

Proposal of

The impact of the Corona pandemic on the Saudi banking sector and the role of risk management in crisis management

تأثير جائحة كورونا على القطاع المصرفي السعودي ودور

إدارة المخاطر في إدارة الأزمات

Prepared by:

Latifah Ahmad ALmagrabi

Academic number: 241001782

Supervised by:

Dr. Asma Abuanzeh

Dr Shimaa Mansour

Dr Rehab Elshafie

Dr Alaa Ahmed

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1.1 Introduction:

At the beginning of 2020, the world witnessed a major spread of the Corona virus, which was later called (Covid-19), which was discovered in China in the Chinese city of Wuhan, and which was classified as a pandemic by the World Health Organization. In the wake of this spread, the countries of the world rushed to take quarantine measures that were unprecedented in history, which resulted in millions of people being banned from conducting daily transactions and all means of transportation of all kinds, land, sea and air, stopping. This period witnessed a sudden stagnation and contraction, which was indicated by the reports of the International Monetary Fund, which indicated a decline in economic growth at the global level. These reports also indicated that developed homes are the countries most exposed to the harms of this pandemic. The Saudi banking sector has reacted to the data of the private sector financing support program announced by the Monetary Agency, which aims to support small and medium enterprises and support customers with the requirements that enable them to overcome this pandemic (Almonifi, et al., 2021, P 540). It's common knowledge that risk management is an essential component of management accounting. It helps businesses decide on strategy by taking opportunities and risks into account. Committee of Treadway Commission Sponsoring Organizations. Regarding integrated risk management's consequences, there is still significant uncertainty, especially when it comes to resilience. An integrated and comprehensive approach to risk management can improve organizational resilience, according to the new COSO framework for enterprise risk management (ERM). This is due to the fact that ERM makes it possible for businesses to recognize important

risks and develop the skills needed to react to them quickly. Thus, we anticipate that enhanced organizational resilience will be facilitated by a stronger emphasis on risk management (Eichholz, et al., 2024).

In the dynamic and unpredictable corporate environment of today, crisis management and risk management are essential elements of organizational resilience and success. How well a company handles crises and strategic risks will decide how resilient it is to setbacks, preserve its good name, and win over stakeholders. The research attempts to create evidence-based techniques that enable decision-makers to strategically manage risks and proactively address crises, promoting stability and sustainability in the face of difficulties, by identifying important themes and patterns. The research findings have the potential to yield substantial contributions to the wider domains of risk management and crisis management.

1.2 Research Problem:

The COVID-19 pandemic's emergence led to a global public health emergency.⁴⁶ People had a great deal of trouble returning to their previous level of functioning because COVID-19 concerns, uncertainties, and stress were too big to handle digitally. The financial system in the Kingdom of Saudi Arabia (KSA) has a history of relative soundness, particularly in banking, due to comparatively strict and enforced domestic supervision, and supported by what has been for the most part a reasonably robust economy. However, the sector is facing challenges of a sluggish economy, need for reform and negative effects of the COVID-19 pandemic (Orlando and Bace, 2021, P 14).

Accordingly, the problem of the current research represents in investigate the impact of the Corona pandemic on the Saudi banking sector and the role of risk management in crisis management.

1.3 Research Questions:

Consequently, the following research topics are addressed by this study:

- Is there a statistical impact at the level of (0.05) of Corona pandemic on Saudi banking sector?
- Is there a statistical impact at the level of (0.05) of Corona pandemic on crisis management?
- Is there a statistical impact at the level of (0.05) of risk management on Saudi banking sector?
- Is there a statistical impact at the level of (0.05) of risk management on crisis management ?

1.4 Research Objectives:

Consequently, the following research objectives are addressed by this research:

- Identify whether there is a statistical impact at the level of (0.05) of Corona pandemic on Saudi banking sector.
- Identify whether there is there a statistical impact at the level of (0.05) of Corona pandemic on crisis management.
- Identify whether there is a statistical impact at the level of (0.05) of risk management on Saudi banking sector.
- Identify whether there is a statistical impact at the level of (0.05) of risk management on crisis management.

1.5 Research Significance:

It is crucial to conduct research on the impact of Corona pandemic on the Saudi banking sector and the role of risk management in crisis management:

- **Theoretical Significance:**

It is expected that the results of this study will contribute some support to the impact of the Corona pandemic on the Saudi banking sector and the impact of risk management on crisis management. It is expected that the results will also serve as a guide for future researchers conducting related studies. In addition, research helps enrich scientific libraries and develop the researcher's expertise in various fields and case study topics. Encouraging the researcher to continue researching a range of scientific issues, especially if his or her efforts are recognized, supported and encouraged. This also helps to advance human knowledge and cultural balance in the fields of science, culture and knowledge, in addition to applied importance.

- **Practical Significance:**

The practical importance of the current research is to provide a set of recommendations and proposals in order to enhance the performance of workers within the Saudi banking sector in crisis management and risk management in difficult times and to identify the most prominent strategies proposed in dealing with risks through which crises can be managed and the highest performance can be achieved for workers within the Saudi banking sector.

1.6 Research Definitions:

- **Corona pandemic:**

(Onyeaka, et al., 2021, P 2) defined corona pandemic as "COVID-19 is a viral disease caused by the novel SARS CoV-2 virus, a single-stranded enveloped positive-sense RNA virus that

emanated from Wuhan China and has spread across all major cities and countries the world over”. (Onyema, et al., 2020, P 109) defined corona pandemic as “a contagious disease that first emerged in Wuhan, China in 2019. It was later coded “COVID-19” by the W.H.O which stands for Coronavirus Disease 2019”.

(Nasir, et al., 2020, P 133378) defined corona pandemic as “a commonly leads to Upper Respiratory Infection (URI). It is single-stranded RNA viruses that cause various kinds of illnesses in birds and mammals, including humans”.

- **Risk management:**

(Gurtu and Johny, 2021, P 2) defined risk management as “the implementation of strategies and plans to manage risks networks through constant risk assessment and reduce vulnerabilities to ensure resilience”.

(Khinvasara, et al., 2023, P 133) defined the risk management as “stage where risk reduction strategies are put into action with the purpose of risk control is to reduce the severity of a risk to an acceptable level, often known as mitigating the risk”.

(Martin, et al., 2019, P 2) defined the risk management as “the process by which risks in an organization can be identified, controlled and eliminated depending on

- **Crisis management:**

(Gazi, 2017, P 14) defined crisis management as “the process that attempts to identify and predict areas of crises, the development of actions or measures designed to prevent crises from occurring, or from an incident evolving into a crisis, and minimizing the effects of disruption from a crisis that could not be prevented”.

(Mehr and Jahanian, 2016, P 144) defined crisis management as “crisis management is a means of proactively preparing a company for a worst-case scenario, it involves the careful planning of approaches that will minimize the effects on the operation in both short and long terms”.

(OstaeV, et al., 2020, P 325) defined crisis management as “the discipline of preparing the resources and organizational structures necessary to respond effectively in the face of a crisis and recover effectively in the aftermath”.

1.7 Research Framework:

The preceding graphic makes it evident to us that the goal of the current research is to examine the impact of the Corona pandemic on the Saudi banking sector and the role of risk management in crisis management:

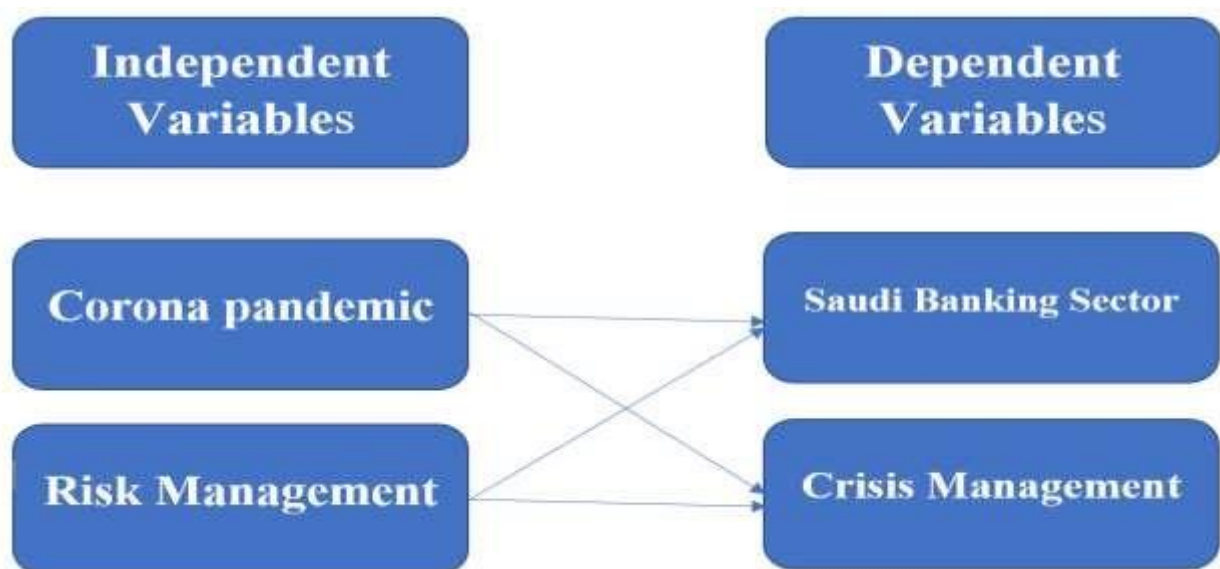


Figure (1): Research Framework

From the previous figure, it is clear to satisfy research variables which are represented in the following points:

- **The Independent variable:** The research's independent variable is shown in Corona pandemic and risk management.
- **The Dependent variable:** The dependent variable under study is represented in Saudi banking sector and crisis management.

1.8 Research Hypotheses:

Then the research raises the following hypotheses:

H1: There is a statistical impact at the level of (0.05) of Corona pandemic on Saudi banking sector.

H2: There is a statistical impact at the level of (0.05) of Corona pandemic on crisis management

H3: There is a statistical impact at the level of (0.05) of risk management on Saudi banking sector.

H4: There is a statistical impact at the level of (0.05) of risk management on crisis management

2. Literature review:

This part will go over earlier research and writing that has looked at variables.

- **Study of (Ben Ahmed, 2023), titled: Risk Management Practices and Performance: Evidence from Saudi Arabia Companies**

This study examines how risk management strategies affect the performance of Saudi financial institutions as determined by accounting criteria like return on equity (ROE) and return on assets (ROA). Over a twelve-year period, the study's emphasis was Saudi Arabia, an emerging country (2010–2021). Ten financial organizations listed on the Tadawul Stock Exchange in Saudi Arabia provided us with yearly reports from which we extracted data on accounting and financial factors. We also acquired datasets from Bloomberg and DataStream that were not available. We

utilized a panel-data technique, followed the body of empirical literature already in existence, and created two equations with the Ordinary Least Square (OLS) estimator. The study's conclusions showed that improving the performance of Saudi banks requires a focus on three key areas: bank size, total deposit, and credit-to-deposit ratio. Authorization for capital expenditures, however, has a detrimental effect on Saudi banks' performance. Moreover, loans have a favorable effect on ROE but a negative impact on ROA. Furthermore, we discovered that there is no discernible correlation between capital (CAP) and the ROE performance of Saudi banks.

- **Study of (Mansour, et al., 2022), titled: Regulatory policies in the global Islamic banking sector in the outbreak of COVID-19 pandemic**

This study projects how Islamic banks would react to the COVID-19 epidemic across the 2019 – 2021-time frame in terms of size, profitability, nonperforming financing, and stability. Based on the systemic importance of their Islamic banks, nine jurisdictions Bahrain, Brunei, Indonesia, Kuwait, Malaysia, Pakistan, Saudi Arabia, Turkey, and the United Arab Emirates are taken into consideration. Our forecasting exercise, which makes use of the bivariate VARX model, demonstrates that the Islamic banks' reactions to the COVID-19 outbreak vary according on the jurisdiction. Although the dynamics of Islamic banks in Saudi Arabia, the United Arab Emirates, and Kuwait are unlikely to be negatively impacted, Bahrain, Brunei, Malaysia, Pakistan, and Turkey are anticipated to be comparatively more affected, particularly with regard to their scale expansion. By the end of the fourth quarter of 2021, the assets of Saudi Arabia's Islamic banks are predicted to reach at least \$185.4 billion, indicating that the country will continue to dominate the growth momentum of the worldwide Islamic banking sector. This study suggests that the jurisdictions prioritize the execution of the policy measures according to the ways in which their banks responded to the COVID-19 epidemic.

- **Study of (Abbas, et al., 2021), titled: The Role of social media in the Advent of COVID-19 Pandemic: Crisis Management, Mental Health Challenges and Implications**

In order to handle the global health problem, this study focuses on how educating individuals via social media platforms might help lessen the COVID-19's negative effects on mental health. The pandemic has created a global mental health emergency, and accurate information is essential to removing mental stress, anxiety, and uncertainty and uniting communities throughout the world in the collaborative fight against COVID-19 disease. Growing research indicates that newsfeeds with seemingly never-ending coronavirus-related deaths and statistics significantly raised the likelihood of mental health problems worldwide. Both good and bad information was shared on social media, and the COVID-19 has caused a pandemic that is spreading throughout the world. It has damaged public confidence and made virus containment more difficult, even after the coronavirus pandemic has passed. the study used a narrative review analysis based on the body of research on mental health issues and the non-pharmaceutical interventions (NPIs) method. As of October 14, 2020, Pakistan documented the second-highest number of COVID-19 cases in South Asia, the fifth-highest number of cases in Asia (after Iran, India, Russia, and Saudi Arabia), and the fourteenth-highest number of cases overall. Pakistan handled the second wave of the COVID-19 pandemic well. With eight confirmed instances, it is the greatest amount to yet

- **Study of (Orlando and Bace), 2021, titled: Challenging Times for Insurance, Banking and Financial Supervision in Saudi Arabia (KSA)**

This study aims to evaluate the government's current response to the banking sector's difficulties. The working hypothesis is that the insurance sector has strengthened its position, which has led to increased profitability, efficiency, and reduced risk. Historically, this business has

been beset by an excessive number of players, financial difficulties, and inadequate oversight. The analysis conducted supports the notion, as evidenced by the industry's increased contribution following the pandemic. According to analysis, that industry has made progress toward diversifying the economy since the pandemic began. Moreover, evidence is provided that the sensitivity to changes in oil volumes (rather than to changes in oil prices) is a key risk factor for the financial sector in the KSA. These findings have implications for policy makers in terms of leveraging the pandemic conditions as an opportunity to drive further reform and diversify the economy with lower risk.

- **Study of (Almonifi, et al., 2021), titled: The COVID-19 Pandemic Effect on the Performance of the Islamic Banking Sector in KSA: An Empirical Study of Al Rajhi Bank**

The purpose of this research is to evaluate how the COVID-19 outbreak has affected the Kingdom of Saudi Arabia's Islamic banking industry's performance. The global financial sector experienced a number of problems following the COVID-19 pandemic. The analysis examines Al Rajhi Bank's development both prior to and throughout the COVID-19 outbreak. With around 80 billion dollars in deposits, 6.77 billion dollars in paid-up equity, and a sizable workforce, Al Rajhi Bank is among the biggest banks in the Kingdom of Saudi Arabia and the entire globe. The results demonstrate that Saudi Arabia's Islamic banking sector, particularly the bank under study, was largely unaffected by the COVID-19 issue and that Islamic banks are able to avoid the associated financial and economic dangers.

- **Study of (Jaziri and Miralam, 2021), titled: The impact of crisis and disasters risk management in COVID-19 times: Insights and lessons learned from Saudi Arabia**

Every nation in the world is working to contain the COVID-19 pandemic, and as a result, their governments are dealing with never-before-seen pressures and difficulties. Given that COVID-19 has caused a socioeconomic downturn and the decline of health systems. Some nations can provide insights and lessons on how to construct their people-centered health and socioeconomic policies using different methodologies. The kingdom of Saudi Arabia has put in place a number of policies and plans to stop the pandemic's spread and preserve human life. As a result, we look into how the Saudi disaster risk reduction system (DRRS) is battling the viral spread and ensuring a secure environment for the people living there. The framework for managing risks associated with crises and disasters within the hazard management process is documented and analyzed by the study using a qualitative case study technique. The case study approach works well for examining phenomena in their actual environments and circumstances. According to the report, the Saudi disaster risk reduction system (DRRS) is organized at three primary levels: tactical, operational, and strategic. This structure was seen during the COVID-19 pandemic. The audit and monitoring of the entire decentralized crisis management units at the tactical and operational levels is carried out by the strategic level, which stands in for the strategic planning division. Three policy implications are indicated by the findings: maintain public vigilance at the national level, maintain flexibility in the national management system, and promote good governance at the local administration level.

- **Study of (Osemy, 2021), titled: The Role of Accounting Information in Risk**

Management in the Saudi Banks under Digital Services: Exploratory Study

The purpose of this study is to ascertain how important it is for Saudi banks to employ digital services to control risk by utilizing relevant accounting data. An exploratory study and a desk study from the literature review served as the foundation for this one. According to this study, employing

helpful accounting data in Saudi banks' risk management procedures under digital services is statistically significantly correlated with favorable outcomes overall. A robust and positive connection with a value of 0.94 is present. Additionally, this study showed that utilizing accounting data in risk management inside Saudi banks' digital services has a statistically significant correlation with risk reduction. There is a positive and strong correlation, the value of which is 0.80. Furthermore, the study found a statistically significant correlation between risk avoidance and the use of accounting information in risk management in Saudi banks using digital services. A moderately positive correlation with a value of 0.66 is present. Lastly, the researcher suggests that in order to further enhance the quality of the risk management process, particularly with regard to digital services, Saudi banks must appropriately employ valuable accounting information.

• **Study of (Lai and Wong, 2020), titled: Comparing crisis management practices in the hotel industry between initial and pandemic stages of COVID-19**

The purpose of this study is to compare the hotel industry's responses to the problem at its early stages and during the epidemic. Design, procedure, and strategy Data were gathered from Macau hotel managers twice in 2020: in the beginning of February and the beginning of April. Six practice categories (pricing, marketing, maintenance, human resources, government assistance, and epidemic prevention) were categorized into four executable crisis management strategies (priority, maintain, low priority, and possibly overkill) for each stage of the crisis using an importanceusage-performance analysis. In-person follow-up interviews were done to confirm the study's findings. Priority tactics should be implemented in the first phase in two areas: human resources and governmental aid, as well as in all procedures related to pricing, maintenance, and epidemic prevention. All epidemic prevention strategies are still in the top quadrant at the pandemic stage; however, two pricing strategies are moved down. Hotels often delayed office and system

maintenance and forced workers into unpaid vacations (furloughs). The priority of government help ought to be low.

3. Research methodology:

3.1 Method:

To determine the impact of the Corona pandemic on the Saudi banking sector and the role of risk management in crisis management this study relied on a descriptive analytical approach.

3.2 Research Sample:

A survey will be undertaken to apply the research to several employees in Saudi banking sector in order to provide dependable results.

3.3 Research Tools:

The questionnaire will be utilized as a research instrument to provide precise statistical data and indications using the selected sample.

3.4 Statistical Methods

□ The arithmetic mean and standard deviation will be used to answer the study questions.

3.5 Research Limits:

- **Topic Limits:** This research employed a quantitative methodology to determine the identify whether there is a statistical impact at the level of (0.05) of Corona pandemic on Saudi banking sector, identify whether there is there a statistical impact at the level of (0.05) of Corona pandemic on crisis management, identify whether there is a statistical impact at the

level of (0.05) of risk management on Saudi banking sector and identify whether there is a statistical impact at the level of (0.05) of risk management on crisis management.

- **Time Limits:** This research will be carried out in the year 2024–2025.
- **Spatial Limits:** This research will be applied in Saudi banking sector in Kingdom of Saudi Arabia.
- **Human limits:** It will be applied to employees in Saudi banking sector.

Research structure:

- **Chapter one:** Introduction to the research.
 - **Chapter two:** Literature Review.
 - **Chapter three:** Methodology.
 - **Chapter four:** Results.
 - **Chapter five:** Discussion, conclusion and recommendations
- Timetable of the Research:**

Chapter	Title	Starting	Finishing
Chapter I	Introduction	July 20 th 2024	August 1 st 2024
Chapter II	Literature Review	August 1 st 2024	October 30 th 2024
Chapter III	Methodology	November 1 st 2024	December 30 th 2024
Chapter IV	Results and Discussion	July 1 st 2025	February 28 th 2025
Chapter V	Conclusion and Recommendation	March 1 st 2025	April 30 th 2025

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