

THE IMPACT OF THE CORONA PANDEMIC ON THE MARKETING OF BANKING SERVICES AND ITS REFLECTION ON THE RESULT OF BANKS' BUSINESS

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ARTICLE INFO	ABSTRACT
Article history: Received 20 February 2023 Accepted 18 May 2023	<p>Purpose: The aim of this study is to examine the impact of the Corona pandemic on the ability of banks to market their services and its reflection on the result of their activity.</p> <p>Theoretical framework: The research acquires its importance from the role and importance of marketing banking services and thus increasing their revenues, which is reflected in increasing their profits or reducing their losses, as well as the importance of shedding light on the impact of the Corona pandemic on this vital sector, through the weak ability of banks to market their services in the shadow of this pandemic.</p> <p>Design/methodology/approach: The researchers used the descriptive analytical approach through the analysis of the income statement of the banks of the research sample for a series of years.</p> <p>Findings: The results indicated that the pandemic had a substantial impact on banking services since there was a link between the pandemic's expansion and banks' capacity to sell their products. The epidemic also caused banks' levels of liquidity to fall, which had a negative effect on their capacity to extend credit and loans.</p> <p>Research, Practical & Social implications: The study suggests that banks adapt their working practices by moving to electronic transactions for the delivery of financial services. So, in times of crisis, banks need develop new strategies for marketing their financial services. In light of the Corona pandemic, it offers ideas for how the banking industry should develop its methods of marketing its services.</p> <p>Originality/value: The value of the study is important because banks should change their work methods by switching to electronic dealing in providing banking services. In order to face crises, banks should expand their investments in areas that are not significantly affected by crises.</p>
Keywords: Corona Pandemic; Marketing Banking Services; Banking Business Results.	<p>Doi: https://doi.org/10.26668/businessreview/2023.v8i5.1995</p>



O IMPACTO DA PANDEMIA DO CORONAVÍRUS NA COMERCIALIZAÇÃO DE SERVIÇOS BANCÁRIOS E SEU REFLEXO NO RESULTADO DOS NEGÓCIOS DOS BANCOS

RESUMO

Objetivo: O objetivo deste estudo é examinar o impacto da pandemia do coronavírus sobre a capacidade dos bancos de comercializar seus serviços e seu reflexo no resultado de sua atividade.

Quadro teórico: A pesquisa adquire sua importância a partir do papel e da importância de comercializar os serviços bancários e, assim, aumentar suas receitas, o que se reflete no aumento de seus lucros ou na redução de suas perdas, bem como a importância de esclarecer o impacto da pandemia do coronavírus nesse setor vital, por meio da fraca capacidade dos bancos de comercializar seus serviços à sombra dessa pandemia.

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Projeto/metodologia/abordagem: Os pesquisadores usaram a abordagem analítica descritiva por meio da análise da demonstração de resultados dos bancos da amostra da pesquisa por uma série de anos.

Conclusões: Os resultados indicaram que a pandemia teve um impacto substancial nos serviços bancários, pois houve uma ligação entre a expansão da pandemia e a capacidade dos bancos de vender seus produtos. A epidemia também causou a queda dos níveis de liquidez dos bancos, o que teve um efeito negativo sobre sua capacidade de conceder crédito e empréstimos.

Implicações para a pesquisa, práticas e sociais: O estudo sugere que os bancos adaptem suas práticas de trabalho, passando a usar transações eletrônicas para a prestação de serviços financeiros. Portanto, em tempos de crise, os bancos precisam desenvolver novas estratégias para comercializar seus serviços financeiros. À luz da pandemia do coronavírus, ele oferece ideias de como o setor bancário deve desenvolver seus métodos de marketing de serviços.

Originalidade/valor: O valor do estudo é importante porque os bancos devem mudar seus métodos de trabalho, passando a usar o comércio eletrônico na prestação de serviços bancários. Para enfrentar crises, os bancos devem expandir seus investimentos em áreas que não sejam significativamente afetadas por crises.

Palavras-chave: Pandemia do Coronavírus, Marketing de Serviços Bancários, Resultados de Negócios Bancários.

EL IMPACTO DE LA PANDEMIA DE CORONAVIRUS EN LA COMERCIALIZACIÓN DE SERVICIOS BANCARIOS Y SU REPERCUSIÓN EN LOS RESULTADOS EMPRESARIALES DE LOS BANCOS

RESUMEN

Objetivo: El objetivo de este estudio es examinar el impacto de la pandemia de coronavirus en la capacidad de los bancos para comercializar sus servicios y su reflejo en el resultado de sus negocios.

Marco teórico: La investigación adquiere su importancia a partir del papel y la importancia de comercializar los servicios bancarios y aumentar así sus ingresos, lo que se refleja en el aumento de sus beneficios o la reducción de sus pérdidas, así como la importancia de arrojar luz sobre el impacto de la pandemia de coronavirus en este sector vital a través de la escasa capacidad de los bancos para comercializar sus servicios a la sombra de esta pandemia.

Diseño/metodología/enfoque: Los investigadores utilizaron un enfoque analítico descriptivo mediante el análisis de las cuentas de resultados de los bancos de la muestra de investigación a lo largo de una serie de años.

Conclusiones: Los resultados indicaron que la pandemia tuvo un impacto sustancial en los servicios bancarios, ya que existía una relación entre la propagación de la pandemia y la capacidad de los bancos para vender sus productos. La epidemia también provocó la caída de los niveles de liquidez de los bancos, lo que tuvo un efecto negativo en su capacidad para conceder créditos y préstamos.

Investigación, implicaciones prácticas y sociales: El estudio sugiere que los bancos adapten sus prácticas de trabajo pasando a las transacciones electrónicas para la prestación de servicios financieros. Por lo tanto, en tiempos de crisis, los bancos necesitan desarrollar nuevas estrategias para comercializar sus servicios financieros. A la luz de la pandemia de coronavirus, ofrece ideas sobre cómo el sector bancario debe desarrollar sus métodos de comercialización de servicios.

Originalidad/valor: El valor del estudio es importante porque los bancos deben cambiar sus métodos de trabajo pasando al comercio electrónico en la prestación de servicios bancarios. Para hacer frente a las crisis, los bancos deben ampliar sus inversiones en áreas que no se vean afectadas significativamente por las crisis.

Palabras clave: Pandemia de Coronavirus, Comercialización de Servicios Bancarios, Resultados del Negocio Bancario.

INTRODUCTION

All economic actors (consumers, suppliers, financial intermediaries, etc.) are confronting an unprecedented crisis as a result of the coronavirus's widespread global propagation (Al-Hyari, 2023; Béné et al., 2021; Parveen, 2020). Financial institutions like banks have experienced an acute external shock, necessitating their need to be ready for a wide

range of challenging future situations. The development of this unrest has already had an impact on banking operations in numerous nations and prompted precautionary responses from both depositors (such as increased withdrawal rates) and counterparties of financial intermediaries (such as decreased market funding) (Abed, Nofal, Ghaith, & Alnawafleh, 2022; AlNawafleh, Al-sharari, Ghaith, Al-Ghalabi, & Hamdan, 2022). The banking services have continued to operate in the midst of the pandemic as a result of the operational impact of sustaining profitable, cost-effective financial operations as well as meeting capital requirements. In addition to these difficulties, there are high expectations that banks will not only be able to withstand the shock, which is obviously not endogenous to the financial system, but also actively participate in the overall economic solution by aiding in government initiatives to counteract the recessive factors that the pandemic risk has brought about in the real economy. Banks continue to be the primary source of liquidity insurance for economies, despite the fact that non-financial institutions have absorbed a sizable portion of corporate financing over the past ten years, particularly for highly leveraged firms (Nofal, Al-Adwan, Yaseen, & Alsheikh, 2020). In fact, throughout the Covid-19 debacle, serious doubts have been raised over the banking industry's ability to maintain its expected intermediation function (Ali, Jabir, Almusawi, Kadhim, & Almagtome, 2023).

The Covid-19 pandemic's effects have had a significant impact on Iraq's economy. The Covid-19 epidemic has rendered many businesses unable to operate. Each company also experienced extremely low cash and income constraints during the Covid-19 pandemic, which prevented the operations of the company from running smoothly and ultimately led to a disruption or complete termination of business operations. Because many business owners are unable to keep their operations running smoothly, many employees are laid off (PHK), which leads to a new social issue—unemployment. In order to achieve economic recovery and company continuity, capital providers and the government's engagement in the economic sector affected by the Covid-19 pandemic are necessary.

The Covid 19 pandemic issue has had a significant impact on the world economy. The world economy was severely harmed by it, especially the financial industry, which suffered harm on all fronts. Iraq's capacity to promote its financial services has reduced, therefore it is not immune to the effects of this crisis and its effects on this industry. Its revenues, company performance, and inadequate liquidity all showed this (Nofal et al., 2020). This necessitates that this crucial sector reevaluate its plans and set its objectives in accordance with the Covid-19 crisis' specific conditions. One of these tactics is coming up with new ways to sell banking

services and increasing the use of the Internet to interact with clients when it is difficult for them to contact the bank using contemporary software and technologies that are appropriate for this application. The presentation of the Covid-19 concept, its impacts on the financial system, and solutions to these impacts will be the main goals of this study.

Due to the quarantine conditions, which had a significant impact on the economic aspects, particularly the banking sector in Iraq, the 2020 Corona pandemic expanded its negative consequences to hit hard in numerous economies throughout the world. Banks' ability to sell their products and services declined, which had a detrimental impact on their sales and, in turn, their earnings. The research problem can be summed up as the following: The key challenge facing banks is how to deal with the pandemic's effects and discover new ways to promote their services.

- 1- The impact of the Corona pandemic on the revenue items achieved by the banks of the research sample varies.
- 2- The Corona pandemic affects the ability of banks to market their banking services, which negatively affects their profits.

LITERATURE REVIEW

First: the Corona Pandemic: its Concept, Origin and Spread

The coronavirus pandemic is defined as the novel coronavirus (COVID-19), which belongs to a wide family of viruses that may cause disease in both animals and humans (Nawal, 2020). In late December 2019, in the Chinese city of Wuhan, the health authorities diagnosed a case of infection with the Corona virus and considered the first officially diagnosed case in the world (Yilmazkuday, 2021). The World Health Organization (WHO) announced the outbreak of the virus in China and called it an epidemic (Pandemic) and then returned and announced on 11/3/2020 that it had turned into a pandemic (Pandemic). Due to its wide geographical spread over large areas of the world according to the organization's standards to express the pandemic, more than one country began to apologize for the spread of the epidemic in it. It spread in Europe and North America, as well as the beginning of its spread in Asia (World Health Organization, 2020).

Second: The Impact of the Pandemic on Business

This pandemic caused a global economic crisis through a sharp decline in aggregate demand, consumption and public spending, supply chains, international trade movement, the

global manufacturing sector and services, the decline in financial market indicators and oil prices, and measures to confront the Corona pandemic during the first quarter of 2020. All these led to a slowdown in the growth of the global economy, according to the International Monetary Fund. The global economy is expected to contract sharply by 3% (decline in global GDP) in 2020 (Zaghir, 2022).

Third: The Impact of the Pandemic on Banking Business

Banks are an important pillar of the economy and the strategies adopted by the administration that will affect the recovery of the economy, and banks play an important role in the global economy (van Esterik-Plasmeijer & Van Raaij, 2017). The Corona pandemic (Covid-19) has changed a lot in the banking system, the way it works, new processes and procedures. So, the basic nature of banking services requires them not to close all their branches and ensure that people have access to financial resources. About a quarter of bank branches were closed during the outbreak in many countries of the world due to staff safety, staff shortages, a 75% reduction in trade and reduced working hours while reducing the number of employees (KPM, 2020). With all these challenges it faces, it needs to pay attention to the strategy that determines its future according to PWC. Also, they need to focus on business continuity on issues of survival, adjusting branch hours, mixing employees and times, and implementing all these changes in the way it operates will affect the shape of the banking system (PWC, 2020).

Fourth: Banking Services Concept and Types

Banking services are the provision of a financial advance to individuals through banks, but they are safe and can also be defined as accepting a loan or investment for financial deposits by individuals. It is any activity related to accepting money to individuals and other entities, so that the purpose of lending this money is to make a profit (Investopedia, 2021). The diversity of banking services is one of the most important factors that make customers prefer one bank over another bank in the areas of (loans, advances, investment, savings, and other banking transactions). It can be classified into

Conventional Banking

- A.** Bank transfers: Remittances are either through internal transfer from account to account or through clearing and transferring the amount from the account of one of the

parties to the transaction to a second account, or by transferring the amount from a foreign account to a local account or vice versa. This is one of the most important means that will facilitate commercial exchange and financial transactions in general.

B. Current account: It is an account that is interest-free, enabling the account holder to dispose of his funds deposited in it by withdrawing or depositing them at any time.

C. Savings book: It is a book that enables its owner to deposit money in the account in return for an annual fixed interest and enables him to withdraw from it according to the type of deposit.

D. Lending: It is considered one of the most important functions performed by the bank because it is the main source of obtaining funds by the bank because the basis of its work is lending and borrowing with interest.

E. Loans: They are of two types, long-term loans and short-term loans (less than one year), the aim of which is either investment for long-term investment or for consumer needs (Rahabi & TradKhoja, 2021).

Modern Banking Services

A. Electronic bank transfer: It is the process of the bank crediting an amount in the debit account of the order account (the first party). It is an electronic written order bearing its corresponding timing, in return the same amount is credited to another account (the second party), whether the two parties are customers of the same bank or not.

B. Electronic check: It is an electronic notice that includes mandatory data related to both parties to the transaction and bears a signature, according to which the amount due to the beneficiary is transferred through the international information network (Internet).

C. Electronic bank card: It is an electronic card called (prepaid cards) issued by specialized international companies such as (MasterCard and Visa Card) that enable its holder to pay for time at the expense of the issuer, as well as enable him to obtain loans or other banking transactions.

D. Documentary Credit: This service allows the account holder to deal with documents via e-mail, similar to electronic payment in Hassan, the transaction is completed electronically (Tala, 2020).

Fifth: the Impact of the Pandemic on the Ability of Banks to Market their Banking Services and its Reflection on their Revenues

The Corona Covid 19 pandemic has cast a shadow on all aspects of banking, including banking services, which were significantly affected during the pandemic period, and previous research has found an inverse relationship between the spread of the pandemic and the ability of banks to market their banking services, for example, the decrease in the lending capacity of banks, which was reflected in the decrease in interest income in them, and this applies to the rest of the other types of banking services, and all of this reflected in their revenues (Çolak & Öztekin, 2021). Within the framework of the relationship between the ability of banks to market their banking services and the level of liquidity in them, Karim pointed out that the pandemic has affected the level of liquidity in banks in a downward direction through a decrease in their ability to market their banking services (Karim, Shetu, & Razia, 2021).

METHODOLOGY

A group of private Iraqi banks listed in the Iraq Stock Exchange. The researchers used the descriptive analytical approach by analyzing the financial statements of the banks of the research sample for the years 2019 and 2020 in order to show the impact of the pandemic.

RESULTS AND DISCUSSION

In this section, the researchers conducted analysis of the main revenue elements of the banks of the research sample by comparing the financial results for the year 2020 (the year of the pandemic) with their counterparts for the year 2019 (the year before the pandemic). This comparison indicates the growth rate in them, whether positive or negative, as follows:

First: Mansour Investment Bank

Percentage change	Differences	2019	2020	Revenue Type
-0.22%	-3,502,366,445	16,061,209,070	12,558,842,625	Net interest income
1,31%	1,458,946,327	1,113,936,621	2,572,882,948	Net income from commissions and fees
4.78%	327,884,457	68,628,964	414,513,421	Operating profit resulting from foreign exchange trading
%100,85	128,573,929	1,275,000	129,848,929	Foreign Exchange Window Revenue
-100%	- 418,882,425	418,882,425	No	Contribution Income

0,15%	-14,961,298	103,093,048	88,131,750	Other operating income
0.16%	-1,273,125,486	8,278,258,676	7,005,133,190	Net income after tax

Source: Prepared by the authors (2023).

It is clear from the above table that the pandemic has affected the bank's revenue structure and the result of the final business (net profit after tax) as some revenue elements decreased: net interest income, contribution income, and other operating income. At the same time, some revenue elements increased such as net income from commissions and fees, operating profits resulting from foreign exchange trading and foreign exchange window revenues. It is noted that the final result of the bank's performance (net profit after tax) decreased in 2020 compared to 2019.

Second: Mosul Bank

Percentage change	Differences	2019	2020	Revenue Type
-0,32%	- 638,429,206	2,003,378,060	1,364,948,854	Interest Income
0,34%	-2,352,411,431	7,064,553,049	4,712,147,618	Commission Income
91,75%	62,182,018	677,750	62,859,768	Investment Income
1,82%	444,771,629	244,962,752	689,734,381	Other Income
0,55%	1,966,348,467	3,418,816,008	1,452,467,621	Pure barh after the strike

Source: Prepared by the authors (2023).

It is clear from the above table that the pandemic had a negative impact on the bank's revenues and the result of the final business (net profit after tax). This is because of the impact of the pandemic led to a decrease in some revenue elements: interest income, commission income. Others were not affected: investment income and other income. It is clear that the final result of the bank's business (net profit after tax) was lower than in the pre-pandemic year.

Third: Noor Iraq Islamic Bank

Percentage change	Differences	2019	2020	Revenue Type
- 0,04%	197,508,000	5,403,140,000	5,205,632,000	Income from (Murabaha, Mudaraba, Musharaka, Other Islamic Finances)
- 100%	- 1,079,000	1,079,000	0	Investment Income / Islamic Certificates of Deposit

- 0,99%	- 848,745,000	874,021,000	25,276,000	Banking Transaction Income and Commissions
-100%	3,218,800,000	3,229,370,000	10,570,000	Revenue from buying and selling currencies
3,88%	17,808,000	4,589,000	22,397,000	Other Banking Transaction Revenues
-100%	2,831,733,000	2,853,943,000	22,210,000	Net income after tax

Source: Prepared by the authors (2023).

From the above table, it is clear that the pandemic has negatively affected the bank's performance in 2020 (the year of the pandemic), as some elements of revenues decreased: income from (Murabaha, Muharaqat, Musharaka, and other Islamic financing, investment income / Islamic certificates of deposit, income and commissions of banking operations and income from buying and selling currencies. While the decrease in income from other banking operations was not affected by that, the impact decreased the final result of the bank's performance (net profit after tax) decreased in the year (2020) compared to the year before the pandemic (2019).

Fourth: Arab Islamic Bank

Percentage change	Differences	2019	2020	Revenue Type
0,98%	1,530,036,000	1,566,947,000	36,911,000	Income from Islamic Finance
0.18%	28,536,000	159,124,000	187,660,000	Creditor currencies
0,96%	1,922,471,000	2,007,827,000	3,930,298,000	Profits from buying and selling foreign currencies
-100%	- 996,993,000	998,372,000	1,379,000	Miscellaneous banking revenues
0,07%	10,844,000	163,128,000	152,284,000	Net profit after tax

Source: Prepared by the authors (2023).

The table above shows that some elements of the bank's revenues in the year (2020) the year of the pandemic have decreased compared to the year before the pandemic (2019). This is evident in the elements: income from Islamic financing, miscellaneous banking income and net profit after tax. The other part of the elements: credit commissions, profits from buying and selling foreign currencies were not negatively affected by the pandemic, and it is clear through

the decrease in (net profit after tax) that the impact of the pandemic was negatively on the final result of the bank's performance.

CONCLUSIONS

The study's findings come to the conclusion that the pandemic's significant impact on consumption, public spending, and aggregate demand led to the world economic crisis. Also, the epidemic has significantly altered the banking system's operations and processes. Yet, the pandemic had a substantial impact on banking services because it was discovered that there was an inverse relationship between the epidemic's spread and banks' capacity to sell their services. Thus, the pandemic caused banks' levels of liquidity to fall, which had a detrimental impact on their capacity to extend credit and loans. Moreover, the pandemic had an influence on banks' private revenue sources because they were not affected to the same extent. This study suggests that banks adapt their working practices by moving to electronic transactions for the delivery of financial services. So, in times of crisis, banks need develop new strategies for marketing their financial services. Banks should, however, concentrate on the sources of income that were unaffected by the epidemic and try to increase the activities that produce this kind of income. Banks should increase their investments in sectors that are not severely impacted by crises in order to prepare for them. In this research, the researchers have studied and analyzed the impact of the Corona pandemic on the ability of banks to market their banking services and its reflection on the result of their activity. The researchers used the descriptive analytical approach to show this effect and its reflection on the result of the activity. It analyzed the income statement of a sample of the surveyed banks for a series of years. It also examined the statement of the impact of the pandemic on the items of revenue and the reflection of this impact on the result of its activity.

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