

## Documents

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**The impact of COVID-19 on the banking sector's efficiency and growth trajectory**  
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### Abstract

The COVID-19 pandemic has had an unimaginable effect on global economies and threatens the efficiency and growth trajectory of the banking sector. The pandemic has disrupted the primary operations of the banking sector, as banks were compelled to close physical branches to adhere to social distancing guidelines. Given the importance of the banking sector to economic development, understanding the consequences of COVID-19 on efficiency and growth trajectory of this sector is crucial for ensuring its sustainability. By drawing data from annual reports of 13 publicly quoted banks in Nigeria from 2019q1 to 2021q2 (pre and post COVID-19), this study investigates the impact of COVID-19 pandemic on efficiency and growth trajectory of the banking sector. The data obtained were mainly analysed using DEA and LGCM. The DEA results show an upward trend in the average scores of technical efficiency, pure technical efficiency, and scale efficiency in both periods. The LGCM results reveal a statistically insignificant difference in banks' growth trajectory (rate of change) in both periods. Overall, our analyses suggest that the outbreak of COVID-19 does not threaten the efficiency and growth trajectory of the banking sector. However, the insignificant difference between the pre and post nationwide lockdown suggests that there is an insignificant improvement in the efficiency of the banking sector during the post nationwide lockdown period. These findings offer practical implications for banks, regulators, and policymakers regarding the unprecedented uncertainty caused by the COVID-19 pandemic. © 2023, The Author(s), under exclusive licence to Springer Nature Limited.

### Author Keywords

Banking sector; COVID-19 pandemic; DEA; Latent growth curve modelling; Technical efficiency

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## Modeling Approach

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