

An Impact Of Non Performing Assets Of Public Sector,Private Sector And Scheduled Commercial Banks On Gross Domestic Product Of India

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Abstract

India saw a period of financial liberalisation, budgetary progression, and administrative changes in the corporate sector in the 1990s as a result of the Globalization Banking Sector in the country. The Indian financial sector is gradually moving to accept prescribed bookkeeping and prudential standards. This is leading to greater divulgements and simplicity, while loan costs have been reduced. in our nation, at the moment, we have a robust framework for banking. It features various classes of banks, both public and private sector; older as well as newer age; and regional rural as well as cooperative banks. The framework is led by the Reserve Bank of India, and all money is kept there. Many remarkable improvements and developments have occurred in the banking industry in recent years. The banking industry is an essential piece in the economic development of our nation. The present study seeks to uncover the effect of NPA on the Gross Domestic Product (GDP) of the public sector, the private sector, and commercial banks in India.

Keywords: *Globalization ,Banking Sector, Indian financial industry, NPA on GDP, public sector, private sector and commercial banks*

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1.0 INTRODUCTION

Due to the distinctive geographic, social, and monetary qualities of India, the country's banking and financial system is fundamentally different from those of other Asian countries. India has a huge population and land size, a diverse culture, and disparate salaries that are distinguished by region. Elevated levels of lack of education are to be found amongst a very large portion of the population. This may be true, but the nation also contains an abundance of administrative and innovative abilities. 30 to 35% of the population lives in a large metropolitan area, while the remaining population is split between a few small metropolitan areas and rural

communities. A weighty predisposition towards public sector speculation is demonstrated by the monetary arrangement system's ties to communism and industry. The development path followed by India and the rest of Asia takes a very different tack from that of many other Asian economies, emphasising independence through import replacement. To give this summary some colour, these highlights are shown in the details of the structure, size, and diversity of the country's banking and money sector. Progressive five-year advancement plans provided monetary strategies focused on having equal pay distributed, developed local financial systems, and the removal of private financial syndications in trade and industry. to fit in as a vehicle for state strategy, the financial sector was subject to different nationalisation schemes of various phases (1955, 1969, and 1980). As a result, banking remained disconnected (few Indian banks had presence in international budgetary focuses) due to the distraction with local necessities, especially the extension of branches and the boosting of the population's participation in the banking system. In addition, the strict control of branch licencing on foreign banks created the global seclusion of the financial framework. One of the most challenging tasks facing Indian banks is finding a way to better enable them to perform at an operational level that is consistent with today's needs for monetary intermediation. This is true, because of the expansions in nonperforming Assets (NPA) the public area banks have been able to recapitalize without a problem.

1.1 REVIEW OF LITERATURE

A study by Shalini (2013) which looks at reasons and cures for nonperforming assets in Indian public sector banks and specifies measures the bankers can use to avoid sanctions found that bankers could prevent loans from going to borrowers who are not creditworthy by adopting certain strategies. They are a careful study of the project that looks into the project's economics. To make a proposal, a banker must think about the return on investment. He can sanction the loan if the calculated return is sufficiently higher than the credit amount. Secondly, he can watch over the borrower, ensuring that the funds allotted are put to good use. The additional inspection by the banker will be part of this project.

According to Satpal (2014), PPI NPAs have always been a significant problem for Indian banks. Not only do the banks face problems, but the entire economy does. Due to NPAs (non-performing assets), which lock up money that could otherwise be put toward making a profit, Indian banks are highly dependent on interest income on loans. Public sector banks have a relatively high number of NPA accounts, according to the study. A draught paper was constructed that attempted to identify the characteristics of NPA and the aspects that lead to increased NPA formation, the root causes of the problem, and the impact that NPAs have on Indian banking operations.

Post-global financial crisis India's increasing twin balance sheet problem is examined in this paper by Dhananjaya K. (GFC). This so-called "twin balance sheet problem" or "the twin balance sheet crisis" refers to the combination of company distress and the banking sector crisis. This causes a vicious cycle where a weak corporate balance sheet leads to a rising amount of stressed assets in the banking sector, which then hinders the lending of healthy

companies and reduces economic growth even further. This study is a move to investigate the extent of corporate distress and its impact on the asset quality of public sector banks in the wake of the global financial crisis (PSBs).

According to the study, debt at risk has increased as a result of the recent financial crisis, which is commonly referred to as the GFC. According to the research, this has affected the balance sheets of the Indian banks, as an increase in corporate fragility has caused PSBs to deteriorate. Corporate profit is one of several factors in the equation for non-performing assets (NPAs) in public sector banks (PSBs). This can be found in a panel regression analysis, as well as a study performed by Gajendran, Arora, and Trivedi.

1.2 HYPOTHESIS OF THE STUDY:

H0: There is no significance relationship between National GDP and GROSS and NET NPA of scheduled commercial banks, private and public sector banks In India.

H1: There is a significance relationship between National GDP and GROSS and NET NPA of scheduled commercial banks, private and public sector banks In India.

1.3 DATA SOURCE AND STUDY PERIOD:

Information required for the study is drawn from various secondary sources of financial data. One of the major sources of data for the Prowess have been the CMIE and CLP corporate databases, developed by the Prowess. As an addition, journals, magazines, and newspapers known as The Financial Express and The Economic Times were also used. Data collected using the following sources: investigate the progress of Indian banks Currency and finance are covered in this report. Tables concerning the state of Indian banks, documents from the Reserve Bank of India, and occasional papers from the RBI See the financial data in these publications: bank statements, journals, and bulletins from the Indian Institute of Banking.

1.4 STUDY PERIOD:

The study is conducted for the period of 12 years from 2005-06 to 2016-17 and with the help of liner growth model forecasting is performed for the period of 10 years from 2017-18 to 2026-27.

1.5 STATISTICAL TOOLS USED:

The research employs linear growth model and ANOVA for hypothesis testing.

TABLE 1

**NATION GROSS DOMESTIC PRODUCT AND NPA FORECASTING OF
SCHEDULED COMMERCIAL BANKS IN INDIA-RS. In Billion**

YE A R	GDP	GROS S NPA	NET NPA	GDP TREN D VALU E	GROSS NPA TREN D VALU E	NET NPA TREN D VALU E	FORCAS T YEAR	GDP FORECAS T VALUE	GROSS NPA FORECAS T VALUE	NET NPA FORECAS T VALUE
2005- 06	36933.6 9	517.53	185.43	28403.9 9	- 881.415	- 595.157	2017-18	156007.5	5990.923	3323.843
2006- 07	42947.0 6	505.17	202.8	39037.6 1	-308.72	- 268.573	2018-19	166641.2	6563.618	3650.427
2007- 08	49870.9	566.06	247.3	49671.2 4	263.974 5	58.0099 2	2019-20	177274.8	7136.313	3977.01
2008- 09	56300.6 3	699.54	315.64	60304.8 7	836.669 4	384.593 3	2020-21	187908.4	7709.008	4303.594
2009- 10	64778.2 8	817.18	391.27	70938.5	1409.36 4	711.176 6	2021-22	198542	8281.703	4630.177
2010- 11	77841.1 6	939.97	417.99	81572.1 3	1982.05 9	1037.76	2022-23	209175.7	8854.398	4956.76
2011- 12	87363.2 9	1369.6 8	652.05	92205.7 6	2554.75 4	1364.34 3	2023-24	219809.3	9427.093	5283.344
2012- 13	99440.1 3	1927.6 9	986.93	102839. 4	3127.44 9	1690.92 7	2024-25	230442.9	9999.788	5609.927
2013- 14	112335. 2	2630.1 5	1426.5 6	113473	3700.14 4	2017.51	2025-26	241076.6	10572.48	5936.51
2014- 15	124679. 6	3229.1 6	1758.4 1	124106. 6	4272.83 9	2344.09 3	2026-27	251710.2	11145.18	6263.094
2015- 16	137640. 4	6116.0 7	3498.1 4	134740. 3	4845.53 4	2670.67 7	<i>SOURCE:RBI AND COMPUTED</i>			
2016- 17	152537	7902.6 8	4330.1	145373. 9	5418.22 9	2997.26				

TABLE 2

**NATION GROSS DOMESTIC PRODUCT AND NPA FORECASTING OF PUBLIC
SECTOR BANKS- RS. In Billion**

YE A R	GDP	GROS S NPA	NET NPA	GDP TREN D	GROSS NPA	NET NPA	FORCAS T	GDP	GROSS NPA	NET NPA
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				VALU E	TREN D VALU E	TREN D VALU E	YEAR	FORECAS T VALUE	FORECAS T VALUE	FORECAS T VALUE
2005- 06	36933.6 9	421.17	145.66	28403.9 9	- 871.416	-578.4	2017-18	156007.5	5217.703	3007.307
2006- 07	42947.0 6	389.68	153.25	39037.6 1	-363.99	279.591	2018-19	166641.2	5725.129	3306.116
2007- 08	49870.9	406	178.36	49671.2 4	143.437	19.2179 6	2019-20	177274.8	6232.556	3604.925
2008- 09	56300.6 3	459.18	211.55	60304.8 7	650.863 6	318.026 9	2020-21	187908.4	6739.982	3903.734
2009- 10	64778.2 8	573.01	296.43	70938.5	1158.29	616.835 8	2021-22	198542	7247.409	4202.543
2010- 11	77841.1 6	710.42	360.55	81572.1 3	1665.71 7	915.644 7	2022-23	209175.7	7754.836	4501.352
2011- 12	87363.2 9	1124.8 8	593.91	92205.7 6	2173.14 3	1214.45 4	2023-24	219809.3	8262.262	4800.161
2012- 13	99440.1 3	1644.6 1	900.37	102839. 4	2680.57	1513.26 3	2024-25	230442.9	8769.689	5098.97
2013- 14	112335. 2	2272.6 4	1306.3 5	113473	3187.99 6	1812.07 1	2025-26	241076.6	9277.115	5397.778
2014- 15	124679. 6	2784.6 8	1599.5 1	124106. 6	3695.42 3	2110.88	2026-27	251710.2	9784.542	5696.587
2015- 16	137640. 4	5399.5 6	3203.7 6	134740. 3	4202.85	2409.68 9	<i>SOURCE:RBI AND COMPUTED</i>			
2016- 17	152537	6847.3 3	3830.8 9	145373. 9	4710.27 6	2708.49 8				

TABLE 3

**NATION GROSS DOMESTIC PRODUCT AND NPA FORECASTING OF PRIVATE
SECTOR BANKS- RS. In Billion**

YEA R	GDP	GROS S NPA	NET NPA	GDP TREN D VALU E	GROSS NPA TREN D VALU E	NET NPA TREN D VALU E	FORCAS T YEAR	GDP FORECAS T VALUE	GROSS NPA FORECAS T VALUE	NET NPA FORECAS T VALUE
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2005-06	36933.69	75.99	31.7	28403.99	-24.5212	-30.2129	2017-18	156007.5	621.5232	288.5008
2006-07	42947.06	91.45	40.28	39037.61	29.31587	-3.65347	2018-19	166641.2	675.3602	315.0602
2007-08	49870.9	129.22	56.47	49671.24	83.1529	22.906	2019-20	177274.8	729.1972	341.6197
2008-09	56300.63	167.87	74.12	60304.87	136.9899	49.46548	2020-21	187908.4	783.0343	368.1792
2009-10	64778.28	173.07	65.06	70938.5	190.827	76.02495	2021-22	198542	836.8713	394.7387
2010-11	77841.16	179.05	44.32	81572.13	244.664	102.5844	2022-23	209175.7	890.7083	421.2981
2011-12	87363.29	182.1	44.01	92205.76	298.501	129.1439	2023-24	219809.3	944.5453	447.8576
2012-13	99440.13	203.82	59.94	102839.4	352.338	155.7034	2024-25	230442.9	998.3824	474.4171
2013-14	112335.2	241.84	88.62	113473	406.1751	182.2629	2025-26	241076.6	1052.219	500.9766
2014-15	124679.6	336.9	141.28	124106.6	460.0121	208.8223	2026-27	251710.2	1106.056	527.536
2015-16	137640.4	558.53	266.77	134740.3	513.8491	235.3818	SOURCE:RBI AND COMPUTED			
2016-17	152537	919.15	477.8	145373.9	567.6862	261.9413				

TABLE 4

REGRESSION ANALYSIS: GDP VERSUS GROSS NPA OF SCHEDULED COMMERCIAL BANKS

ANALYSIS OF VARIANCE

Source	DF	SS	MS	F	P	S /NS
Regression	1	13412970669	13412970669	44.58	0.000	S
Residual Error	10	3008950738	300895074			
Total	11	16421921407				

The regression equation is :GDP = 54032 + 14.5 Gross NPA

TABLE 5

REGRESSION ANALYSIS: GDP VERSUS NET NPA OF SCHEDULED COMMERCIAL BANKS

ANALYSIS OF VARIANCE

Source	DF	SS	MS	F	P	S /NS
Regression	1	13415822121	13415822121	44.63	0.000	S
Residual Error	10	3006099286	300609929			
Total	11	16421921407				

The regression equation is: $GDP = 56362 + 25.4 \text{ Net Npa}$

TABLE 6

REGRESSION ANALYSIS: GDP VERSUS GROSS NPA OF PUBLIC SECTOR BANKS

ANALYSIS OF VARIANCE

Source	DF	SS	MS	F	P	S /NS
Regression	1	13426469681	13426469681	44.82	0.000	S
Residual Error	10	2995451726	299545173			
Total	11	16421921407				

$GDP = 55516 + 16.3 \text{ Gross NPA}$

TABLE 7

REGRESSION ANALYSIS: GDP VERSUS NET NPA OF PUBLIC SECTOR BANKS

Analysis of Variance

Source	DF	SS	MS	F	P	S /NS
Regression	1	13615624753	13615624753	48.52	0.000	S
Residual Error	10	2806296653	280629665			
Total	11	16421921407				

The regression equation is $GDP = 56832 + 28.2 \text{ Net Npa}$

TABLE 8

REGRESSION ANALYSIS: GDP VERSUS GROSS NPA OF NEWPRIVATE SECTOR BANKS

ANALYSIS OF VARIANCE

Source	DF	SS	MS	F	P	S /NS
Regression	1	13426469681	13426469681	44.82	0.000	S
Residual Error	10	2995451726	299545173			
Total	11	16421921407				

$GDP = 55516 + 16.3 \text{ Gross NPA}$

TABLE 9

**REGRESSION ANALYSIS: GDP VERSUS NET NPA OF NEW PRIVATE SECTOR BANKS
ANALYSIS OF VARIANCE**

Source	DF	SS	MS	F	P	S /NS
Regression	1	13615624753	13615624753	48.52	0.000	S
Residual Error	10	2806296653	280629665			
Total	11	16421921407				

The regression equation is $GDP = 56832 + 28.2 \text{ Net Npa}$

1.6 ESTIMATION OF TOTAL GDP AND NPA EXPECTATIONS FOR SCHEDULED COMMERCIAL BANKS IN INDIA

There are two facts observed from the research: The GDP of the country was \$369.33 billion in 2005-06, and increased to \$1,525.37 billion by 2016-17, an increase that remained consistent across the selected years. And it is also found from the research that scheduled commercial banks started to experience an increase in gross NPA, going from \$517.53 billion in 2005-06 to \$7902.68 billion by 2016-17, while for Net NPA, it started at \$185.43 billion in 2005-06 and increased to \$4330.1 billion by 2016-17. For the projection period 2017-18 to 2026-26, growth of GDP and Net NPA and Gross NPA is forecasted as well as trend value of GDP and Gross NPA is tabulated. One of the methods for identifying the relationship between the nation's GDP and gross NPA and net NPA of scheduled commercial banks is through an analysis called Analysis of Variance (ANOVA). The ANOVA analysis shows that there is a correlation between Gross and Net NPA (i.e., the NPA of the scheduled commercial banks in India) and GDP in India.

1.7 GDP AND PUBLIC SECTOR BANK NPA FORECASTING IN INDIA

According to the analysis, GDP increased steadily from \$36933.69 billion in 2005-06 to \$152537 billion in 2016-17, a growth of 78.2% during that time. Additionally, according to the analysis, the public sector bank gross NPA increased from \$421.17 billion to \$6847.33 billion from 2016-17 to 2017-18, whereas net NPA increased from \$145.66 billion to \$3830.89 billion during the same time period. Additionally, predicted GDP growth and Net NPA are also calculated for the projection period 2017-18 to 2026-26, utilising a linear trend model. ANOVA is used to estimate the relationship between

gross national product (GNP) and gross and net nonperforming assets (GROSS and NET NPA) of public sector banks. With regard to the analysis of variance (ANOVA), we can see that there is a significant relationship between Gross Domestic Product (GDP) and NPA for banks in the public sector in India.

1.8 NATION GROSS DOMESTIC PRODUCT AND NPA FOR THE PRIVATE SECTOR BANKS IN INDIA

It can be deduced from the numbers that the GDP of the country increased from 369.3 billion in 2005-06 to a high of 1525.4 billion in 2016-17, and that the NPA of private banks increased from 75.99 billion to 919.15 billion between 2005-06 and 2016-17. Along with linear trend model trend value and forecasting of predicted growth of GDP and Net NPA and Gross NPA, projected GDP and Net NPA/Gross NPA are also tabulated for the 2017-18 to 2026-26 projection period. In order to discover the connection between the GDP of a country and gross and net NPA of private sector banks, a variety of statistical analyses are employed. A statistical analysis of the results found that there is a link between the country's GDP and the total and net nonperforming loans (NPLs) of the private sector's banks in India.

1.9 CONCLUSION

These public sector banks—which account for over 78% of the total banking industry assets—are burdened with bad loans, a drop in traditional revenue sources, the lack of new technology, and a massive workforce. Whereas, on the other hand, private sector banks are breaking away from the past by constantly applying innovative approaches to the banking business, such as utilising new technology and understanding customer needs. Banks' health is closely tied to the amount of NPA (nonperforming assets) they have. In the public's eyes, NPAs imply that banks have improved their credit assessment procedures over time, and NPAs require provisions, which results in a reduction in the overall profit of the bank. Banks in India have a problem with nonperforming assets (NPA). In public sector banks, the magnitude of NPAs is notably greater. Reducing and controlling the amount of bad loans will make the banks more efficient and profitable. It can be deduced from this study that there is a high correlation between the NPA and GDP of the country during the time period of the study

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