

**“A Study of the Impact of Covid-19 on the Profitability of the
selected Indian Private 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



1. Abstract:

The Covid-19 has severely impacted the health of the population; wherein financial health was not an exception! The working and performance of the Indian Banking Sector was also being impacted because of the pandemic in multiple ways. In order to ease the financial strain on the borrowers during the pandemic period, the central bank of India i.e. RBI put forward COVID-19 Regulatory Package which included loan moratorium as its essential part. The Indian Banking Sector, on one hand, was adhering to the guidelines of loan moratorium that allowed borrowers to delay their EMI Payments up to 6 months; while on other hand, was facing the challenge of financial stress caused on account of economic slowdown because of the pandemic scenario. So, this paper aims to study Covid-19's impact on the selected Indian Private Sector Banks with respect to their profitability with the use of Net Profit Margin Ratio over a period of 8 years from 2016-17 to 2023-24, and thereby determining the significance of impact using t-Test..

2. INTRODUCTION:

The global community encountered one of the most formidable challenges of the century in the manifestation of the Covid-19 pandemic. In the context of India, the cumulative fatalities attributed to Covid-19, as reported by the World Health Organization, stand at 533,662 as of February 9, 2025. Nevertheless, beyond the ramifications for physical health, the pandemic has profoundly affected various sectors of the economy, with the banking sector being no exception.

During Covid-19 pandemic, private banks played a noteworthy role in supporting financial health of individuals, businesses and economy as a whole in India. They were active in providing financial support by the way of emergency loans and credit extensions; implements the government relief measures which included offering loan moratoriums, disbursing stimulus packages, etc.; and constantly strived to maintain the adequate liquidity to avoid market panic. The recent study aims to know the impact of Covid-19 on the profitability of selected Indian Private Sector Banks.

3. REVIEW OF LITERATURE:

Hladika, M. (2021) in the paper titled "Impact of Covid-19 Pandemic on the loans quality, provisions and profitability of the banking sector" focused on examining the repercussions of the Covid-19 outbreak on the soundness of loans, anticipated credit losses, provisions, and profitability within the banking domain of Croatia. Information was sourced from publicly available outlets such as bulletins, yearly reports, and financial declarations of Croatian

financial institutions. An analysis employing descriptive statistics was carried out on the financial performance of the banking industry in Croatia spanning the years 2017 to 2020, revealing a notable downturn in profitability attributed to the pandemic. The viral outbreak triggered a rise in anticipated credit losses within specific banks and a substantial decline in the overall profitability of the banking sphere in Croatia. The study unveiled a marked reduction in the total profit and profitability metrics of the banking sector in Croatia for the year 2020, with impairments and provisions registering a significant uptick. Despite initiatives such as payment extension schemes and loan postponements, the adequacy of impairments to cover non-performing loans witnessed a decline, signalling persistent hurdles 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 repercussions of the Covid-19 pandemic on both the accounting-based and market-based performance, as well as the financial stability of banks on a global scale. The methodology involves the development of an empirical model aimed at scrutinizing these implications. A panel data regression model is employed in this research to evaluate the effects of Covid-19 on various performance metrics and risk elements within the banking sector. This encompasses performance gauges based on accounting principles such as ROA & ROE. Moreover, the model takes into account diverse categories of bank risks including default risk, credit risk, and liquidity risk. The study's outcomes reveal a notably adverse influence on the overall functions of banking systems resulting from the emergence of Covid-19. Noteworthy are the detrimental effects observed on accounting-based performance, market-based performance, and the financial soundness of banks. It is also highlighted that Islamic banks demonstrate a heightened risk profile in comparison to conventional banks. The study indicates indications of economic recuperation in certain regions but cautions that the financial ramifications on the banking sector are likely to endure for a substantial duration.

Panchal N. (2021) in the paper entitled “Impact of Covid-19 on Banking in India – An Empirical Analysis” aimed at scrutinizing the ramifications of COVID-19 on the banking industry in India, with a specific focus on Non-Performing Assets (NPAs), advances, and profitability. The primary objective is to establish the correlation among NPAs, advances, and net profit within prominent banks such as State Bank of India (SBI), Bank of Baroda, HDFC Bank, and Axis Bank. Utilization of secondary data from various sources like annual

publications, periodicals, newspapers, and academic journals was pivotal. Analytical tools such as correlation coefficients were utilized to explore the influence of NPAs and advances on the financial performance. The study encompassed duration of five years (2014-15 to 2019-20) and concentrated on both public and private financial institutions. It is probable that the analysis brought to light a substantial uptick in NPAs, a notable surge in credit demand, and subsequent repercussions on profitability. The investigation potentially emphasized the prolonged recuperation period envisaged for the banking sector in India post the pandemic outbreak. It is indicated in the study that the banking industry in India could encounter an extended convalescence phase following the impact of COVID-19.

Mishra, N. K. (2020) in the paper titled “Impact of COVID-19 on Financial Performance and Profitability of Banking Sector in Special Reference to Private Commercial Banks: Empirical Evidence from India” examined the effects of the COVID-19 pandemic on the financial performance and profitability of publicly traded private commercial banks in Bangladesh. The primary focus of the study was on the calculation of the Financial Performance Index (FPI) through the utilization of the CAMELS rating system. It also involved the analysis of both specific and macroeconomic factors that impact bank profitability in the periods before and during the pandemic. Data spanning from 2010 to 2021 of publicly listed private commercial banks was utilized for this purpose, comparing the years before the pandemic (2010-2019) with the pandemic years (2020-2021). Regression models were utilized to examine the influence of different variables on bank profitability. Entities such as AIBL, EBL, and BBL demonstrated consistent strong performance both prior to and amidst the pandemic. Conversely, banks with lower performance levels before the pandemic experienced more challenges during the pandemic period. The research emphasized the substantial repercussions of COVID-19 on the banking industry, stressing the importance for banks to address weaknesses and improve profitability during times of crisis.

4. RESEARCH METHODOLOGY:

4.1 PROBLEM STATEMENT:

- How Covid-19 impacted the Profitability of Indian Private Sector Banks.

4.2 HYPOTHESIS:

- H0: There is NO significant impact of Covid-19 on profitability of Indian Private Sector Banks.
- H1: There is significant impact of Covid-19 on profitability of Indian Private Sector Banks.

4.3 OBJECTIVES OF THE STUDY:

- To find the impact of Covid-19 on the profitability of Indian Private Sector Banks.
- To compare the aforesaid impact with respect to Large Cap and Small Cap Private Sector Banks.

4.4 SAMPLING FRAME:

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

<u>Category</u>	<u>Name of the Company</u>	<u>Market Cap (In Crores)</u>
Large Cap	Axis Bank Ltd.	365344.24
Large Cap	Kotak Mahindra Bank Ltd.	356885.90
Small Cap	Bandhan Bank Ltd.	30463.67
Small Cap	RBL Bank Ltd.	12155.17

4.5 RESEARCH DESIGN:

- The present study is the descriptive study that tries to study the impact of Covid-19 on the profitability of Private 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.

4.6 DATA COLLECTION:

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

4.7 SOURCES OF DATA:

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

4.8 LIMITATIONS OF THE STUDY:

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

5. DATA INTERPRETATION AND ANALYSIS:

This section contains the data of Net Profit Margin of the selected Private Sector Banks for the period under review i.e. 2016-17 to 2023-24 in the tabular format where “Net Profit Margin = Net Profit / Total Revenue * 100”. It also shows the table of the results of T-test applied on the net profit data and inferences drawn out of it.

5.1 AXIS BANK LTD.:

YEAR	Net Profit Margin	Average NP Ratio	Increase/Decrease
2016-17	8.26%	4.99%	10.92% INCREASE
2017-18	0.60%		
2018-19	8.50%		
2019-20	2.59%		
2020-21	10.35%	15.91%	
2021-22	19.33%		
2022-23	11.24%		
2023-24	22.73%		

Table: 5.1.1 Net Profit Margin Ratio of Axis Bank Ltd. from 2016-17 to 2023-24

(Source: www.moneycontrol.com)

PARTICULARS	PRE-COVID NET PROFIT MARGIN DATA	POST-COVID NET PROFIT MARGIN DATA
Mean	4.99%	15.91%
Variance	0.001601503	0.003698
Degree of Freedom	3	
P Value	0.05	

Table: 5.1.2 t-Test: Paired two sample for Means Results for Net Profit Margin Ratio of Axis Bank Ltd. from 2016-17 to 2023-24

Inference:

- From the Table 6.1.1 it can be observed that Net Profit Margin Ratio in the Post-Covid Period has increased by 10.92% as compared to Pre-Covid Period which shows the positive impact of Covid-19 on the profitability of Axis Bank Ltd.
- From the Table 6.1.2 it can be observed that the P Value is 0.05 (= 0.05). This shows that our Null Hypothesis will be rejected. Hence, there is significant impact of Covid-

19 on the profitability of Axis Bank Ltd.

5.2 KOTAK MAHINDRA BANK LTD.:

YEAR	Net Profit Margin	Average NP Ratio	Increase/Decrease
2016-17	19.27%	20.59%	9.33% INCREASE
2017-18	20.68%		
2018-19	20.32%		
2019-20	22.08%		
2020-21	25.94%	29.92%	
2021-22	31.70%		
2022-23	31.93%		
2023-24	30.09%		

**Table: 5.2.1 Net Profit Margin Ratio of Kotak Mahindra Bank Ltd.
from 2016-17 to 2023-24 (Source: www.moneycontrol.com)**

PARTICULARS	PRE-COVID NET PROFIT MARGIN DATA	POST-COVID NET PROFIT MARGIN DATA
Mean	20.59%	29.92%
Variance	0.000134783	0.000769
Degree of Freedom	3	
P Value	<u>0.002</u>	

**Table: 5.2.2 t-Test: Paired two sample for Means Results for Net
Profit Margin Ratio of Kotak Mahindra Bank Ltd. from 2016-17 to 2023-24**

Inference:

- From the Table 6.2.1 it can be observed that Net Profit Margin Ratio in the Post-Covid Period has increased by 9.33% as compared to Pre-Covid Period which shows the positive impact of Covid-19 on the profitability of Kotak Mahindra Bank Ltd.
- From the Table 6.2.2 it can be observed that the P Value is 0.002 (< 0.05). This shows that our Null Hypothesis will be rejected. Hence, there is significant impact of Covid-19 on the profitability of Kotak Mahindra Bank Ltd.

5.3 BANDHAN BANK LTD.:

YEAR	Net Profit Margin	Average NP Ratio	Increase/Decrease
2016-17	28.44%	28.40%	17.37% DECREASE
2017-18	28.01%		
2018-19	29.37%		
2019-20	27.77%		
2020-21	17.60%	11.03%	
2021-22	0.90%		
2022-23	13.79%		
2023-24	11.81%		

Table: 5.3.1 Net Profit Margin Ratio of Bandhan Bank Ltd. from 2016-17 to 2023-24

(Source: www.moneycontrol.com)

PARTICULARS	PRE-COVID NET PROFIT MARGIN DATA	POST-COVID NET PROFIT MARGIN DATA
Mean	28.40%	11.03%
Variance	0.000049	0.005134
Degree of Freedom	3	
P Value	<u>0.007</u>	

Table: 6.3.2 t-Test: Paired two sample for Means Results for Net Profit Margin Ratio of Bandhan Bank Ltd. from 2016-17 to 2023-24

Inference:

- From the Table 6.3.1 it can be observed that Net Profit Margin Ratio in the Post-Covid Period has decreased by 17.37% as compared to Pre-Covid Period which shows the negative impact of Covid-19 on the profitability of Bandhan Bank Ltd.
- From the Table 6.3.2 it can be observed that the P Value is 0.007 (< 0.05). This shows that our Null Hypothesis will be rejected. Hence, there is significant impact of Covid-19 on the profitability of Bandhan Bank Ltd.

5.4 RBL BANK LTD.:

YEAR	Net Profit Margin	Average NP Ratio	Increase/Decrease
2016-17	12.01%	11.44%	5.35% DECREASE
2017-18	14.08%		
2018-19	13.75%		
2019-20	5.93%		
2020-21	6.18%	6.09%	
2021-22	-0.91%		
2022-23	9.66%		
2023-24	9.42%		

Table: 5.4.1 Net Profit Margin Ratio of RBL Bank Ltd. from 2016-17 to 2023-24

(Source: www.moneycontrol.com)

PARTICULARS	PRE-COVID NET PROFIT MARGIN DATA	POST-COVID NET PROFIT MARGIN DATA
Mean	11.44%	6.09%
Variance	0.001433	0.002428
Degree of Freedom	3	
P Value	<u>0.127</u>	

Table: 5.4.2 t-Test: Paired two sample for Means Results for Net Profit Margin Ratio of RBL Bank Ltd. from 2016-17 to 2023-24

Inference:

- From the Table 6.4.1 it can be observed that Net Profit Margin Ratio in the Post-Covid Period has decreased by 5.35% as compared to Pre-Covid Period which shows the negative impact of Covid-19 on the profitability of RBL Bank Ltd.
- From the Table 6.4.2 it can be observed that the P Value is 0.127 (> 0.05). This shows that our Null Hypothesis will be accepted. Hence, there is no significant impact of covid-19 on the profitability of RBL Bank Ltd.

6. FINDINGS:

- Both the large-cap Private Sector Banks show a positive rise in the average net profit margin ratio in post covid-19 period as compared to pre covid-19 period. However the rise in Axis Bank Ltd. is slightly high as compared to Kotak Mahindra Bank Ltd.
- Both the small-cap Private Sector Banks show a decline in the average net profit margin ratio in post covid-19 period as compared to pre covid-19 period. The fall in Bandhan Bank Ltd. is more as compared to RBL Bank Ltd.
- P-value at 95% Confidence Level as per t-Test of 2 sample for means of Net Profit Margin Ratio for pre covid-19 period (2016-17 to 2019-20) and post covid-19 period (2020-21 to 2023-24) in both large-cap Private Sector Banks is lesser than equal to 0.05 which states that there is significant impact of Covid-19 on the profitability of selected Large-Cap Indian Private Sector Banks.
- P-value at 95% Confidence Level as per t-Test of 2 sample for means of Net Profit Margin Ratio for pre covid-19 period (2016-17 to 2019-20) and post covid-19 period (2020-21 to 2023-24) in Bandhan Bank Ltd. is less than 0.05 which states that there is significant impact of Covid-19 on the profitability of Bandhan Bank Ltd.; however in case of RBL Bank Ltd. it is more than 0.05 which states that there is no significant impact of Covid-19 on the profitability of RBL Bank Ltd.

7. CONCLUSION:

Various sectors of the economy have been severely impacted due to Covid-19 with regards to their routine operations and profitability. However, the present study shows that Large Cap Indian Private Banks has increasing trend of net profitability in the post-covid period however Small Cap Indian Private Banks has decreasing trend of net profitability in the post- covid period. The impact of Covid-19 is significant on the profits of Large-Cap Private Sector Banks while Significance Level differs from bank to bank in case of Small-Cap Private Sector Banks.

8. REFERENCES:

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