“A Study of the Impact of Covid-19 on the Earnings Per Share of the selected Indian Public Sector Banks”

CA. PUJAN JAINESH KAPADIA
[FCA, DISA, M. COM. (Finance & Taxation),
NET (Commerce), NET (Management)]

ASSISTANT PROFESSOR
Agarwal Vidya Vihar English Medium College, Vesu, Surat.
E-mail Id : pujanjk@gmail.com
Mob. No. : +918866775883

Abstract:

The COVID-19 pandemic has had a negative effect on people's physical health, and their financial security has suffered similarly. It also has a wide range of effects on the overall performance and operational dynamics of the Indian banking industry. In order to alleviate the financial strain that borrowers were experiencing during the epidemic, the Reserve Bank of India (RBI), unveiled the COVID-19 Regulatory Package, which included a loan moratorium as a key component. While loan moratorium permitted borrowers to postpone their EMI payments for a maximum of six months, the Indian banking industry has been battling the financial strain brought on by the economic downturn associated with the pandemic. Thereby, the aim of this study is to analyze the impact of Covid-19 pandemic on the earnings of the selected Indian Public Sector Banks. To facilitate this analysis, Earnings Per Share (EPS) data spanning the period from 2016-17 to 2023-24 is compiled and utilized to examine the effects during both the pre-Covid and post-Covid period through the application of the T-test.

1. Introduction:

The world community faced one of the most challenging issues of the century under the garb of the Covid-19 pandemic. The World Health Organization estimates that as of February 9, 2025, 533,662 deaths in India had been linked to COVID-19. However, the pandemic has had a major impact on a number of economic sectors, including the financial industry, in addition to its impacts on physical health. The epidemic has had a major effect on borrowers' capacity to service their loans, which has had a major effect on banks' financial performance.

When it comes to putting government programs and relief measures into action, public sector banks are the leaders. They serve as the RBI's main tool for putting any policy into effect across the board. Public sector banks unavoidably contributed to the financial well-being of Indian residents, business houses, and the country's economy as a whole during the COVID-19 epidemic. They took the initiative to offer emergency loans and credit extensions to members of various social classes. Additionally, they put into effect the lending moratorium that the RBI had declared as a borrower assistance measure. They consistently endeavor to uphold sufficient liquidity levels to mitigate the risks of market distress. In light of the aforementioned responsibilities of public sector banks, the present study seeks to examine the extent to which the Covid-19 pandemic has influenced the earnings of specific Indian Public Sector Banks.

2. REVIEW OF LITERATURE:

Bhattacharjee, A., Kumari, M., & Das, J. (2020) in their paper titled "Investigating the Impact of the Announcement of Loan Moratorium on Stock Prices: Evidence from Indian Public Sector Banks" investigated the implications of the Reserve Bank of India's announcement regarding a three-month loan moratorium on the equity valuations of Indian public sector banks. An in-depth analysis was performed to ascertain how a multitude of factors, including liquidity inflows, international market trends, advancements in corona virus vaccine research, and the imposition of lockdowns, influenced market anticipations concerning the loan moratorium. Employing the event study methodology, the focus was directed towards 11 public sector commercial banks that are publicly traded on the Bombay Stock Exchange. The investigation encompassed a thorough examination of data spanning 120 trading days prior to and 21 trading days subsequent to the event date, which was established as March 27, 2020. Abnormal returns (ARs) and t-statistics were systematically calculated to assess the impact on stock valuations. The findings of the investigation revealed that the market exhibited reactions to several events preceding the proclamation of the loan moratorium. Notable fluctuations in stock prices were detected prior to the formal announcement, indicating anticipatory behaviour within the market. On the designated event date, the mean abnormal returns were assessed as statistically insignificant, suggesting that the necessary adjustments had already occurred. The declaration of the loan moratorium emerged as a significant event, possessing both beneficial and detrimental effects on the Indian economic landscape. This research enriched the extant literature surrounding event study methodologies and the ramifications of loan moratorium announcements on stock valuations, thereby providing critical insights into the understanding of market reactions to such financial policy decisions.

Hladika, M. (2021) in the paper titled "Impact of Covid-19 Pandemic on the loans quality, provisions and profitability of the banking sector" concentrated on evaluating the repercussions of the Covid-19 pandemic on loan stability, anticipated credit losses, reserve provisions, and profitability within the banking sector of Croatia. Data was collected from publicly available resources, encompassing newsletters, annual reports, and financial statements from Croatian banking institutions. An analysis employing descriptive statistics was performed on the financial performance of the Croatian banking sector spanning the years 2017 to 2020, revealing a marked decline in profitability attributable to the pandemic. The emergence of the virus precipitated an escalation in anticipated credit losses at specific banks and a significant reduction in the overall profitability of Croatia's banking sector. The investigation uncovered a pronounced decrease in the aggregate profits and profitability metrics of Croatia's banking sector in 2020, paired with a substantial rise in impairments and provisions. Despite the implementation of measures such as payment extension programs and loan deferrals, the effectiveness of impairments in mitigating non-performing loans diminished, signifying persistent challenges for the banking sector.

Elnahass, M., Trinh, V. Q., & Li, T. (2021) in their paper titled "Global banking stability in the shadow of Covid-19 outbreak" examined the ramifications of the Covid-19 pandemic on both accounting-oriented and market-focused performance metrics, as well as the overall financial resilience of banking institutions globally. The methodological framework employed involved the development of an empirical model specifically tailored to investigate these phenomena. A panel data regression analysis was employed in this research to evaluate the repercussions of Covid-19 on diverse performance indicators and risk factors pertinent to the banking sector. This analytical framework incorporated performance metrics grounded in accounting standards, including Return on Assets (ROA) and Return on Equity (ROE). Moreover, the model examined various categories of banking risks, encompassing default risk, credit risk, and liquidity risk. The findings of the study demonstrated a markedly adverse effect on the comprehensive operations of banking systems as a consequence of the Covid-19 pandemic. Substantial negative consequences were observed on accounting-based performance, market-oriented performance, and the overarching financial stability of banking institutions. In addition, it was observed that Islamic banks exhibited a heightened risk profile in comparison to their conventional counterparts. The research disclosed indications of economic recovery in certain regions; however, it cautioned that the financial repercussions on the banking sector may endure for a protracted duration.

Panchal N. (2021) in the paper entitled "Impact of Covid-19 on Banking in India – An Empirical Analysis" investigated the ramifications of COVID-19 on the banking sector within India, with a particular emphasis on Non-Performing Assets (NPAs), lending methodologies, and profitability metrics. The primary objective was to ascertain the interrelations among NPAs, lending activities, and net profit margins within prominent financial institutions such as the State Bank of India (SBI), Bank of Baroda, HDFC Bank, and Axis Bank. This scholarly inquiry utilized secondary data sourced from an array of materials, including annual financial reports, academic journals, periodicals, and reputable newspapers. To evaluate the influence of NPAs and lending practices on financial performance, methodologies such as correlation coefficients were employed. The research encompassed a duration spanning five years (2014-15 to 2019-20) and scrutinized both public and private banking entities. It was anticipated that the analysis would reveal a significant increase in NPAs, a remarkable rise in credit demand,

and ensuing implications for profitability. The study potentially underscored the extended recovery trajectory anticipated for the banking sector in India in the aftermath of the pandemic. The findings indicated that the banking industry in India may face an elongated rehabilitation phase subsequent to the repercussions of COVID-19.

Anithabose, S., & Gnanaraj, G. (2023) in the paper titled “Financial Performance of Indian Public Sector Banks Before and During COVID-19 Pandemic” evaluated the financial performance of specific Indian state-owned banks, both prior to and following the onset of the COVID-19 pandemic. It meticulously analyzed various metrics pertinent to profitability, liquidity, solvency, and economic value added (EVA) among a cohort of a dozen state-owned banks listed on the Bombay Stock Exchange (BSE) over the fiscal years 2018-2019 through 2019-2020. The research was founded on empirical evidence, utilizing secondary data obtained from financial statements and the monthly closing stock prices of the banks in question. Methodological approaches employed included EVA calculations, financial ratio analysis, descriptive statistics, the Shapiro-Wilk test for normality, and paired samples t-tests. The COVID-19 pandemic exerted a detrimental influence on metrics such as earnings per share, net profit margin, return on invested capital, return on assets, and return on equity for the banks under examination. However, it also produced a beneficial effect on the current ratio, debt-to-equity ratio, and EVA of the state-owned banks analyzed. The investigation determined that the specified variables conformed to a normal distribution, thereby permitting the application of parametric statistical techniques. The results indicated that the pandemic triggered disparate effects on various financial indicators of state-owned banks, highlighting the imperative for further research to explore the variations in financial performance metrics and advocating for additional inquiries across different financial sectors to enhance investor understanding.

3. RESEARCH METHODOLY:

3.1 PROBLEM STATEMENT:

- How Covid-19 impacted the Earnings per share of Indian Public Sector Banks.

3.2 HYPOTHESIS:

- H0: There is NO significant impact of Covid-19 on Earnings per share of Indian Public Sector Banks.
- H1: There is significant impact of Covid-19 on Earnings per share of Indian Public Sector Banks.

3.3 OBJECTIVES OF THE STUDY:

- To find the impact of Covid-19 on the earnings per share of Indian Public Sector Banks.

3.4 SAMPLING FRAME:

- Sample Size: All Public Sector Banks of India.
- Sampling Unit: It consist of 4 Public Sector Banks based on their Market Capitalization as on 31.12.2024 as under:

Sr. No.	Name of the Company	Market Cap (In Crores)
1	Canara Bank	96978.22
2	Bank of India	51335.14
3	Central Bank of India	50821.18
4	Bank of Maharashtra	42833.67

3.5 RESEARCH DESIGN:

- The present study is the descriptive study that tries to study the impact of Covid-19 on the earnings per share of Public Sector Banks of India.
- It uses convenient sampling method.
- It is a quantitative research as it is concerned with Accounting Ratios and T-test allied with the use of tables.

3.6 DATA COLLECTION:

- The study is planned to be carried out with the help of secondary data.

3.7 SOURCES OF DATA:

- Public Sector Banks' Annual Reports
- Articles, Journals & Website
- Literature Review

3.8 LIMITATIONS OF THE STUDY:

- Only 4 Public Sector Banks are selected for research purpose.
- Only eight years' time period is taken from 2016-17 to 2023-24.

4. DATA INTERPRETATION AND ANALYSIS:

This section contains the data of Earnings per share of the selected Public Sector Banks for the period under review i.e. 2016-17 to 2023-24 in the tabular format where "Earnings per share = Total Earnings Available for Equity Shareholders / Total Number of Outstanding Equity Shares". It also shows the table of the results of T-test applied on the earnings per share data and inferences drawn out of it.

4.1 CANARA BANK:

YEAR	Earnings Per Share (Rs.)	Average EPS (Rs.)	Increase/Decrease
2016-17	20.63	-17.91	**362.53% INCREASE**
2017-18	-70.47		
2018-19	4.71		
2019-20	-26.50		
2020-21	16.91	47.02	
2021-22	32.49		
2022-23	58.45		
2023-24	80.23		

Table: 4.1.1 Earnings per share of Canara Bank from 2016-17 to 2023-24

(Source: www.moneycontrol.com)

PARTICULARS	PRE-COVID EARNINGS PER SHARE DATA	POST-COVID EARNINGS PER SHARE DATA
Mean	-17.91	47.02
Variance	1611.112558	783.7607
Degree of Freedom	3	
P Value	**0.04**	

Table: 4.1.2 t-Test: Paired two sample for Means Results for Earnings per share of Canara Bank from 2016-17 to 2023-24

Inference:

- From the Table 4.1.1 it can be observed that earnings per share in the Post-Covid Period has increased by 362.53% as compared to Pre-Covid Period which shows the positive impact of Covid-19 on the earnings per share of Canara Bank.
- From the Table 4.1.2 it can be observed that the P Value is 0.04 (< 0.05). This shows that our Null Hypothesis will be rejected. Hence, there is significant impact of Covid-19 on the earnings per share of Canara Bank.

4.2 BANK OF INDIA:

YEAR	Earnings Per Share (Rs.)	Average EPS (Rs.)	Increase/Decrease
2016-17	-15.72	-26.79	**137.44% INCREASE**
2017-18	-52.55		
2018-19	-29.79		
2019-20	-9.10		
2020-21	6.59	10.03	
2021-22	8.84		
2022-23	9.80		
2023-24	14.90		

Table: 4.2.1 Earnings per share of Bank of India from 2016-17 to 2023-24

(Source: www.moneycontrol.com)

PARTICULARS	PRE-COVID EARNINGS PER SHARE DATA	POST-COVID EARNINGS PER SHARE DATA
Mean	-26.79	10.03
Variance	369.3528667	12.33983
Degree of Freedom	3	
P Value	**0.01**	

Table: 4.2.2 t-Test: Paired two sample for Means Results for Earnings per share of Bank of India from 2016-17 to 2023-24

Inference:

- From the Table 4.2.1 it can be observed that earnings per share in the Post-Covid Period has increased by 137.44% as compared to Pre-Covid Period which shows the positive impact of Covid-19 on the earnings per share of Bank of India.
- From the Table 4.2.2 it can be observed that the P Value is 0.01 (< 0.05). This shows that our Null Hypothesis will be rejected. Hence, there is significant impact of Covid-19 on the earnings per share of Bank of India.

4.3 CENTRAL BANK OF INDIA:

YEAR	Earnings Per Share (Rs.)	Average EPS (Rs.)	Increase/Decrease
2016-17	-13.35	-13.71	**108.24% INCREASE**
2017-18	-19.50		
2018-19	-20.19		
2019-20	-1.81		
2020-21	-1.53	1.13	
2021-22	1.27		
2022-23	1.82		
2023-24	2.94		

Table: 4.3.1 Earnings per share of Central Bank of India Ltd. from 2016-17 to 2023-24

(Source: www.moneycontrol.com)

PARTICULARS	PRE-COVID EARNINGS PER SHARE DATA	POST-COVID EARNINGS PER SHARE DATA
Mean	-13.71	1.13
Variance	72.418025	3.615767
Degree of Freedom	3	
P Value	**0.02**	

Table: 4.3.2 t-Test: Paired two sample for Means Results for Earnings per share of Central Bank of India from 2016-17 to 2023-24

Inference:

- From the Table 4.3.1 it can be observed that earnings per share in the Post-Covid Period has increased by 108.24% as compared to Pre-Covid Period which shows the positive impact of Covid-19 on the earnings per share of Central Bank of India.
- From the Table 4.3.2 it can be observed that the P Value is 0.02 (< 0.05). This shows that our Null Hypothesis will be rejected. Hence, there is significant impact of Covid-19 on the earnings per share of Central Bank of India.

4.4 BANK OF MAHARASHTRA:

YEAR	Earnings Per Share (Rs.)	Average EPS (Rs.)	Increase/Decrease
2016-17	-11.75	-8.58	**135.66% INCREASE**
2017-18	-8.98		
2018-19	-14.26		
2019-20	0.67		
2020-21	0.88	3.06	
2021-22	1.72		
2022-23	3.87		
2023-24	5.78		

Table: 4.4.1 Earnings per share of Bank of Maharashtra from 2016-17 to 2023-24

(Source: www.moneycontrol.com)

PARTICULARS	PRE-COVID EARNINGS PER SHARE DATA	POST-COVID EARNINGS PER SHARE DATA
Mean	-8.58	3.06
Variance	42.67793	4.867492
Degree of Freedom	3	
P Value	**0.01**	

Table: 4.4.2 t-Test: Paired two sample for Means Results for Earnings per share of Bank of Maharashtra from 2016-17 to 2023-24

Inference:

- From the Table 4.4.1 it can be observed that earnings per share in the Post-Covid Period has increased by 135.66% as compared to Pre-Covid Period which shows the positive impact of Covid-19 on the earnings per share of Bank of Maharashtra.
- From the Table 4.4.2 it can be observed that the P Value is 0.01 (< 0.05). This shows that our Null Hypothesis will be rejected. Hence, there is significant impact of covid-19 on the earnings per share of Bank of Maharashtra.

5. FINDINGS:

- When comparing the post-COVID-19 period to the pre-COVID-19 period, the average earnings per share of all the selected public sector banks have increased. In contrast to the other chosen public-sector banks, the Bank of Maharashtra's EPS has increased by about three times.

• All of the selected Public Sector Banks' means of earnings per share for the pre-COVID-19 period (2016–17 to 2019–20) and post-COVID-19 period (2020–21 to 2023–24) have a P-value at the 95% Confidence Level according to the t-Test of 2 samples that is less than 0.05, indicating that COVID-19 has a significant impact on the earnings per share of the selected Indian Public Sector Banks.

6. CONCLUSION:

The COVID-19 pandemic has had a significant effect on a number of economic sectors, whether it be their regular business operations or financial results. Numerous studies have noted that the pandemic has affected the banks' entire performance, including profitability, liquidity, earnings, etc. However, the analysis of the EPS of the chosen banks makes it abundantly evident that the earnings per share of Indian public banks have experienced a significant increase in the post-COVID era. Every bank has seen a discernible increase in earnings per share, indicating a favorable trend in financial performance, better operations, and more earnings. Covid-19's impact is significant on the earnings per share of all four selected Indian Public Sector Banks.

7. REFERENCES:

https://data.who.int/dashboards/covid19/deaths

https://www.moneycontrol.com/financials/canarabank/ratiosVI/cb06

https://www.moneycontrol.com/financials/centralbankofindia/ratiosVI/cbo01

https://www.moneycontrol.com/financials/bankindia/ratiosVI/boi

https://www.moneycontrol.com/financials/bankmaharashtra/ratiosVI/bm05

Bhattacharjee, A., Kumari, M., & Das, J. (2020). Investigating the impact of the announcement of loan moratorium on stock prices: Evidence from Indian Public Sector Banks. Jindal Journal of Business Research.

Hladika, M. (2021). Impact of COVID-19 pandemic on the loans quality, provisions and profitability of the banking sector. Economic and Social Development: Book of Proceedings.

Elnahass, M., Trinh, V. Q., & Li, T. (2021). Global banking stability in the shadow of Covid-19 outbreak. Journal of International Financial Markets, Institutions and Money.

Panchal, N. (2021). Impact of Covid-19 on banking in India: An empirical analysis. Towards excellence.

Anithabose, S., & Gnanaraj, G. (2023). Financial Performance of Indian Public Sector Banks Before and During COVID-19 Pandemic. A Journal of Management,.