Abstract

The covid-19 pandemic brought numerous challenges for companies, governments, and communities, with the impact on the Romanian banking system is a key area of interest for the academic community. This uncertain context accelerated the digitalization of financial services, and consumers also changed their behavior in relation to banks. Financial institutions strengthened their resilience to risks that emerged from the global spread of the pandemic. In this context, stakeholders, clients, investors, or regulators have become increasingly attentive to banks' ability to manage economic uncertainties, support the community, ensure easy access to banking services, and implement viable sustainability strategies.

The covid-19 pandemic affected several sectors of the economy, including the banking sector. Financial markets reacted strongly, with notable drops in both stock and bond markets. The pandemic began as a global shock that caused multiple disruptions in an interconnected world economy. Globally, banks implemented strategies aimed to adapt their business models and operations to this new context. At the macroeconomic level, the pandemic also exerted pressure on the Romanian economy, especially in terms of the budget deficit and public debt. This difficult economic situation affected the stability of the banking sector, increasing exposure to risky assets and problematic loan portfolios.

The banking sector plays a crucial role in a country's economic development and stability, attracting the focus of professionals and researchers in the field. However, the factors that influenced the redefinition of management strategies in Romanian banks remain relatively unexplored in academic discourse. The pandemic experience tested banks' capacity to handle such economic shocks and provides a framework for developing effective strategies to withstand future economic challenges. By analyzing economic risks and the measures adopted by banks, we can contribute significantly to strengthening and developing the banking sector.

The pandemic also brought changes to the physical presence of banks, with a reduction in the number of branches, as many banks redirected investments towards digital channels. Additionally, the Romanian banking system witnessed consolidation through mergers and new acquisitions.

The purpose of this thesis is to evaluate the effects of the pandemic on the banking sector, both in terms of digital transformation and the evolution of customer relationships, as well as the impact felt by bank employees. In recent years, the accelerated digitalization of banking services has been part of banks' strategies to maintain operational continuity and develop new products and services aligned with customer needs and expectations. At the same

time, the pandemic increased the demand for personalized solutions (Clere, 2023), flexible financial offers, and enhanced cybersecurity measures to protect clients in an increasingly digital environment.

Sustainability has become a key topic for banks, with implications for mandatory reporting and credit risk assessments of financed clients. Topics like clean energy, cybersecurity, energy-efficient buildings, and waste management have become increasingly important on the banks' strategies. The European Union is offering billions of euros through green transition funds and renewable energy financing, and Romania has the opportunity to attract these funds to modernize the energy sector and support industrial transition. However, regardless of the country, the ability to attract financing is directly linked to economic predictability and the regulatory framework, key elements for any investor. Maintaining macroeconomic and fiscal stability is essential to avoid a significant rise in financing costs, and Romania must accelerate investments to remain competitive and attractive to international capital.

The war in Ukraine and rising geopolitical tensions in recent years have increased risks such as cybersecurity threats, high inflation, and rising interest rates, all of these factors directly impact the banking sector.

Despite unfavorable factors, the Romanian banking sector has demonstrated stability by maintaining optimal solvency and profitability indicators.

This analysis uses both quantitative and qualitative methods to identify how banks responded to the challenges imposed by the pandemic, how they adapted their strategies to the new context, and the changes experienced by employees in the banking system. The study also explores the impact on organizational culture, working models, and the organizational climate. It aims to develop a deeper understanding of the dynamics of the measures banks implemented to support clients and ensure financial stability. It also contributes academically by identifying best management practices in the sector. Additionally, the research seeks to develop a set of recommendations for banks to better cope with future economic and financial uncertainties.

The analysis highlights that banks that invested in digitalization, cybersecurity, and operational flexibility were better able to navigate the pandemic period and strengthen their crisis resilience strategies. Cyber vigilance became a critical pillar in this context, requiring both internal infrastructure improvements and external customer awareness campaigns to prevent fraud attempts.

There was also an increase in the use of digital services, as clients shifted toward digital channels due to pandemic-related changes. These findings emphasize the importance of an innovation-driven, adaptable, and sustainable banking strategy, key elements for the future of the financial sector in a dynamic and unpredictable global environment. The rise of fintech has pressured traditional banks to accelerate digitalization efforts and become more agile. Fintechs have entered the market with low costs, instant credit options, and investment opportunities that have attracted younger generations. At the same time, collaborations between banks and fintechs have emerged, confirming a profound transformation of the banking system.

Artificial intelligence (AI) also plays a growing role, now capable of creating art and making scientific discoveries. AI's rise is the most significant industrial revolution in history and is shaping the future. Banks started o integrate AI solutions into workflows to streamline internal processes or develop proprietary AI tools to support employees while protecting confidential information that may be used to generate content.

In this context, bank employees felt the pressure of accelerated digitalization during the pandemic, and internal workflows had to adapt to digital collaboration with clients. However, some procedures and internal operations still required in-person interactions, limiting remote services. It's worth noting that many banking clients still prefer access to a physical branch, as it provides a sense of security and trust. Hybrid work has continued post-pandemic and remains a key motivational factor for employees who have this opportunity. Branch employees have fewer such opportunities compared to central office staff, who can work remotely long-term. Many employees expressed satisfaction with their professional experience at the bank, although some reported changes in job responsibilities due to the pandemic. According to this research, the hybrid work system did not negatively affect collaboration with teams or direct managers.

Regarding necessary skills and competencies, bank employees had to continually develop and adapt to an uncertain work environment. Another insight from the research is that trust in banks did not decline during the pandemic.

Clients expect bank employees to be economic experts who can provide guidance on economic trends and investment opportunities. Management and HR teams accelerated training opportunities so employees could better respond to client needs. At the start of the pandemic, when panic and uncertainty were high, clients turned to banks for explanations about economic impacts and personal finance implications. These conversations are especially important, as Romania ranks last in Europe for financial literacy. Many banks have created programs to discuss financial concepts with children, youth, and adults. A client who understands terms like interest rates, maturity dates, or investment funds is less likely to make impulsive decisions or default on loans. For banks, this translates into lower costs and healthier, trust-based relationships with clients. Clients who know how to budget, save, and invest are more financially stable and better positioned to access credit or other financial services to meet their goals. Despite the banking sector's sustained efforts to improve financial literacy in Romania, employees note that this process is still ongoing and that significant progress has yet to be seen at the national level.

Regarding consumer behavior, there was a rise in savings at the beginning of the pandemic, as clients became more cautious with managing their resources. However, this behavior did not persist long-term, and once social restrictions eased, clients reverted to their usual pre-pandemic financial habits. During the initial stages of the pandemic, many clients faced financial challenges and grew more concerned about both financial stability and protection against cyberattacks.

This cautious approach was also reflected in the labor market, where many employees chose not to change jobs during this period as a protective measure.

Sustainability has become embedded in business decisions and management strategies, with banks showing increased interest in supporting sustainable development projects and initiatives. From this perspective, sustainability can be seen as an important factor for long-term economic development. Companies that integrate sustainable solutions remain relevant over time and avoid additional costs related to pollution and resource depletion. However, these reforms require financial solutions to support energy-intensive sectors in transitioning without massive job losses or relocations. The research also reveals a growing interest in green products for both individuals and businesses, mostly aimed at improving energy efficiency or reducing production-related waste. Nevertheless, data show a difference in opinion between managers and non-managers regarding banks' involvement in sustainability. Managers believe banks should play an active role, while non-managers agree with this view to a lesser extent.

At the industry level, the banking sector is increasingly seen as playing a strategic role in supporting energy transition and national and regional energy security. Whether dealing with critical raw material dependency or balancing economic competitiveness with sustainability, the banking system will be key to this transition. Banks that develop flexible solutions, offer access to European funding, and provide tailored support mechanisms will become essential.

The covid-19 pandemic accelerated the transformation of the banking industry, profoundly impacting its main development directions. The digitalization of banking services and integration of AI have become strategic priorities, pushing financial institutions to adopt technological solutions to ensure operational continuity and enhance financial accessibility. This transition came with a significant increase in cyber risks, requiring higher investments in

IT security and client education. At the same time, employee work models changed substantially, with remote work expanding and new digital and soft skills becoming necessary. Consumer behavior also shifted, with greater reliance on online banking from the comfort of home. Finally, sustainability has gained strategic importance, with banks assuming a more active role in financing the transition to a green economy. Thus, the pandemic served as a catalyst for systemic transformation with long-term effects on how the banking sector operates and positions itself.