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IMPACT OF COVID 19 ON THE INDIAN BANKING SECTOR

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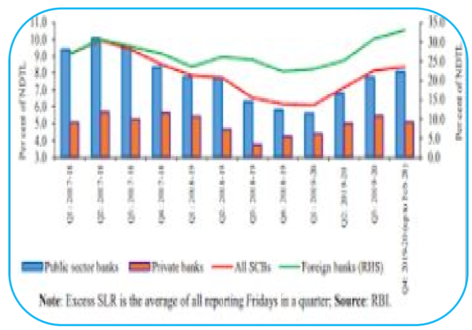
ABSTRACTS



The episode of pandemic is certainly the most awful wellbeing and financial emergency saw across the globe over the most recent 100 years. It has imprinted the current world request, worldwide worth chains, capital developments, and the financial states of huge segment of the total populace. Diminished efficiency and lockdown have negatively affected the corporate area because of the pandemic. Borrowers and organizations face employment misfortunes, eased back deals and declining benefits as the infection proceeds to spread all over the planet. The RBI has gone to notable lengths to safeguard the monetary framework and backing the economy in adapting to the emergency. As people group spread of the infection duplicates, options in contrast to individual banking and actual trades are looking more appealing. This will clear way for changes like shift towards computerized banking, direct of online courses to prepare banking staff, measures presented by RBI, etc. The Indian Government and the RBI have proactively gone to prudent lengths for the upliftment of the economy through its improvement bundle. In this article the writer has zeroed in on the different financial regions going under the effect of pandemic and the actions proposed by the RBI with depiction on various literary works.

KEY WORDS : *COVID-19, banking sector, lockdown, financial package from Government.*

INTRODUCTION

Fnancial area is the foundation of the Indian economy. Their solidarity, readiness and profundity are the basic feeders for the financial development of the country. Banking administrations in India is delegated the fundamental administrations area. Banking and monetary foundations were under gigantic strain to guarantee typical business in spite of the lockdown and the wellbeing emergency. The Coronavirus pandemic has influenced the world with a staggering effect on the general public and the economy. The Indian Government, RBI and other public organizations the nation over have answered with original plans to mitigate the effect. Banking activities for example, cash stores, withdrawals, clearing checks, and other conventional administrations are offered however with upkeep of social distance. Immense NPA (Non Performing Resource) build-up, eased back development, series of defaults recently made an outcome to the financial area. This was backfired by the crown pandemic. The financial effect of the Coronavirus on the Indian economy is to a great extent troublesome. The Coronavirus emergency has acquired extraordinary difficulties to the Indian economy and has cleared way for the significant changes in the greater part of the activities including the banks. With monetary action practically halting because of the wellbeing emergency, complete slippages in the financial area might rise upto Rs.5.5lakh crores in the current monetary. Banks were at that point under profound pressure from the FY 2016-2020 and had to a great extent accommodated the current corporate pressure and were advancing towards a moderate credit cycle. Notwithstanding, the pandemic has added up to the expense of the cycle. The total lockdown circumstance has represented an enormous danger to banking tasks. In India to lighten the gamble, the RBI and the Public authority have gone to lengths like decrease in the repo rate, switch repo rate and the money hold proportion. Be that as it may, banks need to support up for various difficulties at the miniature level and the full scale level in the post lockdown time frame. The specialized and functional difficulties for the two representatives and clients showed the lacuna of our financial framework in a crisis circumstance. This has cleared way for digitization and upgrading backend activities. It will wipe out the reliance of manual sections and representative mediation with banks. Banks have briefly sent staff to oversee client enquiries. A few banks have made interests in innovation and computerized change in the earlier years. Monetary firms have carried out video cooperation devices, new talk and informing programming as of now. Public area banks have the chance to investigate better innovation incorporation and client reception. In this way, there is a normal flood of development later on.

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ASSET CLASSIFICATION AND PROVISIONING

In the midst of the pandemic prompted problem, NPA are expected to upsurge with a likely effect on the capital base of the banks. With enormous scope disturbances, non performing resource represents a fundamental danger consequently supported strategy mediations have turned into the need of the hour. The prudential system for goal of focused on resources was set down in June 2019. It targets laying out early acknowledgment and detailing as time bound goal of focused resources. Solid, strong disincentives are additionally accommodated postpones in the execution of the goal plan as extra provisioning. The goal structure window for Coronavirus related pressure is material just to those borrowers who are in monetary misery however were performing sufficiently preceding the pandemic. Borrowers who were delegated standard just and had not been in default until Walk 1, 2020 are qualified for the goal interaction. These borrowers will be kept on being named norm till the date of summon of the goal system. Enormous borrowers have additionally started profiting rebuilding benefits stretched out for focused borrowers. The Arrangement Inclusion proportion of all booked business banks has been expanded from 66.2 % in Walk 2020 to 72.4 % in September 2020.

RISE IN THE SERVICE CHARGES OF BANKS:

The working benefits of the banks have been decreasing positively in India. With the constant lockdown, organizations being seriously influenced, interest pay will undoubtedly endure a gigantic shot. Restricted expansion in different regions is constraining the banks to consider expanding the storage rents, administration demand charges, computerized exchange charges and correctional charges. A lot more clients are supposed to return to their ledgers that were to a great extent lethargic as government awards and monetary help are dispensed through this channel.

IMPETUS TO DIGITAL BANKING

RBI Governor Shakthikantha Das urged the people to use digital mode of transactions from the announcement of lockdown. This will ease the completion of the transactions while maintaining social distancing norms. Digital banking is in great demand and the number of online transactions is expected to increase in the post covid period due to the convenience it offers to both customers and the banks. Digital transactions has increased by 67% in SBI(Times News, March 19, 2020).RTGS has been made available round the clock from December 14,2020. The existing system of Quick Response (QR) Codes in India, measures were taken to reinforce the acceptance infrastructure and provide better user convenience through interoperability and enhanced system efficiency. On August 6, 2020 the RBI directed all Payment system operators and payment system operators to introduce a transparent and customer friendly Online Dispute Resolution (ODR) to solve all disputes and grievances related to failed transactions on all payment systems from 1st January 2021.

INDUSTRIAL CREDIT

Continuous lockdowns has prompted in disruption in supply chains, most businesses will witness a longer working capital cycle. The economy gradually has to come out of this crisis, there will be sufficient production capacity but the availability of the working capital may act as the lubricating oil to keep the machines working or an impediment in that process. Medium level businesses are likely to keep a higher buffer of current assets like raw materials and inventories. Businesses will keep more of their assets in liquid funds, sacrificing their returns on assets. Hence for all these reasons banks are likely to witness significant increase in demand for working capital finance, cash management, trade finance and transaction banking products. Big corporate companies are likely to keep committed but may leave undrawn credit lines, so bank's asset liability management has to be more dynamic. The current focus of the economy is on stabilization of existing operations, conservation of liquidity to meet the demand for term loans. Term loans for refinancing and core working capital requirement will continue to be in demand. Small and Medium Enterprises (SME) is the backbone of the Indian economy but are bearing the brunt of the current situation with respect to raw materials, supply chain, customers, employees, working capital. SMEs need to work hard to come to a normal situation. Banks which deal with such SME clients will see a big demand for funds and other banking services. There will be a suppressed demand for auto loans and personal loans at the present moment but banks have to be prepared once the situation normalizes. Credit to industry contracted by 1.3% in January 2021 as compared to 2.5% growth in January 2020 mainly due to contraction in industrial credit to large industries by 2.5%.

The RBI has allowed a moratorium period on payment of all instalments due between March 1,2020 to August 31,2020. This facility has to be granted by all commercial banks, nonbanking financial companies, all India financial institutions. The RBI has further allowed the lending institutions to defer the recovery of any applicable interest in the working capital facility sanctioned during the above-mentioned period. The accumulated accrued interest is to be recovered immediately after the completion of the period. The moratorium/deferment /recalculation of the drawing power is not to be treated as a change or concession in the terms of the loan agreement due to the financial difficulties of the borrower. Hence the asset should not be downgraded for asset classification.

Lending institutions have been asked to recalculate their respective drawing power by reassessing their working capital cycle and /or by reducing their margins in respect of Cash credit or overdraft facility to their borrowers who are facing the stress of the pandemic.

No further dividend payout from profits pertaining to the financial year ending on 31st March 2020 by scheduled banks and co-operative banks is allowed until future review in September 2020.

CONCLUSION

The RBI has come up with financial packages to bring back the economy to normalcy. Majority of the measures introduced by the RBI are a part of the Relief package already announced by the Central Government. Though these measures/packages have been adopted and implemented by the RBI yet it is temporary arrangement. These measures have been effective to stabilize the volatile situation going on in the financial market. The pandemic is spreading drastically across the length and breadth of the country, both borrowers and lenders should be watchful for the various compliance requirements and take appropriate steps to fulfill such obligations in a timely manner. Usage of currency notes has increased the risk of the spread of the pandemic, so there is an urgent need to incentivize digital payments as this will be an effective solution in this situation.

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