

The Impact of Covid-19 Pandemic on the Organisational Profitability of the Banking Sector in the Kingdom of Bahrain

Namasiku D Liandu^{1*}, Maryam Ali Ebrahim Qaed²

^{1,2} Gulf University, Bahrain

Article Info

Received 21 January 2022

Received in revised for 21 February 2022

Accepted 28 March 2022

Published 01 April 2022

Abstract

This study aimed to determine the impact of the Coronavirus on the profitability of banks in the Kingdom of Bahrain - a case study on the National Bank of Bahrain, Bank of Bahrain and Kuwait, and the Ahli United Bank, and an attempt to come up with recommendations. The study will be administered by collecting data from the annual reports of the banks, as the population and sample of the study consist of NBB, BBK, and AUB Banks. The study lies in knowing the effects of Corona on the profitability of NBB, BBK and AUB banks in Bahrain by comparing previous annual reports and analyzing the profitability ratio of banks before the Corona period and during the Corona period. The result of study shows that the Corona virus negatively affects the profitability of banks in the Kingdom of Bahrain. The study notices through the results the extent of the impact of the Corona virus on the profitability of banks through the sudden closure, and thus we see the extent of the banks' failure to achieve profitability through the marked decrease in the rate of returns. Hence, the study recommends that in order for banks to increase their profitability, they must increase the effectiveness of the required reserve as a tool to control bank risks, and work on controls and determinants such as capital adequacy, legal liquidity ratio and the ratio of loans to deposits, which are much more effective than reserve requirements in maintaining the safety of the sector and its durability and its ability to absorb shocks.

Keywords: Corona's Impact, Bank Profitability, Pandemic, Bahrain

1. Introduction

The global health crisis resulting from the spread of the new Corona epidemic, with regard to the banking sector across the world, showed that the mandatory quarantine period imposed by most countries around the world constituted an increasing pressure of risks on banking activity, especially banks active in loans to companies after many forced Institutions around the world to stop productive or industrial activity, and thus the crisis revealed that bank loans during this health crisis were not equal between one sector and another (Elnahass, Trinh, & Li, 2021; Li, Feng, Zhao, & Carter, 2021). The outbreak of the new Corona virus (Covid-19) has sparked an economic downturn worldwide, which puts many pressures on the banking sector, amid expectations that many families and companies will face difficulties in fulfilling their financial obligations in the coming months, especially with the increase in unemployment rates (Alyawansah, 2020).

According to Mahdi (2020) Report, the major commercial banks in the world are facing a crisis in employing the huge liquidity they have collected from the stimulus money, especially the major American banks. American banks managed to increase their deposits by about one trillion dollars in the second quarter, bringing the volume of liquidity to about 2.4 trillion dollars at the end of the second half of this year, while the four major American banks, namely GB Morgan, Citigroup and Bank of America "and Wells Fargo" increased the volume of cash liquidity by about \$ 900 billion this year, according to data from the American Deposit Insurance Corporation. Yousef (2020) stated in Despite the good financial conditions that these banks enjoy, the decline in their profits during this year is a highly anticipated matter, due to the decline in their business on the one hand, and their forced to increase provisions on the other hand. What made us return to this issue is the issuance of some international reports that monitor the performance of Gulf banks during the first half of 2020.

The research problem that will investigated here, is related to the impact of the spread of the Corona epidemic on the whole world in its various sectors, and from these sectors the banking sector was affected and affected as well, and this will continue in the future (Ramasamy, 2020). Banks have been exposed to many operational impacts as a result of the crisis, and banks have taken many measures, including preventive precautionary measures and reducing the possibility of any stoppage of work, and procedures for dealing with any injuries that may occur to them, as well as future measures to ensure the implementation of plans to return to work performance, especially that task, and to ensure the continuation of their work and thus support the economy (Hamad, 2020).

Referring to the report of Alsayed. (2020), the World Bank expected that the rapid and strong shock of the virus would cause the global economy to contract by 5.2%, especially with the follow-up measures to the worldwide lockdown, which will be the most representative. A severe recession since World War II, and economic activity in advanced economies is likely to contract by 7% in 2020 because of severe disruptions in domestic demand, supply, trade and finance. Further, according to the Bursa report (2020), as the results of bank business witnessed a decline in profits, partly justified by the spread of the pandemic, but the impact of reducing interest during 2019 and 3% this year, and the full impact of the bills and bonds tax, and the contraction of new grant operations, which affected credit commissions, in addition to the impact of the exchange rate appreciation on trade finance commissions.

In addition, Yousef (2020) Stated in addition to profits, banks are forced to increase provisions, and increase the lending capacity of banks by the equivalent of 3.7 billion dinars to give them the necessary flexibility to deal with customers' requests to postpone installments or additional financing. The study expects an increase in defaulting clients. She explained that the Corona crisis generates many pressures on banks, and there will be challenges resulting from the generation of pressures in deposit markets between regional and global banks, and the high costs associated with precautionary measures.

As in this study will research the extent to which the profitability of banks in the Kingdom of Bahrain is affected by the Coronavirus, through a comparison approach between the annual reports of banks before the Coronavirus and during the spread of the Coronavirus. Based on Figure 1, the daily corona cases are still high where the number of cases for June and July are 15848 and 14516, respectively.

The study expected to contribute to the literature by present conclusions, recommendations, and results that will help future researchers in this by touching on previous studies and literature as it will be a reference for them. In term of practical importance, the study lies in knowing the effects of Corona on the profitability of NBB, BBK and AUB banks in Bahrain by comparing previous annual reports and analyzing the profitability ratio of banks before the Corona period and during the Corona period.

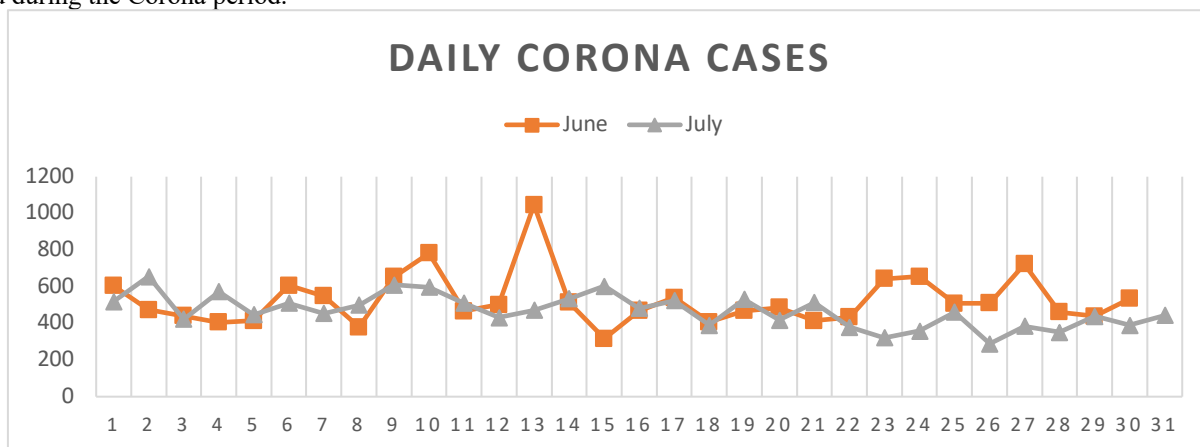


Fig. 1. Daily corona cases (<https://g.co/kgs/na1vCb>)

2. Literature Review

2.1. Background of Selected Bahraini Banks

Banking sector is an industry and a part of the economy dedicated to the holding of monetary resources for other people and contributing those monetary resources as a utilized method to make more abundance. The area additionally incorporates the guideline of banking exercises by government organizations, protection, contracts, speculator administrations, and MasterCard's (Brone, 2020). It plays a crucial position within the economy of our, it enables the waft of budget in our economic system and ensures financial resources are allocated correctly closer to selling economic improvement and increase (Makwawa, 2018). A properly-functioning financial bank is essential to a cutting-edge economy, and banks perform vital features for society. They should therefore be comfy. Banks must be capable of lend money to consumers and agencies in both upturns and downturns. In addition, bills for goods and offerings need to be processed hastily, appropriately and at low cost (Norges,2019). If banks fail to perform these obligations, the consequences for the complete economy ought to quickly turn out to be so wide-achieving that even the banking gadget would be exposed to massive shocks. It is therefore important that banks are capable of take in losses and meet their cutting-edge payment responsibilities. To ensure this, banks need to comply with strict regulatory necessities. Among these are the capital and liquidity (cash that may be paid on quick word) requirements applying to banks for you to ensure that they could meet their present-day payment duties (Economic, 2020).

The National Bank of Bahrain was established in 1957 as the first national bank owned by local shareholders. As a Bahraini brand, we proudly continue to develop our capabilities and use our expertise to provide the best banking

experience to our valued customers who have honored us by placing their trust in us. Our presence extends over a regional scale, and we pay great attention to the Bahraini community. The National Bank of Bahrain has the largest network of branches and ATMs in the Kingdom, with 27 branches and more than 100 ATMs, and it reflects our keenness to ensure the comfort of all our valued customers from inside and outside the Kingdom of Bahrain (National Bank of Bahrain, 2020).

Regarding Bank of Bahrain & Kuwait B.S.C (BBK), it was incorporated in Bahrain in March 1971 with the committed objective of providing a range of efficient and personalized banking facilities. BBK's first overseas branch was established in Kuwait in 1978. A few years later, branches were set up in Mumbai and Hyderabad. "With the addition of two new branches at Aluva and New Delhi, today, BBK is one of the largest commercial banks in Bahrain with 16 local branches, 5 full-fledged overseas branches and a Representative Office in Dubai." Bank of Bahrain & Kuwait, popularly known as BBK, has a young and dedicated team of professionals to provide the best service. BBK has its presence in India since 1986 as a scheduled commercial bank. There are Four branches in India. Second in Hyderabad. Third in Aluva (Ernakulam Dist - Kerala), very close to Kochi. Fourth in New Delhi. BBK offers high quality Banking services in a quiet ambience. BBK has a wide network of correspondents all over the world to support Foreign Exchange and Trade Finance related activities. BBK offers to its customer's top quality credit facilities, wide range of deposit products, NRI services, a fully equipped dealing room, and a strong remittances department to give a complete banking experience. BBK specializes in providing structured finance to mid corporates and in the SME region. It also provides ECBs to large corporates in India for eligible purposes (BBK-About us).

Concerning Ahli United Bank, it sets up in May 2000 after a consolidation between The United Bank of Kuwait and Al-Ahli Commercial Bank, and it is authorized by the Central Bank of Bahrain under a retail banking permit. Following the consolidation, the two substances turned out to be completely own auxiliaries of Ahli United Bank. The group gives retail banking, corporate banking, depository and speculation administrations, private banking, and abundance the executives administrations and Islamic financial items and administrations (AUB, 2020).

2.2. *Corona Virus*

Coronaviruses are a broad family of viruses that may cause disease in animals and humans. It is known that several corona viruses in humans cause respiratory diseases ranging in severity from common cold to more severe diseases such as Middle East respiratory syndrome (MERS) and severe acute respiratory syndrome (SARS) (Who, 2020). Its spread has left businesses around the world counting costs and wondering what recovery could look like: Firstly, big shifts in stock markets, where shares in companies are bought and sold, can affect the value of pensions or individual savings accounts (ISAs) (Mateev, Tariq, & Sahyouni, 2021). For example, The FTSE, Dow Jones Industrial Average and the Nikkei all saw huge falls as the number of Covid-19 cases grew. In response, central banks in many countries, including the UK, slashed interest rates. That should, in theory, make borrowing cheaper and encourage spending to boost the economy. Global markets have since recovered some ground as governments have intervened. But some analysts have warned that they could be volatile until fears of a second wave of the pandemic are eased (Statista, 2020).

Secondly, many people have lost their jobs or seen their incomes cut due to the coronavirus crisis. Unemployment rates have increased across major economies as a result. In the United States, the proportion of people out of work has hit 10.4%, according to the International Monetary Fund (IMF), signaling an end to a decade of expansion for one of the world's largest economies. Millions of workers have also been put on government-supported job retention schemes as parts of the economy, such as tourism or hospitality, came to a standstill under lockdown. However, the data differs between countries. France, Germany, and Italy provide figures on applications, for example, whereas the UK counts workers currently enrolled in the scheme (Statista, 2020).

Thirdly, If the economy is growing, that means more wealth and more new jobs. It's measured by looking at the percentage change in gross domestic product, or the value of goods and services produced, typically over three months or a year. But the IMF says that the global economy will shrink by 3% this year. It described the decline as the worst since the Great Depression of the 1930s. That is driven primarily by growth in countries such as India and China (Statista, 2020). Fourthly, the travel industry has been badly damaged, with airlines cutting flights and customers canceling business trips and holidays. Many countries introduced travel restrictions to try to contain the virus. Data from the flight tracking service Flight Radar 24 shows that the number of flights globally took a huge hit in 2020 (Statista, 2020).

2.2.1. *The effect of coronavirus in the Bahraini economic*

Bahrain's economy shrunk by 8.9% year on year in the subsequent quarter, government information appeared on Sunday, as the little Gulf state experienced limitation measures to contain the new Covid. Inn and eatery action declined by 61.3% contrasted with a similar period a year sooner. This is principally because of the far and wide limitations forced on sightseers, lodging and cafés and other related monetary exercises in the nation because of the pandemic COVID-19 infection," the public authority said in a proclamation. The oil area expanded by 3.2% at consistent costs, while the non-oil economy declined by 11.5% (Reuters,2020).

S&P Global Ratings said for the current month Bahrain's genuine GDP could shrink by 5% this year, because of the pandemic and the effect of lower oil costs on utilization and venture activities. Its oil area, notwithstanding, isn't relied upon to decay because of the way that Bahrain is a little maker and isn't dependent upon OPEC creation cuts, the appraisals office said. The International Monetary Fund has said it expects Bahrain's financial shortage to leap to 15.7% of GDP this year from 10.6% in 2019 (Reuters, 2020).

2.2.2. Empirical studies on the profitability of the banking sector

Through previous studies, the factors that affect the profitability of banks will be identified, as well as the results of previous studies, their limitations and the quality of the research method.

Table 1. Factors Affecting the profitability of Banking sector

No	Author, year	Title	IVs	DV	Methodology	Findings	Limitation
1	Al-Qaisi,2017	Analysis of the factors affecting the performance of commercial banks using the CAMELS model: An applied study on Jordanian commercial banks during the period 2009-2014	factors affecting	performance of commercial banks	Analytical	The results indicated that capital adequacy, asset quality, management efficiency and profitability were among the most important factors affecting the performance of Jordanian commercial banks measured by return on assets and return on equity.	Place: Jordan Time :2017
2	Sharma,2016	An empirical analysis of macroeconomic and bank-specific factors affecting liquidity of Indian banks	macroeconomic and bank-specific factors	liquidity of Indian banks	Analytical	The factors specific to the bank greatly affect bank liquidity. These include bank size, deposits, profitability, capital adequacy, GDP and inflation.	Place: India Time :2016
3	Alhaderi and alarussi,2018	Factors affecting profitability Banking in Malaysia	Factors affecting	Profitability Banking	Analytical	The results show a strong positive correlation between bank size, company efficiency and profitability. The results also show a negative relationship between the equity-to-debt ratio and the leverage and profitability ratio	Place: Malaysia Time :2018
4	Petria, Caprarub and lhnatovb,2016	Determinants of Banks' Profitability: Evidence from EU 27 Banking Systems	determinants	Banks' Profitability	Experimental	Credit and liquidity risk, management efficiency, business diversification, market / competition focus, and economic growth have an impact on the profitability of banks, on both return on assets and return on assets. An important and valuable finding is the positive effect of competition on bank profitability in the 27th European Union.	Place: EU 27 Banking Time :2016

Table 2. The effect of corona virus on the Profitability of Banking

No	Author, year	Title	IVs	DV	Methodology	Findings	Limitation
1	Kimmo,2020.	Coronavirus shock will further weaken bank profitability in the euro area	Coronavirus	bank profitability	Analytical	The effects of the pandemic are widely reflected in European bank stock prices, which have fallen by 40% since the start of 2020.	Place: euro area Human Limit: Bank of Finland Time limit: 2020
2	Schularick, Steffen and Troeger,2020.	Bank Capital and the European Recovery from the	COVID-19 Crisis	Bank Capital and the European Recovery	Analytical	The loan supply has been adversely affected by lower levels of capital. We estimate a capital deficit of 600 billion euros in	Place: euro area Time limit: 2020

		COVID-19 Crisis				European banks in an acute scenario	
3	Claeys,2020.	The European Central Bank in the COVID-19 crisis: Whatever it takes, within its mandate	COVID-19 Crisis	Central Bank	Analytical	Acceleration of inflation is not a direct threat, as in 2020 the Eurozone will experience its deepest recession on record.	Place: euro area Time limit: 2020
4	Aldasoro,Fender,Hardy and Tarashev,2020	Effects of Covid-19 on the banking sector: the market's assessment	COVID-19 Crisis	Banking sector	Analytical	Less profitable banks saw their long-term rating outlook revised to negative. CDS spreads for the riskiest banks continued to increase even during the stabilization phase.	Place: Germany Time limit: 2020
5	Kunt, Pedraza, and Ruiz-Ortega, 2020	Banking Sector Performance during the COVID-19 Crisis	COVID-19 Crisis	Banking Sector Performance	Comparative analysis	The crisis and the counter-cyclical lending role that banks are expected to play has put banking systems under great pressure	Subject limit; Banking Sector Performance during the COVID-19 Crisis Time limit, 2020
6	Disemadi and Shaleh,2020.	Banking credit restructuring policy amid COVID-19 pandemic in Indonesia	COVID-19 pandemic	Banking credit restructuring	Analytical	The implementation of the restructuring plan can vary and is determined by the policies of each bank depending on the debtor's file evaluation and ability to pay.	Place: Indonesia Time limit: 2020

3. Research Framework and Research Hypotheses

The study used frictional theory of profits which states that in a stable economy where unforeseen changes in demand or cost conditions do not occur, in long-run equilibrium, firms will earn only a normal rate of profit on their capital and entrepreneurial talents. Under these circumstances, the economic profits will not accrue to the companies. Frictional profit theory explains that shocks or disturbances sometimes occur in the economy as a result of unexpected changes in product demand or cost conditions that cause unbalanced conditions. It is these conditions of imbalance that bring positive or negative economic profits to some firms. Thus, according to the theory of friction, economic profits exist for some time due to the friction factors which prevent the irregular adjustment of the system to the new conditions. When economic profits are achieved in the short term, more companies will enter industry and banking services in the long run until all economic profits are reduced to zero (that is, companies will only realize a normal return or profits on their capital investments). On the other hand, when companies or banks incur losses (i.e., negative profits), some firms will leave industry and services. This will raise the price of the product or service so that the losses are eliminated, and the remaining firms make only normal profits (Dutta, 2020)

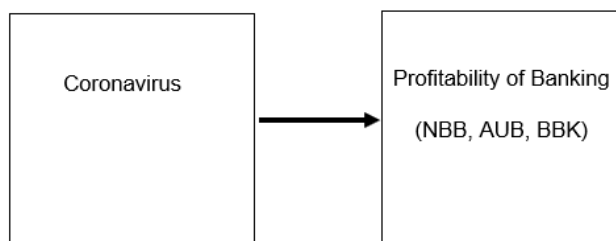


Fig. 2. Research Framework

In Figure 2 above, the research focuses on two variables and the relationship between them. One of them is the independent variable that has the effect of the research study, and in the case of this research, the independent variable will be Corona virus, and the other is the dependent variable, which is the profitability of banks in the Kingdom of Bahrain, where the study identified three banks, which are the National Bank of Bahrain, Bank of Bahrain and Kuwait and Ahli

United Bank. The main Hypothesis of the study assumes that the Corona virus has affected the profitability of banks in the Kingdom of Bahraini will be developed by looking at existing evidence and using logic and comparative approach to infer what will happen in the context of the specific interest. Hypotheses are often derived from theories but not always. So, a hypothesis is often a theory-based prediction, but some hypotheses are theoretical, and only after making a set of observations does a theory develop and the main research hypothesis is:

H₁: Coronavirus has affected the profitability of banks in the Kingdom of Bahrain.

4. Research Design

4.1. Population and Collecting the Data

According to the report of the Central Bank of Bahrain (2019), the number of banks in Bahrain reached 367. The researcher used the comparative approach, which is a form of the methodology used in scientific research, and the aim of this approach is to make a set of comparisons. Between the phenomena related to scientific research, in order to identify similarities between them, as well as the point of difference, and therefore it is before the scientific researcher an opportunity to learn about everything mysterious about the phenomenon of the impact of the Corona virus. On the profitability of the bank. The study population is a group of randomly selected banks that were selected based on the availability of their financial data, and accordingly, the National Bahraini Bank, Ahli United Bank and BBK were chosen. Data were collected from two sources: (i) Primary data sources include the information collected and processed directly, which are the financial data and lists provided by the above-mentioned banks; (ii) Secondary data sources include information retrieved from pre-existing sources such as research articles, the Internet, and the online library.

4.2. The Measurement of Profitability in Banking Sector

Profitability based measurement can serve as a more robust and inclusive means to measure the performance by gauging the extent of operational efficiency as well as capturing the nuances of banks diversifying earnings through non-interest income activities and management of their costs (Pwc,2020). Three primary measures of bank profitability are known as 'Return on Assets' (ROA), 'Return on Equity' (ROE), and 'Net Interest Margin' (NIM). Ratios are comparisons of different quantities. Use these formulas to determine a bank's profitability ratio (Johnson, 2017).

5. Results and Discussion

To achieve the goal of comparing the impact of Corona on the profitability of banks by comparing the financial statements, namely (Return of assets and return of equity) for the year 2020 and 2019, it included the basic principles through financial ratios and the use average. By using ROA formula which indicates to net profit of the year/ total assets; and ROE formula which indicates to net profit attributable to shareholders / total equity.

5.1. Comparison of Relation

Table 3. Compare assets for the 2019,2020 For NBB, BBK, AUB

	2019	2020	%
NBB	3,208.5	4,450.3	+38.7%
BBK	3,865.0	4,032.9	+4.3%
AUB	15,205,719.3	15,129,759.5	- 0.0049%

Source: Financial Statement

Through the above table (3.1) and based on the financial statements of banks, we see that the rate of assets for some banks for the year 2020 is high compared to the year 2019, as the National Bank of Bahrain increased the return on assets by 4,450.3 as in 2019 it was 3,208.5. Also, Ahli United Bank it affects the current epidemic conditions on the assets, as the total assets 15,129,759.5 compared to 2019 was 15,205,719.3, as the total assets was 4,032.9 for BBK, as it increases in the value of assets 3,865.0 compared to 2019.

Table 4. Compare Equity for the 2019,2020 For NBB, BBK, AUB

	2019	2020	%
NBB	486.4	485.5	- 0.18%
BBK	547.0	442.0	- 19.19%

AUB	2,023,977.2	1,861,394.74	- 0.83%
-----	-------------	--------------	---------

Source: Financial Statement

Likewise, in Table 4, we see that capital ratio of Bank of Bahrain decreased by 0.18% compared to the year 2019 and compared to the National Bank of Bahrain, which witnessed a decrease on equity by 19.19% in the year 2020 and Ahli United Bank by - 0.83% compared to the year 2019.

5.2. Profitability in Banking Sector

5.2.1. Return of assets

According to The Motley Fool (2016) the rate of return on assets is calculated by dividing the net profit of the company in the income statement by the average total assets. This rate is presented as a percentage.

Table 5. Return of assets 2019

	Profit	Assets	Return of assets%
NBB	40.0	3,208.5	1.24%
BBK	40.3	3,865.0	1.04%
AUB	154,258.958	15,205,719.3	1.01%

Source: Financial Statement

Table 6. Return of assets 2020

	Profit	Assets	Return of assets%
NBB	29.4	4,450.3	0.66%
BBK	29.5	4,032.9	0.73%
AUB	118,672.032	15,129,759.5	0.78%

Source: Financial Statement

The above tables 5 and 6 show the return on assets ratio for National Bank of Bahrain (NBB), Bank of Bahrain and Kuwait (BBK) and Ahli United Bank (AUB) for the years 2019 and 2020. As the return on assets decreased significantly, in the National Bank of Bahrain (NBB) in 2019 it was 1.24% and decreased in 2020 to 0.66%, Bahrain and Kuwait (BBK) in 2019 the rate was 1.04%, and in 2020 0.73%, Ahli United Bank (AUB) in 2019 was 1.01% and in 2020 the rate was 0.78%.

5.2.2. Return of Equity

Table 7. Return on Equity 2019

	Profit	Equity	Return of equity %
NBB	40.0	486.4	8.22%
BBK	40.0	547.0	7.31%
AUB	142,512.29	2,023,977.2	7.04%

Source: Financial Statement

Table 8. Return on Equity 2020

	Profit	Equity	Return of equity %
NBB	29.4	485.0	6.06%
BBK	29.2	442.0	6.60%
AUB	110,773.222	1,861,394.74	5.95%

Source: Financial Statement

The above tables 7 and 8 show the return on equity ratio for National Bank of Bahrain(NBB), Bank of Bahrain and Kuwait(BBK) and Ahli United Bank(AUB) for the years 2019 and 2020. The return on shareholder equity also decreased significantly, in the National Bank of Bahrain (NBB) in 2019 it was 8.22% and decreased in 2020 to 6.06 %, Bank of Bahrain and Kuwait (BBK) in 2019 the rate was 7.31%, in 2020 6.60%, Ahli United Bank (AUB) in 2019 the rate was 7.04%, and in 2020 the rate was 5.95%.

5.3. Comparative Explanatory

By comparing the profitability ratio of NBB, BBK and AUB banks in Bahrain before and during the Coronavirus period. We can see that the results of this comparison achieved the research objectives in analyzing the profitability ratio of the banks of the National Bank of Bahrain, the Bank of Bahrain and Kuwait, and the Ahli United Banks in Bahrain before the Coronavirus period, as the return on assets ratio reached 3.29%. The return on equity is 22.57%. As we see a decrease in the profitability of banks during the period of Coronavirus, through a decrease in the return on assets by 2.17% and the return on equity by 18.61%.

6. Conclusion

The study notice through the results the extent of the impact of the Corona virus on the profitability of banks through the sudden closure, and thus we see the extent of the banks' failure to achieve profitability through the marked decrease in the rate of returns. On assets and returns on capital, as the selected banks were achieving great profitability during 2019, but in 2020 it becomes clear to us how weak their ability to reap profits and financial returns. Despite the solidity of the banking sector and the preparations through which it faced the repercussions of Corona, the profits of some banks were negatively affected compared to last year, as the profits were affected by the increase in banks' formation of allocations to face the risks arising from the Corona pandemic, in conjunction with the application of the new tax treatment on bills and bonds and lowering prices Interest, in addition to the central bank initiatives that affected the fees and commissions. Through the research and results, it becomes clear to us the extent of the correct hypothesis, which is that the Corona virus negatively affects the profitability of banks in the Kingdom of Bahrain, and this is what the results of the research proved.

The study restrictions were that all banks in the Kingdom of Bahrain were not comprehensive due to the lack of sufficient financial data. Therefore, the research was limited to the National Bank of Bahrain, Ahli United Bank, and BBK. The research was limited to studying the impact of Corona virus on the profitability of the banking sector in the Kingdom of Bahrain, as the researcher faced several difficulties in obtaining sufficient data and linking the Corona virus and the closure measures on the banking sector. One of the time constraints is that this research was conducted in the year 2020.

The study recommends that in order for banks to work to increase profitability, they must increase the effectiveness of the required reserve as a tool to control bank risks, and work on controls and determinants such as capital adequacy, legal liquidity ratio and the ratio of loans to deposits, which are much more effective than reserve requirements in maintaining the safety of the sector and its durability and its ability to absorb shocks. And, by working to increase interest and loans.

References

- Al Ahli United Bank BSC (AUB). (No date). Retrieved on December 21, 2020, from <https://www.mubasher.info/markets/BB/stocks/AUB/financial-statements>
- Aldasoro,IFender, Hardy,and Tarashev. (2020). Effects of Covid-19 on the banking sector: the market's assessment. Retrieved from ideas: <https://ideas.repec.org/p/bis/bisblt/12.html>
- Ali Saleh Alarussi and Sami Mohamed Alhaderi. (2018). Factors affecting profitability in Malaysia. Retrieved from emerald: <https://www.emerald.com/insight/content/doi/10.1108/JES-05-2017-0124/full/html>
- AL-Qaisi, F. (2017). EBSCOhost Research Platform | EBSCO. Retrieved 2 November 2020, from <https://www.ebsco.com/products/ebscohost-research-platform>
- Alsyed A., 2020. How has the Corona virus affected the global banking sector? [online] Vision newspaper. Available at: <<https://www.alroeya.com/117-53/2150128-%D9%83%D9%8A%D9%81-%D8%A3%D8%AB%D8%B1-%D9%81%D9%8A%D8%B1%D9%88%D8%B3-%D9%83%D9%88%D8%B1%D9%88%D9%86%D8%A7-%D8%B9%D9%84%D9%89-%D8%A7%D9%84%D9%82%D8%B7%D8%A7%D8%B9-%D8%A7%D9%84%D9%85%D8%B5%D8%B1%D9%81%D9%8A-%D8%B9%D8%A7%D9%84%D9%85%D9%8A%D8%A7>> [Accessed 19 October 2020].
- Alyawansah, A., 2020. The impact of the "Corona" virus on the global economy. [online] Watan. Available at: <<https://alwatannews.net/article/876652/Business/%D8%AA%D8%A3%D8%AB%D9%8A%D8%B1-%D9%81%D9%8A%D8%B1%D9%88%D8%B3-%D9%83%D9%88%D8%B1%D9%88%D9%86%D8%A7-%D8%B9%D9%84%D9%89-%D8%A7%D9%84%D8%AA%D8%B5%D8%A7%D8%AF-%D8%A7%D9%84%D8%B9%D8%A7%D9%84%D9%85%D9%8A>> [Accessed 19 October 2020].
- Asli Demirguc-Kunt, Alvaro Pedraza, Claudia Ruiz-Ortega. (2020). Banking Sector Performance during the COVID-19 Crisis. Retrieved from elibrary: <https://elibrary.worldbank.org/doi/abs/10.1596/1813-9450-9363>
- AUB. (2020). Retrieved 31 October 2020, from <https://www.ahliunited.com/?lang=ar>
- BBK-About us. Retrieved 31 October 2020, from <https://www.bbkindia.com/about-bbk>
- Brone, A., 2020. Bank. [online] Investopedia. Available at: <<https://www.investopedia.com/terms/b/bank.asp>> [Accessed 19 October 2020].
- Claeys, G. (2020). The European Central Bank in the COVID-19 crisis: Whatever it takes, within its mandate. Retrieved from euagenda: <https://euagenda.eu/upload/publications/pc-09-2020-final.pdf>

- Coronavirus disease (Covid-19). (2020). Retrieved from Who: <https://www.who.int/ar/emergencies/diseases/novel-coronavirus-2019/advice-for-public/q-a-coronaviruses>
- Dutta, N. (2020). Top 5 Theories of Profit – Explained! Retrieved from economics discussion: <https://www.economicdiscussion.net/profit/top-5-theories-of-profit-explained/6101>
- Elnahass, M., Trinh, V. Q., & Li, T. (2021). Global banking stability in the shadow of Covid-19 outbreak. *Journal of International Financial Markets, Institutions and Money*, 72, 101322.
- Financial statement 2019. (2019). Retrieved December 22, 2020, from <https://www.nbbonline.com/sites/default/files/2020-03/NBB-end-year-Financial-AD-2019-Ara-v3.pdf>
- Gallagher, J. (2020). Coronavirus: What is "long-term" Covid-19 and why do some infected people not recover quickly? Retrieved from bbc: <https://www.bbc.com/arabic/science-and-tech-54447622>
- Hamad, M. (2020). How did the corona affect the banking business? - Alghad. Retrieved 30 October 2020, from <https://alghad.com/%D9%83%D9%8A%D9%81-%D8%A3%D8%AB%D8%B1%D8%AA-%D8%A7%D9%84%D9%83%D9%88%D8%B1%D9%88%D9%86%D8%A7-%D8%B9%D9%84%D9%89-%D8%A3%D8%B9%D9%85%D8%A7%D9%84-%D8%A7%D9%84%D8%A8%D9%86%D9%88%D9%83%D8%9F/>
- Hari Sutra Disemadi, Ali Ismail Shaleh. (2020). Banking credit restructuring policy amid COVID-19 pandemic in Indonesia. Retrieved from ejournal: <http://ejournal.umm.ac.id/index.php/JIKO/article/view/11790>
- HAYES, A. (2019, 4 22). Project Finance. Retrieved from investopedia: <https://www.investopedia.com/terms/p/projectfinance.asp>
- How do "banks" see the impact of the epidemic on their performance? (2020). Retrieved 30 October 2020, from <https://alborsaanews.com/2020/05/18/1347173>
- How to Calculate Profitability Ratios for Banks | The Motley Fool. (2016). Retrieved 28 December 2020, from <https://www.fool.com/knowledge-center/how-to-calculate-profitability-ratios-for-banks.aspx>
- <https://www.thecitizen.co.tz/magazine/businessweek/Importance-of-banking-industry/1843772-4543558-b68977/index.html>
- Johnson, C. (2017). How to Calculate Profitability Ratios for Banks. Retrieved 19 December 2020, from <https://pocketsense.com/calculate-profitability-ratios-banks-2634.html>
- Koskinen, K. (2020). Coronavirus shock will further weaken bank profitability in the euro area. Retrieved from helda: <https://helda.helsinki.fi/bof/handle/123456789/17438>
- Li, X., Feng, H., Zhao, S., & Carter, D. A. (2021). The effect of revenue diversification on bank profitability and risk during the COVID-19 pandemic. *Finance Research Letters*, 43, 101957.
- Mahdi, M. (2020). Corona crisis besieges bank profits despite trillions of cash. Retrieved 30 October 2020, from <https://www.alaraby.co.uk/%D8%A3%D8%B2%D9%85%D8%A9-%D9%83%D9%88%D8%B1%D9%88%D9%86%D8%A7-%D8%AA%D8%AD%D8%A7%D8%B5%D8%B1-%D8%A3%D8%B1%D8%A8%D8%A7%D8%AD-%D8%A7%D9%84%D9%85%D8%B5%D8%A7%D8%B1%D9%81-%D8%B1%D8%BA%D9%85-%D8%AA%D8%B1%D9%8A%D9%84%D9%8A%D9%88%D9%86%D8%A7%D8%AA-%D8%A7%D9%84%D9%83%D8%A7%D8%B4>
- Mateev, M., Tariq, M. U., & Sahyouni, A. (2021). Competition, capital growth and risk-taking in emerging markets: Policy implications for banking sector stability during COVID-19 pandemic. *PLoS One*, 16(6), e0253803.
- Merriam-webster.com. 2020 Definition of PROFITABLE. [online] Available at: <https://www.merriam-webster.com/dictionary/profitable> [Accessed 19 October 2020].
- Mkwawa, K. (2018). Importance of banking industry. Retrieved from businessweek:
- National Bank of Bahrain (NBB). (2020). Retrieved December 21, 2020, from <https://www.mubasher.info/markets/BB/stocks/NBB/financial-statements>
- National Bank of Bahrain | National Bank of Bahrain. Retrieved 31 October 2020, from <https://www.nbbonline.com/ar/our-history>
- Petriaa .N, Caprarub .B, Ihnatovb I. (2015). Determinants of Banks' Profitability: Evidence from EU 27 Banking Systems. Retrieved from sciencedirect: <https://www.sciencedirect.com/science/article/pii/S2212567115001045>
- Pettinger, T. (2020). Purpose of Banks - Economics Help. Retrieved 2 November 2020, from <https://www.economicshelp.org/blog/glossary/banks/>
- PWC. 2020 Banking Profitability And Performance Management. [online] Available at: https://www.pwc.in/assets/pdfs/finance-effectiveness/banking_profitability.pdf [Accessed 19 December 2020].
- Ramasamy, D. (2020). Impact Analysis in Banking, Insurance and Financial services industry due to COVID-19 Pandemic. *Pramana Research Journal*, 10(8).
- Reuters. 2020. Bahrain's Economy Shrank By 8.9% In Second-Quarter Amid Coronavirus Restrictions. [online] Available at: <https://www.reuters.com/article/bahrain-gdp-int-idUSKBN26I0IT> [Accessed 19 December 2020].
- Schularick . M, Steffen. S, and Tobias H. Troeger. (2020). Bank Capital and the European Recovery from the COVID-19 Crisis. Retrieved from papers: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3638031
- Singh, A., & Sharma, A. (2020). An empirical analysis of macroeconomic and bank-specific factors affecting liquidity of Indian banks. Retrieved 2 November 2020, from <https://www.sciencedirect.com/science/article/pii/S2314721016000037>
- Sonkar, N. Areas of Work: The different dimensions of investment banking. Retrieved 2 November 2020, from <https://www.careers.ox.ac.uk/sectors-and-occupations>
- Statista. 2020. Topic: COVID-19: Impact On The Global Economy. [online] Available at: <https://www.statista.com/topics/6139/covid-19-impact-on-the-global-economy/> [Accessed 19 December 2020].
- The condensed consolidated interim financial statements. (2020, September 30). Retrieved December 21, 2020, from <https://ar.bbbonline.com/documents/BBK-%20Arabic%20FS%2030%20September%202020%20%28for%20website%29.pdf>
- The impact of the new Corona on the banking sector - Issue 474 - Union of Arab Banks. (2020). Retrieved 30 October 2020, from <https://uabonline.org/ar/%D8%AA%D8%A3%D8%AB%D9%8A%D8%B1-%D9%83%D9%88%D8%B1%D9%88%D9%86%D8%A7-%D8%A7%D9%84%D9%85%D8%B3%D8%AA%D8%AC%D8%AF-%D8%B9%D9%84%D9%89-%D8%A7%D9%84%D9%82%D8%B7%D8%A7%D8%B9-%D8%A7%D9%84%D9%85%D8%B5%D8%B1/>
- Why Banking is Important? (2019). Retrieved from norges: <https://www.norges-bank.no/en/knowledge-bank/financial-stability/why-are-banks-so-important/>
- Yousef, A. (2020). The performance of Gulf banks in light of the Corona pandemic. Retrieved 30 October 2020, from <http://www.akhbar-alkhaleej.com/news/article/1224790>
- Yousef, k. (2020). Banks will surpass the Corona crisis and an opportunity for acquisitions. Retrieved 30 October 2020, from <https://www.alayam.com/alayam/first/860499/News.html>