


# Chapter 7

## COVID–19 Pandemic and Digital Banking Trends: Managerial Perspective on Challenges and Opportunities

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### ABSTRACT

*While there have been increasing studies on the impact of COVID-19 on banking, limited research has explored how COVID-19 pandemic propagates the digital banking revolution and transformation from bank managers' perspectives. The authors solicit views from managers involved in bank decisions during the COVID-19 pandemic using a structured qualitative approach. They further run a content analysis on managers' responses to ascertain recurring themes that were less reported in the literature during the COVID-19 pandemic – the financial issues involved 51 themes. Three dimensions have been highlighted to reach the expected results: the challenges banks faced during the COVID-19 pandemic (bank operationalization), the strategies banks are employing in response to the COVID-19 pandemic, and the opportunities that the COVID-19 pandemic (boosting financial literacy and empowering banks) presents. By analysing these results, the study contributes to a better understanding of how COVID-19 offers a possible pathway to digital banking transformation and revolution for financial institutions.*

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## **INTRODUCTION**

States, continents, regions, financial institutions, local communities, families and ultimately lifestyles have all been impacted. A growing number of academic studies have indicated that the COVID-19 pandemic is affecting macroeconomic indicators such as aggregate demand, production, trade flows, savings, investment, and employment worldwide. This depressing situation can potentially deepen poverty and cause a recession (Baldwin & de Mauro 2020). During the preceding years, Ghana has experienced extraordinary economic growth of about 7% per annum, which was expected to continue for the short term, provided that favourable conditions continue to prevail. However, recent reports from the local and international institutions reveal that the projected growth is unlikely due to the pandemic effect on several economic indicators (World Economic Forum 2020). According to the recent country report of the IMF (2020), economic growth will significantly diminish due to the Covid-19 pandemic effects. Further, it anticipates that growth in 2020 decelerated considerably from the projected 3.3% to rates below 2.9% recorded in 2019. The United Nations Economic Commission for Africa (UNECA) predicts that Africa 2020 projected GDP growth dropped from 3.2% to 1.8% (by 1.4 percentage points) (OECD, 2020a). Due to the pandemic, countries enacted mitigation measures such as social distancing, national quarantines, and the closure of non-essential businesses to restrict the spread of the novel COVID-19.

Adjustments in the economy left the corporate sector scrambling to cover operating costs due to revenue shortfall caused by low economic growth. Financial institutions are expected to provide much-needed funding by absorbing the shock in the economy (Acharya & Steffen 2020). Owing to these unprecedented circumstances, governments and central banks worldwide have taken various policy measures aimed at tightening the financial conditions, where credit facilities were given only to essential businesses such as the pharmaceutical industries and fast-moving consumer goods. On the contrary, others sought to facilitate the flow of credit to firms, either through credit market interventions (e.g. liability guarantees and government-sponsored credit) or by loosening bank capital density requirements.

In the event of a pandemic or a post-pandemic world, this sort of challenge can threaten financial institutions' survival and sustainability, financial stability, and regulatory discipline across emerging markets (World Bank & IMF 2020; World Economic Forum 2020). In general, banks take the biggest hit because they face a broad range of risks relative to other financial institutions and are more closely linked with everyday activities of economic agents, such as individuals, organizations, and the government (Gatev, Schuermann & Strahan 2006).

In Ghana, during the partial lockdown, 35% of businesses had to close while 16% continued to be closed after the lockdown restrictions (GSS, 2021). Most business

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