

STUDY ON INFLUENCE OF COVID-19 ON CORPORATE EFFECTIVENESS OF BANKING SECTOR

Usha Rani ¹, Dr. Manish Shrivastava ²

¹ Research Scholar, Department of Management, Dr. A. P. J. Abdul Kalam University, Indore, Madhya Pradesh, India

² Supervisor, Department of Management, Dr. A. P. J. Abdul Kalam University, Indore, Madhya Pradesh, India



DOI

10.29121/shodhkosh.v5.i1.2024.5435

Funding: This research received no specific grant from any funding agency in the public, commercial, or not-for-profit sectors.

Copyright: © 2024 The Author(s). This work is licensed under a [Creative Commons Attribution 4.0 International License](#).

With the license CC-BY, authors retain the copyright, allowing anyone to download, reuse, re-print, modify, distribute, and/or copy their contribution. The work must be properly attributed to its author.



ABSTRACT

To combat a pandemic like CoVD-19, the Indian government has proposed a nationwide lockdown beginning on March 24, 2020, and continuing until May 3, 2020. In order to prevent further loss of life, the Indian government must implement a lockdown. Multiple parts of our economy will be badly impacted. The banking sector provides crucial support to the Indian economy. This piece is an effort to quantify the monetary losses sustained by financial institutions as a result of the lockdown that would be necessary in the event of a pandemic similar to covid-19. The sample size for the study includes 16 different deposit money banks across India. An indicative sample of four financial institutions was chosen. A total of 250 participants were randomly selected from the whole study population. A structured questionnaire was used to collect the information, and they were handed out to people individually. Frequency, mean, and standard deviation calculations were used to analyze the data and provide insight into the research issues. The study found that the covid-19 lockdown had a statistically significant detrimental influence on banking sector corporate effectiveness.

Keywords: Banking, Covid-19, Corporate, Lockdown, Digital

1. INTRODUCTION

Millions of people throughout the world have been affected by the corona virus outbreak, and thousands of people have lost their lives. New instances of corona virus are being reported every day, heightening the disease's already-substantial hazard level. In December of 2019, scientists in Wuhan, China, found the first evidence of the Corona virus, which has since spread over the world. The World Health Organization (WHO) has declared a pandemic after seeing the spread of the disease and the subsequent rise in mortality rates, which occurred on March 11, 2020. Current evidence suggests that the Corona virus has had a significant impact on India. The global economic downturn caused by COVID19 is complete. It is safe to say that COVID-19 has had a profound effect on the industry in India as a whole. The RBI has released a study stating that the corona virus has affected firms that were doing well before to the pandemic.

The banking industry is a significant backbone of the Indian economy, which is supported by the primary, secondary, and tertiary sectors. Traditionally, the banking sector has been responsible for providing financial assistance to all of these sectors through the provision of loans, advances, short-term credits, the issuance of letters of credit, bank guarantees, and so on. Foreign exchange (FX) assistance, digital banking, e-commerce, tele banking, e-kiosks, and a plethora of other services are all part of the modern era of Indian banking. All three of these industries, which constitute the backbone of the Indian economy, would feel the effects of any problem in the banking sector.

The new Corona Virus causes an outbreak in banks. As the virus spreads throughout India, businesses and lenders face serious problems like a drop in sales and profits, layoffs, and the loss of valuable employees. Customers of Indian banks have been clamoring for financial relief, therefore the Reserve Bank of India has urged national banks to craft customer-friendly banking practices. The COVID-19 pandemic has posed significant difficulties for Indian financial institutions. Uncertainty over the intensity and duration of the pandemic and its attendant consequences on the Indian bank and limits on economy activities contribute to a generally unfavorable operating environment.

2. IMPACT AREAS OF COVID-19

The COVID-19 crisis will refocus attention on four essential areas of banking and hasten the pace of their respective technological adoptions.

2.1. EMBRACING NEO TECHNOLOGIES

In the wake of the recent economic and pandemic crises, new technologies will be important in facilitating faster transactions at lower costs for financial institutions. The banking industry in India has already come to terms with the use of technology in expanding their customer base and improving efficiency. The digital delivery of services is set to be revolutionized by these technologies, which will be important in the digital transformation of banks and financial institutions.

2.2. CHANNELS OF DIGITIZATION

With 190 million adults unable to open a bank account because they lack transportation to a branch, preference banks will enable their customers to negotiate a diverse column channel mix that includes automated and digital channels. This is according to the World Wide Web Consortium's 2017 Global Search Report. The demographic, internet access, last mile, connection, customer banking, behavior patterns, etc. will all be taken into account by banks. For widespread uptake among Indian bank customers.

2.3. SECURITY, PRIVACY AND CUSTOMER TRUST

The Reserve Bank of India reports that during the 2017 fiscal year, cyber fraud cost India's banking industry \$13.7 million. There will soon come a point where the usage of digital and cashless economies makes it essential for banks to adopt foolproof economy measures. Financial institutions need to take stock of their internal and external vulnerabilities.

Policy and Compliance

We must prioritize digital payments and infrastructure, especially in rural India. India is moving on with plans to enact a data protection law similar to the General Data Protection Regulation (GDPR) in the European Union.

3. METHODOLOGY

The study used a questionnaire survey as its research methodology. For this investigation, we employed a well-crafted questionnaire. The location was selected taking into account factors like accessibility, efficiency, and economy. 16 Indian deposit money institutions make up the sample for this investigation. In order to collect data, questionnaires are given out to employees at four different banks. A total of 250 participants were randomly selected from the whole study population. Frequency, mean, and standard deviation calculations were used to analyze the data and provide insight into the research issues.

4. DATA ANALYSIS AND INTERPRETATION

What is the extent at which covid-19 lockdown impacts on corporate effectiveness in banking sector?

Table 1 Mean rating of responses of respondents on the extent at which covid-19 lockdown impacts on corporate effectiveness in banking sector

S. No.	Questionnaire Item	Mostly Effective (5)	Effective (4)	Moderate (3)	Least effective (2)	Very Least effective (1)	Mean	SD
1	Covid-19 lockdown results to revenue losses in banking organizations thereby reduces corporate effectiveness	44%	34%	16%	3%	2%	4.47	0.0029
2	Covid-19 lockdown made banking sector unable to operate with full capacity thereby reduces corporate effectiveness	35%	44%	13%	5%	2%	4.02	0.0027
3	Covid-19 lockdown made banking sector unable to implement annual budget estimation thereby reduces corporate effectiveness	59%	25%	12%	2%	0.8%	4.40	0.0034
4.	Covid-19 lockdown increases banking sector's operating cost in buying face-mask and hand sanitizer thereby reduces corporate effectiveness	55%	29%	10%	3%	2%	4.31	0.0032
	Grand Mean						4.218	0.0031

Respondents' estimates of how much the covid-19 lockdown has reduced corporate effectiveness in the banking industry are displayed in the following table. Respondents gave very high ratings to items 1, 2, 3, and 4 in the research, with mean scores all over 4.0. Since the grand mean (4.248) is bigger than the cut-off mean (3.672), the analysis demonstrated that the covid-19 lockdown had a negative, statistically significant effect on corporate effectiveness in the banking industry (3.00).

What is the extent at which covid-19 social distancing impacts on corporate efficiency in banking sector?

Table 2 Mean rating of responses of respondents on the extent at which covid-19 social distancing impacts on corporate efficiency in banking sector

S. No.	Questionnaire Item	Mostly Effective (5)	Effective (4)	Moderate (3)	Least effective (2)	Very Least effective (1)	Mean	SD
1	Covid-19 social distancing reduces number of banking services rendered per day thereby decline corporate efficiency	50%	30%	13%	6%	1%	4.12	0.0030
2	Covid-19 social distancing reduces the level of customer-employee interaction in banking sector thereby decline corporate efficiency	35%	44%	18%	5%	2%	4.06	0.0030
3	Covid-19 social distancing increase aggregate money withdrawal and reduces aggregate money deposit in banking services thereby decline corporate efficiency	59%	28%	13%	2%	0.8%	4.36	0.0033
	Covid-19 social distancing push Banks' customers into e-banking transactions	53%	31%	9%	3%	2%		

4.	without being trained thereby decline corporate efficiency						4.28	0.0032
	Grand Mean						4.255	0.0031

In this table, you can see how much of an effect social distance from covid-19 has on corporate efficiency in the banking industry. Respondents gave very high ratings to items 1, 2, 3, and 4 in the research, with mean scores all over 4.0. Therefore, as the grand mean (4.316) is higher than the cut-off mean (3.251), the study demonstrated that covid-19 social distancing had a negative, statistically significant effect on corporate efficiency in the banking industry (3.00).

Covid-19 lockdown has no significant impact on corporate effectiveness in banking sector

Table 3 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.946a	.895	.895	.48200
a. Predictors: (Constant), Covid-19 lockdown				

Table 4 ANOVA^b

Model		Sum of Squares	Mean Square	F	Sig.
1	Regression	513.307	513.307	2209.462	.000a
	Residual	59.939	.232		
	Total	573.246			
Predictors: (Constant), Covid-19 lockdown					
Dependent Variable: Corporate effectiveness					

Table 5 Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.275	.062		4.474	.000
	Covid-19 lockdown	-1.132	.024	0.946	-47.005	.000
a. Dependent Variable: Corporate effectiveness						

Regression analysis was performed on corporate effectiveness versus covid-19 lockdown. Table 4.3.1 summarizes the results of a single regression study used to model the impact of the covid-19 lockdown on corporate effectiveness in the banking industry.

Efficiency in the workplace = 0.275 + 1.132 Lockdown of Covid-19 The empirical data indicates that covid-19 lockdown negatively impacts corporate performance, both directly and indirectly, as measured by the coefficient. T-tests show that the coefficient of covid-19 lockdown is significant. This is due to the fact that the observed value of t-statistics

(-47.005) is larger than the crucial value (0.000). The F-statistical test result indicates that the overall regression of H0 is significant. This is due to the fact that the observed value of the F - statistics (2209.462) was higher than the crucial value (2000.86). (0.000). As before, our data reveals that the Pearson product moment correlation analysis (r) was 0.946. There was a very strong connection between the two factors. We reject the null hypothesis and instead draw the conclusion that covid-19 lockdown has a negative, statistically significant effect on corporate effectiveness in the banking sector. This is because Covid-19 lockdown causes revenue losses in banking organizations, which in turn reduces corporate effectiveness (t - statistics (47.005) > critical values) (0.000).

5. CONCLUSION

The banking industry's operational costs rise as a result of the Covid-19 lockdown because to the increased price of purchasing face-masks and hand sanitizer, decreasing the sector's overall corporate effectiveness. Corporate institutions suffer income losses due to the Covid-19 lockdown, lowering the effectiveness of the banking as a whole. Some Indian banks are struggling as a result of the corona-like pandemic, which has hit deposit levels hard. Clients may be compelled to reduce lending to private banks because of their current financial state. While the RBI's 3-month grace period for banks following Corona's relaxation of bad-credit recognition criteria has helped, NPA at banks has still risen. Bankers all know that after the government of India imposed the lockdown on 25 March, 2020, RBI has done a lot of action to ensure that banking operations continue as usual.

CONFLICT OF INTERESTS

None.

ACKNOWLEDGMENTS

None.

REFERENCES

- Barua, B., & Barua, S. (2021). COVID-19 implications for banks: Evidence from an emerging economy. *SN Business & Economics*, 1(1), 1–28. doi:10.1007/43546-020-00013-w PMID:34778814
- Nicolai JF. The Impact of the Covid-19 Pandemic on Firms' Organizational Designs. Copenhagen Business School. *Journal of Management Studies*. 2021; 58(1):12- 21.
- Baret, S., Celner, A., O'Reilly, M., & Shilling, M. (2020). COVID-19 potential implications for banking and capital markets sector. Deloitte Insights. https://www2.deloitte.com/content/dam/insights/us/articles/6693_covid-19-banking/DI_COVID19-banking.pdf
- Demirguc-Kunt, A., Pedraza, A., & Ruiz-Ortega, C. (2020). Banking sector performance during the covid-19 crisis.
- Wu, D. D., & Olson, D. L. (2020). The effect of COVID-19 on the banking sector. In *Pandemic Risk Management in Operations and Finance* (pp. 89-99). Springer, Cham.
- Singh, J., & Bodla, B. S. (2020). Covid-19 pandemic and lockdown impact on India's banking sector: a systemic literature review. *COVID-19 pandemic: a global challenge*, 21-32
- Gopalan, H. S., & Misra, A. (2020). COVID-19 pandemic and challenges for socioeconomic issues, healthcare and national programs in India. *Diabetes & Metabolic Syndrome*, 14(5), 757–759. doi:10.1016/j.dsx.2020.05.041 PMID:32504992
- Ramasamy, D. (2020). Impact Analysis in Banking, Insurance and Financial services industry due to COVID-19 Pandemic. *Pramana Research Journal*, 10(8).
- Manikyam, K. R. (2014). Indian Banking Sector: Challenges and opportunities. *IOSR Journal of Business and Management*, 17(2), 52-61