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Research Article

New Normal for Financial Management post Covid-19: Analytical Review with reference to Banking sector in India

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Abstract

After the COVID-19 shutdown, there emerged a "new normal" characterised by a combination of in-person and virtual contact. In a case-control study, a few researchers examined how the "new normal" affected people's sleeping and eating habits compared to before the epidemic. In one research, secondary data may be the most crucial information in another. This occurs when data is utilised more than once, serving as primary data for the first study and secondary data for the second. One thing is constant in a world that changes rapidly: financial professionals must continually endeavour to enhance their abilities to maintain their jobs and advance their careers. When the country was placed under lockdown in March 2020 due to the coronavirus, credit growth halted in nearly every industry. The growth in stressed assets induced by the pandemic is projected to triple the cost of loans from the banking sector in FY21 compared to pre-COVID-19 levels. To address the high number of defaults, banks will need to repair or enhance their internal systems and modify their internal risk and early warning systems based on lessons acquired during the financial crisis. If banks want to ensure the success of their commercial and operational strategies in the future, they must act swiftly. A list of suggestions that might assist banks in preparing for the new normal.

Introduction

Corpuz (2021) explained that the COVID-19 pandemic is two years old now, and many countries are declaring it a chapter over, while the millions of lives are still at stake. Vaccination coverage, healthcare system and testing capacities enable their operations and transmit the disease into new normal. The virus altered the entire world, and changes remain at high. The entire world is accessing the tools and fighting against the COVID-19, accepting the new normal with the virtual reality tools, using a mask, social distancing and maintaining proper sanitisation. One year after the outbreak of the COVID-19 pandemic, people have to adjust with the "new normal," which includes working from home, parents home-schooling their children in a new "blended learning" environment, lockdown and quarantine, and the requirement to wear face masks and face shields in public.

When financial markets reopen following their closure due to COVID-19, the "new normal" will include stricter safety, sanitation, and hygiene regulations. Even if sales demand increases, these significant changes cause expenses to rise and projected volumes to fall, which may result in constrained cash flow (KPMG, 2022). Even when the operational climate is unfavourable, financial management must concentrate on enhancing operations and examine the balance sheet for measures to boost cash flow. Costs that are higher and revenues that are lower are a concern for management teams, especially given that many of them work from home. In addition, their balance sheet and cash reserves are weaker when companies enter the restart phase. Important product relaunches need substantial capital management and resources without which they might be postponed or cancelled.

Manufacturers, enterprises, and organisations will operate differently to adapt to the new standard, and individuals will need to acquire new skills. Maintaining the plant operational and preventing its closure requires a flawless start-up and continuing maintenance. The explicit recommendations for preparing a workplace for COVID-19, which can provide operational processes that organisations can implement to reduce the risk of employee exposure, such as workplace controls to implement and guidance for developing an infectious disease preparedness and response plan (KPMG, 2022).

Because of the COVID-19, daily lives have drastically changed, and these changes have frequently occurred suddenly and unexpectedly. A variety of experiences and emotions frequently accompanies changes in life. The transition to the new normal can be easy, but other times it can be choppy or unpleasant. Work standards will need to be established and adhered to, and all processes will require continual monitoring. Increase the number of audits and meetings between management and plant floor employees to ensure that performance does not decline excessively and that all safety and cleanliness regulations are adhered to (KPMG, 2022). Managing the new normal is costly, and the corporation or manufacturer must pay if something goes wrong with a single COVID-19 case that shuts down the business. The approaches are managed to create a safe and healthy environment that finds innovative processes, sets the things, and works with the new normal.

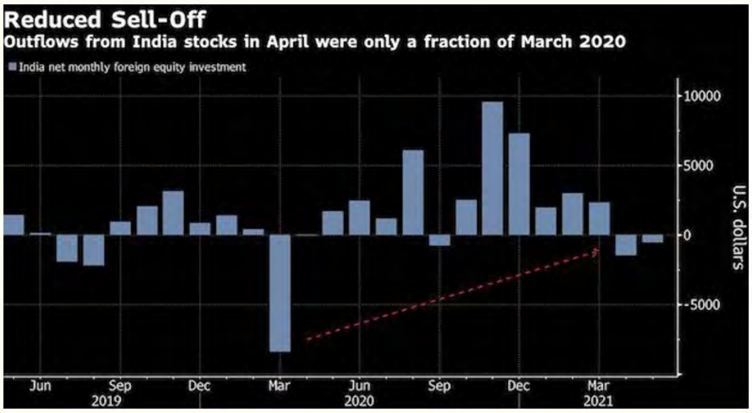

Figure 1: Indian stock market's reaction to COVID-19 [*Source*: Business Standard, 2021].

Companies are in a better position to continue operations because they have learnt how to operate during a lockdown, reduced expenses, streamlined procedures, and in many cases, obtained money. The majority of the rupee's losses from the previous month have been recovered. This indicates that individuals believe Asia's third-largest economy would not suffer as severely as it did last year. Since the Reserve Bank of India initiated its form of quantitative easing in April, benchmark government bond rates have decreased by around 11 basis points each month (Business Standard, 2021). Even after this week's setback, Indian equities are rising more like global equities, which have also been rising. The average monthly connection between the Nifty 50 and the S&P 500 increased from 70% to over 85% in the previous year. Thus, the financial market supported the Indian sentiments and liquidity. While the surge in the COVID-19, the developed nations are supporting the Indian market.

Research Problem

COVID-19 is a tough position since it is difficult to predict the future, and things are always changing. This might cause us to feel powerless with own life. There are aspects of this scenario which cannot alter, just like life. Consider the behaviours and emotions of other people, the scenario's duration, and the future's potential outcomes. Even while these situations may make us feel powerless, still have a great deal of influence over many aspects of life, despite the difficulty of the situation. Directing the efforts people can able to deal with the problem.

The financial management is under stress due to a high level of credit losses as the pandemic suddenly happened, and the large-scale insolvencies ascend among the corporates and households due to the economic slowdown in India (Santander, 2022). The fact is, the sector primarily creates a positive approach during the pandemic, challenges the new normal and the flow of credit and availing the public loan program to the economy, and takes up the flexible measures by the regulatory bodies and government administrations.

Research Significance

One of these issues is the COVID-19 epidemic, which has compelled businesses and organisations throughout the globe to revaluate their business practices in order to remain profitable. The greatest challenges firms confront include a variety of company activities, including the supply chain, shifting customer behaviour, employee safety, and functioning in new normal settings (Strategic Finance, 2020). During the COVID-19 outbreak, companies of all sizes are struggling to generate revenue and may fail. Large firms in crucial areas, such as airlines, are requesting government assistance, but small enterprises, such as restaurants, struggle to survive without the capital that larger businesses possess. The pandemic has significantly impacted employment worldwide, and the press has written extensively about it.

Financial management is the key approach of all time, but after the COVID-19, things are changed, and people are accepting the new normal, which is quite hard for them. Financial management is linked with business and physical wellness. Finance is the core part and is now aggravated by pandemics which lessen productivity, unplanned absence, lower job performance and distraction, which affect the employees (Strategic Finance, 2020).

Businesses are having trouble fulfilling their short-term financial obligations for loan repayments, taxes, and other essential operational expenses, particularly those with a high level of debt. Faced with these deficits, corporations will be compelled to reduce expenses and lay off employees to avoid bankruptcy (Zhang et al. 2020). Employees afflicted by COVID-19 must be informed about the virus. A financial literacy programme is beneficial to a company's bottom line. It can do much more than teach people about money. It can also increase productivity, make employees happier at work, and reduce costs associated with health care and employee attrition. If organisation lacks a financial wellness programme, now is an excellent moment to consider implementing one.

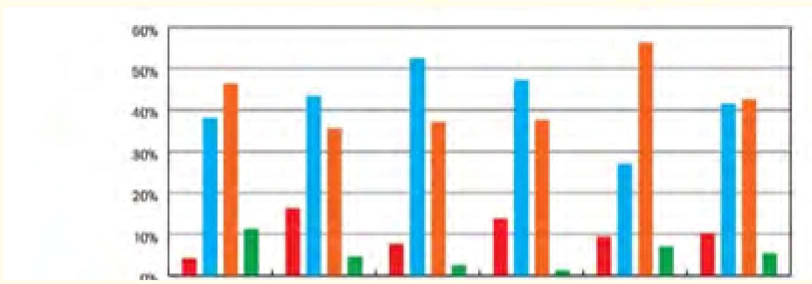

Figure 2: Impact on financial staffing after the COVID-19 [*Source*: Strategic Finance, 2020].

Companies in the United States were the least likely to have laid off part or all of their employees (36.6 per cent of respondents in the United States indicated this), followed by China (42.4 percent of respondents) and India (59.8 percent of respondents) Saudi Arabia (60.3%) and the United Arab Emirates (61.1%), both in the Middle East, were the most likely to reduce their employment.

Even while sales were down for businesses of all sizes, more than one-third of those asked thought they were outperforming their competitors, while just 10% said they were falling behind. Companies of various sizes have different opinions of their performance in comparison to their competitors. Larger organisations (those with more than 1,000 employees) were more likely (39%) than smaller organisations (those with less than 100 employees) to feel they were ahead of their competitors (29 per cent). According to research, this is correct: Approximately half of the companies polled had laid off some staff. However, firms in different places had dramatically different viewpoints on this element of the pandemic.

Research Objectives

- To evaluate the COVID-19 impact on credit growth in all sectors in India.
- To identify the new normal for the banks after the COVID-19.

Research Methodology

Secondary methodology is the information that outsource from primary sources and available to scholars for use in their own studies. It's a type of previously obtained information. The data may have been collected for a particular study and subsequently made accessible for use by another researcher. As with the national census, the information gathered for personal use instead of research objectives (Johnston, 2017). In one research, secondary data may be the most crucial information in another. This occurs when data is utilised more than once, serving as primary data for the first study and secondary data for the second.

Books, online portals and government agencies are some examples of secondary data sources. While comparing with the main data, secondary data is more accessible. To utilise these sources, little effort or research is required. With the advent of electronic media and the internet, secondary data sources have become increasingly available. Below is a list of some of these resources.

Books

One of the earliest ways of collecting data is using books. There are now books available on any topic imaginable. Simply search for a book on the topic and select one from the library's selection of books in that discipline to conduct research (Johnston, 2017). When chosen wisely, books may be a valuable source of information and assist in writing a literature review.

Published Sources

There are published sources material accessible for a variety of research areas. The author bears primary responsibility for the exactness and publish the right information acquired from these sources. Published sources may exist in hard copy or on a computer. Depending on the author's and publishing house's decisions, they may or may not be compensated.

Journal

When it comes to data collection, journals are becoming significantly more important than books. This is because journals are always receiving new papers that provide the most current information (Sherif, 2018). In addition, journals tend to be more specialised in their study coverage.

Websites

Since the vast majority of information on websites is not controlled, it may not be as trustworthy as information from other sources. However, scholars may rely on a few websites since they provide only authentic data (Sherif, 2018). The bulk of these websites is either government or commercial data-gathering operations.

Literature Review

The COVID-19 pandemic is a global issue which spread across the world and emerged as a black swan and acquired huge resources in India and re-ensured the economic stability. The pandemic is likely to control and have severe economic scenarios which indicted the global issues with varying magnitudes. The Indian financial system restores with the capital market and has to deal with severe issues that people have never seen before. With the thrust, it ensures business continuity to implement the contingency plans, sector to emerge and be a responsible government to deal with the safety and security of employees, customers and the society.

The COVID-19 outbreak represents a threat to the industry that has not been seen in a long time. The repercussions have been felt globally, in every country and at every corporate level. Many finance departments have reduced the number of employees or decreased their salaries. Due to the current state of the economy, there are issues in several sectors of finance operations. There must be a shift in priorities, emphasising risk management, forecasting, and cash flow management. It is also vital to carefully consider how employees may securely work from home and return to the office. After a pandemic, many financial professionals are concerned about how the skills they require may alter. One thing is constant in a world that changes rapidly: financial professionals must continually endeavour to enhance their abilities to maintain their jobs and advance their careers.

Impact of Covid-19 on Credit Growth in all Sectors in India

When the coronavirus (Covid-19) epidemic shut down the whole nation in March 2020, credit growth decreased in nearly every industry. The banking system's credit growth fell to 7.6 per cent in March 2020, down from 12.3 per cent in March 2019. Loan growth in agricultural and associated areas dropped to 5.2% in March 2020, down from 7.9% in March 2019, while credit growth in the industry slowed to 1.4%, down from 6.9% a year earlier.

The beverage and tobacco sectors, as well as mining and quarrying, petroleum, coal products, nuclear fuels, cement and cement products, automobiles, vehicle parts, and transportation equipment, significantly increased credit growth. In contrast, loan expansion slowed in the chemical and chemical product, engineering, glass and glassware, gems and jewellery, and infrastructure sectors (Business Standard, 2020). The services sector also had a significant slowdown, with growth falling from 17.8 per cent in March 2019 to 8.5 per cent in March 2020. In March 2020, the growth of personal loans decreased to 15.7%, down from 16.4% in the same month of the previous year.

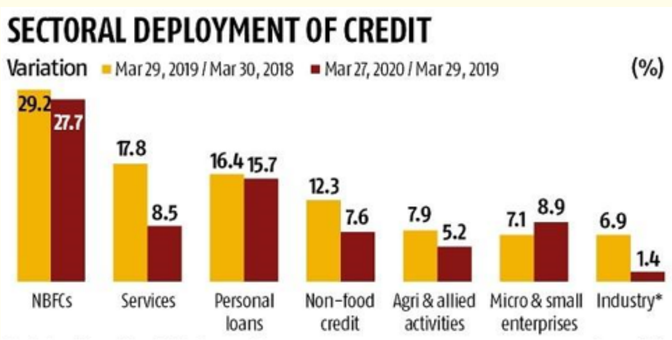

Figure 3: Financial market industry of Micro and Small, Medium and Large [*Source*: Business Standard, 2020].

Banks have provided additional operating capital to firms, and credit has increased by Rs. 97,910 crores over the past two weeks. According to reports, businesses preparing for the COVID-19 problem acquired a substantial amount of credit from banks in the final week of the fiscal year, which ends in March 2020. This credit consisted of both term loans and working capital loans. According to Ghosh, loans to NBFCs increased by Rs 1.15 trillion in March, which was the largest increase since January 2008. Even though the economy nearly ground to a halt in the second week of March, retail credit performed rather well. March's incremental expansion remained greater than February's (Business Standard, 2020). In March, new loans to industry reached an all-time high of Rs 1.34 lakh crores, while new loans to small and medium-sized enterprises (MSME) reached an all-time high, and new loans to infrastructure reached an all-time high.

New Normal for Banks After the Coronavirus

On Friday, India Ratings and Research (Ind-Ra) altered its result for banking industry in the second half fiscal year 2020-21 (October 2020 to March 2021) from "stable" to "negative" because it expects the number of distressed assets to increase and lending costs to increase. According to the research, interest reversals and charge reductions might negatively impact earnings. According to a result of the efforts to combat the Covid-19 outbreak, the sector's development prospects have diminished due to a domestic rating agency. In addition, the majority of public sector banks (PSBs) have minimal capital buffers.

It is anticipated that the growth in stressed assets induced by the pandemic will lead the cost of credit for the banking sector to quadruple compared to pre-Covid-19 levels. In FY21, PSBs are anticipated to have even less capital to employ as a buffer due to provisioning responsibilities. In addition, the pre-Covid projections for profitability in FY21 would be inaccurate, and the majority of banks would likely generate a net profit.

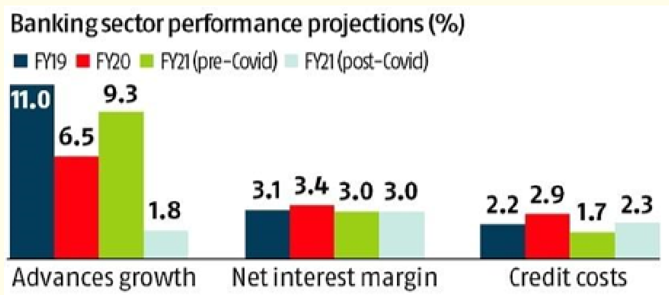

Figure 4: Ind-Ra cuts banking outlook negative on rising NPA, credit cost [*Source*: Business Standard, 2020].

State-owned banks may need to maintain their provision coverage for restructured assets in FY22, as a portion of these assets may turn nonperforming in FY23. According to the research, PSBs may require between Rs 35,000 and Rs 55,000 crores in H2FY21 to achieve a Tier-1 ratio of 10%. Commercial banks have substantially larger contingent provisions, or Covid-19 than government-sponsored entities. The rating agency maintained the "stable" outlook for private banks, stating that they are better equipped to tackle the pandemic's issues. Most large banks have boosted their capital buffers, established contingency plans, and taken other measures to better manage their loan portfolios.

The expansion of credit inside the system may remain sluggish, and short-term financial performance may deteriorate slightly. According to the analysis, large banks benefit from credit migration. Since they have also increased their capital buffers over the previous several months, these banks are well-positioned to expand their businesses should opportunities materialise over the medium term. Restructuring the debt would allow for the implementation of interim aid measures. Under the new restructuring mechanism, lenders would be able to assist debtors who were momentarily harmed by Covid-19 but are still able to repay their loans. Even while certain stressed assets are not immediately at risk of bankruptcy, they may be reorganised. By March 2020's end, 7.7% of the bank debt will have been restructured (Rs 8.4 trillion).

Data Analysis

The coronavirus has harmed economies and enterprises around the globe. The government shut down for three weeks with less than four hours of warning. The economy of India, which was already faltering, appears to have reached a crucial point. This blog examines how the coronavirus crisis has affected Indian financial markets thus far and what India is trying to combat the virus and protect those most in danger, despite the unknown severity of the issue.

The repercussions of the coronavirus were immediately noticed in global financial markets. The Indian stock market was also affected. Investors are in a state of fear because they have no idea what the virus will do. March saw losses of 23 per cent for both the Nifty 50 and the BSE Sensex due to the volatility of the equities markets. What is truly fascinating, though, is how close the course of the Equity Index is to that of the 2008 financial crisis.

Figure 5: Turbulent Indian equity markets [*Source*: Refinitiv, 2020].

India, which has the world's fifth-largest economy based on GDP, has had significant difficulties in recent quarters. In the third quarter of FY 2019-20, India's GDP contracted to 4.7%, the weakest growth rate in the recent five years. As a result of the decline in private investments and domestic consumption, the pandemic has worsened India's GDP.

Figure 6: Indian GDP in doldrums [*Source*: Refinitiv, 2020].

The closure has severely impacted India's automobile, hotel, and aviation businesses. The epidemic has caused significant harm to the automobile and auto-related sectors. The shutdown has nearly halted production, and the car sector was already under great stress since it was losing money every quarter.

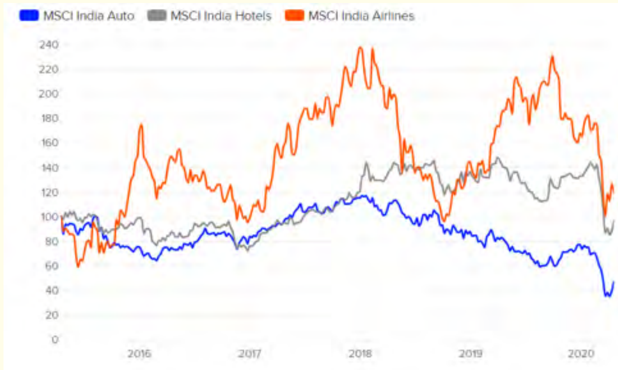

Figure 7: MSCI India equities by sector [*Source*: Refinitiv, 2020].

In March of 2020, governments and corporations were compelled to reduce travel, which negatively impacted the hotel and airline businesses, particularly tourism. In the near future, consumers will be even more cautious about spending money on unnecessary items and less inclined to make spontaneous vacation arrangements. This will further reduce demand in these three sectors of consumption.

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What is truly fascinating, though, is how close the course of the Equity Index is to that of the 2008 financial crisis. Using historical data and data modelling, it's possible to predict that India's financial markets will improve over the following six months.

Figure 8: Turbulent Indian equity markets [*Source*: Refinitiv, 2020].

Interest rates and bond yields are falling, indicating a negative trend. The benchmark 10-year bond yield has decreased to 6.1%. (as seen in the image below) However, India's bond yields remain competitive with those of other nations. Due to the massive support from central banks, bond yields have declined in the short run. However, concerns over the government's budget might increase bond market interest rates.

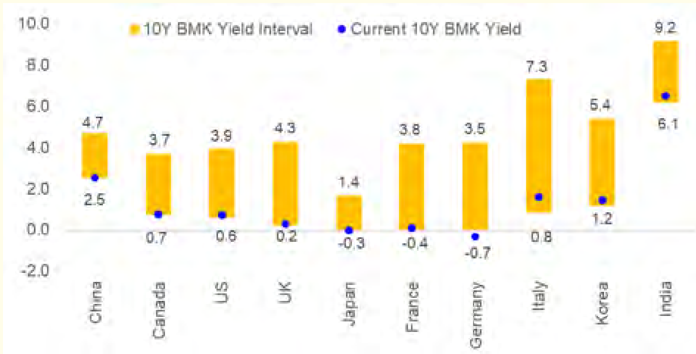

Figure 9: Increasing Bond Yields send panic [*Source*: Refinitiv, 2020].

Findings and Conclusions

Many market participants had hoped that interest rates would increase, but the crisis dashed their aspirations. Since interest rates are continually low, banks are compelled to find alternative ways to increase their profits. They may, for instance, enhance margins depending on risk, investigate new business areas, or promote cross-selling. By creating other product packages, such as "beyond banking" items, banks may be able to tackle this issue if they cease to rely so much on interest revenue. The extent of the damage to businesses caused by the crisis will not be known until the following few months. However, as the new standard, the number of individuals who do not repay their debts will increase. To address the high number of defaults, banks will need to repair or enhance their internal systems and modify their internal risk and early warning systems based on lessons acquired during the financial crisis. Due to the fact that not all institutions will be able to handle these new difficulties, consolidation is expected to increase.

Customers now anticipate enhanced security and comprehensive guidance on all their banking requirements as usual. The issue of trust is resurfacing, as is the function of a bank as a dependable partner, even in difficult circumstances, or as a home bank. Suppose banks wish to take advantage of the crisis-related advancements. In that case, they will need to modify their internal procedures, take digitalisation even more seriously, and adjust their IT infrastructure to the shifting situations on the ground. Banks will prioritise the value-added aspects of their businesses, ensuring that their services may be utilised even in times of crisis. This will guarantee that they are able to continue serving their consumers even during a crisis. In order to save money, fewer unimportant jobs will be performed in-house, and more will be outsourced to third parties or industry-specific solutions. During a crisis, banks must naturally alter their business practices. Despite the fact that the crisis had no direct impact on the underlying trend toward more digitisation, the rate of digital transformation appears to have accelerated, and the relevance of digital has been emphasised both inside and outside the organisation. Sustainability will have a significant influence on the new norm.

Recommendations and Suggestions

COVID-19 has two implications for the financial services sector. It accelerates existing trends and initiates new ones. Second, new normal, which may not be entirely new, but is arriving far sooner than anticipated and causing enormous new issues. If banks want to ensure the success of their commercial and operational strategies in the future, they must act swiftly. A list of suggestions that might assist banks in preparing for the new normal.

Customers desire digital solutions far more than they did before the outbreak. Customers desire a comprehensive solution that allows them to conduct financial activities quickly and easily at any time and from any location. The new standard requires banks to communicate with consumers digitally, from the initial point of contact through the conclusion of a product transaction and for supplementary assistance and back-office processing. During the consultation phase, digital communication between clients and their banks will increase significantly (e.g., operate the business and customer via video chat). If the client requests it or if their demands are very complex, physical contact will occur. Banks will develop new agreements with third-party suppliers to manufacture "beyond banking" items (like liquidity tools for planning) that they will subsequently provide to clients as part of integrated solutions.

- Interest rate should be low and raised costs are the new normal for banks.
- The customer satisfaction is must in digital, use the cross-channel solutions that allow the banks to perform holistic client advice and to fulfil the individual needs.
- A more digital functioning model that have greater flexibility.
- Using the sustainable business models to continue and to dominate.

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