

## **IMPACT OF COVID-19 ON DIGITIZED BANKING AND FINANCIAL SECTOR**

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### **ABSTRACT**

The Outbreak of the novel corona virus (COVID-19) has been announced a pandemic by the WHO. The structures of social contact decide the spread of the disease and, without immunizations, the control of these structures through enormous scope social, separating measures give off an impression of being the best methods for relief. The significance test for the whole worldwide economy was to support the Business Progression amid on the lockdown, social separating and different difficulties.

In this unprecedented pandemic, Business groups are figuring out how to team up in new ways, organizations are acknowledging they can work remotely without having individuals in the workplace, and initiative is seeing that they don't have to spend such a great amount on office space. High volatility has been seen in financial markets because of frenzy sell-offs, bringing about the annihilation of value markets.

Subsequently, organizations adapted digitally transformation to encourage the necessities of a mass, remote workforce. The digital system enables the government to re-establish public trust in rapidly crushing the corona virus, by dispersing data in a straightforward and opportune way; in the interim, the corona virus has altogether quickened the improvement of the digital society.

It shows how the impact of digitization has driven the improvement of the economy and how advanced stages coordinated monetary, budgetary, and social effortlessly.

**Keywords:** COVID 19, Digital Banking, Digitization, Financial markets.

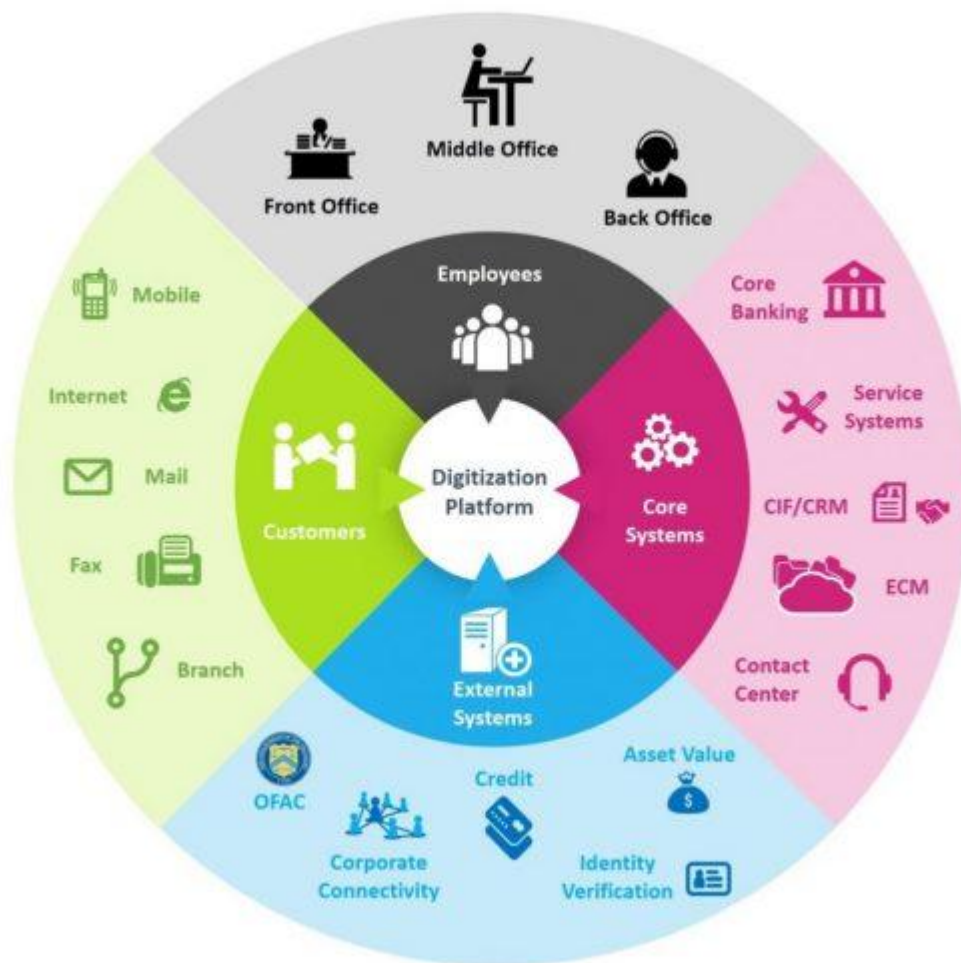
### **1. INTRODUCTION**

COVID-19 is a spreading event, conveying helplessness across the globe. Regardless of everything: it has influenced the way where we live, the way where we work and will

have disappointed some business exercises, including different tremendous extension propelled change tries. The impact of the move which associations have been constrained to take in the view of COVID-19 will likely be felt for a long time. The better methodologies for working which many are starting at now acclimating to be going to leave after the basic unrest dies down – this period will reshape the workforce and reposition propelled change needs eventually.

The corporate world will be altogether different when we quit shielding set up. Our present circumstance is a genuine trial of how proficient remote functioning can be but a couple of affiliations will have had some remote working practices set up before the COVID-19 erupt, tolerably few would have a totally remote workforce. Financial institutions have begun experiencing liquidity requirements and slacks in credit stream, subsequently putting an obligation adjusting in danger. The requirement for solid monetary measures has become the voice of the monetary territory to reestablish. The banking business, despite defying its own troubles, is required to help customers in this hour of need. While banks have all around characterized business progression plans, they might be deficient in taking care of an emergency of this scale and effect or address the enormous number of changing difficulties discharging from the circumstance. Given banks' central recommendation to clients is trust and notoriety, the present emergency is a grave test, the reaction to which will lastingly affect their drawn out presentation, accomplishment, and market arranging.

## Components of Digital Transformation



(source: <https://senlinc.com/blog/banking-and-digital-transformation-3-challenges-you-should-overcome/>)

### 2. OBJECTIVE

- ✓ To Study the impact of Covid-19 on the Banking sector.
- ✓ To Study the impact of Covid-19 on the financial sector.

### 3. METHODOLOGY

This paper is the outcome of a secondary data on Banking and Financial sector with special reference to the Indian context. To complete this paper, we have focused on various journals, books, papers and periodicals have been consulted and internet searching has also been done. The study is made in a descriptive format.

### 4. EFFECT OF COVID-19 ON DIGITIZATION OF BANKS

Banking services in India are portrayed under the essential service list. The operational and particular challenges for stakeholders featured a gap and the general absence of facility in our financial frameworks when confronted with a crisis circumstance. The quick catch from the current COVID-19 circumstance will include the truly necessary meticulousness towards digitizing and streamlining the bank's backend tasks. This will dispose of the reliance on manual passages, individual drove audits for example paper and representative intercession inside banks.

Exactly when the COVID-19 condition is past us, it is typical that the Indian Banks will switch gears to move away from standard sorts of banking. The standard banks will have the potential for success to hop grasping bleeding edge banking headways and pioneer the mechanized change trail. At present, 27 of Indian open regions (PSU) banks are on a method of association to 10 gigantic banks. It is a beneficial time for the PSU's to research better development blend and customer choice.

The Reserve Bank of India has taken certain measures to give some help to the loaning foundations in the zones of liquidity, regulation and oversight, and financial markets. Coming up next are a portion of the business and bookkeeping contemplations for banks:

### ✓ **Credit Risk Examination**

The RBI has given certain waivers to the borrowers which incorporate ban to pay head and enthusiasm with unwinding on their characterization as a non-performing assets or a rebuilt resource. This has been actualized to assist borrowers with holding over impermanent money related troubles. Be that as it may, banks should recognize and screen the borrowers who are confronting impermanent and long haul money related challenges. Such borrowers will be provisioned in like manner. Because of the pandemic, it may turn out to be excessively bulky or hard for banks to decide the degree and sufficiency of pledges accessible with them and the resulting provisioning. There might be extra exposures required in the budget summaries and the calculation of capital sufficiency for COVID-19.

Banks would in this manner be required to keep up vigorous hazard the executives capacities and track their borrowers independently to decide and isolate the changeless effect from the brief effect and make proper arrangements.

We have referenced beneath a portion of the key regions that merit thought.

- **Liquidity**

Given the circumstance of the lock down in the nation the defaults may have expanded significantly the same number of organizations would have lost income for quite a while.

- **Revisiting Hedging Strategies**

Business exchanges might be delayed, or they may happen in essentially

lower volumes than at first determined due to COVID-19 lockdown. In the event that an element has assigned an exchange, for example, the normal issuance of obligation, as a supported gauge exchange in an income fence, the substance should consider whether the exchange is as yet a profoundly plausible determined transaction. This incorporates whether the volume or sums included will be lower than how they were estimated or whether there is vulnerability on the term about the anticipated exchange.

At present, expanded unpredictability and decrease in costs across numerous benefit classes have affected the exchanging books of banks and thusly, the capital dispensed to address such market and counterparty credit dangers. Firms should consider how rapidly they can modify their supporting procedures across forex, products, values or fixed salary as the COVID-19 circumstance evolves. The seaward Indian Rupee (INR) subsidiary market, for example, the Non-Deliverable Forward (NDF) showcase has been developing quickly in the ongoing occasions.

- **Ratios Being Triggered**

Given the current emergency and its effect on capital markets and organizations over, banks and NBFCs will confront customers who are possibly encountering focused on money related conditions, including crumbling of their FICO scores what's more, credit quality. In specific cases, there is a likeliness of borrowers to break certain agreements connected to proportions like the current proportion, productivity proportions, return on value (ROE), obligation inclusion proportions, and so forth.

- ✓ The COVID-19 circumstance won't just quicken the appropriation of innovation, however will recharge center around the accompanying key zones of banking.

- **Grasping Neo Innovations**

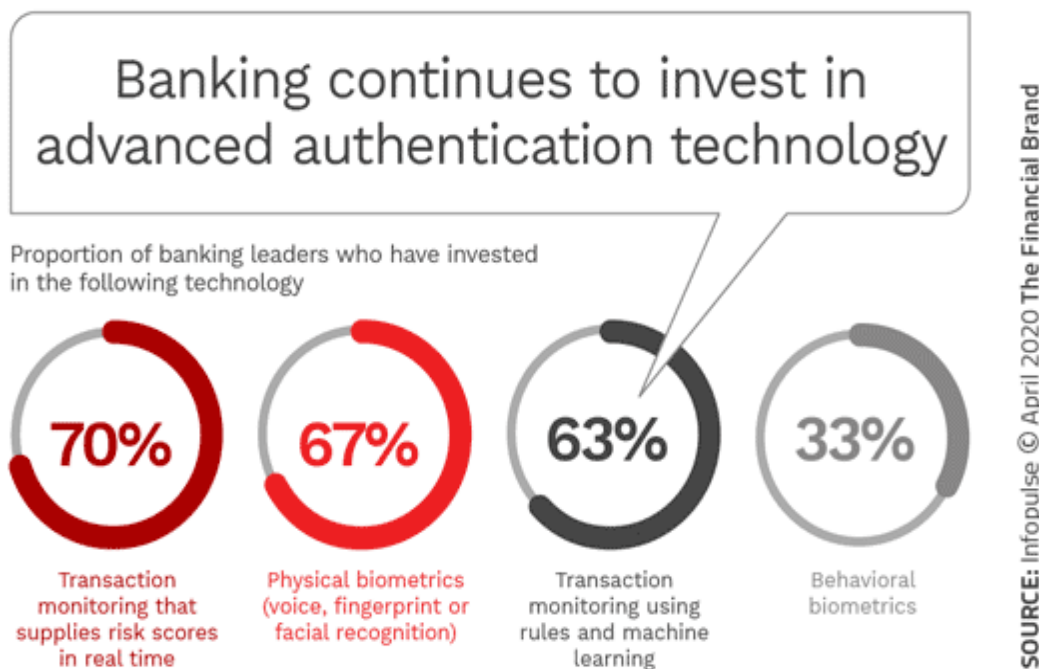
In the consequence of the pandemic and financial vulnerabilities, developing advances will assume a key job in accelerating exchanges and diminishing expenses for banks. Indian financial division has just understood the job of innovation in accomplishing the compass and scale. Specialists anticipate higher paces of reception of smaller scale administration engineering by dropping vertically incorporated stacks, APIs, containerization, cloud computing, Artificial intelligence and block chain. These innovations will assume basic jobs in advanced change of Banks and Budgetary Establishments and rethink computerized conveyance of administrations.

- **Channels of Digitization**

As indicated by the 2017 overall index report by the World Bank, India is home to the world's second greatest unbanked masses at 190 million adults without access to a budgetary equalization. With extended invasion of versatile and Web, the fundamental community would to stimulate

development engaged computerized budgetary incorporation.

The business center would likewise be to make a continuous move in client inclination from visiting bank offices to utilizing advanced channels. Banks will empower its clients to connect over numerous mechanized and computerized channels to offer the ideal channel blend. Banks will consider significant factors, for example, socioeconomics, access to web, last mile network, and client banking personal conduct standards and so forth to empower viable selection by the Indian financial shoppers.



- **Security, Privacy and Customer Trust**

With extended use of cashless and propelled economy, it will be essential for the banks to complete secure structures and systems. A bit of the evident computerized threats fuse money related fakes, illicit assessment shirking, data adversity, character robberies and assurance break. Banks need to figure out how to recognize both inside and external system vulnerabilities. They should be in actuality fortified by exhaustive KYC, strong customer check (SCA), cash related assessment APIs, firewalls, splendid frameworks, etc., for secure and reliable trades. Generous budgetary courses of action and advanced security exercises help shield against pernicious attacks.

There's a flood in security penetrates during the COVID-19 period mostly because of generous increment in utilization by working remotely. The ongoing model is about the security concerns featured in Zoom, wherein their administration recognized that the item was not planned considering the abrupt flood in the quantity of individuals utilizing it remotely. The establishment's attention ought to be on making the 'Data Security' a piece

of the general plan as opposed to a post facto check. There ought to be an equivalent accentuation on making sure about all IT resources – Servers, Laptops, Mobiles and so forth by sending the correct arrangement of security tools. Majority of us have don't have special insight. Thus, we have to remain arranged and course revises our Digital Strategies by stopping the holes, any place required.

- **Strategy and Compliance**

The emphasis ought to be on increased digital payment infrastructure, particularly in provincial India, with an expectation to make a money related environment for the unbanked and under banked populace of our nation. From a security point of view, India is as of now on its way to present the Personal Data Protection charge (PDP) on the lines of GDPR in the EU. This bill secures individual data of purchasers including money related data. It would be in the wellbeing to actualize tough punishments on failing substances found infringing upon the bill. India's financial insurgency can be additionally catalyzed by the presentation of the open financial mandate on the lines of the UK and the EU. The COVID-19 effect on the worldwide and Indian money related frameworks will be wonderful and multifold. It is essential to take the long view and organize in like manner.

- **Online Collaboration Device**

The associations need to distinguish, assess and have the correct blend of online joint effort devices for both partners to have the option to work remotely. While, the enormous monsters, for example, Google, Microsoft, Cisco and so on are unquestionably the market heads, however there are a great deal of specialty players likewise working in this space.

- **Spry Business Continuity Plan (BCP)**

Most foundations have a BCP manual that runs into more than hundred pages, which demonstrated ineffectual during the COVID-19 emergency circumstance. Henceforth, there's a need to have an Agile BCP that ought to be activated with insignificant complain, and in the blink of an eye. Rather than half-yearly and yearly BCP drills, there ought to be an arrangement to put the equivalent to genuine test on a month to month premise by commanding the 'Work from home'. Truth be told, some budgetary organizations have just begun contemplating utilizing 'Work from home' for all time as a feature of their organization strategy.

- **Hybrid Cloud Strategy**

The institutions who are as yet thinking about relocating onto the Cloud

needs to assist the activity here posts this emergency. The legitimate beginning stage could be setting up the BCP/DR site on the cloud that ought to be consistently tried as business as usual penetrates.

- **Industry 4.0**

During the COVID-19 emergency, most financial establishments needed to either close totally or worked on the diminished limit. The whole worldwide flexibly chain is feeling the squeeze to satisfy the needs. Thus, Industry 4.0 change will turn out to be progressively significant post COVID-19. The idea of ‘Industry 4.0’ basically implies running a complete robotized activities with significant or no people nearby, necessities to turn into a reality to guarantee the better readiness in future.

## **5. EFFECT OF COVID-19 ON FINANCIAL SECTOR**

To effectively deal with the emergency and guarantee consistent conveyance of basic financial administrations, banks should create their reaction across three time skylines – prompt, short, and medium-term. While all banks have business coherence plans, none of them appear to have been intended for an outrageous circumstance like this one. Consequently, they may neglect to completely address the ever-changing and obscure issues emerging out of the current emergency. Worldwide travel limitations, across the country lockdowns, monstrous flood in call and information traffic, workforce decrease, fixing of liquidity, absence of computerized options, expanded cybercrimes, nonappearance of secure remote access to staff, and the need to guarantee workforce prosperity will present exceptional difficulties. These difficulties will test the effectiveness of entrenched business coherence plans and their capacity to convey flawlessly sooner rather than later.

With the pandemic set to proceed into the medium-term, characterizing a key reaction to the ever-moving circumstance will be basic. In our view, banks must characterize a technique that centers on the selection of the fitting advanced innovation empowering agents and developments supported by light-footed conveyance models to effectively deal with the prompt and momentary effect.

### **✓ Tending to the Effect**

The emergency has offered ascend to some key full scale worries; to deal with the mind boggling and quick evolving situation, we accept banks need to delineate issues across two measurements – partners and timeframe. Issues looked by the three most significant partner gatherings - clients, representatives and controllers – should be mapped across three timeframes prompt, short-and medium-term. Table 1 portrays the key difficulties in the current setting and the potential arrangements that banks can embrace to guarantee the same old thing.






• **Concern** - Travel limitations 



▣ **Key Results** - Trust issues because of the powerlessness of bank officials. To make a trip to meet their clients, accomplices, sellers and groups.

▪ **Potential Arrangements** -

- Multiple digital interaction mode.
- Secure employee digital communication.
- Dig devices like dashboards, e-learning and gasification to meet representative preparing needs e-Audits to wipe out movement for consistence purposes.

• **Concern**- Workforce disturbance 



▣ **Key Results** - Shortage of workforce because of lockdowns and infection.

Requirement for the staff to wear various caps to address numerous clients needs requiring critical cross-practical preparing Fatigue, dread and mental exhaustion of the workforce.

▪ **Potential Arrangements –**

Home specialist model to empower staff to work in spite of lockdown Bots and intuitive voice reaction (IVR) frameworks to address routine inquiries in this manner liberating the staff for new/complex exercises.

Digital applications to impact worker conduct and ensure their wellbeing.

• **Concern - Call volume flood**



□ **Key Results -** Inadequate customary call taking care of framework to manage the flood in call volumes driven by dread and vulnerability.

Clients' longing to converse with human specialists as there is more noteworthy solace in conversing with people during dubious occasions.

▪ **Potential Arrangements –**

Video or sound messages to guarantee clients of proceeded with administration.

Simulated intelligence instruments to foresee the top purposes behind internal calls and proactively offer such data Bots to oversee routine calls what's more, outward calls.

Remote to call the board to address expanded staffing necessities.

• **Concern - Social distancing**



□ **Key Results -** Shortage of staff prompting difficulties in overseeing proceeded with footfall at physical areas notwithstanding COVID-19 limitations.

There is the presence of inconsistency in social separating standards across various

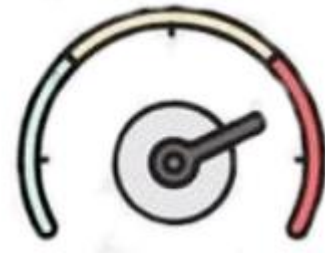
locales.

▪ **Potential Arrangements –**

Appointment booking applications Tokens to guarantee get to control and oversee client footfall.

Occupy clients with explicit necessities to the most suitable branches Home conveyance applications and framework where conceivable and passable Branch attendant arrangements with dynamic line the board.

• **Concern - Digital development**



□ **Key Results** - Unavailability of all financial administrations on computerized channels.

High data transfer capacity prerequisites of existing computerized directs bringing about inaccessibility of banking applications and disturbance in administration.

Grinding and trust issues brought about by interruption in advanced channels can grow into alarm.

▪ **Potential Arrangements –**

Business process re-building and computerization evaluation to decide the individual ward exercises that can be moved to online channels.

Computerized twin advances to assist throughput.

• **Concern - Customer certainty**



❑ **Key Results** - Waning client certainty and trust can prompt a sudden spike in demand for the bank.

▪ **Potential Arrangements** –

Different advanced correspondence channels like ATM screens, video informing, web and versatile applications.

Video banking for customers served by devoted relationship administrators.

Instinctive correspondence highlights incorporated with mobile apps.

• **Concern** - New dangers



❑ **Key Results** - Emerging dangers, for example, failure to principle branches and call focuses, resource risk jumble due to store flight, powerlessness of customers to support obligation because of employment or business misfortunes, expanded digital violations, failure of merchants to offer types of assistance.

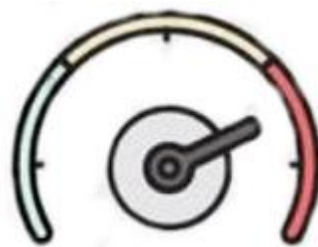
▪ **Potential Arrangements** –

Analytics and bits of knowledge based checking and appraisal.

The executive's dashboards with choice help instruments.

Computerized exercises will be required for credit rebuilding.

• **Concern** - Possibility of worldwide downturn



❑ **Key Results** - The IMF boss has called the current business condition as

recessionary.

▪ **Potential Arrangements –**

Identify and take part in the biological systems that are probably going to disturb plans of action while guaranteeing ideal capital use inside sensible cutoff points.

Investigate merger and procurement (M&A) openings.

Cost control to balance intrigue and other income misfortunes.

Profound learning expectation models with AI and AI instruments.

## **CONCLUSION**

To summarize, the COVID-19 emergency is managing a sharp hit to an effectively struggling financial sector. Yet, no segment is in a solid situation to safeguard the banks since monetary records over the economy are currently weakened. That implies the expenses can't be spread, they should be limited, which thusly requires urgent action since delays seriously dissolve the underlying value of assets.

The securities exchange market will have a solid recuperation, not because of fundamental strength, yet because of solid worldwide liquidity which is accessible for free. The accessibility of debt capital will be scant in India, while equity capital will be accessible in bounty over a period of time. The Banking segment needs to screen the current and likely impacts of COVID-19 on their organizations and budgetary revealing. The budgetary detailing issues as for credit hazard evaluation, going concern, liquidity, reasonable worth, supporting techniques, advance pledges, mortality cases would require cautious contemplations. The banking and budgetary part should rapidly start measures to guarantee consistent conveyance of administrations to clients with negligible interruptions. Arrangements that give fast or snappy goals to the issues made by the COVID-19 emergency are the need of great importance.

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