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Analyze COVID-19'S Impact on The Indian Banking Sector

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ABSTRACT

The damage caused by the global pandemic The entirety of the brunt's economic situation was destroyed by COVID-19. The COVID-19 Pandemic has significantly impacted the economy. With the assistance of experts, the Reserve Bank of India, the Apex Bank of India, made the required adjustments to its policies to deal with the COVID-19 epidemic. The whole Indian banking industry has encountered and is still facing several difficulties, including a liquidity problem and the Reserve Bank of India lowering the REPO rate, to mention a couple. People are finding it difficult to make ends meet, therefore the Reserve Bank of India decided to give customers a break on their EMI payments by extending the time they have to make them.The goal of the research paper is to examine the policy adjustments that the RBI made in response to COVID-19, as well as the overall effects of COVID-19 on the Indian banking industry. Additionally, a plan is put forward for the Indian banking sector to deal with the losses brought on by the COVID-19 Pandemic. According to the study, many steps have been taken to the Indian banking system as a result of the COVID-19 Pandemic to make it more efficient and streamlined. The majority of Indian banks were having issues with NPA, non-loan recovery, consumer fraud, bad loans, etc.Additionally, COVID-19 hastened the downfall of the Indian banking industry. Without a doubt, banks were founded in India with the primary goal of making money by providing desired comfort to clients. However, Covid-19 has altered the situation for Indian clients. People's revenue sources ceased as a result of business closure. Then where is the opportunity for borrowing money and paying it back with interest? These problems our Indian banks are having right now because of the epidemic.

Introduction

Indian banking system is constantly formulating measures to reduce COVID-19's impact. The COVID-19 Pandemic is affecting the whole planet. It will alter how the world functions. Great Depression is the result. In December 2019, the Corona virus sickness was discovered for the first time in Wuhan, the capital of Hubai China, and it quickly spread around the world. World Health Organization declares it a pandemic on March 10, 2020, after seeing its spread and rising mortality rate. India is now experiencing widespread Corona virus infection. WHO reports that there have been 7,273,957 confirmed COVID-19 cases recorded globally, with 4, 13,374 fatalities. There are now 1,37,447 ongoing COVID-19 cases in India, with 8,103 fatalities reported by the Indian government. Due to COVID, the entire world entered a recession. persistent increase in unemployment High levels of supply chain management stress. reduced government revenue entirely. abrupt decline in the hospital and tourist sectors. decreased consumer purchasing. significantly decreased fuel use activities.The industrial operations of large Indian corporations including TATA Motors, BHEL, Aditya Birla, Larsen, and Turbo were scaled back. Corona pandemic has an impact on the Indian banking industry. Banks experience epidemic owing to new Corona Virus. As the virus spreads throughout India, borrowers and businesses face risky issues including job loss, sluggish sales, and diminished profit. Banking customers requested some financial relief, and the Reserve Bank of India encouraged national banks to offer it by formulating appropriate customer-friendly banking regulations. It was decided to allow workers to work from remote locations due to employee security concerns. Organization for World Health

The World Health Organization has recommended individuals to utilise contactless payments and to handle cash as little as possible. Since the Corona virus was discovered to survive for days in banknotes, the disease's propagation was sped up. One of the positive changes brought about by the Corona virus in India is that banks are preparing for this move to digital marketing. People in India now rely on call centres, online banking, and telephone banking. In order to get things going, HSBC Banks in India divided the populace. The issue of non-performing assets has gotten worse at the bank level. Increased NPA spike in India.At the moment, India's NPA rate is comparable to China's, at around 2 percent, but the ratio of credit costs might be worse. Due to the ongoing interruption in economic activity brought on by the COVID-19 epidemic and a fall in asset quality, the Indian banking system went from stable to negative. According to the report, corporate Small and Medium Enterprises (SME) and retail lending segments have constantly worse asset quality due to pressure on profitability and capital for lenders. The corporate sector's financials have already begun to suffer from decreased production and lockdowns. Due to COVID, Indian banks are faced with a lot of difficulties. pandemic of 19 Due to the ambiguity regarding the severity of the Bank's previous business and customer confidence issues, the overall operating environment is unfavourable. The Indian Financial Market has been affected by the global risk aversion.

The supreme court of India is the Reserve Bank of India. All public and private sector banks receive instructions from RBI about monetary policy.In order to provide monetary stability in India and run the country's currency and credit system, RBI issues bank notes and maintains reserves.The RBI keeps the country's growth going while maintaining price stability.For all commercial banks, the Reserve Bank of India has announced the COVID-19 Regulatory Package. (includes Regional Rural Bank, Local Area Bank, and Small Finance Bank) District Central Cooperative Banks, State Cooperative

Banks, and all Primary (Urban) Cooperative Banks All Non-Banking Financial Companies and All All-India Financial Institutions (including Housing Finance Companies).In India, COVID-19-related issues resulted in a 2.5 trillion dollar revenue loss.Refinery utilisation is reduced by 15–20%. Production decline as a result of import restrictions, a shutdown, and a manpower shortage. Refinery utilisation decreased by 30–35%. a decline in the pharmaceutical industry as a result of import restrictions. closing down small and medium-sized dealers' businesses.Sharp decline in demand for renewable energy as a result of high prices; curtailment and postponement of capacity growth as a result of concerns about long-term viability; and interruptions in the global supply chain.

To assist the population, the government and RBI never cease doing something. The government has announced a $1.73 trillion package for the underprivileged who require funds for their means of subsistence and food security. The COVID-19 Pandemic results in employment losses for many business personnel.Government officials are constantly developing economic policies and strategies in an effort to lower the unemployment rate. Numerous humanitarian organisations in India have also received instructions from the government on how to improve their own operations and help society as a whole. The municipal party is also given attention by the government. Grampanchayat for identifying the problem's primary causes and determining a remedy. The government also places a premium on industries that require assistance to survive, such as hospitals, schools, and the service industry.

The COVID-19 Pandemic has caused a short-term disruption in Indian banking.

1. Lack of access to the infrastructure or data, which reduces serviceability.
2. A brief adjustment to the value of financial institutions, with a predicted decline in returns
3. Access to branches is difficult for ordinary operations
4. Loan payment default
5. Reducing non-essential processes
6. Considerable decrease in both local and international commerce

1.2 A protracted banking crisis in India caused by the COVID-19 pandemic

1. A growing demand for shared services using a distributed workforce
2. Growing inclination and necessity for digital transactions
3. Increasing popularity of life and health insurance plans
4. Accumulation of surplus capital as a result of few chances for deployment
5. More loan defaulters as a result of lower revenue and margin

2. Review of Literature

The Covid-19 virus began spreading over the world on December 1st, and many researchers have begun writing on the virus' effects on the world economy and the Indian economy. How the Corona Virus causes human psychology to deteriorate.

The many parameters of the clinical course and management of the COVID-19 need to be optimised as a result of the COVID-19 Pandemic. The research article focuses on what are the real criteria for combating COVID-19, what preventative actions are recommended by the World Health Organization, and how people may become psychologically fit to overcome their COVID-19 phobia.The goal of the research article is to review the newly published and quickly expanding literature on the government's response to COVID-19's economic effects. How many deaths were caused by COVID-19, how many individuals use social isolation as a preventative tactic. How this epidemic is changing the world. What are the COVID-19 pandemic's effects on the service sector?

An Indian viewpoint. The focus of the research article is on the corporate productivity decline, supply chain disruption, manufacturing challenges, and weakened health systems. Financial and banking systems suffer losses. Increased in bad loans, decreased tourist and entertainment industry revenue, etc.

The Impact of COVID-19 on Financial Markets, Banking Systems, and the General Economy is the source for the research paper, which was released in June 2020.

The study focuses on the COVID-19's effects on fiscal policies, the reasons why the financial market fell, the changes in banking policy, the reasons for the downturn in the economy, etc.

3. Research Methodology

Research is centred on COVID-19's impact on the Indian banking industry. The worst scenario is affecting the entire planet. Banking in India was also impacted. People's ability to repay loans is diminished. Indian GDP declined. India's economy is moving less slowly. The Indian Government and Reserve Bank of India are continually working to adopt new policies that will assist to lessen the effects of COVID-19.

Objectives of Research Paper

1. To understand the RBI policy change brought on by COVID-19.
2. To research COVID-19's impact on the Indian banking industry.
3. To come up with a COVID-19 Pandemic response strategy for the Indian banking sector.

The secondary data are the foundation of the research. Data is gathered for the research paper from the Reserve Bank of India website, the RBI manual, the guidelines supplied by the RBI in their manuscript, books, the internet, magazines, and newspapers.

1. RBI Reforms in India

1.1 COVID -19 Regulatory Package

By creating provisions and Asset Classification Norms, the RBI established a number of regulatory steps for combating the COVID-19 Pandemic Disruptions. The announcement states that the RBI would focus on preventing financial stress for company owners so that they may continue operating in a favourable climate while also easing loan repayment requirements and expanding access to working capital management.

Rearranging payments for term loans and working capital facilities is item

All commercial banks (including regional rural banks, small finance banks, and local area banks), co-operative banks, and non-banking financial institutions (including home financing companies) have pledged to work together to lessen the impact of the COVID-19 pandemic. Payment of all Equated Monthly Installments (EMIs) for term loans, including agricultural term loans, retail loans, and crop loans, will take place from 1 June 2020 to 30 August 2020. Such a loan's leftover tenor will be transferred to the board for schedule repayment. The term loan's interest will continue to accumulate while the moratorium is in effect.Regarding the availability of working capital The Reserve Bank of India chooses to grant permission via Overdraft and Cash Credit. Commercial banks make the decision to extend the payment grace period by another three months, from 1 June 2020 to 31 August 2020. Regarding all of these institutions, on interest recovery. Financial institutions are allowed to convert the accrued interest for the postponement period up to August 30 2020, at their discretion, into a financed interest term loan (FITL), which must be repaid by March 30, 2021, at the latest.
Banking Due to a severe economic slump and corporate closures, the industry is under stress. Due to this fundamental change in banking sector and policy

Arrangements for Working Capital Financing

The Reserve Bank of India offers borrowers the ability to pay back working capital loans via Cash Credit while also reducing the strain on banking institutions. RBI has taken this action as a precaution against the COVID-19 Pandemic RBI announce 2020.
The Reserve Bank of India has made this short-term agreement till March 31, 2021.
The Reserve Bank of India continuously evaluates the working capital restrictions that have been imposed through the end of March 2021 based on a reevaluation of the working capital cycle. The aforementioned actions will only be taken if the financial institution determines that they are necessary due to the COVID-19 pandemic's negative economic effects. Additionally, accounts given a break under these instructions must undergo a future supervisory examination to see if they are justified in light of the financial economy's decline due to the COVID-19 epidemic. Financial institutions operated in accordance with the policies set out by the Reserve Bank of India's board

Asset Classification

The Reserve Bank of India chooses to amend the borrower's credit policy and convert accrued interest into a funded interest term loan in order to specifically address the COVID-19 Crisis. In accordance with guidance in the prudential framework that will take effect on June 8, 2019, the RBI is working to resolve stressed assets, which is unlikely to result in a downgrading of the Asset Classification.Even if the COVID-19 Pandemic period was past due, the account was classed as standard on February 28, 2020. Wherever granted, financial institutions will exclude the number of days past due for asset categorization under the Income Recognition and Asset Classification (IRAC) standards from the number of days granted in respect of term loans. These accounts' asset categorization will be determined based on the updated due dates and payback plan.

1.2 The reforms for Business Continuity are formed by financial institutions.

1. In order to prepare customers for unforeseen circumstances, Financial Institute offers COVID-19 insurance.
2. A financial institution that relaxes lending terms for the general population.
3. Financial institutions collaborate on data for trade financing.
4. Financial institutions provide small manufacturing businesses plug-and-play non-financial services.
5. Financial Institute is developing a thorough digital customer care platform.
6. Financial Institute offers the consumer funding for digital commerce in exchange for good service.
7. Additionally, Financial Institutions are updating their internal systems. Moving to a cloud-based solution will offer remote access for

employees.

8. By managing talent, employees are assured of their job stability.

Findings

1. The government took the initiative by launching a relief package of Rs. 1.7 trillion for the needy that comprises cash transfers and food security.
2. Financial institutions announce further corporate bailout programmes
3. The government enacts severe or emergency measures to save the economy.
4. The Indian government is improving its administrative infrastructure to provide welfare benefits efficiently.
5. The Indian government is giving local organisations more ability to manage crises effectively.
6. The government encourages financing from banks in key sectors.
7. The Reserve Bank of India offers a 3-Month Moratorium on term loan payments.
8. The Reserve Bank of India relaxes the asset classification standards for banks in the public and private sectors.
9. RBI provides instructions for the establishment of operational restrictions for clients for structural strengthening
10. The REPO Rate was lowered by 90 BPS by the Reserve Bank of India.
11. RBI further decreased REPO Rate by 3% to 4%.
12. The Reserve Bank of India continued to lower its REPO Rate to a level close to zero.
13. RBI continues to employ 25000 carorers. Extended Repo Operation (LTRO)
14. The Reserve Bank of India continues to increase domestic liquidity via dollar SWAPS LTRO.

Conclusion

Financial institutions help workers by providing a comfortable, healthy work environment and by retraining them in new procedures and methods of operation. Through digital platforms, they are improving their customer-centric strategy. RBI develops a strategy to ensure business continuity, Partner with others to improve experience and procedure. Sectors and consumer segments should be reprioritized based on risk and growth. The government is encouraging people to develop creative business models for the new industry environment as conditions alter as a result of the COVID-19 epidemic. concentrating on developing a strong digital ecosystem employing cutting-edge technologies.

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