

## **Effects of COVID-19 on Human Resource Management in the Banking and Financial Services Industry in India**

**Authors-Aniruddha Singh**

Undergraduate Student  
University of Mumbai  
Mumbai, India

Ashok Priyadarshi

Doctoral Student  
XLRI-Xavier School of Management  
Jamshedp

### **Abstract**

*COVID-19, a pandemic, has brought a disruption across the world. Human beings have been affected both emotionally and physically. Human safety has become so important that the whole world came to a halt. It has influenced the world economy as well as the developing Indian Economy. This paper talks about the challenges and impact of Human Resource Management in the Banking and Financial Services Industry in India. Data from different sources and interviews with two industry leaders in HR have given a good overview of the future challenges going forward.*

**Keywords:** COVID 19, Banking Services, Financial Services, Human Resource Management

### **1. Introduction-**

#### **1.1. What is COVID-19?**

As per the World Health Organization (WHO), Coronavirus disease (COVID-19) is an infectious disease caused by a newly discovered coronavirus. Most people infected with the COVID-19 virus will experience mild to moderate respiratory illness and recover without requiring special treatment. Older people, and those with underlying medical problems like cardiovascular disease, diabetes, chronic respiratory disease, and cancer are more likely to develop serious illness.

#### **1.2. Origin of COVID-19:**

The recent outbreak began in Wuhan, a city in the Hubei province of China. Reports of the first COVID-19 cases started in December 2019. Corona viruses are common in certain species of animals, such as cattle and camels. Although the transmission of corona viruses from animals to humans is rare, this new strain likely came from bats, though one study suggests that pangolins may be the origin. However, it remains unclear exactly how the virus first spread to humans. Some reports trace the earliest cases back to a seafood and animal market in Wuhan. It may have been from here that SARS-CoV-2 started to spread to humans.

#### **1.3. Impact on the Macro Economy in India:**

- Studies have said that 40 million people have lost their jobs due to the pandemic (particularly in the unorganized sector). Some of the reasons for this are the shutting down of factories, restrictions on travel, construction work being halted and decrease in consumption due to the lockdown.
- According to various estimates, there may be negative to very low real GDP growth for India.

- The demand has gone in various industries due to consumption being hit by the lockdown. Consumption is the major contributor to India's GDP.
- Investments and business sentiment have also been impacted due to the fall in consumption.
- The supply chains had also been disrupted due to shortage of raw materials, migrant workers leaving urban areas, decline in international trade and travel restrictions.

#### **1.4. Impact on the Banking and Financial Services Sector in India:**

- The coronavirus crisis has left some banks struggling to hang on to deposits, as funds migrate to the perceived safety of state-owned lenders. Besides other smaller private lenders, more prominent name among such banks are IndusInd Bank RBL Bank Ltd, and Yes Bank.
- According to a report (March, 30, 2020) by Credit Suisse Group AG analysts led by Ashish Gupta, more than 25%, 35% and 45% of loan book is of most vulnerable sectors to the lockdown, such as small businesses and automobile finance in case of ICICI Bank, Axis Bank, and IndusInd Bank Ltd respectively. Ability to withstand deposit shocks will be key for Private banks for their survival in coming several months.
- Liquidity conditions of smaller private banks could force them to reduce lending on account of which companies relying on banks for lending might face weak financials and poor liquidity. And in this situation the companies may default on loans.
- RBI has given all banks a three-month grace period during which they have some relief from rules governing bad loan recognition. But from September onward, non-performing assets are likely to surge if the crisis is still acute. If asset quality starts to deteriorate, the bad-loan ratios of private banks could rise from the 3.9% recorded in September-2019.
- It is well known by the bankers that since the imposition of the lockdown by the Government of India on March 25, 2020, the RBI has taken numerous requisite steps to ensure normal business functioning by the entire banking sector.
- Further, as fresh measures, the RBI infused \$6.5 billion of additional cash for banks to lend to shadow lenders and small borrowers. Moreover, RBI has relaxed the timelines for bad loan rules, and barred lenders from paying dividends for the year ended March 31, 2019.
- Even after withdrawing lockdown, the banking sector will take a long time to revert to any normalcy.

#### **2. Research Methodology-**

Currently, there is not much fact-based data available on the impact of COVID-19 on the banking and financial services industry. The statistical data available is mostly on the healthcare aspects of COVID-19, such as number of cases, fatality rate, recovery rate and others. However, there have been estimates and predictions by various credible sources regarding the impact of the pandemic and the ensuing lockdown.

Hence, we have used existing literature from the internet to conduct our study and draw conclusions. The literature used was in the form of reports from consulting firms and individual researchers, expert opinion columns in renowned newspapers, interviews from industry expert and economist and reports from educational institutes and government departments. To further add value to this study, we interviewed two HR practitioners; one from a banking company and another from a non-banking financial company (NBFC) engaged primarily in the business of wealth management. The data from these interviews has been used to give a real-life picture of what the industry is experiencing in terms of Human Resource Management (HRM) and to draw more accurate conclusions by comparing it with the literature used in this study. Thus, this paper uses the descriptive style of study.

#### **3. Major Findings of the Study-**

##### **3.1. Impact on Human Resource Management in the Banking and Financial Services Industry:**

- PricewaterhouseCoopers, a consulting firm, has said that organizations in this industry may use outsourcing for a few operational and back office functions as an effective means for reducing costs. It also believes that many organizations will take measures such as freezing bonuses and increments, waiving off commissions, lowering allowances and reducing the base salary of their employees.

- The Society for Human Resource Management says in an article that the cost of healthcare for employers will increase as the employees will expect the organization to provide better healthcare facilities (such as health insurance with improved coverage), not just for themselves but also their families.
- Mercer, a human resource consulting firm, mentions that addressing the psychological stress and emotional stress of employees due to the pandemic and the lockdown will be a major challenge for industries operational during the pandemic (such as the banking and financial services industry).
- Caroline Kulkarni, Head of Human Resources at Sanctum Wealth Management, says workplace safety will become a very important part of human resource management as employees are becoming more and more concerned about it. She also feels skill upgradation has become more important in the financial services industry as a large part of the workforce working from home, increase in digitization and technology usage in organizations and interactions with clients now have fewer physical touch points. According to her, there has been an improvement in the productivity of employees within her organization, and across the industry, the productivity levels have not changed much as compared to pre-COVID levels.
- Manish Kumar, ex-Director of Human Resources at the Royal Bank of Scotland, has observed that digitization in organizations is speeding up, more and more organizations are using the latest technologies such as Artificial Intelligence, Machine Learning and Big Data in their human resource operations and other functional areas. Work from home, according to him, will be a long term trend in the industry; many organizations will allow a certain part of their workforce to work from home permanently as it reduces travel, entertainment and other office administration costs. The ability of the candidate to work from home will become a key consideration during recruitment. He also says recruitment practices have changed and hiring has become virtual (video conferencing interviews), even onboarding has become virtual (online onboarding and technology tools to induct new hires). He has also seen employee motivation programmes become virtual such as virtual yoga sessions, virtual talent contests and virtual learning sessions.

#### 4. Conclusion-

Every challenge comes with an opportunity and hope which create new history. There are certain advantages coming on the global economic front which will be beneficial for India. Migration of many businesses from China to India and our own gross domestic consumption due to high population will boost the Indian economy. Thoughts coming from both industry HR leaders emphasise about safety and the use of technologies such as AI, Big Data and ML to further enhance the customer experience and people productivity. This also shows that digitization is here to stay and is the future of the industry. The organizations who adapt to this change will survive and thrive while others may not be so lucky. COVID-19 will come with newer possibilities for many sectors including the Banking and Financial Services sector as well as for growth of the economy.

#### 5. References and Websites Referred-

- World Health Organization (Corona virus). Retrieved from [https://www.who.int/health-topics/coronavirus#tab=tab\\_1](https://www.who.int/health-topics/coronavirus#tab=tab_1)
- Medical News Today (Corona virus Cause: Origin and How it Spreads). Retrieved from <https://www.medicalnewstoday.com/articles/coronavirus-causes>
- ET Government (Opinion: Impact of COVID-19 on the Indian Economy). Retrieved from <https://government.economicstimes.indiatimes.com/news/economy/opinion-impact-of-covid-19-on-the-indian-economy/75021731>
- Jag ran Josh (What is the Impact of Coronavirus on the Indian Economy?). Retrieved from <https://www.jagranjosh.com/general-knowledge/what-is-the-impact-of-coronavirus-on-indian-economy-1582870052-1>
- Singh, O.P., 2020. Mental health of migrant laborers in COVID-19 pandemic and lockdown: Challenges ahead. *Indian Journal of Psychiatry*, 62(3), p.233.
- Dev, S.M. and Sengupta, R., 2020. Covid-19: Impact on the Indian economy. *Indira Gandhi Institute of Development Research, Mumbai April*.
- Mercer (In India, how are companies supporting their employees during this outbreak?). Retrieved from [https://app.keysurvey.com/reportmodule/REPORT2/report/1479157/41194239/d00aa02b8c2b614be788bb441adae797?Dir=&Enc\\_Dir=8129ead7&av=IxnIBAm77ac%3D&afterVoting=7e7cd003168e&msig=b69a8d67569063f9c374d5de6672aa83](https://app.keysurvey.com/reportmodule/REPORT2/report/1479157/41194239/d00aa02b8c2b614be788bb441adae797?Dir=&Enc_Dir=8129ead7&av=IxnIBAm77ac%3D&afterVoting=7e7cd003168e&msig=b69a8d67569063f9c374d5de6672aa83)

The Society for Human Resource Management (Employers' Health Care Costs Expected to Rise Due to Coronavirus). Retrieved from <https://www.shrm.org/resourcesandtools/hr-topics/benefits/pages/employers-health-care-costs-expected-to-rise-due-to-coronavirus.aspx>

PricewaterhouseCoopers (COVID-19: Impacts to Business). Retrieved from <https://www.pwc.com/gx/en/issues/crisis-solutions/covid-19.html>

Kulkarni, Caroline (2020, June 25). Email Interview

Kumar, Manish (2020, June 20). Phone Interview