UNIVERSITY OF DAR ES SALAAM BUSINESS SCHOOL

CENTER FOR BANKING & FINANCIAL SERVICES RESEARCH

BANKERS' PERCEPTION ON THE IMPACT OF COVID-19 IN THE BANKING SECTOR

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Authors:
Tobias A. SWAI, PhD.
Evelyn RICHARD, PhD.



Disclaimer and Acknowledgement

The views expressed in this brief are solely those of the author(s) and do not necessarily represent the opinion of the University of Dar es Salaam or that of individual banking institutions.

The authors would like to acknowledge the respondents to this study, anonymous reviewers and those who helped us locate the respondents.

This is a preliminary report. A more technical article will follow at a later stage.

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Introduction and Background

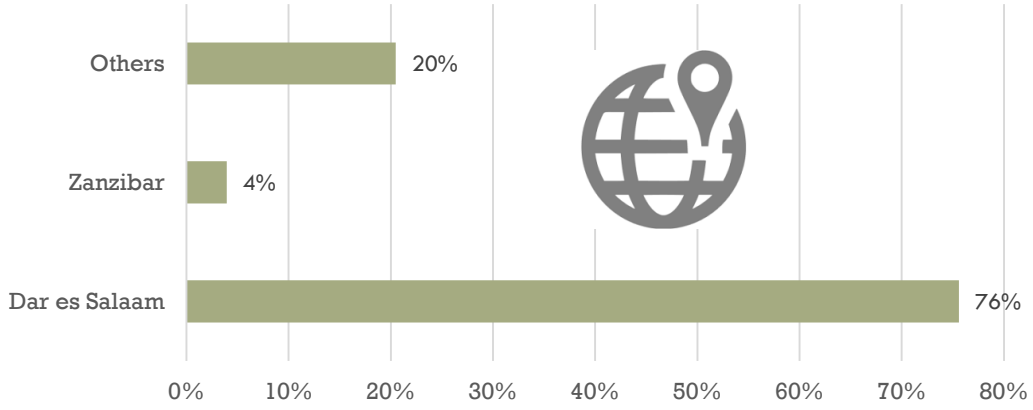
- COVID 19 pandemic risk has caught many governments and institutions including the banking sector unprepared.
- The total effect of COVID-19 pandemic risk on the banking sector and the economy as whole is yet to be quantified across the globe.
- Banks' employees are important agents in the whole banking system. They can device appropriate mechanisms to mitigate risks and manage crises.
- This survey aimed at establishing the perceived effect of the COVID 19 pandemic risk on the banking sector in Tanzania and how banks are strategizing to manage the situation.

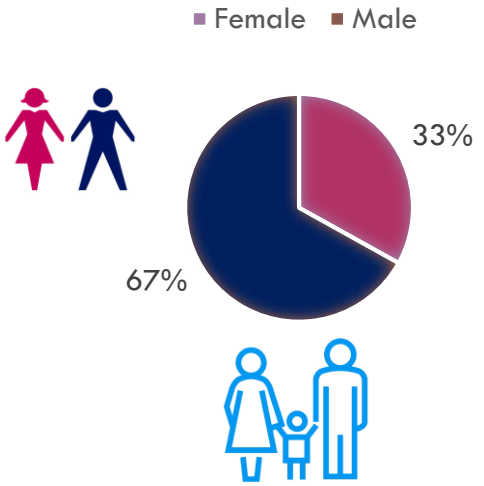
Methodology

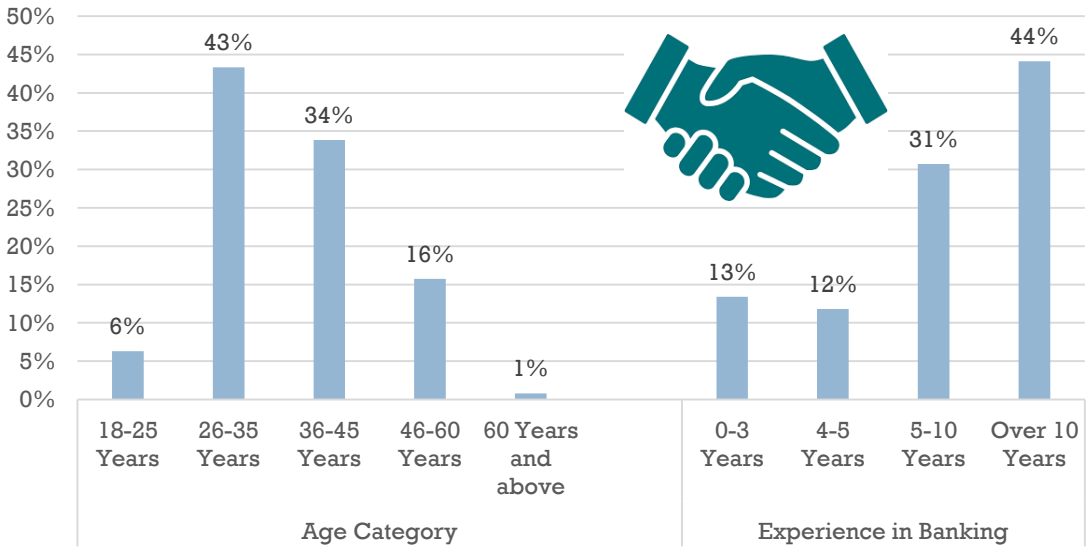
- The data was collected from 1st to 17th May 2020.
- The survey utilized an online data collection instrument that can be accessed via https://ee.kobotoolbox.org/x/#c3HwwnNg
- The link with the questionnaire was distributed to senior, middle level and bank officers through their personal phones and emails. They were further requested to share with other colleagues of the same managerial level.
- 133 respondents filled in the questionnaire of which 127 were usable and used.
- The study may have some limitations including aspects of sampling and bank representativeness. However, the data reveals a fair distribution of the respondents.

Respondents' Profile

Total Number of Respondents (N) = 127



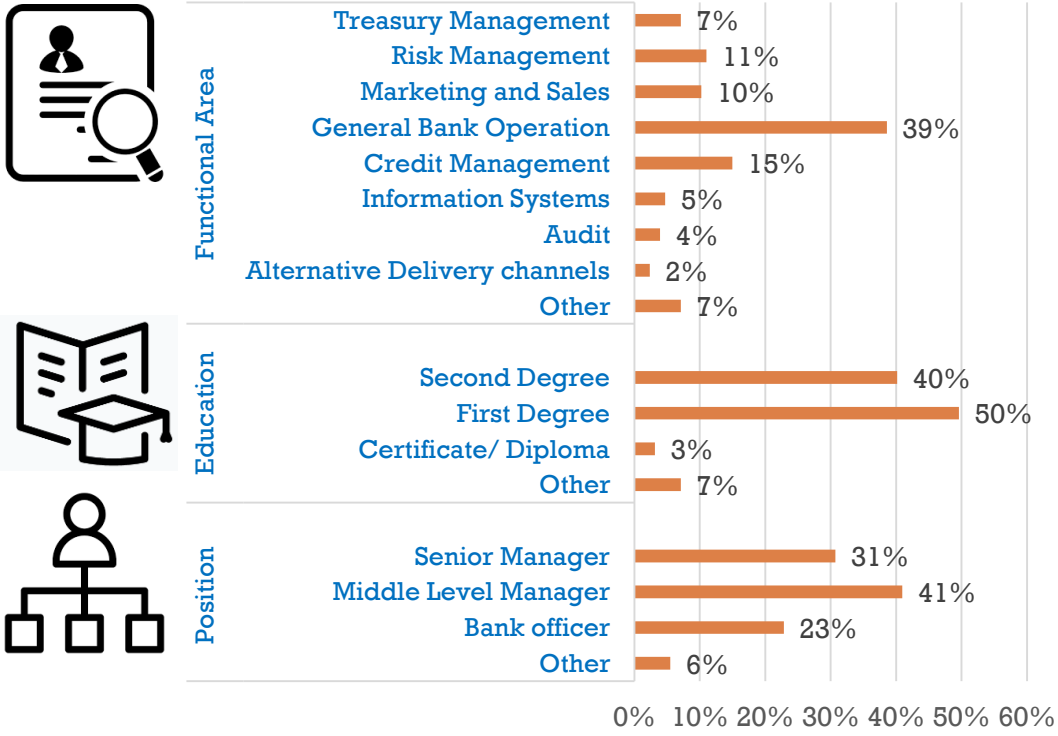


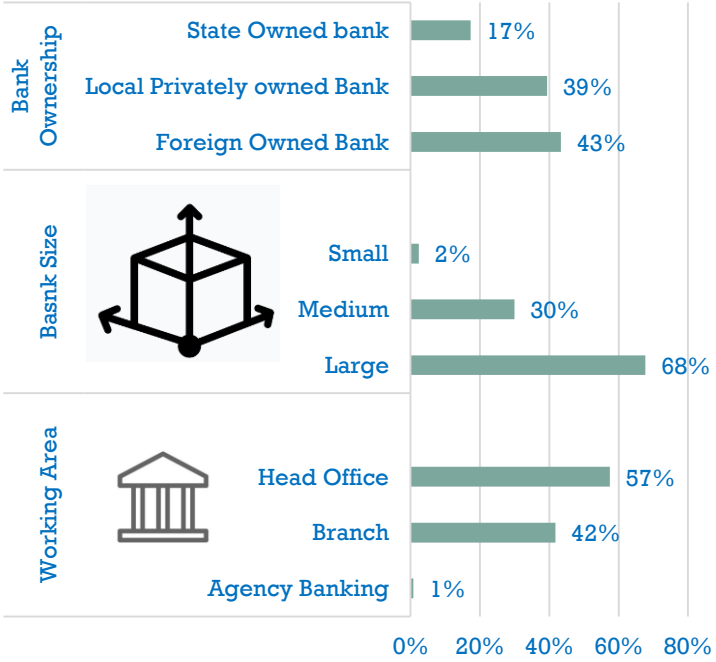


Married	64%
Single	35%
Other	1%

- 49% of the respondents are Youths (=<35 years)

Respondents' Functional Areas



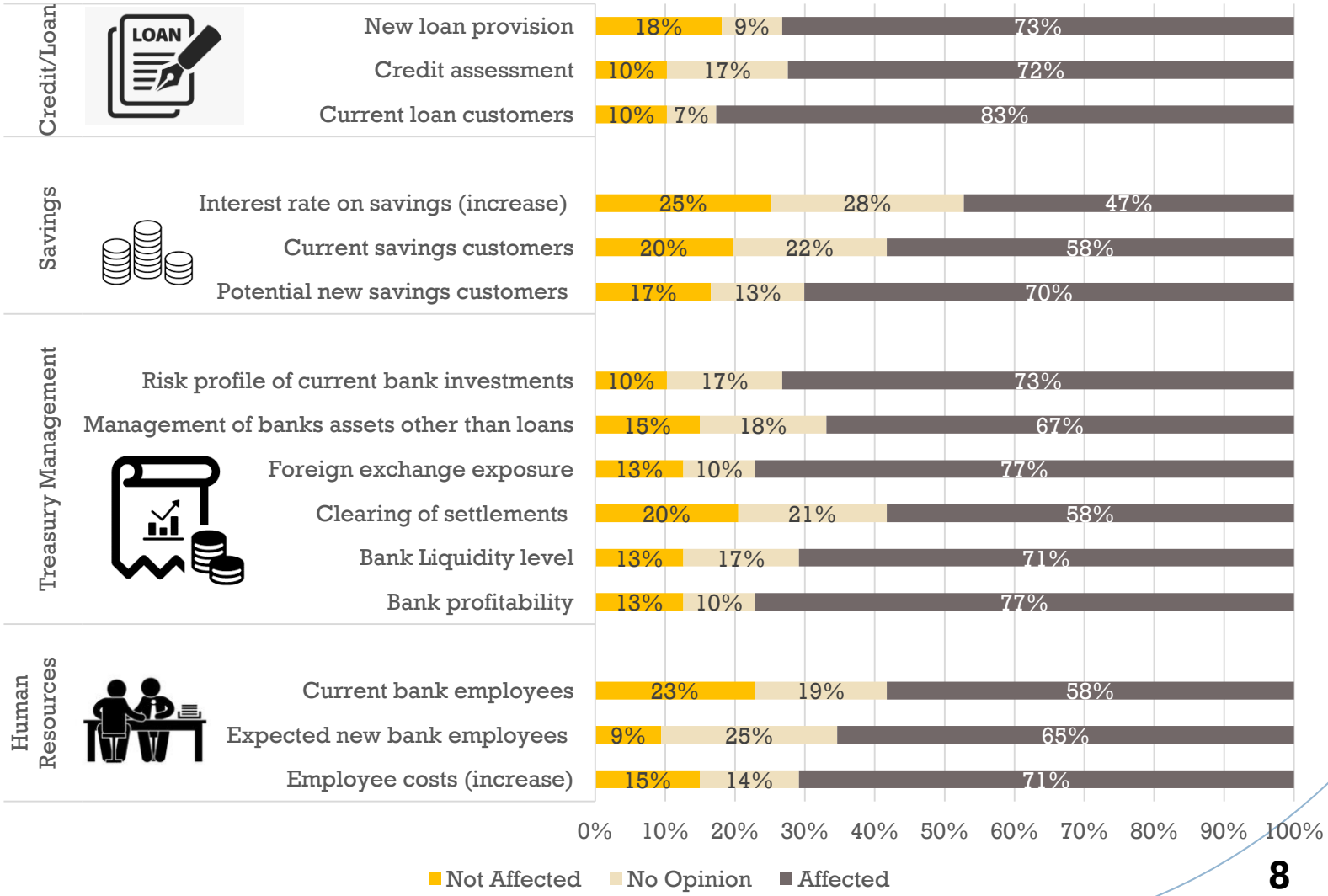


- ✓ 96.1% (N=122) are aware of Bank's Business Continuity Plan (BCP)
- ✓ 72.4% (N=92) have accessed a recent copy of BCP
- ✓ 89.1% (N=82) if those accessed have read it in year 2020
- ✓ 70.2% (N=65) indicated that Pandemic related effects are part of the BCP.

Dec 2018:

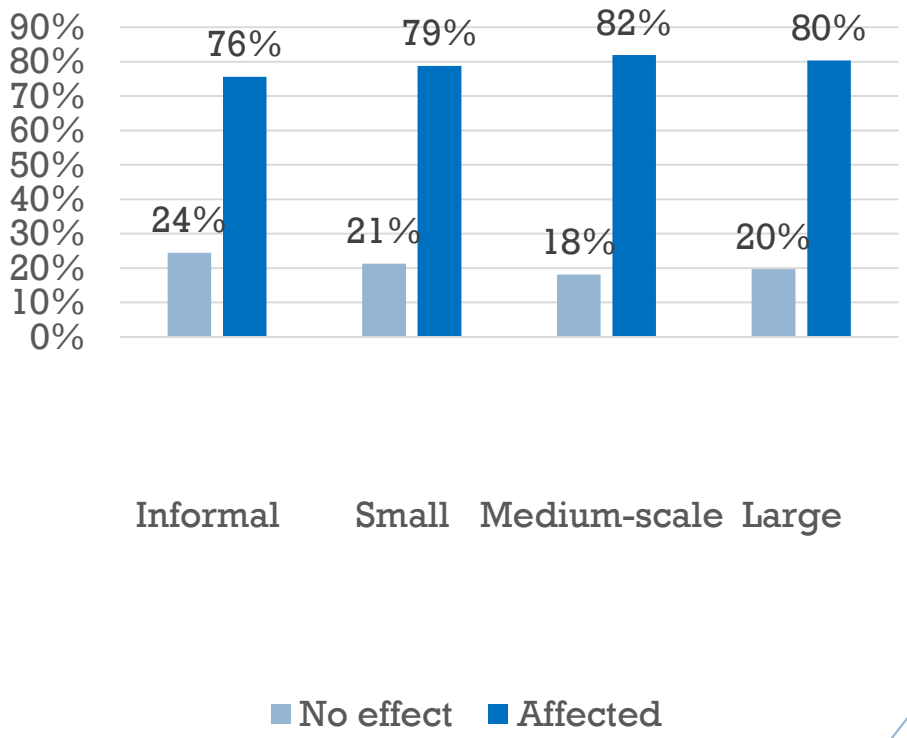
- 10 largest banks holds 70.4% of Total Banking Assets
- Local banks hold 57.4% of Total Banking Assets

Impact on Banks' Operations



Type of Businesses Affected

- ✓ 67.3% of the foreign banks' employees indicate that COVID-19 will have HIGHER IMPACT to SMALL businesses, 61.1% for LARGE businesses, 69.1% for INFORMAL sector and 60.0% for MEDIUM businesses.
- ✓ Employees from the foreign banks are more concerned with the impact of COVID-19 to businesses than others.
- ✓ Senior Managers have a concern on the effects of the Pandemic to all the business categories than other categories of employees.

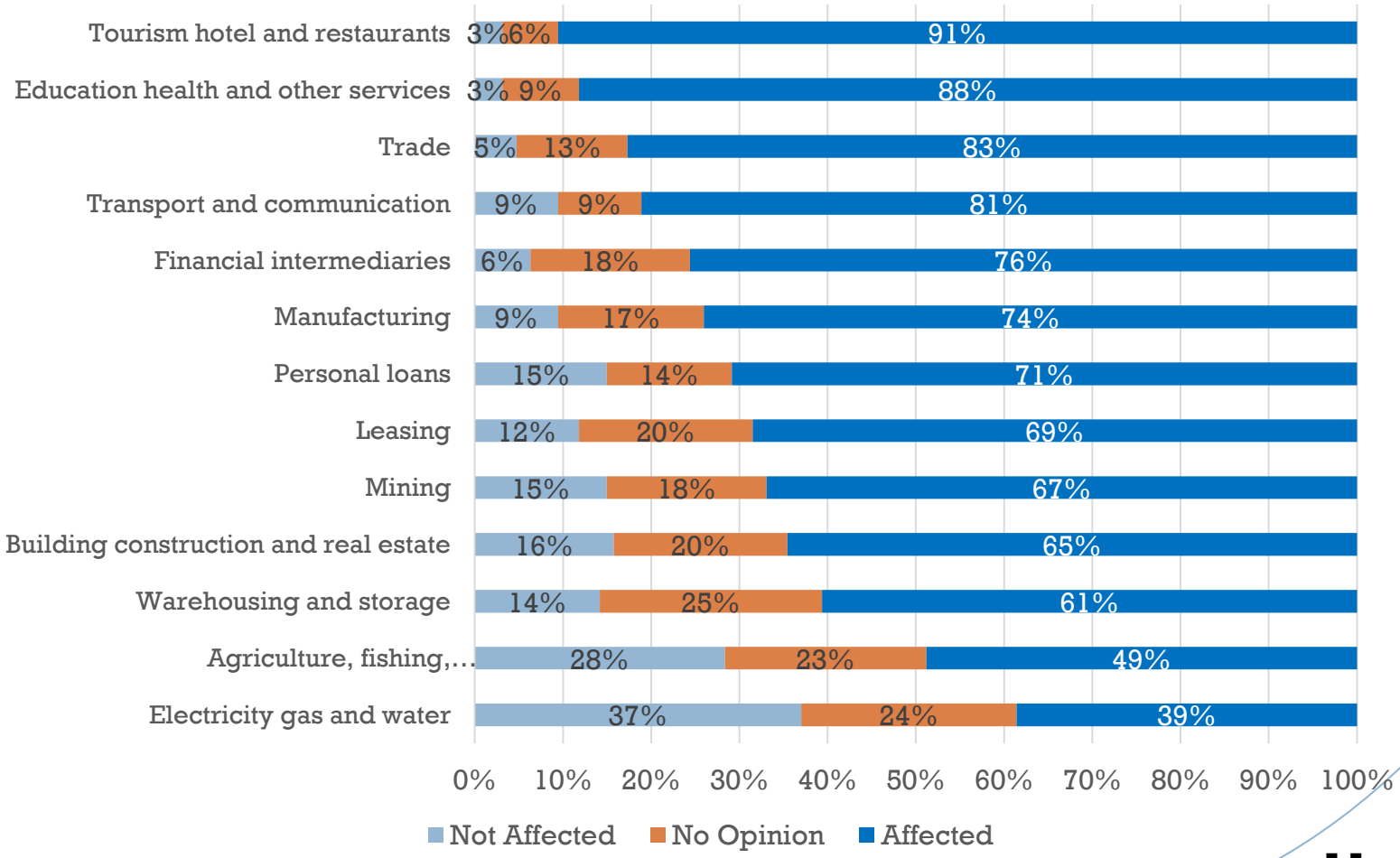


How Long the Impact Will Last

Time Frame of the Impact	Position in the Bank	Experience in Banking				
		0-3 years	4-5 years	5-10 years	Over 10 years	Total
Short Term effect (Less than two quarters)	Middle Level Manager	0.0%	20.0%	30.0%	20.0%	70.0%
	Bank officer	20.0%	0.0%	10.0%	0.0%	30.0%
		20.0%	***20.0%***	***40.0%***	***20.0%***	***100.0%***
Medium term effect (up to one year)	Senior Manager	0.0%	0.0%	6.5%	21.7%	28.3%
	Middle Level Manager	2.2%	4.3%	17.4%	8.7%	32.6%
	Bank officer	10.9%	8.7%	8.7%	6.5%	34.8%
	Other	0.0%	0.0%	2.2%	2.2%	4.3%
		13.0%	***13.0%***	***34.8%***	***39.1%***	***100.0%***
Long term effect (over one year)	Senior Manager	1.4%	1.4%	7.0%	26.8%	36.6%
	Middle Level Manager	4.2%	2.8%	14.1%	21.1%	42.3%
	Bank officer	4.2%	4.2%	4.2%	1.4%	14.1%
	Other	2.8%	1.4%	1.4%	1.4%	7.0%
		12.7%	***9.9%***	***26.8%***	***50.7%***	***100.0%***
Total	Senior Manager	.8%	.8%	6.3%	22.8%	30.7%
	Middle Level Manager	3.1%	4.7%	16.5%	16.5%	40.9%
	Bank officer	7.9%	5.5%	6.3%	3.1%	22.8%
	Other	1.6%	.8%	1.6%	1.6%	5.5%
		13.4%	**11.8%**	**30.7%**	**44.1%**	**100.0%**

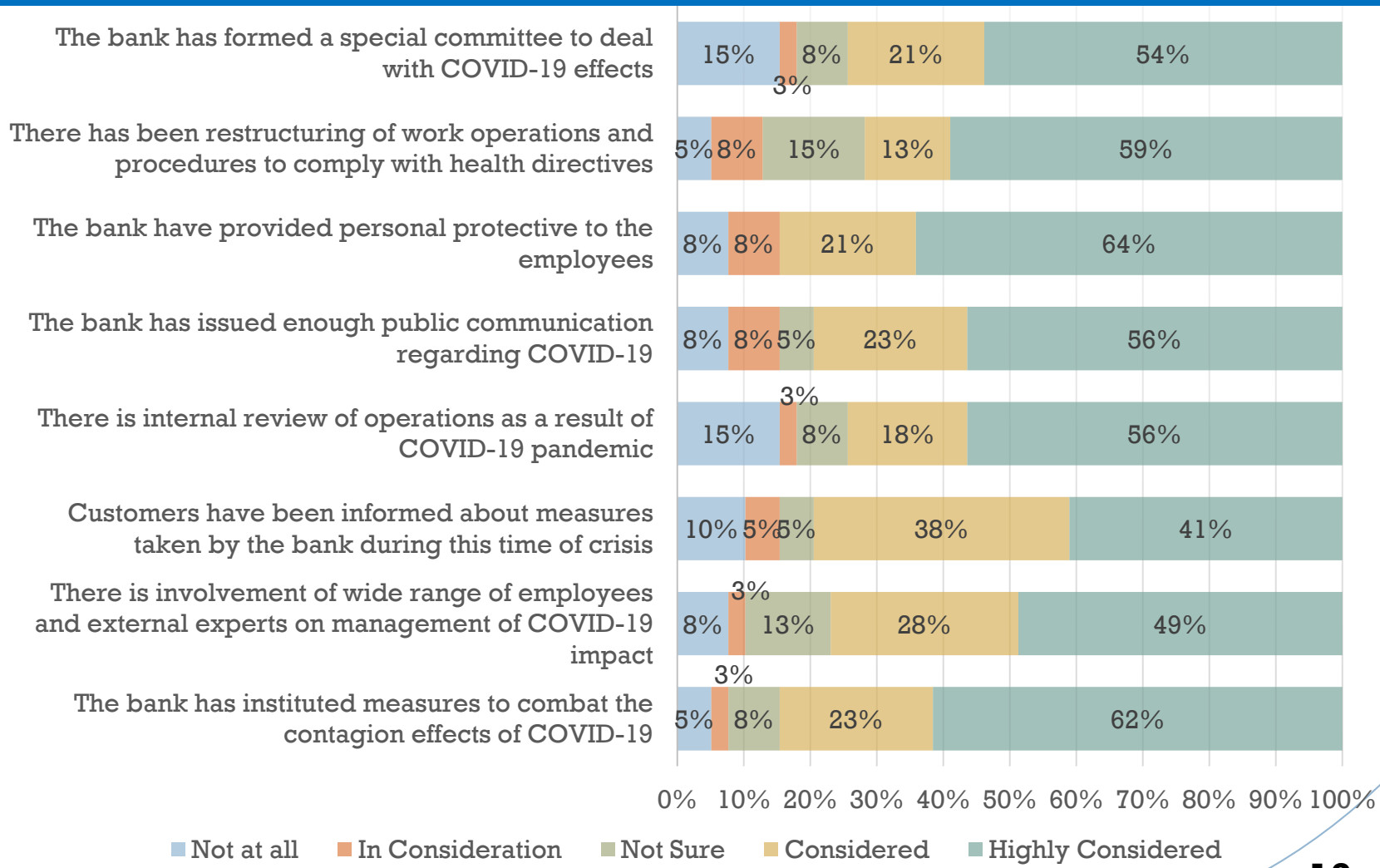
- ✓ 89% of all respondents thinks that COVID-19 Impact to Banking sector will last for more than 1 year.
- ✓ 66% of Senior Managers, think it will last for over one year while 33% thinks it will be for about 1 year.
- ✓ 51% of Bank personnel with more than 10 years of experience thinks that the impact will last for over 1 year.

Sectors to be Negatively Affected

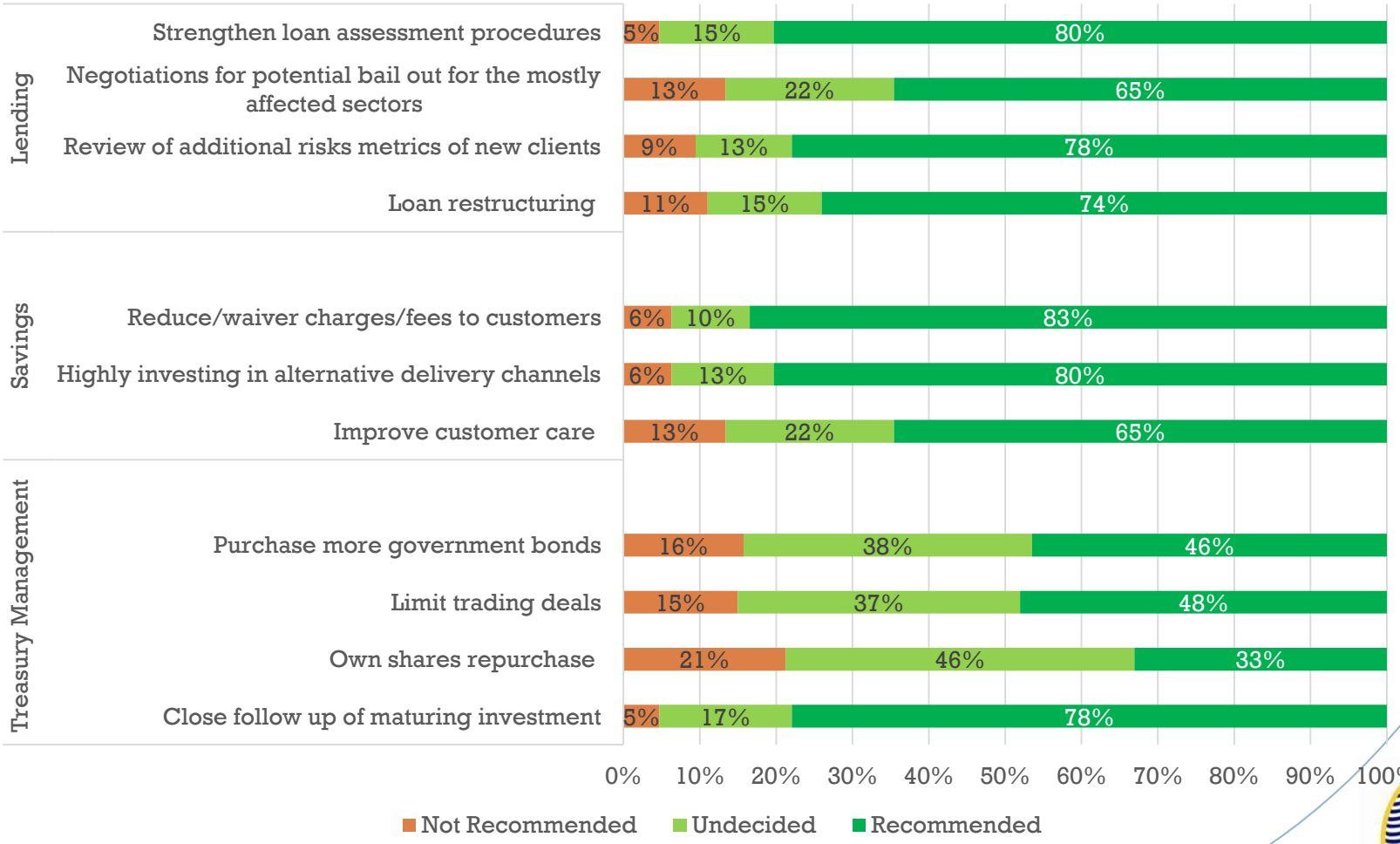


Measures Taken By Banks

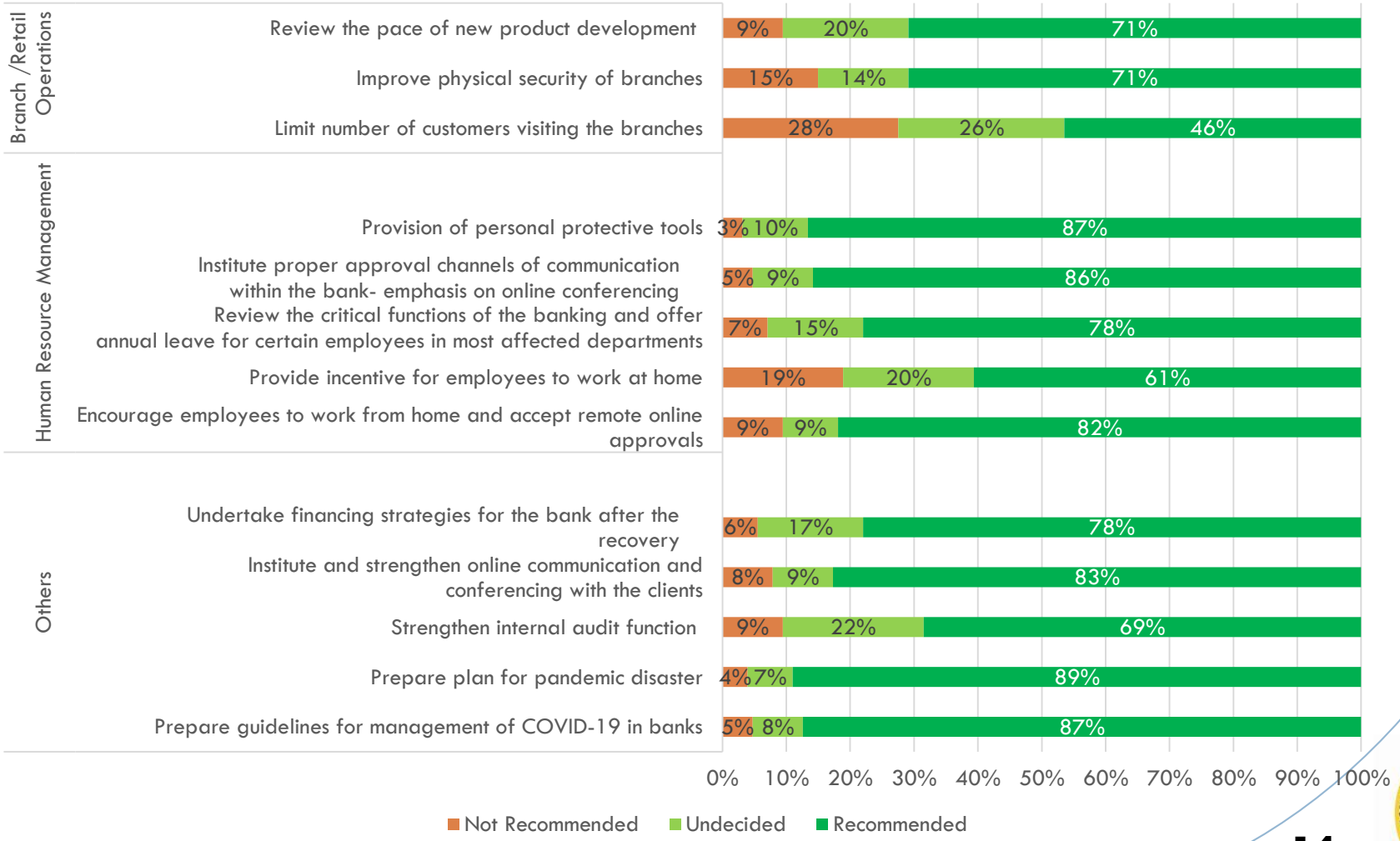
Responses by Senior Managers (N=39)



Strategies Suggested to Mitigate Impact of COVID-19 by Functional Areas ...(1)



Strategies Suggested to Mitigate Impact of COVID-19 by Functional Areas …(2)



Respondents' Suggestions to the Government, Central Bank and Customers

- Actions by the Government and Central Bank
  - Liquidity support through bailing out of mostly affected businesses in different sectors
  - Relax regulations on net open position, special minimum reserves, capital reserve adjustments, loan restructuring and grace periods for loans.
  - Guidelines COVID-19 on Bank and customer safety need to be prepared and communicated.
  - Facilitate dialogues and conduct research on the effects of COVID-19 and strategies to manage the same.
- Customers
  - Your money is safe within the banks. No need to panic.
  - Utilize digital channels and adhere to the Ministry of Health Provisions.
  - Communicate with bank incase of loan difficulties and cut unnecessary expenses.

Summary of Key Findings and Recommendations

- COVID-19 pandemic risk might have long impact and effect to almost every type of business in the economy.
- Sectors that are likely to be mostly affected are Tourism, Hotel and Restaurants, Education, Health & other services and Trade.
- Bank profitability, Foreign exchange exposure, new savings and risk profile of current investments are likely to be affected.
- Banks are likely to close maturing investments.
- Banks have instituted various measures to mitigate COVID-19 impact and sustain operations. More communications to customers and employees engagement is needed.
- Intervention by the Government to facilitate revamping of the most affected businesses in different sectors is highly recommended
- Intervention by Central bank on policies related, special minimum reserve, liquidity support, revision of net open position is highly recommended.
- Banks need to create awareness and review its BCP by including measures to handle pandemic such as COVID-19.
- To attract and maintain savings, banks are advised to waive some charges/fees and strongly entice customers to utilize digital solutions and alternative delivery channels.
- Banks are advised to improve physical security of its branches during this time, ~~and~~ cut down new products development and sustain the ones in place.
- Bank communications channels and working conditions are likely to change. More utilization of online, 'work from home' and likelihood of offering leave to some employees.
- Banks need to get prepared for possible financing of its capital during and after the crisis and this might affect small banks.

About Center for Banking and Financial Services Research

Center for Banking and Financial Services Research [CBFSR] is a University of Dar es Salaam Business School Research Center focuses on research related to Banking and Financial Services in Tanzania and beyond. It was established as per the Guidelines for Establishing Research Centers of Excellence at the University of Dar es Salaam (2013).

Please send your comments to:

tobias@udsm.ac.tz

richard.evelyn@udsm.ac.tz