E-ISSN: 2708-4523
P-ISSN: 2708-4515
Impact Factor (RJIF): 5.61
AJMC 2025; SP-6(3): 50-51

www.allcommercejournal.com
Received: 04-06-2025
Accepted: 07-07-2025

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COVID-19 and its impact on the Indian banking system: A performance study

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DOI: https://www.doi.org/10.22271/27084515.2025.v6.i3Sa.793

Abstract
The COVID-19 pandemic had a negative impact on India's numerous industrial sectors. Other nations around the world have also been affected. It has caused the economic sector in our nation to grow at an unfavorable rate. Prior to the pandemic, the majority of industries were doing well, but now they are being pulled down by it. As a result, it is vital to research and examine the industries that are negatively affected by the pandemic; the banking industry is one of them. An important part of the Indian economy is the banking industry. This sector oversees all of the nation's financial operations and provides support to all other industries in terms of financing, credit, transactions, collection, and payment, among other things.

Keywords: COVID 19, pandemic, banking sector, performance

Introduction

The government imposed a lockdown to stop the Covid-19 virus from spreading. Economic activity has ceased in numerous sectors due to this lockdown. Among them is the banking industry. The banking industry has been indirectly impacted by COVID-19. The banking industry was unable to communicate directly with its clients. Banks and other financial institutions are further impacted negatively by the COVID-19 pandemic through payment, savings, credit, and risk management services.

The Bank offers a wide range of services to its clients, including loans, plastic money like debit and credit cards, measures to increase demand and ease liquidity by guaranteeing public sector banks lend more to NBFCs, introducing a partial credit guarantee scheme, holding loan melas, and more. The Bank holds a significant place in the Indian economy and helps create jobs in India. Regretfully, Banks has gotten worse.

Research Methodology

The data is collected from Secondary sources of internet, reference books, journals, articles etc. paper is conceptual paper.

Data Collection

How does the covid 19 affect banks

People's daily lives were impacted by COVID-19. The banking industry's responsibility is to assist businesses and households during this time of decreased incomes and revenues, which has led to significant policy changes by governments and financial regulators.

The banking industry was impacted by COVID-19 in the following ways.

1. Since most businesses that have ceased operations lose out on income, they might not be able to pay back loans. In a similar vein, households with jobless members earn less money and may not be able to pay back their loans. This will have a negative impact on profits and bank capital in addition to causing lost revenue and losses (if repayment capacity is permanently impaired). As the likelihood of a quick recovery declines, banks may anticipate more losses, necessitating the need for more provisions and further weakening their capital position and profitability.
2. Banks suffer additional losses as a result of the depreciation of bonds and other traded financial instruments. Additionally, open derivative positions that have taken unexpected turns as a result of the crisis may result in losses.
3. As businesses in particular need more cash flow to cover their expenses even during periods of low or no revenue, banks are dealing with an increase in the demand for

demand has occasionally shown up as borrowers drawing down their credit lines.
4. Because there is less demand for the various services that banks offer, their non-interest income is declining. For instance, less economic activity means fewer payments and transactions to be completed, and fewer corporate security concerns mean lower fee income for investment banks

How does the COVID 19 affect banks?

Bank losses and reduced capital buffers can have detrimental overflow effects, which could further deteriorate banks' solvency position and harm the overall economy. Bonds and other traded financial instruments may be sold by banks to improve their liquidity position or to offset losses; this lowers the prices of the instruments and has a negative impact on other banks that own them.

Banks may cut back on lending to the economy, which would hurt businesses that depend on these buffers and make them less likely to survive.

The effect of the pandemic on the banking system, which faces a significant challenge in providing for its clients during a pandemic, particularly when considering its long-term viability.

Numerous aspects of the banking system are changing as a result of the COVID-19 pandemic, including new initiatives, events, and methods of operation. They had to maintain people's access to financial resources and avoid closing all of their branches due to the essential nature of banking services. Due to concerns about employee safety, staff shortages, and a general decline in trade, a number of bank branches have closed during the eruption in numerous countries and territories. Many of the remaining 75% have fewer employees and operate with fewer hours (KPMG, 2020b). They must focus on the plan that determines their future in light of all the obstacles they face. In order to survive, PWC (2020b) states that they must plan for business continuity on the following issues: change branch hours and staffing mix and times; make in-branch visits appointment-only; and temporarily close some branches. Changes will be made to the way they operate.

Conclusion

The pandemic will have a negative impact on the banking industry, but it is also a major threat to economic recovery. However, by accelerating technological trends, bringing digitalization, and introducing new financial service providers, the pandemic will increase the pressures of competition on banks.

The banking industry has also been significantly impacted by the pandemic in a number of ways, such as the development of new loan programs, modifications to consumer preferences, adjustments to depositor behavior, and adjustments to the supply and demand for loans.

Suggestion

Banks should use new technology to help them focus on sustainability. The rural sector should adopt this new technology.

Customers should be made aware of this new technology by setting up free training sessions for them.

To keep their clients during the pandemic, banks should offer senior citizens door-to-door services.

Banks can partially recover their loans from consumers by implementing a loan subsidy program.

Banks can encourage their clients to use net banking and mobile banking to digitize.

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