



A STUDY ON BANKING SECTOR PERFORMANCE DURING COVID-19 PANDEMIC PERIOD WITH SPECIAL REFERENCE TO THANJAVUR DISTRICT

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ABSTRACT

The motivation behind this paper is to add to the scholastic examination in the administration field, by investigating banking systems carried out during complex emergencies, with an attention on the new pandemic. To work on the cognizance of the financial results of the COVID-19 pandemic we investigated the contrasts between the emergencies during the emergency prompted by the pandemic. In the past emergencies, banks were considered as a feature of the issue, yet this time they are seen as a component of the arrangement. This methodology builds the job of banks in the Covid emergency and the methodologies took on by banks impact the entire economy. The pandemic has changed the world economy totally and influenced immensely most organizations. The financial framework assumes a fundamental part in the present circumstance since it is a vital part according to a monetary perspective. Lately, the financial framework has adjusted constantly – it has been reevaluated to stay aware of client assumptions and the requirement for cost decreases. The COVID-19 pandemic has sped up digitalization in the financial framework albeit, the requirement for advancement and computerized procedures have been a significant factor in banking even before the pandemic had begun. We present moreover an assessment dependent on a story writing survey and a rundown of the main components that overhaul the financial framework during the COVID-19 pandemic setting. The writing in regards to the COVID-19 pandemic and its suggestions for the financial framework is as yet creating since the pandemic is an unfurling new encounter for the world.

Keywords: banking strategies; pandemic; adaptive management; digitalization of banking industry; COVID-19; social responsibility.

INTRODUCTION

Indian Banking framework consistently outlining changes to limit the impact of COVID-19. As all out world experiencing COVID-19 Pandemic. It will change the way the world works. It makes economic crisis. The Corona infection sickness first time distinguished in Wuhan, the capital of Hubai China in December 2019 and spread to the general world. Subsequent to noticing its disease and increment the pace of death World Health Organization announce as Pandemic on eleventh March 2020. As seen momentum circumstance India is Widely influenced from Corona infection. As per WHO as of now affirmed instances of COVID-19 have been 7,273,958 detailed in the World including 4, 13,372 passings. In India 1, 37, 448 dynamic instances of COVID-19, out of those 8,102 passings proclaimed as an administration of India. All out world go into downturn from COVID-109 all the area. Continuously ascend in joblessness, High pressure caused on store network the board. Totally diminished the Government income. Out of nowhere defeat in Hospital and the travel industry. Diminished in purchaser purchasing action. Definitely decreased in fuel utilization action. Enormous organizations in India like TATA Motors, BHEL, Aditya Birla, Larsen and Turbo decreased their Industrial activity. Indian Banking area get influenced from Corona Pandemic.

Banks get flare-up because of novel Corona Virus. Borrowers and Industries deal with the hazardous issue like employment misfortunes, stoppage in deals and diminished in the benefit as infection spread in by and large India. Banking client needed some monetary help and Reserve Bank of India empowering public banks to give the alleviation by outlining great financial arrangements towards client. For security, issues among representatives it was chosen to give office for workers to work from distant regions. (WHO) has encouraged individuals to utilize contactless installment and abstain from taking care of banking note as much a potential? As it was discovered that Corona infection, live in Banking Notes for quite a long time and speeding up spread of the perish. One of the great change began in India because of Corona infection is banks are expecting this shift towards Digital Marketing. Presently in India individuals depend on Online Banking, Telephone Banking and call focus. HSBC Banks in India began working by isolating individuals. At Bank level issue of Non-Performing Asset has expanded. Spike Increased on NPA in India. At present NPA rate in India likewise to china like 2% however the credit costs proportion could be more regrettable. Indian Banking System changed over from stable to negative, as persistently interruption in economy movement brought about by the COVID-19 pandemic and a decrease in resource quality. From the exploration it was realized that nature of the resource ceaselessly goes down from corporate Small and Medium Enterprises (SME), and retail section for loaning to tension on productivity and capital for banks. Decreased efficiency and lockdowns have effectively begun to negatively affect the financials of the corporate area. Indian Banks face such countless difficulties because of COVID-19 Pandemic. The absolute working climate is negative because of vulnerability encompassing the seriousness

REVIEW OF LITERATURE

(*Ait-Sahalia et al., 2012; Morais et al., 2019*) There are several challenges to our identification. First, owing to the high degree of global financial integration, there is extensive evidence of international spillovers from policy announcements by systemically important countries.

According to *Borio (2020)*, banks entered this crisis with better capital buffers than in the GFC.⁷ The documented increase in banks' risk premium suggests that markets expect that the banking sector would endure higher profit losses than other industries; perhaps as they absorb a large portion of the shock. Using the idea that asset prices can help evaluate expected profitability of firms in real time, we also contribute to the literature by evaluating the impact of different financial policy measures.

We use an event study technique (*Brown & Warner, 1996; Kothari & Warner, 2007*) to test the effect of policy announcements on the stock returns of banks. More specifically, we want to assess whether different policy initiatives convey new information about the ability of banks to properly operate during and after the crisis. Measuring bank-level stock returns, instead of an aggregate index of bank stocks prices (or interbank credit and liquidity risk premia), allows us to exploit variation across banks to better understand the market response to different types of policies.

(*Reinhart & Rogoff, 2009; Claessens et al., 2005*), While financial sector policy initiatives are expected to have a calming impact on interbank credit and liquidity risk premia the evidence on the effect of liquidity support measures on banks was mixed during the global financial crisis in 2008.

(*Claessens et al., 2005; Reinhart & Rogoff, 2009; Taylor & Williams, 2009*). *Ait-Shalia et al. (2012)* We also contribute to a longstanding literature that examines the role of policy initiatives during financial crisis examine the effects of policy announcements on liquidity risk premia and interbank credit during the GFC.

Correa et al. (2014) also use bank stock prices to evaluate another kind of shock – the downgrade of the sovereign credit risk.

As noted by *Karolyi & Stulz, (2003)*, there are two alternatives in estimating the market model for a cross-country sample of stocks. The first estimates alpha and beta in the market model using a domestic market index, while the second uses a world market index. We present results using the “domestic CAPM” model and confirm most of our findings when we use the world CAPM model. We also calculate abnormal relative to a three-factor model (Fama & French, 1993), where, in addition to the market, we add size and book-to-market risk factors from the Kenneth French website.

(*Gormsen & Koijen, 2020; Landier & Thesmar, 2020; Ramelli & Wagner, 2020*) Our paper is related to a growing literature that studies the economic impact of the pandemic using stock market data. Given the extraordinary scale and unprecedented nature of the crisis, it is difficult to quantify the effect of the shock versus the impact of the ensuing economic policies. We add to this literature by examining the effects of the pandemic on stock returns of banks using an event study methodology.

Ornelas et al., (2019) the result is robust to the stringent filtering of the restricted sample. document that during the GFC, large banks disproportionately benefited from allocating government-sponsored credit. While loans that are funded with government resources typically have interest rate ceilings, banks offset the lower revenue from these loans by extracting rents in other lending products to the recipients of government support. Smaller banks and those that operate in niche markets are less able to take advantage of cross-selling and enhanced sales in other products.

Covid-19 Virus starts spread up in the world from 1st December 2019 , Many of the researcher starts writing on the research article related to Covid-19 , Their Effect on word economy , Covid-19 effect on Indian economy , How the human beings psychological become weak due to Corona Virus. Research is publish In January 2020 made by Pramath Kakodkar, Nagham Kaka, M N Baig.The research pandemic. Due to COVID-19 Pandemic how the multiple parameter of the clinical course & management of the COVID-19 need optimization.

From the social media , misinformation passed out to the people Research paper emphasize on what are the true guidelines for taking measures from COVID-19 , ,what preventive measures suggested by World Health Organization , How the people become mentally fit from this COVID-19 phobia.

David Gray, Anik Islam , Suraiya Jabeen The research paper is focus on to survey the emerging & rapidly growing literature on the economic consequences of COVID-19 & government response. How much death cases occurred due to COVID-19, How many people follow social distancing as preventive measures. How the word is change due to this pandemic. What is the effect of COVID-19 pandemic in service sector? What are the severe effect of COVID-19 in economy are described in the research paper.

Ashish Bagewadi & Dewang Dhingra, this paper emphasize on pre & post effect of COVID-19 in Banking sector along with that what are the effect of COVID-19 on environment is publishes on 19 on banking sector: An Indian Perspective. Research paper is emphasize on decrease in productivity of the corporate, Supply chain disruption, Manufacturing Hindrances & crippled health systems. Banking & Financial system suffer from losses.Increased in Bad loan, reduce income of tourism entertainment sector etc.

Research Paper is based on The Impact of COVID-19 on Financial Markets, Banking Systems, and the Overall Economy published on June 2020.The paper emphasize on what are the effect of COVID-19 on fiscal policies, why the financial market go down what are the changes in banking policy, why the economy is slowdown etc.

RESEARCH METHODOLOGY

Examination depends on impact of COVID - 19 in Indian Banking Sector. As all out world is experiencing the most noticeably awful circumstance. Indian Banking likewise influenced. Individuals reimbursing limit of credit get decreased. Gross domestic product of India got down. Economy progress of India got lower. Indian Government alongside Reserve Bank of India is constantly during the time spent growing new strategy, which assists with lessening effect of COVID-19. Along these lines, we see how the financial framework handles a few difficulties that occur during an unsure period that humankind has never confronted. We investigate if the

financial framework entered the pandemic stronger and very much promoted than it was before the past emergency and sum up the examples learned by banks.

OBJECTIVES OF RESEARCH PAPER

1. To see how the financial business can adapt to the perplexing emergencies and backing the financial environment guaranteeing the manageable improvement of banks.
2. The Research depends on the auxiliary information. For the Research paper information is gathered from Reserve Bank of India Website, Reserve Bank of India Manual, Guideline given by RBI in their original copy, Books , Internet , Magazines and Newspaper.

ANALYSIS AND INTERPRETATION

Prudential Measures

- a. Introduction and phased implementation of international best practices and norms on risk-weighted capital adequacy requirement, accounting, income recognition, provisioning and exposure.
- b. Measures to strengthen risk management through recognition of different components of risk, assignment of risk-weights to various asset classes, norms on connected lending, risk concentration, application of marked-to-market principle for investment portfolio and limits on deployment of fund in sensitive activities.

3. Competition Enhancing Measures

- a. Granting of operational autonomy to public sector banks, reduction of public ownership in public sector banks by allowing them to raise capital from equity market up to 49 per cent of paid-up capital.
- b. Transparent norms for entry of Indian private sector, foreign and joint-venture banks and insurance companies, permission for foreign investment in the financial sector in the form of Foreign Direct Investment (FDI) as well as portfolio investment, permission to banks to diversify product portfolio and business activities.

4. Measures Enhancing Role of Market Forces

- a. Sharp reduction in pre-emption through reserve requirement, market determined pricing for government securities, disbanding of administered interest rates with a few exceptions and enhanced transparency and disclosure norms to facilitate market discipline.
- b. Introduction of pure inter-bank call money market, auction-based repos-reverse repos for short-term liquidity management, facilitation of improved payments and settlement mechanism.

5. Institutional and Legal Measures

- a. Settling up of Lok Adalats (people's courts), debt recovery tribunals, asset reconstruction companies, settlement advisory committees, corporate debt restructuring mechanism, etc. for quicker recovery/ restructuring. Promulgation of Securitization and Reconstruction of Financial Assets and Enforcement of Securities Interest (SARFAESI), Act and its subsequent amendment to ensure creditor rights.

- b. Setting up of Credit Information Bureau for information sharing on defaulters as also other borrowers.
- c. Setting up of Clearing Corporation of India Limited (CCIL) to act as central counter party for facilitating payments and settlement system relating to fixed income securities and money market instruments.

6. Supervisory Measures

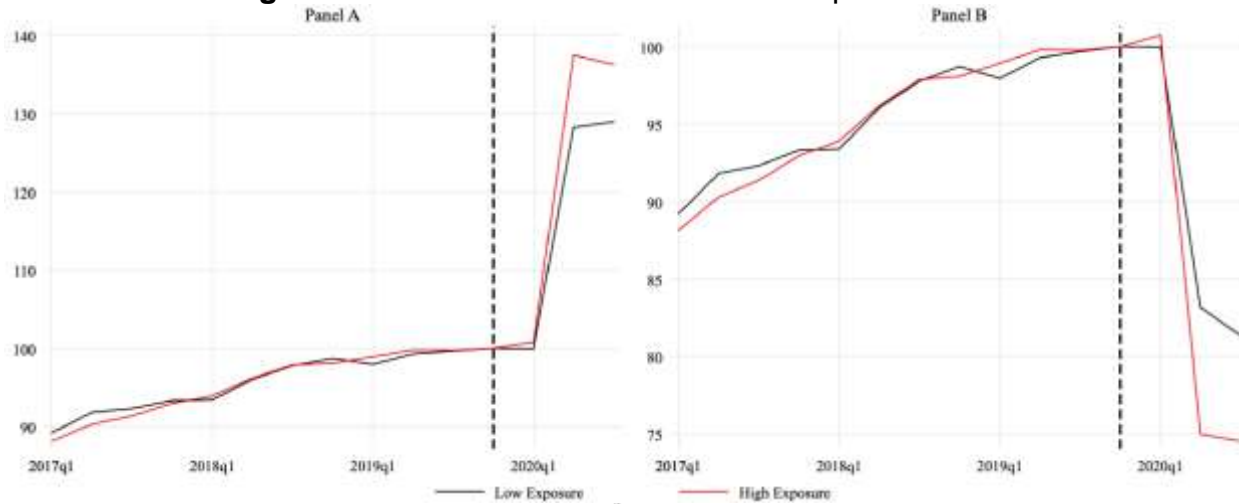
- a. Establishment of the Board for Financial Supervision as the apex supervisory authority for commercial banks, financial institutions and non-banking financial companies.
- b. Introduction of CAMELS supervisory rating system, move towards risk-based supervision, consolidated supervision of financial conglomerates, strengthening of off-site surveillance through control returns.
- c. Recasting of the role of statutory auditors, increased internal control through strengthening of internal audit. L
- d. Strengthening corporate governance, enhanced due diligence on important shareholders, fit and proper tests for directors.

7. Technology Related Measures

- a. Setting up of INFINET as the communication backbone for the financial sector, introduction of Negotiated Dealing System (NDS) for screen-based trading in government securities and Real Time Gross Settlement (RTGS) System

8. Financial Institution form the reforms for Business Continuity.

- Financial Institute provide COVID-19 insurance to the customer for facing unpredicted circumstance.
- Financial Institution giving loan term relaxation to the public.
- Financial institution work on data partnership for trade finance.
- Financial institute provide plug and play non-financial services for Small Manufacturing Enterprises.
- Financial Institute work on to form comprehensive digital platform for customer service.
- Financial Institute provide digital trade financing to the customer for giving effective service.
- Financial Institute also work on Revamping of their Internal System. Migration to cloud system to enable employee remote access.
- By Managing Talent-Given assurance to employees for job security.

Figure Health of banks with differential exposures to COVID

This figure shows banks' median small business lending volumes (all indexed to 100 in Q4 2019). On the left it includes PPP loans, while it excludes them on the right. Both figures differentiate according to banks' geographical exposure to COVID. The latter is the deposit weighted number of cumulative COVID-19 related deaths / 100,000 inhabitants during the three quarters of 2020. The black (red) line represents the group of banks below (above) the median exposure. The vertical black dashed line indicates the pre-COVID quarter Q4 2019.

FINDINGS

- Government step up by reporting Rs. 1.7 trillion alleviation bundle for the needy individuals that incorporates cash move and food security
- Monetary Institution proclaim bigger corporate bailout bundles
- Government Introduce crisis/extraordinary measures for monetary endurance.
- Indian government reinforcing regulatory hardware to successfully disperse advantage of Welfare program.
- Indian government Increasing strengthening of neighborhood bodies for successful emergency the board of emergency.
- Government move need area by giving loaning from banks.
- Reserve bank of India give 3-Month Moratorium period to paying term credits
- Reserve Bank of India give unwinding in Asset Classification Norms to the general population and private area Banks.
- RBI gives the rules for establishment of working cutoff points for clients for underlying reinforce
- Reserve Bank of India decreased REPO Rate by 90 BPS.
- RBI Reduced further REPO Rate by 2-3%
- Reserve Bank of India Sustained REPO Rate decrease to approach zero level.
- RBI work on through 25000 carorers. Long haul Repo Operation(LTRO)

- Reserve Bank of India makes further implantation of homegrown liquidity through dollar SWAPS LTRO.

CONCLUSION

Monetary Institution works with a favorable sound climate to the representatives and deskillling of the workers on new cycles for methods of working. They improve client driven methodology through advanced channels. RBI outlines the arrangement for guaranteeing business coherence, Engage in association to streamline cycle and upgrade insight. Reprioritize areas and client portion dependent on development and hazard profile. As circumstance change because of COVID-19 pandemic government empowering individuals to plan imaginative plan of action for the new business climate. Zeroing in on form vigorous computerized environment utilizing most recent innovation. Through the different change gauges up until this point, we have set out the establishment for a more productive monetary framework. Need for a further change is perceived and for instance, a Committee on Capital Account Convertibility has been designated. The total experience gives us the fundamental certainty to wrestle with the future difficulties and our prosperity so far makes us proceed with a feeling of hopefulness.

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