Abstract

The Covid-19 pandemic unleashed profound consequences across global sectors, significantly affecting the financial industry. Despite implementing cost-cutting measures, digital transformation, and risk management strategies, NMB's financial performance indicators were adversely effected. This study sought to examine the effect of Covid-19 on the financial performance of commercial banks in Tanzania: A Case of National Microfinance Bank — Moshi Municipality. Specifically, the study investigated trend of financial performance of NMB bank before Covid-19, explored the extent to which Covid-19 affected the financial performance of NMB bank and find out how the effect of Covid-19 on the financial performance of NMB bank can be addressed. This study was guided by financial contagion and adaptive resilience theories. It employed a descriptive research design, using a mixed approach to collect data. The study targeted 55 employees from three NMB branches and 50,000 bank stakeholders, and selected 204 respondents through purposive and simple random sampling for employees and customers, respectively. Data collection involved questionnaires and interviews, with a pilot study refining research instrument. Validity was ensured through finance experts' opinions and supervisor involvement, while clear instructions reduced response variations and enhanced reliability. Data analysis included descriptive statistics and content analysis. The study revealed that before the COVID19 outbreak, the NMB bank had exhibited robust financial performance, marked by healthy profitability, asset quality, and liquidity. However, the pandemic had a discernible effect, leading to decreased profitability, increased loan defaults, and changes in customer behavior. These findings indicate that the NMB bank, like many others banks globally, was not immune to the challenges posed by the pandemic. To address the effects of COV1D19 on the financial performance of commercial banks, it is recommended that banks prioritize enhancing their digital infrastructure and services to adapt to changing customer preferences and minimize operational disruptions during crises. Additionally, proactive risk management strategies and close collaboration with regulatory authorities should be employed to maintain financial stability and resilience. However, further research can examine the regulatory implications and changes initiated by banking authorities during and after the pandemic would offer valuable insights into their effectiveness and effect on the financial sector's resilience