

The Impact of COVID-19 on Banking System in India

Dr. Shivani Manchanda

Assistant Professor in Economics

Abstract:

Any pandemic has its own significant impact on every sector of any country internally externally. In this context, COVID-19 is undoubtedly one of the biggest global events of our lifetimes which has changed many things including the way we live, work, take care of our health, shop, entertain ourselves, communicate and relate to others, etc. It presents unprecedented challenges to many industries, governments and people all over the world. The pandemic remains a health and humanitarian crisis, and the business and economic impact has been deep and far reaching in nationally and internationally. Financial services firms, in particular, have the opportunity to help consumers and businesses weather the economic downturn and navigate the current storm in Indian banking system. This paper is an attempt to analyse the impact of COVID-19 on the banking system in India.

Keywords: Pandemic, COVID-19, Global, Unprecedented, Impact, Banking System, India.

Covid-19 was first discovered in Wuhan, China. The first case of Covid-19 was discovered in India on January 30, 2020, and it quickly spread throughout the country, including Kashmir and Arunachal Pradesh. As soon as the epidemic began to spread, Indian government declared a statewide lockdown to prevent the spread of the disease. Despite the shutdown, it reached the most remote corners of India and left a massive aftermath.

The evergreen blue planet has become colourless in these days while COVID-19 gradually snatches away precious resources of it. Human resource is one of the essential elements in it. No doubtedly, this virus is dangerous and threatening to the inhabitants of the Earth. It is really tough job to tackle this very new unwanted guest for common people of our country. The slogan 'Stay safe at home' is futile to the homeless. Sanitisation and proper nutrition can only secure our physical health but mental health which cannot see from outside repressed pains of unconscious mind which has no painkiller is also a matter of concern.

Over 4.3 million confirmed cases and over 290,000 deaths have been reported worldwide as a result of the COVID-19 pandemic. It has also generated concerns about an approaching economic downturn. Social isolation, self-isolation, and travel limitations have resulted in a reduction in the workforce across all economic sectors, resulting in the loss of much employment. The demand for commodities and manufactured goods has declined as schools have closed. Medical supplies, on the other hand, have seen a major growth in demand. Due to panic buying and hoarding of food supplies, the food sector is also seeing increasing demand. We reviewed the socio-economic implications of COVID-19 on specific elements of the global economy in response to this global pandemic.

Before discussing the main issue, let me first introduce a background of the Indian Banking system. A bank system is an institutional system which has a primary function to accept deposits and lend money to needful individuals, businesses, and governments. Banks are considered to be reliable around the world. When any individual deposits money in the bank, doesn't matter what is the amount, the individual knows that the money will be safe in the bank as compared to anywhere else. Besides this, banks provide numerous services such as loan facilities, fixed deposit schemes, debit & credit card facilities, etc. But, unfortunately, Covid-19 has changed everything.

An unprecedented global pandemic attacked not only individuals' health but also the entire economy, creating stress in financial markets in India. The systematic shock hit the utilities, energy, and real estate sectors particularly severely, as well as the consumer discretionary sector such as hotels and luxury goods, and industrial sector such as airlines greatly attacked the financial system. Therefore, the Treasury bond market, corporate bond markets and money market funds experienced severe stress which significantly reduced bank profitability, cost efficiency, financial stability, and stock market valuations.

The ideal environment for changing the banking system is created by COVID-19. Realizing the value of using technology in this system, it opens up chances for the financial sector to investigate new technologies.. The use of technology in banking system involves more than just using technological tools; it also involves using resources methodically, rationally, and with the appropriate plans in order to successfully generate profit but fails.

Another most significant challenge faced by the Indian banking system is systematic risk. According to Borri and Giorgio (2021), systemic risk is usually defined as the risk of the collapse of the entire banking system, which is regarded as financial instability. They points out that large, highly leveraged, riskier, high loan-to-assets banks exhibit higher systemic risk due to the pandemic.

The generation of various sorts of garbage has an indirect impact on the environment. Hotel rooms were utilized in some nations to isolate travelers for at least two weeks upon admission. Consumers have expanded their domestic internet purchasing activities as a result of such quarantine regulations in numerous nations, resulting in increased domestic waste. Furthermore, because food purchased online is packed, organic waste has increased. The amount of medical waste produced has also increased. In India, which has one of the most unequal gender divisions of domestic labour in the world, the reduction in employment is shown to be prejudiced and not gender-neutral. Because of the substantial gender disparity in employment, the reduction in absolute numbers is greater for males than for women. When comparing pre- and post-lockdown hours spent on domestic chores, most states saw a decrease in the gender gap in terms of hours devoted to domestic tasks during the first month of lockdown.

Colak & Öztekin, (2021) in their research entitled ‘pandemic’s impact on global bank lending patterns through using global data on banks from 125 countries’ show that to control the spread of the pandemic, the lockdown measures were adopted by many governments that push firms and consumers into solvency and liquidity crises. They note down that the deep recession associated with the COVID-19 crisis inevitably leads to high non-performing loans and weaken bank balance sheets.

The COVID-19 pandemic has had a significant impact on the world economy, which is highly linked and interdependent through global supply chains. The agricultural business was the first and major sector to be severely impacted by covid19. Because of travel or movement limitations to other sections of the country, agricultural production that had to be moved to other states stopped or declined dramatically as soon as the statewide lockdown began, resulting in massive consequences and food shortages in many states. The manufacturing industry is the largest provider of GDP and jobs in the secondary sector, and it has been a driving force behind the country vigorous growth and wealth creation. The manufacturing sector is significant because it

has strong forward and backward links with other sectors, implying that any impact on this sector would have an impact on other sectors as well. Demand–supply disruptions and the global value supply chain will have a significant impact on the manufacturing industry.

The outbreak of COVID-19 has been exerting negative effects on both the world economy as well as the Indian economy. It demands strengthening the relevance of effective communication in Indian economy. It is, therefore, mandatory to prepare for a dynamic risk event and uncertainty management during the Pandemic. To achieve this, a comprehensive framework for effective and integrated communication for Covid-19 is critical both at the national and the international level. Any communication during the difficult times of Covid-19 is crucial whether it is from government to people, from media to people, people to people, doctor to patient, within families and so on. Effective communication emphasizes the importance of content, accuracy, comprehensive signs, symbols, words, alphabet, language, culture and semiotic rules.

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