all views expressed in this article is her own)

OBJECTIVE OF RESEARCH

Banking sector is the section of the economy devoted to holding of the the financial assets of others, investing those financial asset as leverage to create more wealthand regulation of those activities by government agencies. The objective of this research is to give reader the clear review of how the current changes had an impact on banking sector during covid-19. It also gives a detail study about the long term and short term effect of current changes in banking sector.

The Banking Sector has huge impact due to Covid 19 and thus, have gone through many changes. This research shows a quantitative and qualitative analysis of banking sector before pandemic and also its effect on the business of Business Sector. The analysis is done by circulating a questionnaire among the people of various age groups and the data is collected and analyzed to obtain the optimum research.

The data collected is attached in the form of bar diagrams and pie charts to give reader a vivid view of the research done.

REVIEW OF CURRENT CHANGES IN BANKING SECTOR

Government and Reserve bank of India to Privatize banks

Union Finance Minister NirmalaSitaraman Speaking to business leaders, university accountants and tax professionals in Mumbai, Federal Finance Minister NirmalaSitharaman said the central government would work with the Reserve Bank of India (RBI) to implement the bank privatization plan.

♦ Minister further said the centre had no plans to set up any bank investment firms to take over the government's bank assets.

♦ Finance minister recently announced the privatisation of the two banks, introducing the 2021 federal budget.

♦ Announcement was made in accordance with the center's reversal plan. But the banking union opposed the plan.

♦ Central government plans to privatise more than half of the state-owned banks. The government plans to reduce the number of government-owned lenders to five.

♦India now has 12 state-owned banks. In 2019, the government will also merge 10 state-owned banks into the big four large banks.

RBI and Progress report provides the Performance of the Banking Sector

The Reserve Bank of India's trend and progress report provides information on banking results. This includes non-bank financial institutions and co-ed banks.

1. The report provides views on the developement and also comments on the future of India's financial sector. The report is in line with the Banking Control Act 1949.

2. Report showed that the proportion of non-performing assets of commercial banks fell from 9.1% in March 2019 to 7.5% in September 2020. Covid-19 terms and dividend yields will help protect its balance sheet.

3. The ratio of fixed-term commercial bank capital to risk-weighted assets rose from 14.3% in March 2019 to 15.8% in September 2020. This helps public sector banks to inject capital.

4. After losses in previous years, the net profit of the regular commercial banks turned the losses into profits in the 2019-20 financial year. The planned commercial banks consolidated their profits after converting the losses into profits in the 2018-19 financial year.

5. The Reserve Bank of India has taken a number of policy measures to mitigate the impact of covid-19. The main points seen in the report are:

    - Legislative amendments strengthen the scope of supervision of the Reserve Bank of India. This gives the highest banks superior power over co-ed banks.

    - Also taken a number of measures to strengthen the oversight framework.

- The 2002 Financial Assets Security Interests Securitization and Reconstruction and Enforcement Act, which facilitated the economic recovery process by closing large accounts through insolvency and insolvency laws.
- Quality and profitability of the state-owned cooperative banks have improved.

- The balance sheet growth of city co-operated banks slowed in 2019-20. The report notes that the deterioration in the quality of the assets of the City Co-ed Bank has resulted in a net loss.

Rates kept Unchanged by RBI, Monetary Policy

The RBI's Monetary Policy Committee (MPC) left the repo rate unchanged in December. The repo rate is currently 4%. The reverse repo rate remained at 3.35 per cent. In addition, marginal perpetual funds and bank charges remained unchanged at 4.25%. The MPC announced the decision to restore growth and mitigate the impact of COVID-19, while also ensuring that future inflation remains within target.

- committee announced a series of additional measures aimed at revitalizing the economy, improving liquidity support and deepening financial markets. It also focuses on retaining capital between banks and the NBFC, strengthening regulation, promoting foreign trade and improving payment system services.

- Revising of existing credit default swap criteria to promote the development of the credit derivatives market.
- Regional rural banks will now be allowed access to liquidity adjustment facilities (LAFs) and permanent marginal RBI loans as well as telephone and notification money markets.

National Bank for Agriculture and Rural Development (NABARD) launched structured finance and Structured Gaurantee Program

The National Agricultural and Rural Development Bank (AG) has issued structured partial financing and guarantee programmes to non-bank financial enterprises and microfinance institutions (MFIs). It is a product dedicated to debt and credit guarantees. The objective of the programme is to ensure undisturbed credit flows in rural areas affected by COVID-19. To kick-start the program, NABARD has signed agreements with Viveriti Capital and Ujivan Small Financial Bank. Structured finance and partial guarantee programmes:

- Under structured finance and partial guarantee programmes, NABARD will provide partial guarantees for pooled loans to small and medium-sized microfinance institutions.

- This will facilitate the financing of Rs. 250 billion in the initial phase and is expected to expand in the future.

- plan would cover more than 1 million households in 28 states and 650 districts.
- secured lending mechanism is expected to facilitate financing to millions of households, agriculture and business markets to sustain themselves in the post-COVID-19 situation.
- NABARD as a guarantor and convincing product builder, the program attracted many banks and small financial banks to participate.

RBI decides to move to NGTA for managing Gold Reserves, forex

The Reserve Bank of India (RBI) has decided to move to the next generation of the Ministry of Finance (NGTA) to apply for the management of India's foreign exchange and gold reserves to improve its operations.

- With this presentation, NGTA will become a web-based application that will provide scalability, operability, and flexibility to introduce new products and values, as well as multi-currency transactions and settlements.

- The main objectives of the proposed NGTA system include integrating reserve management portfolio management workflow management with various internal and third-party system panels, reporting, processing of small parts of various asset classes such as fixed income securities, money markets, foreign exchange and gold.

- Previously, RBI had invited qualified suppliers to provide NGTA.

- NGTA would support a variety of transactions in asset classes such as money markets (MM). fixed income (FI), foreign exchange (FX) and gold.

- Proposed NGTA will be used to manage foreign exchange reserves more effectively, reduce risk, achieve operational efficiency, and handle various asset classes and reports.

- Addition, the proposed NGTA will automatically obtain all relevant details of the guarantee and contract from the trading platform.

LONG TERM EFFECT OF CURRENT CHANGES IN BANKING SECTOR

First, companies that have stopped working lose revenue and may not be able to repay their loans. Similarly, some members lose their jobs or have low household incomes and may therefore not be able to repay their loans. This results not only in loss of revenue, but also in loss (if the ability to repay is permanently impaired) and adversely affects profits and bank capital. As the likelihood of a rapid recovery diminishes, banks may expect more losses, leading to the need for additional reserves, further weakening their profitability and capital position.

Second, banks have been adversely affected by the depreciation of bonds and other trading financial instruments, resulting in further losses for banks. As a result of the crisis, open derivatives positions are also likely to lose money, and these positions have moved in unexpected directions.

Third, banks face growing demand for credit because companies in particular need additional cash flow to meet their costs, even at zero or reduced revenue times. In some cases, this increase in demand is the result of borrowers reducing credit lines.

Fourth, banks face lower interest-free income because of lower demand for their different services. For example, reduced payments and transactions resulting from reduced economic activity, reduced corporate security issues and reduced commission income for investment banks.

Bank losses and reduced capital cushions could have negative spillover effects, further worsening banks' solvency and potentially damaging the economy as a whole. Banks can sell bonds and other trading financial instruments to improve their liquidity position or offset losses, which will cause the price of these instruments to fall and have a negative impact on other banks that maintain them.

Banks may reduce the supply of credit to the economy, adversely affecting businesses that rely on these buffers and undermining their survival. During the 2008/09 global financial crisis, we saw a similar impact on the global financial crisis. This could make the economic crisis worse.

The Reserve Bank of India (RBI) provides liquidity to banks in the form of lower general lending rates or sector-specific lending rates, and the Government of India has agreed to provide credit guarantees to certain micro, small and medium-sized enterprises in the sector (MSMEs) and other sectors. It also requires banks to suspend borrowers from paying fees and interest for three months. In addition, the RBA has made reserve rules more flexible for banks. The RBA's previous measures will certainly help banks and their borrowers overcome immediate liquidity and cash needs, as the impact of the pandemic and blockade has reduced or zero income for bank borrowers. These measures will help them overcome their immediate problems.

However, Covid-19 may have some negative effects on banks in the future:

- Banks may be at risk of increasing bad debts or non-performing assets if borrowers who take advantage of the suspension of loans are unable to generate cash or if the cash generated is not sufficient to meet the required interest and installments in a timely manner.
- Reserves and losses may be aggregated or accumulated during the period during which the exemption is lifted.
- If the epidemic lasts longer than expected, deposit withdrawals may be available, which may lead to the replacement of low-cost deposits with high-cost loans, which may adversely affect net income from interest, spreads and margin
- Banks may not be able to find suitable loans due to the economic situation, resulting in inactive or low-yielding investments of excess funds

Banks are bound to face challenges. However, if banks have strong risk management capabilities and are able to work with borrowers who have shown potential and are able to adapt to the new normal, there will be enough positives and benefits. The key is to identify the right borrowers and work with them to help them through the cycle.

SHORT TERM EFFECT OF CURRENT CHANGES IN BANKING SECTOR

The epidemic is affecting the financial services sector in a number of ways, both in terms of business continuity issues and in terms of overall financial considerations. As financial services firms mobilize and take steps to minimize these impacts, they may face short- and long-term impacts on returns and balance sheet positions.

In the face of the high level of uncertainty caused by the pandemic, financial institutions need to test their portfolios to better understand their impact. Today's economic and market environment ensures additional stress testing, which will directly affect the decisions made by these financial institutions in real time. Identifying the most risky sectors/customers and re-evaluating loan loss reserves in different economic scenarios is critical.

The continued spread of the epidemic and its consequences will significantly slow business, so financial institutions must take additional steps to ensure that business continuity remains relevant to their customers.

To date, the collective response of the banking sector to the epidemic has been remarkable. It's not easy to completely virtual and run an untested operating model in a matter of weeks. Despite some setbacks, many banks are running smoothly. Customers are available, employees are productive, and regulators calm down. Banks have deployed this technology effectively, demonstrating unprecedented agility and resilience.

For the banking sector, the economic consequences of the epidemic are different from the scale of the 2008-10 global financial crisis (GFC), but still significant. In addition to the financial impact, COVID-19 is reshaping global banking at multiple levels, opening up innovative competitive landscapes, curbing growth in some traditional product sectors, driving a new wave of innovation, reshaping the role of branches and, of course, accelerating digitalization in almost all areas of banking and capital markets.

In the short term, banks will have to face the challenges of the current pandemic and improve their resilience, whether capital, technology or talent. For example, maintaining resilience can be challenging if employee productivity is reduced by the effects of a pandemic.

EFFECT OF PANDEMICON BANKING SECTORTHROUGH ANALYSIS OFBALANCE SHEET

As we know balance sheet gives a complete picture of a company's financial health.so in order to understand the financial aspect of business better we have compared the 3rdquarter balance sheet of HDFC bank 2018 to 3rd quarter 2020.By comparing key financial ratios of bank we will be able to find out about the company’s financial growth in past and how COVID affected it .

•

Net Interest income – It is the difference between revenue generated by bank in a specified financial cycle (quarterly, yearly) and the cost of liability. For banks revenue Revenue generating asset include Different types of loan provided by bank .Eg – commercial loan, personal loan ,education loan etc.The liability for bank primarily consists of the deposit made by customers.Net interest income is the excess revenue(interest) generated by bank by providing loan to the customer then giving interest on money deposited by customer.

Quality of loan portfolio of the bank is also very important factor to be considered before investing in bank.For ex – If a bank had given a major portion of his income as loan which is a good thing but in the same time if the majority of loan is given to certain person or organization who are very sensitive to market condition like a recession or economy downfall then it will be very difficult to get money back from them.so ,bank's loan portfolio must be diversed..

NII COMPARISON

	3rd quarter 2018	**3rd quarter 2020**
NII	**Rs .12576.8 cr**	**Rs 16317.6**
Increase from last year same quarter	**21.9% above**	**15.1% above**

If we compare both result it is clearly seen that NII in terms of percentage increase is decreased drastically due to COVID 19 .so,from this comparison we can see that revenue generation is decreased 15.1% increase is still good but comparing with same bank from l2 year earlier shows it is reduced .It might be 2 reason for decrease in NII –

1. Bank are not utilizing its capital properly.
2. Total liability of bank is increased in terms of deposit but bank demand of loan is decreased .

Net profit – If the revenue generated by a company is more than its total expenditure in One Financial cycle is called net profit.It accounts for all financial transaction of a bank other than tax expense.A consistent net profit is a sign that company is growing .

	3rd quarter 2018	**3rd quarter 2020**
Net profit	**5585.9 cr**	**8758.3 cr**
Increase from last year same quarter	**20.3%**	**18.1%**

Comparing 3rd quarter 2018 to 3rd quarter 2020 the net revenue of 3rd quarter of 2018 & 2020 we see the percentage increase in net profit is decreased .From this comparison we can say that company's potential to generate net profit is decreased.The obvious reason of decrease in net profit is decrease in sales.For banks, it means bank is not able to get interest on loan that they are given it might be case here as during COVID many people loose their job or their income capacity is decreased.

Total advances – It means how much money bank has given in the form of loan .Every bank provide loan to their customer with the agreement to get the money back as well as interest on that amount. If advances given by a bank is increasing continuously it means that bank is providing very good service to its customer .And if a bank is able to give advances on a continious basis it show credibility of bank .But bank advances portfolio must be diversed such that if any person or institution is not able to pay their loan it doesn't effect bank much.

	3rd quarter 2018	**3rd quarter 2020**
Total advances	**780951 cr**	**1082324 cr**
Increase from last year on same quarter	**23.7%**	**15.6 %**

One of the region for decrease in advance is given by banks during lockdown is many businesses are sut and most people are confined to live in their home that's why people are not able to buy things.For ex – The demand for car loan is reduced to almost zero during lockdown .

If we see the total advances given by bank during last five or 10 year the advances given by bank was continuously increasing so that we can conclude that this decrease in demand for advances is mainly due to lockdown and it has nothing to do with the fundamentals of bank.

Capital adequacy ratio –It is also known as Capital to risk asset ratio.It shows how much proportion of bank capital is to at par with risk.This ratio is decided by government regulators such that bank doesn't give excess liquidity to its capital which they have taken in form of deposits and goes insolvent in the process.

Capital adequacy ratio = capital funds (Tier 1 +Tier 2 +Tier 3)/Risk weighted asset

Risk weighted asset means a company provide loan to different people and corporation and give that loan a weight in terms of risk associated with it .(A corporation with good reputation of paying back loans will be given low weighted ratio and vice versa).

	3rd quarter 2018	**3rd quarter 2020**
CAR	**17.3%**	**18.9%**

By comparing CAR of 3rd quarter 2018 and 3rd quarter 2020 we can see the capital adequacy ratio of bank is increased in duration of pandemic.This shows that bank is not able to retain the capital they have given in form of loan .As hdfc bank gave more than 70 % of their loan to individual debtor it means lot of people who have taken loan earlier are not able to pay the interest back .

One reason of increase in CAR also should be that during pandemic normal people are affected most as they have to remain in home and their source of revenue decreased.

Gross Non performing asset (NPA) – when an asset ceases to generate income for the bank it becomes non performing asset .Generally, if installment of any loan is not being paid by 90 days of it's due date than it becomes Non performing asset . For example, a mortgage in default would be considered non-performing. After a prolonged period of non-payment, the lender will force the borrower to liquidate any assets that were pledged as part of the debt agreement. If no assets were pledged, the lenders might write-off the asset as a bad debt and then sell it at a discount to acollections agency.

The Indian banking has mode and beer as compared to other international as compared to other countries.

Few reasons for high NPA in India -

- Lack of proper management.
- High volatility in economic environment.
- Lack of proper government support .

	3rd quarter 2018	**3rd quarter 2020**
NPA	**1.38%**	**0.81%**

This is a positive sign for bank that even during time of pandemic NPA level is decreased as compared to 2 years back .For this result credit should go to management of bank to giving loan to those person or organization who are deserving.Also ,few years back hdfc has announced that 70 % of its loan will be given to retail investor .Because chances of default by retail investor is lesser than corporates .

Basic EPS – EPS means earning per share.The total profit of bank is divided by total number of outstanding shares and the result is EPS.It measure how much money a company is making over 1 share. A consistent EPS growth shows that a company is able to give more profit previous last financial cycle and growing .The higher the earnings per share of a company, the better is its profitability. While calculating the EPS, it is advisable to use the weighted ratio, as the number of shares outstanding can change over time.

	3rd quarter 2018	**3rd quarter 2020**
Eps	**78.65**	**48.01**

2 years eps comparison shows that EPS is decreased in 2020 but this decrease is due to pandemic. Because by checking balance sheet it shows eps was continuously growing for last few years and decreased only this year because due to pandemic many people was not able to pay back the loan and overall slowdown in banking sector.

METHODS

This survey is an exploratory in nature which looks for the impact of Covid-19 on banking sector. The majority of data used in the research is primary data and minority of secondary data.

Primary collected through a questionnaire using online google forms, and secondary data refers to previous research papers, published articles, websites etc. The survey is done for 55 people. The population involved for data collection is majorly the students of Galgotias university and minorly of other institutions.

Questionnaire

Dear Respondent,

This research is a part of our BBA curriculum. We intend to study the impact of Covid-19 on banking sector. We request you to take out few minutes to fill this questionnaire and I assure you that responses to this questionnaire will be anonymous.

Note: Please fill the questionnaire responsibly and with only genuine information, your littleefforts can be very grateful for us.

Personal Details: -

Name ____(Student/Faculty)

Age _________________________________ Gender (Male/Female/Other)

Occupation____

Email ID ____

Contact No. ____

Q1. Do you prefer visiting banks during the current situation for?

a. Yes b. No

Q2. Do you took loan during pandemic from the bank?

a. Yes b. No

Q3. Did you utilized the loan for your business or you refunded the earlier loan carrying higher interest?

a. utilized the loan for your business b.refunded the earlier loan carrying higher interest

Q4. Would you prefer making fixed deposit (FD) in post office (if offering higher rate of interest than banks) ?

a. Yes b. No

Q5. Would you prefer opening savings account in post office?

a. Yes b. No

Q6. Which type of bank you prefer for investing?

a. Private Sector banks b. Public Sector Banks

Q7. What portion of your salary do you use to spend before pandemic?

a. 0-25%　　b. 25-50%　　c. 50-75%　　d. 75-100%

Q8. What portion of your salary do you use to spend during pandemic?

a. 0-25%　　b. 25-50%　　c. 50-75%　　d. 75-100%

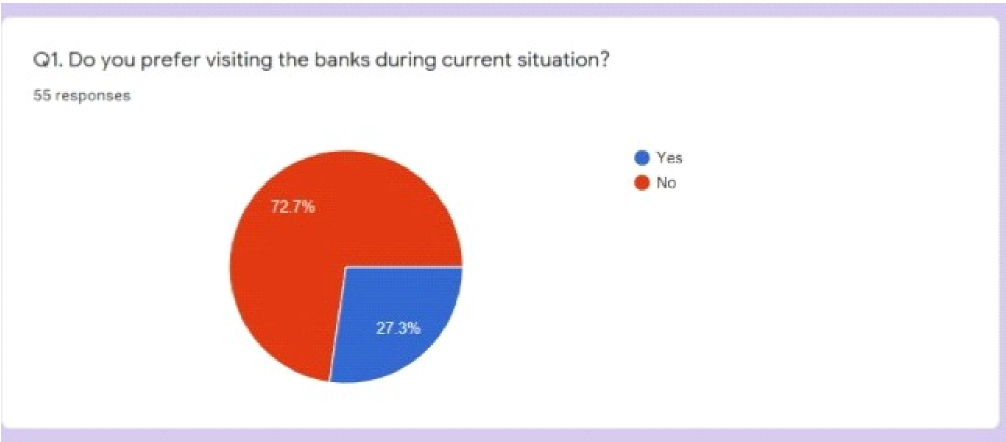
Q9. Do you invest money in any type of security (Stocks, Bonds) during pandemic?

a. Yes　　b. No

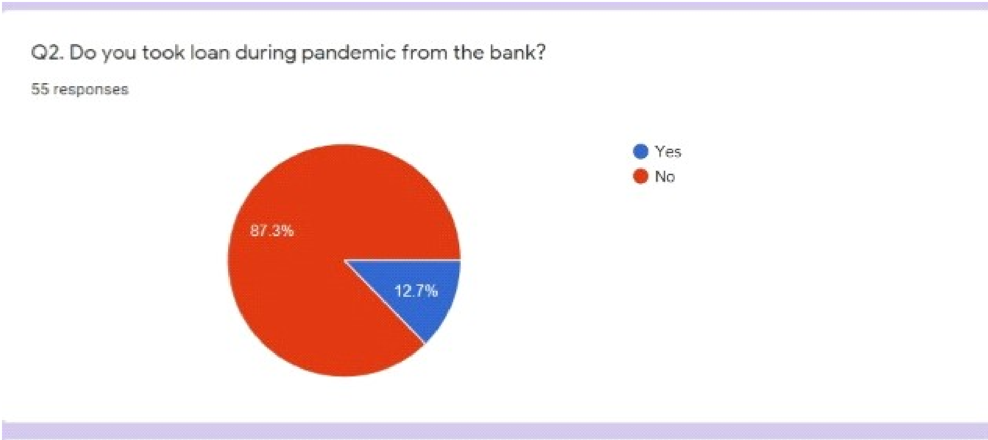
RESULT

The survey is done for 55 people.

This is the result we have find from the survey:

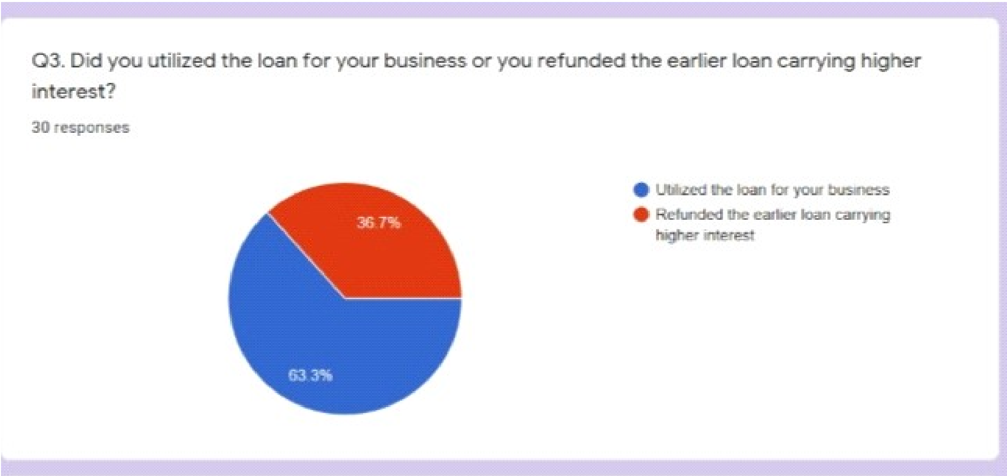


Nearly, more then half of the people, about 72.7% preffered not visiting the banks during the situation of Covid-19 and rest 27.3% of people visited banks. Covid-19 made people do work from home and thus, it is clearly seen that majority of people avoided going to banks and standing in the queue. People shifted to an online mode of transactions which boosted the digital circulation of money making cashless transactions a major priority for the people.



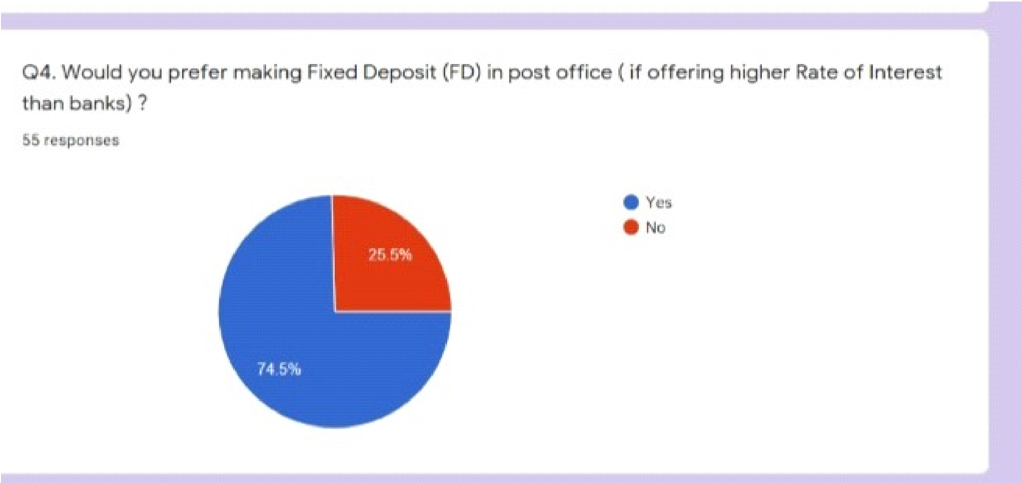
Approx. 87.3% people do not took any loan from the banks and and survives the lockdown on their savings and the rest 12.7% people according to the survey took a loan durinh the pamdemic from the bank.

Mjority of people during pandemic spent their savings and didn't preffered taking a bank loan which directly had a diect impact on banking sector as money creation by the banks could not take place. People could anytime make a withdrwal which made difficult for banks to make an assumption about the certain some of money which is to be kept in the account (showing the whole amount in the bank account) and rest being given as loans so that bank could earn interest on it .



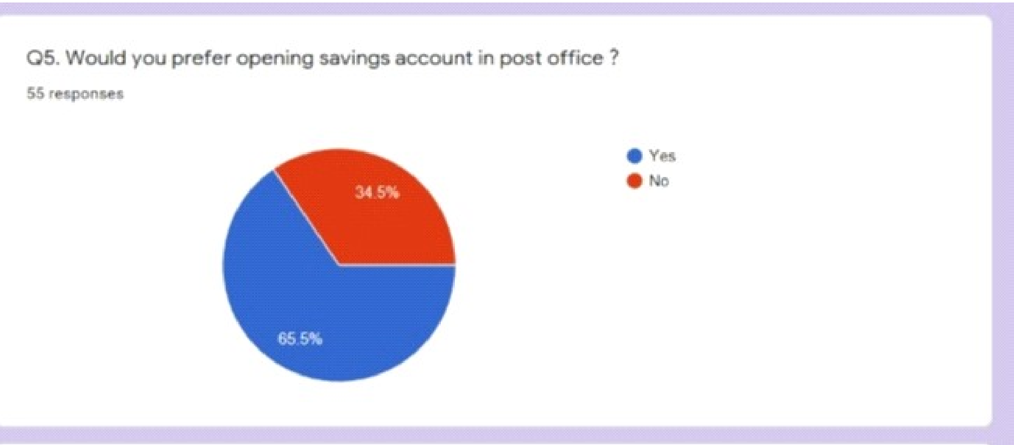
More than half of the people (63.3%) utilized the loan ook by them for their business purpose the rest of the people(36.7%) people refunded the earlier loan carrying higher interest. People utilized the money taken from for paying the earlier loans too in the pandemic.

MSME during pandemic helped small Enterprise to take loans so that they could use that loan for their bussiness but people used the same loan for repayment of old loans which makde MSME to dig dowm in losses. Banking Sector faced huge loss because of people as they repayayed their earlier loans instead of using it for business purposes.



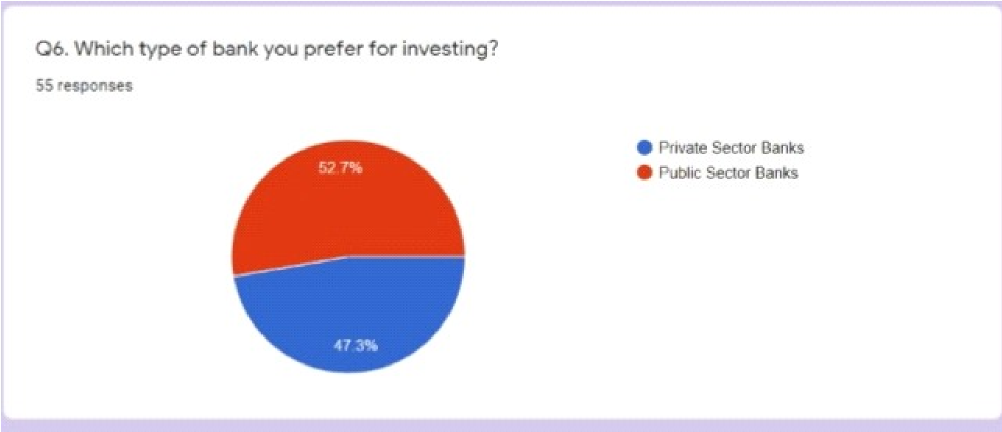
Many people (74.5%) people agreed that they would prefer taking laons from post office if they are provided with higher rate of interest than banks. As post office lacks behind in providing the fast services people being the time saver usually avoid going to post offices being interest rates provided by them higher from that of the banks. 25.5% people said that they will not prefer taking loans from post office being provided the higher interest rates than banks.

People are not much aware about the post officies and post officies are still not that well developed as compared to banks. Due to Covid-19 interest rates provided by banks in Fixed deposits were seen low as compared to banks during pandemic. So, somewhere banks had to face challanges in the fixed deposits too made by people.

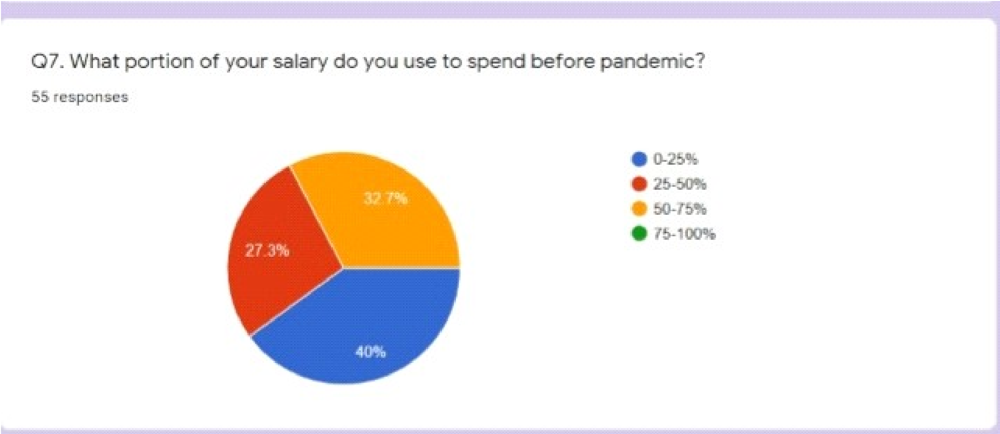


65.5% of people prefferd opening of savings account in post office and about 34.5% peope denied for the same.

Post offices donot provide current account or any such facalities like credit cards, debit cards, net banking etc. But it has seen that people showed their interest in opening a savings account in Post office which could also become a threat too for the banking sector.

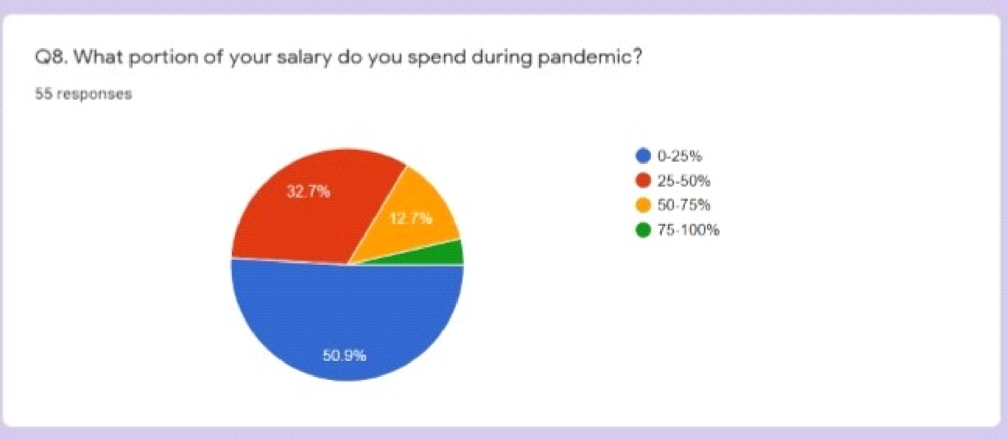


About 52.7% people preffered investing in private sector banks whereas 47.3% of people prefferd investing in public sector banks.



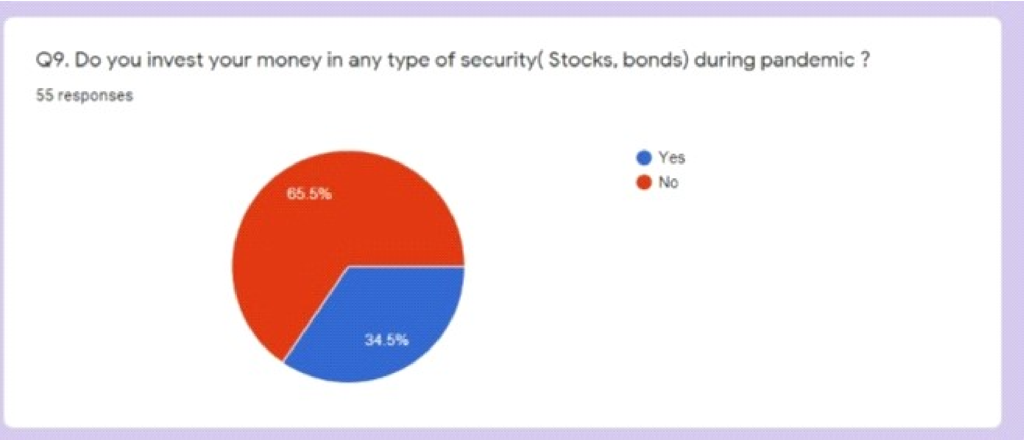
Approx. 40% of people use to spend 0-25% of their salary before pandemic. 27.3% people preffered spending 25-50% of their salary before pandemic and about 32.7% of people spended about 32.7% of their salary before pandemic. No one spended 100% of their salary before pandemic.

People had jobs with them before pandemic and they preffered saving the huge amount of their salary in the form of Fixed deposits or by depositing that certain amount in bank. As seen in the pie chart above 40% of people spended only 25% of their daily income which was an advantage for the banking sector before pandemic as money creation would have run smoothly and banks could have got good interests on loans given by them to common people.



It is seen in the graph that spending habits of people changed to a huge extent during pandemic. Approx. 50.9% people spended only 0-25% of their salary during pandemic. 32.7% people spended 20-50% of their salary during pandemic. About 12.7% people spended 50-75% of their salary during pandemic and a few people spended their whole income during pandemic, hereby noticing that due to pandemic the income levels of people also got affected which directly effected their spending habits.

During pandemic instead of savings people started making withdrawls and even breaking their Fixed Deposits for to survive their livings which had an adverese effect on banking sector. As banks has to maintain a certain reserve or sum of money with Reseve Bank of India known as Cash Reserve ratio. Covid-19 boosted the digital transactions but also had face a major downfall. The depreciation of bonds and other trading financial instruments, resulting in further losses for banks. As a result of the crisis, open derivatives positions are also likely to lose money, and these positions have moved in unexpected directions.



Majority of people(65.5%) people did not invested their money in any kind of of Stocks and Bonds while it has been seen that about 34.5% people invested in the same.

CONCLUSION

From the research we can conclude that banking sector had an adverse change after the pandemic.

Firstly, as the likelihood of a rapid recovery decreases, bank may expect more looses, leading to the need of additional reverses, further weakening their profitability and capital position.

Secondly, banks have been adversely affected by depreciation of bonds and other trading financial instruments. Resulting in further losses for banks.

In the research conducted it has been seen that people are more likely to invest their money where they get higher interests but are lacking because of no proper development in the post offices (as they are offering higher rate of interest).

Money creation has also been a problem as people are either not taking loans or reusing the loan for repaying the loan with higher interest.

Banks are not getting higher deposits ans thus, are unable to create money and it has been also seen that they are unable to give good interest rates (in comparision to post offices) to the people.

Result shows that if good interest rates are provided to them by post office then they would more likely to invest in post offices. However, it has been also seen that if banks have strong management capabilities and are able to adapt to the new normal and are able to work with borrowers that have shown potential and are able to adapt to new normal there will be enough positives and benefits. The key is to identify the right borrowers and work with them to help them through the cycle.

It has been also seen that during research that spending habits of people have changed to a huge extent. Before pandemic people use to spent a certain amount of their earnings and used to save their income but during pandemic it has been seen that a few people use to spend whole of their income earned which shows that people rely more on their savings during pandemic rather than their incomes.

During research it has been also seen that weeks. Despite
some setbacks, many banks are running smoothly. Customers are available, employees are productive, and regulators calm down. Banks have deployed this technology effectively, demonstrating unprecedented agility and resilience.

For the banking sector, the economic consequences of the epidemic are different from the scale of the 2008-10 global financial crisis (GFC), but still significant. In addition to the financial impact, COVID-19 is reshaping global banking at multiple levels, opening up innovative competitive landscapes, curbing growth in some traditional product sectors, driving a new wave of innovation, reshaping the role of branches and, of course, accelerating digitalization in almost all areas of banking and capital markets.

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