

# Counting on Risk: COVID-19 and Banks'

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## *Abstract*

*This paper examines the risks that Financial Institutions and banks face and the way these entities have been dealing with different types of risk during the pandemic. The unprecedented crisis from COVID-19 has made risk function at banks' more important than before. As one of the important intermediaries, the extent of impact on bank's asset quality, liquidity, profitability, business continuity arising out of financial and non-financial risks on the balance sheet of the Bank with pointed reference to the current pandemic have been explored. The last two sections suggest various strategies banks' can take to mitigate the effects of various risk in normal and turbulent times.*

**Keywords:** Financial Institution (FI), Risk, Non-Performing Assets, Net profit margin, Basel Committee, Capital

## 1. Introduction

The financial sector has been a happening segment for more than two decades now due to integration of the global financial system, increased competition, low regulatory barriers, high technology usage and financial innovation. Add to it the financial crisis of one or another nature over the period, the sector has more or less remained in flux necessitating intervention from regulators, government and other stake holders. Latest addition to the list of shocks has been the unprecedented crisis from COVID-19. What initially started as a health crisis has rapidly evolved into one of the worst economic crises in history. For businesses around the globe, the challenge is to hurdle, not just one crisis, but a series of crises—health, economics, and business—with high dependence on the speed by which the government can contain the spread of the virus and jumpstart the economy.

In the backdrop of the COVID-19, banks being one of the important intermediaries, the extent of impact on asset quality, liquidity, profitability, capital adequacy, business continuity and overall financial and non-financial risks on the balance sheet of the Bank

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