

IMPACT OF DIGITAL MARKETING ON RETAIL BANKING SECTOR GROWTH

Dr Prakash Sahare

Associate Professor

R S Mundle Dharampeth Arts and Commerce College Nagpur

Abstract:

This study's objective is to analyse the performance of Public Sector Banks (PSBs) in India both before and after the COVID-19 epidemic. Specifically, the study will focus on this performance. Important factors such as asset quality, profitability, capital adequacy, and digital transformation activities are the primary foci of the research. Public sector banks (PSBs) were facing challenges such as non-performing assets (NPAs) and operational inefficiencies prior to the pandemic; yet, they played a crucial role in providing loans to critical businesses. Despite these challenges, PSBs continued to play an essential role in the market. On the other hand, the pandemic made preexisting vulnerabilities much more severe, which led to a rise in the number of loans that were defaulted on and a decline in the demand for credit. The purpose of this research is to give an analysis of how PSBs were able to overcome these challenges, with a particular emphasis on the resiliency and adaptability strategies that they utilised. This research has the ability to affect future policy efforts and operational paradigms in the banking industry of Bangladesh. The inferences that can be taken from this research have the potential to influence these areas.

keywords: Banking, Covid-19, Public

Introduction:

The banking industry, and more especially the Public Sector Banks (PSBs), has been a key component of the economic structure of India for the entirety of the country's history. The monetary needs of a diverse variety of social groups have been met by these PSBs, which have accepted responsibility for this responsibility. On the other hand, the commencement of the COVID-19 pandemic in the early 2020s has brought out issues that have never been seen before, the result of which is that the landscape of banking operations and performance has been transformed. The Indian public sector banks (PSBs) were battling with a number of issues prior to the pandemic that was created by COVID-19. Some of these issues were non-performing assets (NPAs), constraints on liquidity, and operational inefficiencies. They did, however, play a key role in the process of

extending credit to businesses that are crucial to the growth of the economy, despite the fact that these hurdles were there. Retail consumers, small and medium-sized enterprises (SMEs), and agricultural firms are all included in these segments of the economy. The pandemic acted as a catalyst, which not only brought more components of complexity to the financial sector but also made the vulnerabilities that were previously there inside the sector much more severe. As a consequence of the statewide lockdowns and the accompanying economic disruptions, the financial health of PSBs was further stretched. This was due to the fact that there was a rise in the number of loan defaults, a fall in the demand for credit, and an increase in the needs for providing financial resources. This research aims to analyse the performance of public sector banks (PSBs) in India both before and after

the COVID-19 outbreak. Specifically, the research will focus on the performance of PSBs in India. The research will concentrate on fundamental factors such as the quality of assets, profitability, the availability of sufficient cash, and activities related to digital transformation. The purpose of this study is to provide insights into the resilience of the banking industry by analysing the challenges that public sector banks (PSBs) have faced and the strategies that they have chosen to address those challenges. Furthermore, the research will explore the implications for future policy measures and operational paradigms that may be relevant in the future.

LITERATURE REVIEW

Vikash kumar,(2021) It is noted in the article that the COVID-19 epidemic has been detrimental to the Indian economy and banking industry. It should also be mentioned that pinpointing the exact scope and magnitude of the harm caused by this infection is an impossibility. It is stated that this is so. When the epidemic is under control, the issue will be made more public and easy to access.

Thakori,(2020) A number of elements of the business climate are noted in the research report, including an increase in the number of problematic loans in banks and decreasing income in the tourist and entertainment industries. Corporations' decreased productivity, supply chain interruptions, manufacturing obstacles, and health systems' cripplement are all highlighted in the research. The essay touches on two possible outcomes that might shape banking in the years to come. As a springboard, the financial sector will be flush with cash and interest rates will soar to unprecedented heights. Because of this, financial institutions will have no trouble running smoothly. Second, the government will borrow money to pay its deficit and will also play an important role in the financial sector as a "risk absorber," meaning it will provide guarantees, backstops, and additional direct fiscal assistance to borrowers whose companies and cash flows

were hit the hardest by the virus. The state will play a pivotal role in the banking industry.

Dr. Priyanka Bobade, (2020) According to the findings of the paper, financial institutions encourage an environment that is pleasant to the workers and give possibilities for employees to retrain themselves on new processes. It is via the use of a variety of digital channels that they are aiming to enhance their customer-centric approach.

Perwej,(2020) The research draws attention to the fact that the COVID has had an impact on every industry across the world in the most recent few months. This is something that has been highlighted by the research. In the present moment, the banking and financial services business is facing a number of different challenges. For the purpose of effectively navigating these challenges, it is imperative that financial institutions continue to make use of technology and include flexibility into their infrastructure.

Das, (2020) Expert in the banking industry at S&P Global, Deepali V. Seth Chhabria, has said that "forbearance is masking asset problems that are arising from COVID-19." The amount of loans that are deemed non-performing, or NPAs, is expected to rise after repayment moratoria are repealed. She goes on to say that there would have been more troublesome loans up to now if the Supreme Court hadn't imposed a moratorium or injunction.

Pavan (2018) They discussed the significance of being profitable in their conversation. Furthermore, the organization's objective is to either generate profits or pay off assets, in addition to investing resources in a range of monetary resources. This is the organization's true goal. Currency resources are distinguished by their magnitude and the degree to which they vary in terms of their potential for future profitability, which is the most

distinguishing characteristic. There are a variety of practical ways that are utilised in order to quantify pay. On account of the fact that wages may be obtained in a number of different methods, this is the case. There have been a great number of techniques that have been introduced over the course of time in order to measure profitability. These strategies are now commonly utilised and are regarded to be examples of modern valuation methodology.

Gaajera (2016) The paper he has written offers "comparative research on financial performance indicators of public and private banks, and specifically shows the factors affecting performance and their impact on performance indicators" . In order to determine the factors that are responsible for changes in financial performance, it is necessary to conduct an analysis and an inquiry. When it comes to the evaluation of financial performance, there is a connection between the quantitative aspects of labour and the evaluation method. You could want to take into consideration quality issues when it comes to the delivery of a number of services that have the potential to increase the bank's financial performance. For example, you might want to determine how successful the workers are in achieving the standards based only on supplemental data, which might be strengthened by conducting research into the viewpoints of senior bank employees regarding the financial performance of the lender. During the course of my investigation, this can be of aid in finding the causes that explain the disparities in the financial performance of banks.

Suresh (2018) According to the banking industry in India, the author of the study analysed the risk and return analysis of public and private sector banks that were

listed on the Bank Nifty Stock Exchange. These banks were either publicly traded or privately held. It is important to note that this study is relevant to the subject that I am now working on because my research is being carried out at big Indian banks. He also describes the method of analysing the companies that are listed on the Bank Nifty, which is in addition to this already mentioned topic. Investors will have a better understanding of whether or not they are obliged to acquire the stocks based on the performance of the stock over a specific period of time as a result of this. A higher beta is not advised since it creates a greater risk because it exposes you to a larger market risk that cannot be diversified as unsystematic risk. This is because the risk that you are exposed to is larger. Therefore, in order to build a portfolio, it is best to avoid investing in businesses like these so as to maximise the likelihood of success. During the course of this research, an attempt is being made to investigate the returns on bank stocks that are listed on the Bank Nifty. The goal of this investigation is to identify which businesses are the most profitable to invest in and which stocks are the most financially risky to avoid in India.

OBJECTIVES:

1. To look at the Indian banking sector and how well Indian banks are doing.
2. To locate the public banks in India that have made a comeback and evaluate their financial standing before and after the COVID-19 pandemic.

Research Methodology

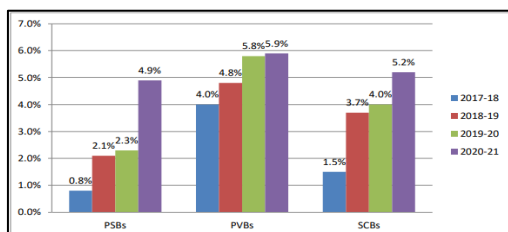
This research paper is based on secondary sources, which include a variety of research papers that have been published, the website of the Reserve Bank of India (RBI), the RBI's Annual, Half Yearly, Quarterly,

Bi-Monthly, Monthly, and Weekly reports, Press Releases issued by the RBI, speeches given by the Governor of the RBI, news articles published in newspapers and magazines, and reports from rating agencies. These secondary sources were used to produce this research paper. Metrics that were pertinent to the main criteria that were outlined above were largely gathered for the period of 2018-19 as well as 2020-21 in order to generate a "before and after" image. This was done for the goal of creating a reference point. The appearance of bar or line graphs was a result of this progression. In order to evaluate the extent to which the pandemic had an impact on the performance of banks in India, we carried out a study of the changes that took place.

Major findings/Analysis

Ratio of Indian Bank Deposits to Total Assets

Chart 1: Bank Deposits as a Percentage of Total Assets in India

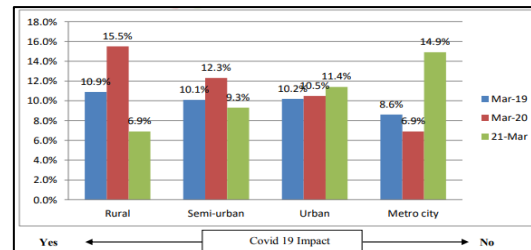


(Source: Written using information retrieved from the Reserve Bank of India (RBI): Commercial Banks' Operations and Performance, 2021)

Observation: Despite the ongoing epidemic, scheduled banks have managed to keep their deposit growth rate relatively stable. Throughout the duration of the outbreak, this progress has been seen. Although public and private sector banks follow a similar pattern, private sector banks generally outperform their public sector counterparts. The results of these two kinds of banks follow this trend.

Banks' total deposits (Area-wise)

Chart 2: Total value of bank deposits (Area-wise)

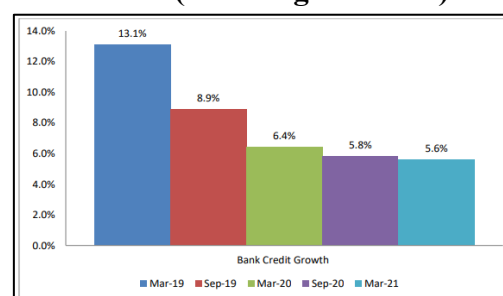


(Source: Produced by writers with information culled from the Reserve Bank of India's Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks, 2021)

Observation: Between 2018 and 2021, there has been a rise in deposits across the board. This trend is expected to continue. It is essential to take into consideration the fact that the impact of the pandemic is demonstrated by the fact that the increase from one year to the next differs from territory to territory. During 2020 and 2021, the rural region's growth rate dropped significantly, the semi-urban area's growth rate was flat, the urban area's growth rate was somewhat higher, and the metropolitan regions' growth rate was significantly higher. Every one of these adjustments happened exactly when it was supposed to.

The expansion of bank loans (Y-O-Y growth %)

Chart 3: a rise in the amount of credit at banks (Y-O-Y growth %)



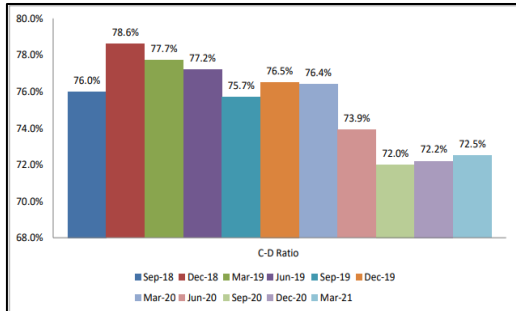
(Source : Powered by RBI's Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks, this report was crafted by experts in the field, 2021)

It has been observed that the expansion of bank credit has decelerated from 2019 to 2021, with a record low of the past 59 years occurring in March 2021. When it comes to the growth of bank credit, this is the bottom. During the 2020–21 fiscal year, a grand total of 109.51 lakh crore was borrowed.

The Reserve Bank of India (RBI) published studies showing that the pandemic affected the availability of credit during the economic standstill in the first half of 2020–21. Throughout the second half of the year, which started after November 2020, there were signs of expansion.

Trends in C-D ratio

Chart 4: Movements in the C-D ratio

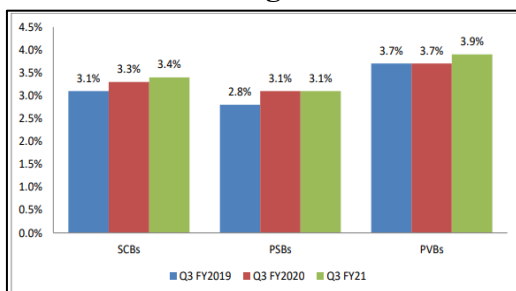


(Source : Developed by the writers with information obtained from Care Rating, etc. 2021)

Observation: During the period commencing in March 2020, which corresponded with the commencement of the pandemic, it was discovered that the C-D ratio had plummeted. This unequivocally illustrates the onslaught of the pandemic, and it appears that it has reached a level of stability at 72%.

Net Interest Margin

Chart 5: The margin of net interest



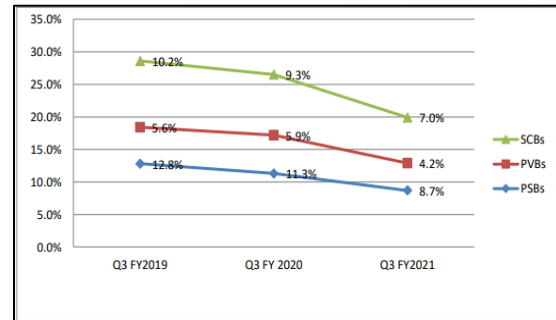
(Source : Authors' preparation, based on information obtained from Team, 2021)

Observation: Additionally, there has been a minor improvement in the net interest margin of financial institutions throughout the fiscal years 2019 and 2021. This development has continued throughout the years. The amount of progress made has been negligible. In contrast to the

percentage of PSBs, which has remained unchanged over this time period, the percentage of PVBs has climbed somewhat.

Gross NPA Ratio

Chart 6: GNPA Ratio



(Source : Developed with information gathered from the Team, 2021)

Observation: There has been a significant reduction in the amount of gross nonperforming assets beginning with the fiscal year 2019 and continuing through the fiscal year 2021. There is a substantial disparity between the NPA level in PVBs and that of PSBs in any given year. This discrepancy is considerable.

Conclusion

The COVID-19 pandemic has exposed the shortcomings of India's public sector banks (PSBs) while simultaneously inspiring them to innovate and adapt. Even before the pandemic, PSBs were dealing with issues including operational inefficiencies and Non-Performing Assets (NPAs). Whatever the case may be, they persisted in being an important source of funding for vital sectors. The onset of the pandemic exacerbated these issues, leading to a rise in loan defaults and a decline in credit demand. PSBs had the challenging juggling act of protecting their own assets while also lending money to businesses and consumers. Regardless, PSBs proved their worth by rapidly embracing digital transformation initiatives to enhance customer service and operational efficiency. The COVID-19 pandemic was

an enormous shock to the global economy, shaking things to their very core. A big worry was the possible disastrous impact on the banking activities. The scenario is not cause for concern, though, because the data shows that banks have shown to be resilient. Deposit growth has been extremely slow since FY 2017–18. Having said that, no industry grew faster than banks in fiscal year 2020–2021. There has been an uptick in deposits in both urban and rural areas. Amidst the epidemic, metropolitan areas saw the quickest growth rate, while rural regions grew at the slowest. The fact that the outbreak has had a positive impact shows that individuals are trying to have more safe and liquid assets on hand. Along with the credit crisis that began in March of 2020, the CD ratio began to fall.

Reference

- [1] Acharya, V., & Steffen, S. (2020). The risk of being a fallen angel and the corporate dash for cash in the midst of COVID. CEPR COVID Economics, 10.
- [2] Ait-Sahalia, Y., Andritzky, J., Jobst, A., Nowak, S., & Tamirisa, N. (2012). Market response to policy initiatives during the global financial crisis. *Journal of International Economics*, 87, 162-177.
- [3] Baker, S., Bloom, N., Davis, S., & Terry, S. (2020). Covid-induced economic uncertainty. National Bureau of Economic Research.
- [4] Claessens, S., Klingebiel, D., & Laeven, L. (2015). Crisis resolution, policies, and institutions: empirical evidence. In *Systemic Financial Distress: Containment and Resolution*. Cambridge: Cambridge University Press.
- [5] Drehmann, M., Farag, M., Tarashev, N., & Tsatsaronis, K. (2020). Buffering Covid-19 losses: The role of prudential policy. Bank of International Settlements.
- [6] Gormsen, N., & Koijen, R. S. (2020). Coronavirus: Impact on stock prices and growth expectations. University of Chicago, Becker Friedman Institute of Economics Working Paper.
- [7] Vikash kumar, S. K. (2021). Impact of covid 19 on Indian economy with special reference to banking sector : An Indian Perspective. *International Journal of Law Management & Humanities*, 12-20.
- [8] Thakori, D. C. (2020, 06). An impact of covid 19 on Indian banking sector. Retrieved from PIJR: <https://www.worldwidejournals.com/paripex/article/a-study-on-impact-of-covid-19-on-bankingsector-an-indian-perspective/MTQwMjk=?is=1&b1=17&k=5>
- [9] Dr. Priyanka Bobade, P. A. (2020). Study the effect of covid 19 in Indian banking sector. *Novateur Publication's Journal*.
- [10] Perwej, D. A. (2020). The impact of pandemic covid 19 on the Indian banking system. *Internal Journal of Rescent Scientific Research* Vol. 11, 39873-39883.
- [11] Das, S. (2020). Indian economy at a critical junction: Discussion from the point of view of financial stability. In B. C.-a. Team, *Banking Chintan - anuchintan* (pp. 7-13). Mumbai: Banking Chintan - anuchintan.



- [12] Pavan (2018) A Comparative Study of E-Banking in Public and Private Sectors Banks (with Special Reference to SBI and HDFC Bank in Haridwar).
- [13] Gaajera (2016) RBI released Quarterly Statistics on Deposits and Credit of SCBs. Retrieved from PSU Connect: <https://www.psuconnect.in/news/RBI-released-QuarterlyStatistics-on-Deposits-and-Credit-of-SCBs/26809/>
- [14] Suresh (2018) Bank NPAs may rise over 10% in 1st half of 2021: Survey - Business News. Retrieved from India Today: <https://www.indiatoday.in/business/story/bank-npas-mayrise-over-10-in-1st-half-of-2021-survey-1780757-2021-03-18>