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The Impact of the COVID-19 Pandemic on the Banking Sector

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Abstract: The purpose of this paper is to contribute to the academic research in the management field, by exploring banking strategies implemented during complex crises, with a focus on the recent pandemic. To improve the comprehension of the economic consequences of the COVID-19 pandemic we analyzed the differences between the crisis from 2008-2009 and the crisis induced by the pandemic. The banking system has always been at the center of the crises, both in 2008 and in the 1930s, but this time the situation is different because now, we are facing a crisis that is related to systemic health issues. In the previous crises, banks were considered as part of the problem, but this time they are perceived as part of the solution. This approach increases the role of banks in the coronavirus crisis and the strategies adopted by banks influence the whole economy. The pandemic has changed the world economy entirely and impacted tremendously most businesses. The banking system plays an essential role in this situation because it is a key component from an economic point of view. In recent years, the banking system has adapted continuously – it has been reinvented to keep up with customer expectations and the need for cost reductions. The COVID-19 pandemic has accelerated digitalization in the banking system although, the need for innovation and digital strategies have been an important factor in banking even before the pandemic had started. We present furthermore an opinion based on a narrative literature review and a summary of the most important elements that redesign the banking system during the COVID-19 pandemic context. The literature regarding the COVID-19 pandemic and its implications for the banking system is still developing since the pandemic is an unfolding new experience for the world.

Keywords: banking strategies; pandemic; adaptive management; digitalization of banking industry; COVID-19; social responsibility.

Introduction

The coronavirus pandemic is not like other pandemics in history because globalization and interconnection between countries have a significant influence in this case. After all, the virus is spreading much faster now (Mas-Coma, Jones, & Marty, 2020). While globalization has a favorable impact on economic growth and employment, the adverse effect of a large number of confirmed COVID-19 cases could show its dark side during a pandemic disease (Farzanegan, Feizi, & Gholipour, 2020). Even developed countries have had problems providing health care services during the pandemic and less developed countries have been overwhelmed by this situation (Shrestha et al., 2020). More globalized countries are affected faster and with a larger impact because of stronger human interactions through travel and migration (Zimmermann et al., 2020).

The COVID-19 pandemic has affected almost all countries and the rapid transmission of the virus has put pressure on the health and economic system. The impact that this pandemic will have may be greater than that of the previous crisis, but it is still too early to be certain. However, this crisis also represented an opportunity for the emergence of new services or the development of existing ones in the delivery sector such as food delivery services, platforms that mediated online meetings, online stores, or courier services. All online stores and services have gained more in this period of accelerated spread of digital technologies and micro-level initiatives (Karabag, 2020*)*. Social distancing affects the entire society and people need now more social and emotional closeness to get through these difficult times more easily (Ventriglio, Watson, & Bhugra,

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2020). Also, World Health Organization (2020) is taking the impact of the crisis on people's mental health very seriously.

Banks are an important pillar of the economy and the management strategies they adopt will influence the recovery of the economy after the pandemic. The banks play an important role in the economic world because they facilitate internal and international trade. Large disruption in this system would affect society as a whole. In this area, trust is crucial for the functioning of the banking system and economy (van Esterik-Plasmeijer & van Raaij, 2017). The importance of banks for economic and social prosperity is not in doubt (Berger, Molyneux, & Wilson, 2020; Liang & Reichert, 2020). They are the main providers of capital and financiers of the economy, companies, and individuals. Demirguc-Kunt, Pedraza, and Ruiz-Ortega (2020, p. 26) found "that the crisis and the countercyclical lending role that banks are expected to play have put banking systems around the world under stress, having a differential impact depending on their characteristics and pre-crisis vulnerabilities".

To lower the negative impact of the COVID-19 pandemic, European and national authorities have taken lots of complicated decisions. In Romania, the National Bank of Romania (NBR) adopted a package of measures aimed at mitigating the negative effects of the crisis generated by the coronavirus pandemic on households and Romanian companies. One of the main measures allowed banks to delay payments of the loans of the population with income losses due to the COVID-19 pandemic (NBR, 2020). Many companies encountered losses due to the COVID-19 pandemic and they took advantage of these measures to delay payments of loans. At the same time, individuals have postponed their loans to a lesser extent than companies (Popa, 2020). This aspect confirms that the economic implications of the pandemic are very critical for all industries. The banking industry could ensure, due to the specifics of its activity, a key role in the proper functioning of economic and financial mechanisms, with an impact on macroeconomic developments and business dynamics. For the reasons described above, it is important to analyze banking strategies adopted during the pandemic.

Having this framework in mind, the present article investigates the banking industry during the COVID-19 pandemic. The scope is to understand the coping mechanisms of banks during the pandemic crises, by comparing it with previous economic crises. This analysis allows us to outline the lessons that the current situations offer and how banks use them to adapt their digital transformation and financial resilience.

We started the research for this article from these questions:

- How has the pandemic changed the world economy?
- What are the differences between the 2008 and 2020 crises?
- How is coronavirus affecting the banking sector?
- What are the successful approaches of banks in the context of the pandemic?

This article consists of a narrative literature review that includes a brief literature review regarding the impact of the COVID-19 pandemic on businesses, a comparison of the 2008-2009 economic crises with the 2020 COVID-19 induced economic crises, a literature review regarding responsible practices during the COVID-19 pandemic, conclusions and some recommendations to banks to adapt their strategy to the new way of working.

Research objectives and methodology

This article summarizes the level of information available and correlates published materials regarding the consequences of the COVID-19 pandemic in the banking sector. The aim is to understand how the banking industry can cope with complex crises and to identify how complex crises challenge managerial practices in the banking industry.

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At the same time, we analyze the particularities of the pandemic in comparison with the Global Financial Crisis from 2008-2009 and the impact of COVID-19 on certain sectors of the world's economy. In this way, we observe how the banking system tackles these challenges that take place during an uncertain period that humanity has never faced. We analyze if the banking system entered the pandemic more resilient and well-capitalized than it was before the previous crisis and summarize the lessons learned by banks.

Objectives **Main lines of investigation** **Research steps**

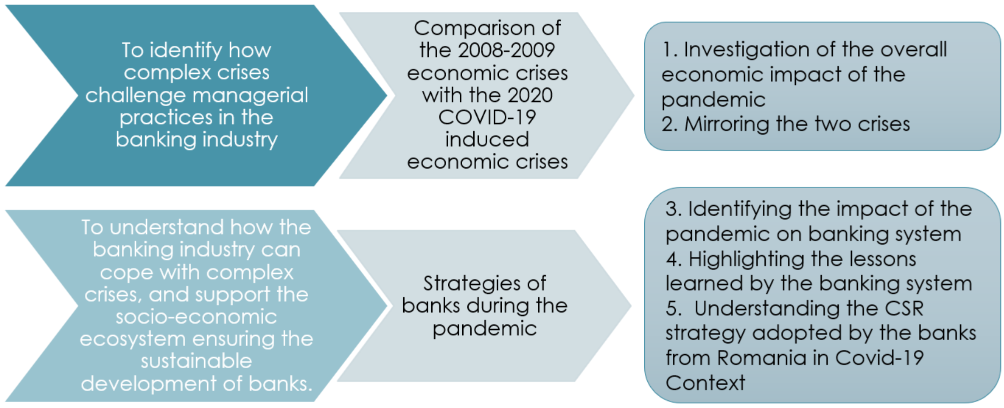

Figure 1. Objectives of the study

For this paper, we included a part about corporate social responsibility because, during the pandemic, many financial institutions have been involved in CSR campaigns through donations or other ways to support the community. The pandemic situation creates high stress regarding financial resources, health, or job stability. In this difficult context, banks have played an important role to build consumer trust.

To reach the aims of the study, we developed a narrative literature review through which we will present the relevant information for fulfilling our objectives. The narrative review has applications, appraisal of previous studies and the current lack of knowledge, along with rationales for future research (Ferrari, 2015). There are also some limitations, because the assumption and the planning are not often known, not reproducible (Ferrari, 2015). Narrative reviews are useful for obtaining an approach on a topic. And it is probably "the most common type of descriptive review in planning, being the least rigorous and "costly" in terms of time and resources" (Xiao & Watson, 2020, p.3). We can state that the "data extraction process, therefore, is informal (not standardized or systematic) and the synthesis of these data is generally a narrative juxtaposition of evidence" (Xiao & Watson, 2020, p.3). There are some differences between systematic and narrative reviews, "and the concept of being "systematic" is the main characteristic that differentiates SRs from other types of bibliographical reviews (such as narrative reviews, NRs)" (Prieto & Rumbo-Prieto, 2018, p.2). A systematic literature review refers to sequential steps to collect, know, comprehend, apply, analyze, synthesize, and evaluate quality literature to provide a firm foundation to a topic and research method' (Levy & Ellis, 2006, p.182). Although the systematic literature review is more complex and comprehensive, we aimed for a narrative approach, considering several elements such as up-to-date knowledge about the banking industry, and a critical analysis of the literature about the pandemic situation which affects the day-to-day lives. In the specific investigation of the banking strategies in the context of the pandemic, a systematic literature review would not be the most appropriate method, taking into account that the research processes have been greatly influenced by the crisis. In this paper, we want to provide a summary of the literature on the topic and highlight trends and patterns to understand the context in which the banking system changes due to the COVID-19 pandemic.

In this narrative literature review, we have summarized articles and publications that discuss the crisis induced by the pandemic, differences between the previous and the current crisis, and the way the banking system reacted. In this way, this narrative review consists of a critical analysis of the literature published in articles, books, and reports of audit companies. We highlight that the audit companies were very active during this period; they issued reports and opinions on macroeconomic forecasts. In addition to these, they have also developed the area of recommendations for companies so that they can get through this difficult period more easily. Some of them also issued a series of articles with useful information both for the population and for the managers facing challenges inside their team. In writing this article, we have analyzed materials published by: KPMG, Mckinsey, Deloitte, and PWC.

For this paper, we developed a database by undertaking a systematic search to identify all the relevant literature about the COVID-19 pandemic implications on the banking system. To answer the proposed research questions, we found the information by reading scientific journals, reports of audit companies, and the opinions of experts in the field. To identify these articles, a literature search was carried out, based on the following keywords: COVID-19 pandemic, banking strategies, crisis, the great recession, financial crisis.

The search was conducted in major databases (Scopus, Elsevier), as well as audit companies' websites that are relevant to investigating the current research problems. This article provides readers with up-to-date knowledge about the impact of the pandemic in the economic area and especially in the banking system. We selected the literature and decided which articles were to be included in the analysis by reading abstracts, articles and making notes. We identified around 150 articles from which we only selected the relevant articles to include in our research. We made the selection of articles having in mind our objectives and research questions for this paper; subsequently, we made a synthesis of the most important studies on the topic and used a content analysis because it is an effective tool for literature reviews.

The impact of the COVID-19 pandemic on businesses

The lockdown period radically changed the way consumers behave around the world and determined them to prefer online shops (Pinzaru, Zbuchea, & Anghel, 2020). E-commerce continues to grow and companies involved in the supply chain have to find new ways to adapt to the demand. A new mechanism to support the supply chain will appear soon due to technological developments. On the other hand, an increase in the poverty rate is estimated for 29 European countries, from 4.9% to 9.4%, and an average loss rate for low-income workers between 10% and 16.2% (Palomino, Rodríguez, & Sebastian, 2020). At the same time, we must keep in mind that the slowdown in the production process and the adoption of precautionary behaviour by consumers will have a significant impact on industries in general. It is assumed that there will be a greater increase in both poverty and social inequality in Eastern and Southern Europe compared to Northern and Central Europe (Palomino et al., 2020). This differentiation is accentuated by the rise in prevention measures.

This pandemic determined an impact on the world economy similar to a critical banking crisis that initiates uncertainty, increases poverty, and freezes most of the business. In general, banking crises are associated with short, but significant declines in economic growth and prosperity. It is crucial to note that there is an important and significant decline in economic growth in the year after a banking crisis and the negative impact on the economy is a long-term one, so that past banking crises also leave serious economic repercussions in the present (Kenny & Turner, 2020).

Furthermore, Europe faces an existential challenge. As an echo of Jean Monnet's prophecy that Europe will be tested in crisis, the COVID-19 crisis raised the perception of urgency

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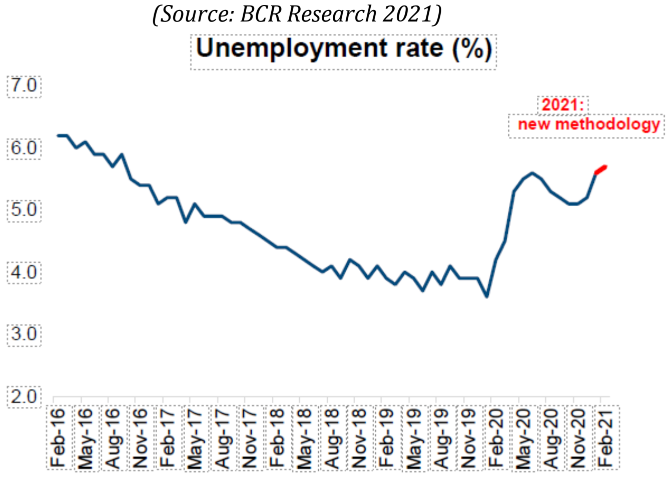
(Camous & Claeys, 2020). Resources are rare, especially in the medical system, and states often make difficult decisions about their healthcare system. It is a period of sacrifice for all industries, from the economic to the religious ones (Barnett, 2020). Reconstructing global markets in a post-pandemic world cannot be based on old formulas, but instead will require a different reality of markets. Therefore, a major implication is to focus on the elements that are now booming and the long-term changes that have been brought about by globalization and are now being strengthened by the pandemic (McNamara & Newman, 2020).

Countries have had a different approach to the pandemic and many industries have been affected, including restaurants, hotels, or universities. This led to an economic decline (Dube, Nhamo, & Chikodzi, 2020; Ventriglio, Watson, & Bhugra, 2020; Gursoy & Chi, 2020; Sahu, 2020). The stability of the banking sector is, therefore, crucial in the context of the crisis affecting these sectors mentioned before and adding cultural, leisure, and recreational activities, or tourist offices (Korzeb & Niedziółka, 2020). The banking sector is one of the important pillars of the economy, because it provides services that impact the daily lives of consumers. The feeling of financial stability and security brought by banks is important for individuals and families. A solid financial sector encourages savings and allocates them to investments that support economic growth. It's a difficult period that has implications not only economically but also mentally (Ventriglio, Watson, & Bhugra, 2020; Foss, 2020; Xiong et al., 2020; Kazmi et al., 2020). One of the most important changes brought by the COVID-19 pandemic is that now the work offer is higher than the demand. Still, businesses "have to handle this situation with care, consider the troubled social climate, and tensed psychological ones" (Pînzaru & Zbuchea, 2020, p.309).

In this period of crisis, banks play an important role in helping the community to cope with the pandemic through the support for state, small and large businesses, and individuals. To contribute to the resilience of companies, individuals, and other organizations, the banks need to adapt to the challenges brought by the COVID-19 pandemic accordingly. How effective a Bank-supported economic recovery will be, however, depends on banks' resilience and financial health." Losses from loan defaults and increases in risk-weighted assets will deplete banks' capital (McKinsey & Company, 2020a, p.1)".

Figure 2. The unemployment rate in Romania (%)
(Source: BCR Research 2021)



At the same time, unemployment is increasing as a result of an economic crisis, especially among young people if we compare this category with other age groups. In the short term, in countries with strong labor protection legislation, the impact may decrease, but in the medium term, the problem is accentuated (van Dijk, van Dalen, & Hyde 2020). At the macroeconomic level, the labor market is under pressure. Figures may depend also on the methodology of registration used. For instance, the infrastructure in Romania is the weakest in the EU and the underground economy is highly developed (it is estimated by the European Commission at 32% of GDP, the highest level in the EU) (Guda, 2020). Starting with 2021, there was a change in methodologies (in line with European regulations) that led to an increase in the unemployment rate. People who produce agricultural goods are no longer part of the employed population, which has led to a decrease in the active population and thus to an increase in the unemployment rate (BCR Research, 2021).

Expanding our research, COVID-19 and the social and economic shock have already profoundly transformed organizational cultures in all companies (Savić, 2020; Spicer, 2020). Symbols that previously represented normality such as open spaces full of people, full elevators and people in suits have been replaced with screens, online meetings, and personal protective equipment (masks, gloves). Meetings and conversations have shifted to virtual spaces (such as Zoom, Skype, Teams) and the values of many companies have changed during this period from exploration and creativity to safety and resilience. These changes directly impact managers because they wonder if an organizational culture can be created in a work from a home-based company (Spicer, 2020). Under these extreme conditions, strategic management and behavioral strategy have become essential because a decision-making style that incorporates lessons in the field of psychology provides a vision anchored in the reality we live (Foss, 2020). The vision of the emerging behavioral strategy offers a unique perspective on decision-making. If the authorities and decision-makers do not have a well-founded strategy -because they do not fully understand how the disease is spreading and the epidemiological parameters- companies are forced to adapt to an environment where uncertainty is the only constant. During this period, several supply chains were directly affected (Esper, 2020) and so we faced a crisis of products related to better coping with the pandemic, such as masks, disinfectants, cleaning supplies, and care products, etc. These issues were pointed out by Alao and Gbolagade (2020) as well, who discuss how the interruptions due to a coronavirus outbreak impact the management and strategy of companies.

Organizations must use resilience as a base to adapt to the crisis and businesses must act today in five major areas: "recovering revenue, redefining operations, rethinking organizations, accelerating digitalization, and adapting marketing strategies" (Pinzaru, Zbuchea & Anghel, 2020, p.727). In this context, managers have an essential role in mitigating the effects of this crisis.

A brief comparison of the 2008-2009 economic crises with the 2020 COVID-19 induced economic crises

Throughout history, the world has faced others pandemics. The most severe pandemic in recent history was in 1918-1919, the Spanish flu (Guda, 2020). The COVID-19 pandemic is the most recent crisis that puts pressure on the healthcare system and it is also a test for the financial system, which causes problems with all sorts of macroeconomic indicators including" aggregate demand, production, supply, trade flows, savings, investments, and employment, which could deepen poverty and trigger a possible recession or depression" (Barua, & Barua, 2021 p.1). The economic effects of the COVID-19 pandemic are different from the financial crisis of 2008-2009, when a large number of financial institutions collapsed and required government interventions all around the world. Vernick and Islam (2010, p. 55) found that" the banks that survived the crisis have turned in record profits in 2009, has benefited from government bailouts (direct and indirect) and the massive injections of liquidity into the financial system, along with the decrease in competition." From this point of view, it is important to analyze and observe the differences between the two crises and to summarize the lessons learned by the banking system.

Cheap credit and lax lending standards were the triggers for the housing bubble and the premise for the beginning of the Great Recession (2008-2009). The past recession from 2008–2009 was based on a shock in the banking system, just like many downturns in the

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past 50 years, such as stock-market crashes and debt defaults, which had financial-system origins. Now, the situation is different because it is based on o global pandemic which affected all the states of the world (McKinsey, 2020a) and is not generated by financial mechanisms. The crisis from 2008-2009 was related to uncertainty in mortgage loan markets, but now the uncertainty is related to the duration of the economic turndown (Jackson & Schwarz 2020).

Table 1. Comparison of the COVID-19 Pandemic Crisis and the Great Recession of 2008-2009

Dimensions	The COVID-19 Pandemic Crisis	The Great Recession of 2008-2009
Origins	Exogenous, coming from outside the financial system (Borio, 2020a)	Financial-system origins
Impact	Simultaneous and generalized effects in most economic sectors; shutdown effect (Guda, 2020).	It was caused by the accumulation of imbalances in a certain sector; subprime mortgage crisis (Guda, 2020).
Financial losses	In about two months, the global capital market lost about $27 trillion, the biggest correction in history (Guda, 2020). The uncertainty is also much higher. (OECD, 2020)	The maximum negative correction was reached after the fall of Lehman Brothers in 2008 (Guda, 2020).
Measures taken by governments and central banks	Governments and central banks have taken unprecedented measures. (Guda, 2020). It involves greater coordination with the citizens, public and legal authorities. Measures are related to health and wellbeing (at least in the most affluent countries), as well as to support businesses in difficulty.	Governments and central banks have taken measures at the level of hundreds of billions (Guda, 2020). These measures mainly aimed to save the banking system and the savings of the population.
Position of the banking system	Well capitalized compared to the last crisis (McKinsey, 2020a) and in a stronger position (Dooseman, Marchat, & Guillard, 2020).	In 2008 the banking system was fragile and there were more problems (Romanian Financial Supervisory Authority, 2020).
Social Impact	Fake news effect (Guda, 2020) Isolation can affect vulnerable individuals (Ventriglio, Watson, & Bhugra, 2020).	The Great Recession was the first recession covered in real-time by the media (Guda, 2020).
Recovery	Banks are seen as a solution (KPMG, 2020a). Governments "have provided massive fiscal support to protect firms, households, and vulnerable populations" (OECD, 2020, p. 33).	Banks were part of the problem.

Both crises have started in a certain sector (healthcare and financial) that generated numerous effects in the world economy. The economic impact of the COVID-19 crisis is different across regions. For example, regions with economies that are heavily dependent on tourism will be more affected by the coronavirus than other regions (OECD, 2020). In the case of the Great Recession, we faced, as well, a synchronized deterioration in global macroeconomic conditions with different impacts on the world economy. The **origin** of both crises is the first dimension discussed. According to the Romanian Financial Supervisory Authority (2020) report, in 2020 the crisis was exogenous, coming from outside the financial system. At the same time, according to the same report, the financial system was better prepared at the beginning of 2020 to face the shocks, unlike in 2008, when it was fragile and there were more problems. The regulations that were adopted following the 2008 crisis have helped the financial system cope better with shocks. This exogenous shock has placed the financial system under pressure (Financial Stability Board, 2020). Banks are highly capitalized today as a result of the measures policymakers and central banks were forced to take (McKinsey, 2018).

The **impact** of COVID-19 on the economy is probably the most important dimension discussed. Banks will be part of the recovery of the economic system despite the obstacles they have with profitability and financial resilience from low-interest rates and declining asset quality (KPMG, 2020a). If we make a comparison, the crises induced by the COVID-19 pandemic negatively impacted stock markets more than any previous infectious disease, including even the 1918 Spanish Flu (Baker et al., 2020). World Retail Banking Report (2020) suggests in a study that the adverse impact of the COVID-19 shock on banks was much more pronounced and long-lasting than on the corporates, as well as other non-financial institutions, revealing the expectation that banks are to absorb at least part of the shock to the corporate sector (Demirguc-Kunt, Pedraza, & Ruiz-Ortega, 2020).

In the current crisis, public authorities took **unprecedented measures to support** the economy because the COVID-19 pandemic has a strong territorial dimension. "Governments face a difficult trade-off: managing the economic recovery and mitigating the impact of a second wave of the virus" (OECD, 2020, p.4), in contrast to the Great Recession of 2008-2009 when the measures mainly aimed to save the banking system and the savings of the population.

The position of the banking system is also critical for economic recovery. Although banks are well capitalized compared to the last crisis (McKinsey, 2020a) and in a stronger position (Dooseman, Marchat, & Guillard, 2020), the banking system will be negatively affected by the pandemic. Korzeb and Niedziółka, (2020) concluded that the largest banks in Poland are the most resilient in the crisis triggered by the COVID-19 pandemic and that this crisis will have an impact on the banking system, because it will increase the value of non-performing loans and write-offs. We expect generalized effects in this area, although the study was made in Poland.

The social impact could be a difficult and complex phenomenon because the COVID-19 pandemic has had a significant social and psychological effect on the population. According to PwC (2020a, p.1) "since the beginning of the year we've seen a surge in fake news exploiting public fear and uncertainty around the coronavirus (COVID-19) pandemic". People faced a new context for them and then it was easier to believe in fake news and conspiracy theories. The Great Recession of 2008 was the first recession covered in real-time by the media (Guda, 2020), but it did not face such a large number of fake news. People are missing the one-to-one interaction and isolation may increase violence, domestic abuse, alcohol, or drug use (Ventriglio, Watson, & Bhugra, 2020). This is a problem that can have important consequences in the future.

Recovery is the last dimension discussed. Unlike the last financial crisis, the present crisis has three key elements: it is exogenous, uncertain, and global (Borio, 2020a). According to Romanian Financial Supervisory Authority (2020), given the exogenous nature of the shock, it can be hypothesized that from the moment the shock disappears, the economy and the financial system will return to a V-shaped recovery, unlike in 2008, when the return was in the U-shaped recovery. Thus, in this case, the return should be faster than before.

Banks are seen as a solution to this crisis (KPMG, 2020a) because the banking system provides support to governments and customers. There are some similarities between the Lockdown of 2020 and the Great Recession of 2009, despite the fact that, in the case of the first crisis, the shock came from inside the banking system, while this time the shock came from outside. Both crises had a similar impact on the economy: contractions to economic growth, economic activity, and employment (Food and agriculture organization of the United Nations, 2020).

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The impact of the pandemic on the banking system

Yip and Bocken (2020) summarize that, after the 2008 crisis, banks have a difficult position, especially when it comes to sustainable development, but they still play a unique role. The losses recorded in the banking system are lower compared to the 2009 crisis. Ensuring that commercial banks maintain the population's access to liquidity has been one of the main priorities along with careful monitoring of the level of external debt (Funke & Tsang, 2020). A successful model comes from Germany, where a practice for providing liquidity is implemented, and in this way, German banks continue to support entrepreneurs and companies to get through this difficult period. They also used this practice in the 2008-2009 crises, when they extended lending to companies. What must not be forgotten is the fact that banks are still better prepared now compared to the previous crisis and should support companies in these difficult times, provide support and, of course, allow rates to be postponed for customers in difficulty (Flögel, 2020).

The COVID-19 pandemic is changing many things in the banking system: the way they work, new operations, and proceedings. The essential nature of the banking services required them not to close all their branches and to ensure people's access to financial resources. Around a quarter of bank branches have closed during the outbreak in many countries and territories because of the safety of employees, staff shortages, and less commerce occurring in general. Of the remaining 75 percent, many are open on reduced hours and with reduced staff (KPMG, 2020b). With all these challenges around them, they need to pay attention to the strategy that defines their future. According to PWC (2020b), they need to focus business continuity planning on issues for survival: adjust branch hours and staffing mix and times, switch in-branch visits to appointment-only, close some branches temporarily. All these changes implemented in the way they work will definitely influence how the banking system will look in the future.

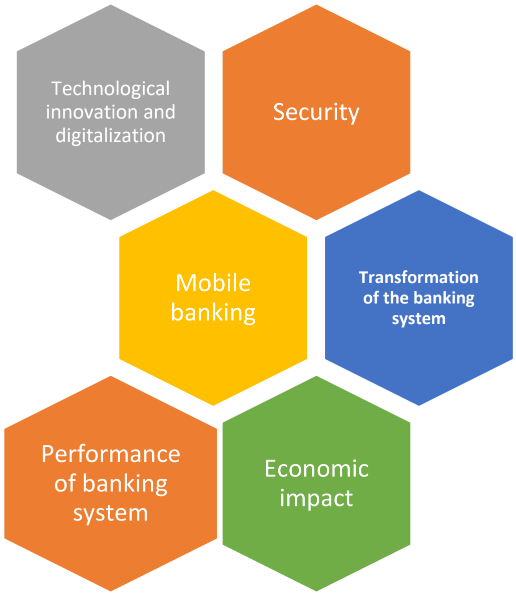

Figure 4. The impact of the pandemic in the banking sector

Banks that have substantial lending exposure, particularly to export-oriented industries and small businesses, may see a steep rise in default rates during or after the pandemic (Barua & Barua, 2021). Another aspect we need to consider is the performance and capacity of debtors in carrying out their credit obligations. (Disemadi & Shaleh, 2020). Many people have faced financial problems because of the COVID-19 pandemic, so this has the potential to disrupt the **performance of the banking system**. For example, the reduced performance and capacity of these debtors can directly increase credit risk which certainly disrupts banking performance and financial stability in Indonesia (Disemadi & Shaleh 2020).

Financial institutions are steering through unchartered waters and banks will need to handle government support measures to get through this crisis more easily. Banks, by their nature, are vulnerable in times of economic downturns because of nonperforming loans and the possibility of extreme cases of bank runs (Goodell, 2020). The COVID-19 pandemic could be the most important challenge of the financial sector in recent history. The COVID-19 pandemic has made the world move toward banking with the purpose of continuing routine transactions for paying bills, purchasing groceries, and shopping for brands (Naeem & Ozuem, 2021). The banking industry changed some of its old methods and is now finding new ways to make life easier for clients. This period is of paramount importance for banks, as it has shown that things can happen very fast when they use the agile way of working. "Agile" means a multitude of people, a community, driven by a common goal, where people think and act differently. It means being digital, front-end included, so as to give the bank a credible modern interface, which will not be possible unless they digitalize their processes. The banking system can adopt an agile way of working by doing banking or providing financial services everyone can understand and providing access to finances in the most fluid, simplest manner possible.

Furthermore, the **internet and banking applications** have made a substantial contribution to the development of new payment methods. Online payments and banking are efficient ways to make transactions in a simple way. This accelerated digitalization will continue its growth curve, especially as uncertainty is high during this period and conventional or traditional banks are more vulnerable to a sharp decline in lending activity, while large banks are better prepared in this case (Tarazi, 2020).

Technological innovation and digitalization offer customers easy access to banking services and a need-based sales approach is appreciated by customers. An attitude of the bank inclined towards innovation positively influences the purchase intentions (Yip & Bocken, 2020). Under these conditions, banks must focus on digital transformation and migrate traditional banking services because this does not come naturally, from the desire of customers. Banks need to focus on accessibility, transparency, ease of use and have transparent and lower costs. Consumers who are aware of price declines and who have a basis for financial education react to these incentives, but they are a minority. Most consumers are not yet willing to use these digital services. To take the step towards digitalization, customers need a friendly interface, security, and they also want a special bank with which to have a closer and more personal relationship and to be their partners (Filotto & Caratelli, 2020). During 2020, banks can help by getting customers to use digital services, teaching them how to adjust their budget, and dealing with debt by educating them (Bensley et al., 2020). Also, there is a correlation between easy access to banking services and the migration of customers in the digital area. At the same time, ease of access, convenience (Jebarajakirthy & Shankar, 2020) and consumer benefits are just as important when it comes to the intention of using mobile banking applications.

At the same time, we should not ignore **security** either, especially since we are talking about banking and financial services. Access to mobile banking is a priority for banks along with the need to ensure a secure IT system and to avoid failed transactions or system errors that would amplify consumers' feeling of distrust. For example, the literature reveals that, in Nigeria, there was a transformation of bank fraud from low-tech fraud to high-quality solutions with spam, computer viruses, and cyber-attacks. Although they had a training system for banking professionals, the lack of advanced technologies to prevent cyber-attacks and the low level of legislative compliance appear to be the factors that have reduced cybersecurity capacity (Wang, 2020). To make it easier to use, they must provide transaction/investment confirmation documents to reduce uncertainty and provide non-stop assistance. They need transparency when it comes to complain management and they also need to enable consumers to follow the status of complaints live. These issues would facilitate the migration to digital services.

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The issue of customers' willingness to use **mobile banking** has been addressed in the literature in terms of the 5 social dimensions of Hofstede by Picoto and Pinto (2020), and the results show that both social distance from power and long-term orientation are important cultural dimensions that influence the intention of using mobile banking services in several ways. At the same time, banks could better promote internet banking among customers by enriching their perceptions of service quality and creating awareness that it is easy to use. The great need at this time is to educate their customers that it is safe to use internet banking and that account details remain confidential, evidently, if customers also take the necessary precautions (George, 2020).

Furthermore, according to the World Retail Banking Report 2020 written by Capgemini, 57% of customers now prefer digital banking services more than the pre-pandemic period, when 49% of customers preferred these services. The trend is accelerating towards digitalization and banks are essential service providers for customers and the community, so they need to approach a well-developed strategy when it comes to workforce management, especially since many employees have direct contact with customers and others need office infrastructure to operate (Buehler et al., 2020). However, banks should provide more active guidance and education on internet banking, especially to those unfamiliar with the area. This is when banks need to take a step towards customers, turn to various communication channels, because they need to represent change agents, and actively provide information to consumers (Laukkanen, Sinkkonen & Laukkanen).

The change and **transformation of the banking system** will not happen overnight. Some believe that technology and new trends will replace traditional banks, while others argue that technology will support and complement traditional banking systems. However, the entire banking system will move to another, more connected and digital form of organization. New digital processes are changing banking processes right now (Khanboubi, Boulmakoul, & Tabaa, 2020). Banks need to continue developing these strategies, as the trend towards digitalization has also reached segments that were not as receptive, such as the elderly or the rural population. A good example of this is Asian banks, which have accelerated the launch and development of digital customer services and have not encountered major customer communication problems (Dahl et al., 2020). Regarding the impact on business and management practices, many elements will change the new reality. Managers face new behaviors (of employees and clients) and must adapt to the new challenges as fast as possible. Banks need to build a reliable brand, especially in these times when customers are surrounded by fear and instability. The banking system needs to become more digital and more involved in understanding customer needs.

Taking into account the importance of the banking sector for a healthy economy, public administrations and regulators can formulate policies that support financial service providers, including access to public data, permitting online due diligence, and restricting the late payments between firms (Song, Yang, & Tao, 2020). The **economic impact** of the pandemic can be mitigated with the help of banks. For example, in Canada, many financial institutions are supporting businesses, consumers, and communities in different ways: they lowered their interest rate and the Superintendent of Financial Institution reduced the level of capital that banks need to keep as reserves (Talbot & Ordonez-Ponce, 2020). Public institutions and government played a very important role in the measures adopted. For example, "government announcements regarding public awareness programs, testing and quarantining policies, and income support packages largely result in positive market returns" (Ashraf, 2020, p.7). Therefore, the measures adopted during this period influenced both the banking sector and the financial markets.

CSR during the pandemic in the banking system

During the COVID-19 pandemic, companies were motivated by utilitarianism and deontological factors to involve in philanthropic CSR actions (Manuel & Herron, 2020).

Especially during the pandemic, banks were willing to show that they are good citizens (Caby, 2020) and are involved in the community. Therefore, they carried out numerous CSR programs for example, in China, most banks have developed programs to support communities. China has implemented a wide variety of measures to reduce the impact of COVID on the population. The social distancing and quarantine have created, as in other states, major imbalances. Throughout this hard period, some branches were closed but an important part of bank employees have been on duty in the front line, to serve both the population and the business environment.

Given past experiences, "banks have done much to rehabilitate their reputations since the 2008 financial crisis and will be reluctant to be seen to do anything to undermine recovery this time around" (KPMG, 2020b, p.7). Until May 2020, Romanian banks donated over 4.8 million Euros for 220 hospitals and 100 NGOs, in the fight against the COVID-19 pandemic, and the contributions were distributed to support the local health system and the vulnerable population (Romanian Associations of Banks, 2020). These actions were rendered as a response to the difficult period that the Romanian health system has been going through. We are living in a new era of modernity brought by the success of smartphones that changed the way billions of people work and live. Drugă (2020, p. 42) found that "the level of satisfaction of the respondents when it comes to the reaction of the banking units in Romania, to diminish the effects of the COVID-19 pandemic on consumers, was a more neutral one." This is a direction that can be developed in future studies.

Baicu et al., (2020) concluded that all banks analyzed from Romania (Transilvania Bank, BCR, Raiffeisen Bank, CEC, Alpha Bank, ING, Uncredited Bank) implemented actions from all four identified categories: appropriate measures for SMEs, measures to protect individual customers, measures to protect staff, responsible social actions in the context of the COVID 19 pandemic. What banks are doing together for the benefit of people and communities turns into a personal commitment to them, and this is the future of banking: supported by technology, they become deeply, personally involved in what they do for people, companies, or local communities. In Romania, most of the banks were involved in supporting clients and vulnerable people through the postponement of credit rates for clients, the implementation of business education modules addressed to entrepreneurs, telework, reduced working hours and measures to support the SMEs through the Government support program – "IMM Invest Romania" (Baicu et., al, 2020). Due to the COVID-19 crisis, 2020 was a very difficult year for the banking system because banks took care of our customers and demonstrated that they are relevant for the society.

For a brighter future, we need sustainable values and companies involved in the community. At the same time, Bae et al., (2020) found that "pre-crisis CSR is not effective at protecting shareholder wealth from the adverse effects of a crisis, suggesting a potential disconnect between firms' CSR orientation (ratings) and actual actions."

Discussions and conclusions

In this paper, we aimed to present an extensive literature review regarding the banking strategies in times of pandemic, how COVID-19 affected the world economy and the differences between the Great Recession and the COVID-19 crises. The coronavirus has been a major event in the global economy since 2020. The economic recovery is facing difficulties as the virus continues to spread rapidly around the world. Considering previous experiences, the big banks were better prepared when the pandemic started because they had constantly consolidated their capital and are much more resistant to shocks. So far, banks have stood up well to the economic shock of the pandemic, they had the support of central banks and had quick responses in managing this crisis (KPMG, 2020a). The banking system was better prepared to support the lending needs of the real economy (Demirguc-Kunt, Pedraza, & Ruiz-Ortega, 2020) and, compared to the previous

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crises, the capital and liquidity buffers of banks were substantially stronger (Borio, 2020b).

The COVID-19 crisis challenges managerial practices in the banking industry through the new way of working in which managers may need new skills to motivate team members. Throughout this period, banks managed the mass transition to remote working highly effectively and maintained a presence in offices for vital functions (KPMG, 2020c). At the operational level, banks had some difficulties and a pressure point was a postponement of credit rates for company clients when they received many requests to implement it. These times have challenged their **resilience and adaptability** by accelerating the digitalization processes from the banking industry. The results are showing that banks try to keep up with customer expectations and to innovate products and services. Moreover, no one knows what tomorrow's future will look like, but it is clear that those banks that will soon modernize their IT infrastructure and provide online access to banking products and services will have benefits, because the customer experience is essential.

Now it is the time for managers to take a closer look at how they adapt their work environment to foster health, wellbeing, and flexibility, all key milestones for their evolution journey. They are transitioning into a working model that is better fitted into the new reality and are redesigning the office spaces for better collaborative solutions to make the best working environment for their employees.

The banking industry can cope with complex crises and support the socio-economic ecosystem, besides all restrictions due to the COVID-19 pandemic by keeping promises to 3rd party companies (construction, retail, restaurants, hotels, etc.) and helping them through the crisis (regular payments, new tenders). They dedicated themselves to supporting the economy and helping their clients to keep their businesses going, including the workplaces in these companies. Coronavirus affected the banking system, although banks entered the pandemic with more capital and better liquidity. It will not be easy for them to face the following challenges regarding their financial resilience profitability from low-interest rates and declining asset quality (KPMG, 2020b). To keep their customers closer, they have digitalized many processes that bring benefits, but also new risks and challenges. The pandemic was a turning point for consumers, and many struggled with financial problems and rethought their lifestyles. This directly impacts the banks' sales and the products that the banks intend to launch. The banks' strategies are in the process of transformation and rethinking their entire flow of activities. Change is good - it can bring opportunities that bankers have not otherwise identified.

Looking beyond the immediate and ongoing effects of the COVID-19, the banking sector successfully crossed the lockdown period. The influence that the banking sector has on the prosperity of the economic system is essential. Banks contribute to building education, infrastructure, technology, quality of life, and progress. The stability and sustainability of the growing process are paramount.

The proposed analysis also presents some limitations, especially connected to information availability. In addition, there are no case studies or empirical research. Indeed, the paper provided an only general knowledge of the role of the banking system in the COVID-19 crisis, lessons learned and implemented actions. The literature regarding the COVID-19 pandemic and its implications for the banking system are still developing, so it is a constantly changing field.

From a future study perspective, we should evaluate if the efforts of banks are noticed by the public and how fast banks can adapt their strategies. An analytical study of the customer perception on banking strategies adopted in a pandemic is paramount to properly support future quantitative research. Following future quantitative research, we can observe the customer perception regarding the way banks adapted to the pandemic and how they perceived this approach of the banking system from a strategic point of view.

We live in a period in which the speed that things are evolving with is the only certainty, and banks have been and will always be in the public eye because they are an important organization when it comes to economic development.

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