Libyan International Medical University
Faculty of Business Administration
Contemporary Issues

Finance and Banking Management

The Effect of COVID-19 on Banking Performance

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Name: Ali Adel
ID: 2434
Instructor: Dr. Sabri Elkrghli

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1. Introduction

- The bank is a type of financial institution that accepts all types of deposits, provides a variety of services such as checking accounts, offers different loans, and provides basic financial services to people and small companies such as certificates of deposit and savings accounts (Adam Barone, 2022).

1. Introduction

- They not only provide a necessary service to customers, they also contribute to the improving of liquidity and capital for the market.

- Commercial banks have a role in loan creation, which leads to a rise in output, employment, and household consumption, benefiting the economy (Adam Barone, 2022).

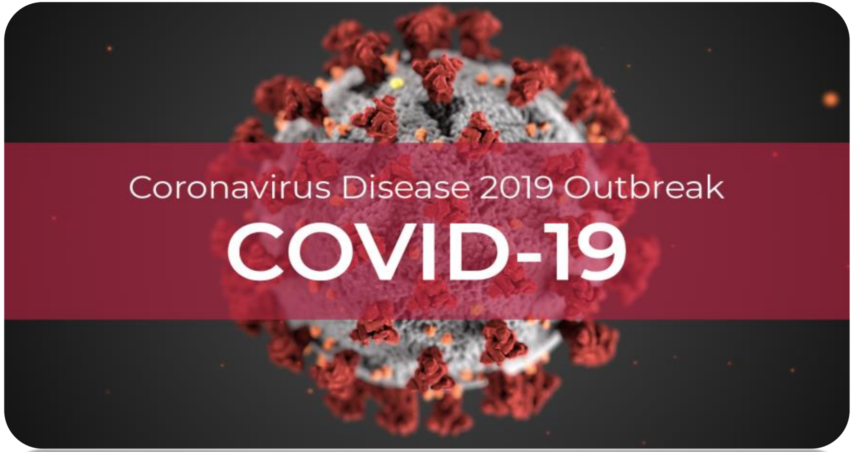
1. Introduction

- Many aspects of the global economy have been impacted by the COVID-19 pandemic, such as poverty, economic policies, customer needs, physical job locations, and house prices.

- The epidemic has also resulted in several consequences for the banking industry, along with the development of new lending programs, alterations in consumer desires, and adjustments in lending demand and supply (Thorsten Beck, 2020).

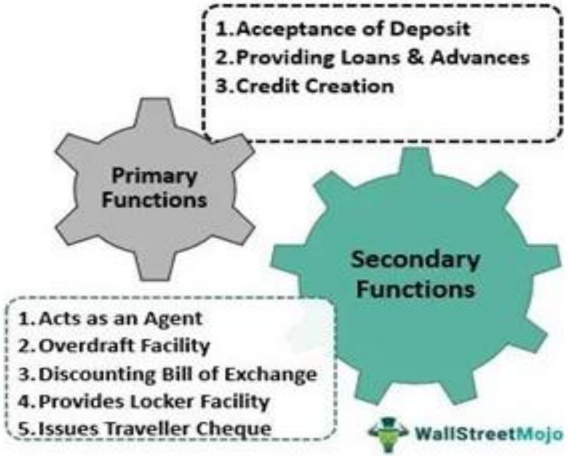
2. Terminologies

- COVID-19: according to The Johns Hopkins (2022), coronaviruses are a type of virus. A coronavirus identified in 2019 has caused a pandemic of respiratory illness, called COVID-19.



2. Terminologies

- Bank: according to Rebecca Lake (2022), bank is a financial institution regulated at the federal level, state level or both. The primary role of banks is to take deposits and make loans.



2. Terminologies

- Banks' performance: According to Rengasamy (2012), "Bank performance" can be defined as a bank using resources to achieve its goals.
- The performance of the bank also implies that employ a series of indicators to reflect the status of the bank and in a way to reflect the bank's ability to achieve the desired objectives.

3. Literature review

- 14 of 18 papers confirm the negative impact of COVID-19 on the overall performance of banks as a result of:
  1. An increase in nonperforming loans
  2. Liquidity decreased and credit risk increased
  3. Holding more liquid assets and the high amount of capital

3. Literature review

4. A decrease in Operating Income to Operating Expenses
5. Capital adequacy ratio, the Non-Performing Funding, and the Financing to Deposit Ratio have dropped down
6. Banks' stocks went down
7. The high exposure to credit risk
8. A decrease in working capital credit and investment credit

3. Literature review

- All papers stated that the banks’ recovery from this pandemic was fast as a result of the efficient equity capital, maintaining liquidity and finding new revenue sources, and having rich corporate portfolios.

3. Literature review

- 4 of 18 papers stated that COVID-19 had a positive effect on the overall financial performance of banks because of:

1. The increase in Return on Assets (ROA)
2. The increase in Return on Equity (ROE)
3. Capital Adequacy Ratio (CAR) improved
4. Banks' commitment to their clients and communities
5. Implementing the corporate governance

4. Data and Methodologies

- All 18 papers used a secondary source of data collected from different sources; the main sources used by the researchers are World Bank and central bank annual reports, mainly financial statements.

4. Data and Methodologies

- Researchers used quantitative analysis to analyze the data and test a variety of variables to assess the impact of coronavirus on the banking sector by using different methods.
- Researchers and authors commonly used ordinary least square, regression analysis, and correlation analysis in their studies.

5. Conclusion and Reflection

- This pandemic impacted negatively on banks’ systems, this system has changed and caused high volatility in overall bank performance.
- The first clear and obvious effect is the uncontrolled increase in non-performing loans.
- Since there was an economic recession during the pandemic, the investors reduced their investments, and subsequently, the lending dropped down.

5. Conclusion and Reflection

- There are many ways and strategies made by banks that made this negative effect not severe, the most important are:

1. Bank's commitment to its customers
2. The presence of corporate governance in banks

5. Conclusion and Reflection

- Most researchers analyzed the banks through the measurement of their financial statements.
- Each item in the financial statements is important so they should analyze more items rather than focusing on ROA and ROE.

6. Limitation

- From this research, it is clear that all papers used secondary data and there is no primary data.
- All researchers used quantitative analysis and no one tried to analyze qualitatively.
- Most of authors depend mainly on two research methods, which are regression analysis method and ordinary least square method.

7. Implication and Recommendation

- These papers studied the impact of COVID-19 on banks' industry performance, 14 papers of total 18 found that there is negative impact of COVID-19 on overall banks' performance.
- Countries should change their financial policies (monetary and fiscal policies) in an attempt to adapt the economy and financial sector to such crises in order to mitigate losses and survive.

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Thank you for listening

Any questions?

ali_2434@limu.edu.ly