A Study On Impact Of Non-Performing Assets On Economic Growth In India (A Case Study Of HDFC &ICICI Bank)

Dr. Pravin Choudhary[1*],Ms. Charu Katiyar[2] ,Mr. Nikhilesh Mourya[3]

[1*,2,3]Assistant Professor VNS Institute of Management, Bhopal

***Corresponding authors:** Dr. Pravin Choudhary
[*]Assistant Professor VNS Institute of Management, Bhopal

Abstract:
The purpose of this study is to determine how non-performing assets affect the nation's economic growth. We investigate the many, dependent or independent aspects that impact the nation's economic growth (such as profitability, interest margin, gross non-performing assets, net non-performing assets, etc.). Additionally, research instruments for this topic include the mean and standard deviation as well as tests of the significance of the link between the topic's independent and dependent variables. Correlation was utilized to test the variables. The "t" test is the one that validates the hypothesis, and the analysis is evaluated based on the results of this test. The study demonstrates that a subset of businesses positively impacted the nation's economic growth using analysis, statistics, and several performance measuring ratios from 2018-19 to 2022-23.

Keywords: Quality of Assets, Profitability, GDP Growth Rate, Non-Performing Assets etc.

Introduction:
Banking sectors is exposed to number of risk like market risk, interest rate risk, liquidity risk, borrower's risk, and among these many risk the bank face one of the most critical is the borrowers risk – the risk of non payment of the disbursed loans and advances. As big chunk of deposits fund is invested in the form of loans and advances. Hence, parameters for evaluating the performance of banks have also changed. This study provides an empirical approach to the analysis of profitability indicators with a focal point on non-performing assets (NPAs) of public and private sector banks. NPAs reflect the performance of banks. The earning capacity and profitability of the banks are highly affected because of the existence of NPAs .A high level of NPAs suggests that large number of credit defaults that affect the profitability and net-worth of banks. Private and public Sector banks are highly affected by this three letter virus NPA.
Asset means anything that is owned. For banks, a loan is an asset because the interest we pay on these loans is one of the most significant sources of income for the bank.
When customers, retail or corporates, are not able to pay the interest, the asset becomes 'non-performing' for the bank because it is not earning anything for the bank. Therefore, RBI has defined NPAs as assets that stop generating income for them.
Non-Performing Assets (NPAs) are loans or advances issued by banks or financial
institutions that no longer bring in money for the lender since the borrower has failed tomake payments on the principal and interest of the loan for at least 90 days.

Types of Non Performing Assets (NPA)
Different types of non-performing assets depend on how long they remain in the NPA category.
1. Standard Assets
They are NPAs that have been past due for anywhere from 90 days to 12 months, with a normal risk level.
2. Sub-Standard Assets
They are NPAs that have been past due for more than 12 months. They have a significantly higher risk level, combined with a borrower that has less than ideal credit. Banks usually assign a haircut (reduction in market value) to such NPAs because they are less certain that the borrower will eventually repay the full amount.
3. Doubtful Debts
Non-performing assets in the doubtful debts category have been past due for at least 18 months. Banks generally have serious doubts that the borrower will ever repay the full loan. This class of NPA seriously affects the bank's own risk profile.
4. Loss Assets
These are non-performing assets with an extended period of non-payment. With this class, banks are forced to accept that the loan will never be repaid, and must record a loss on their balance sheet. The entire amount of the loan must be written off completely.

ORGANISATION PROFILE

HDFC Bank

Mumbai-based Housing Development Finance Corporation was an Indian private mortgage lender.It was India's largest home lending company.Through its affiliated and subsidiary businesses, it was also involved in banking, asset management, general and life insurance, venture capital, and deposits.With the backing of the Indian business community, it was established in 1977 as the primary company within the HDFC group of enterprises and the country's first dedicated mortgage company. Thecompany finances the acquisition or development of residential homes for both people and corporations.The company offers a variety of loans, including those for the purchase and construction of residential units, land purchases, home improvement loans, home extension loans, professional loans for non-residential premises, and loans secured by real estate. Repayment options include flexible loan instalment plans and step-up repayment facilities.

ICICI Bank

ICICI Bank Limited is an Indian multinational bank and financial services provider based in Mumbai and has a registered office in Vadodara. It provides a diverse variety of banking and financial services to corporate and retail customers via numerous delivery channels and specialized subsidiaries in investment banking, life and non-life insurance, venture capital, and asset management.ICICI Bank Limited is an Indian multinational bank and financial services provider based in Mumbai and has a registered office in Vadodara. It provides a diverse variety of banking and financial services to corporate and retail customers via numerous delivery channels and specialized subsidiaries ininvestment banking, life and non-life insurance, venture capital, and asset management.

Literature Review:

1. Dr. Tejal, Avinash Gohil & Apexa (2023), in their study titled, " A comparative study of NPA in Indian Banking sector ", they found that, to reduce NPA the government introduced schemes like S4A (Scheme for Sustainable Structuring of Stressed Assets) and Indra Dhanush schemes, otherwise NPA will kill the profits of banks which is basically not good for growing Indian economy.

2. **Dr. Anu Antony (2022)**, in their study titled," A study on Non-Performing Assets in newgeneration banks with special reference to axis Bank", they found that the problem of recovery is not with small borrowers but with large borrowers also.

3. **Jayraj Javheri and Dr. Ravindra Gawali (2021**), in their study entitled, "A study ofNPA's of selected Private and Public sector banks in India", they have more focused onproviding Quality loans with special reference to economy.

4. **Nitin Tanted, Rahul Gupta and Aditi Gaykwad (2021)** , studied on titled " A study ofNPA and its impact on Banking Performance", they found that there is a direct impact ofNPA on banking performance and profitability. The NPA level of private banks ascompared to government banks have good control over managing NPA.

5**. Ashish Kumar, Jha and Sahil Grover(2020),** in their study titled,; Impact of Non-Performing Assets on profitability: A study of selected Private and Public sector banks inIndia,; they found that the impact of provisions for NPA on net profit is more in case ofSBI as compared to HDFC

6. **Dharmananda M, and Dr. Anjali Ganesh (2019),** in their study titled, Non-Performing Assets: A study on Public sector banks in Indiathe different types of Non-Performing Assets and its impact on banking industry and to the economy of the country.

7. **Mankanwaljeet Singh and Dr.Sanjay Sharma (2018),** in their study titled, Analysisof Underlying causes for NPAs in Indian Scheduled Commercial Banks;, they found thatbanks have not properly implemented the relevant information technology tools, whichleads to regulatory failures.

8**. Akash Kumar and Dr.G.Vasanthi (2017)**, titled , "Trend of gross and net NPA inPublic Sector and foreign Banks : A comparative analysis ,they found that ForeignBanks are performing well in terms of NPA because they controlled the higher NPA's.

9. **Rajesh Bhandari (2016),** in their study entitled, An Empirical Study on NPA and itsImpact on Profitability with special reference to Punjab National Bank, they found thatPNB should take effective proactive measures to control NPA.

10. **Hukmaram Devilal Pawar (2015),** study titled, A study of Non- Performing Assets(NPA) management of selected Commercial Co-operative banks in Gujarat state, theGNPA ratios of all the banks were not identical but Net NPA ratios were identical.

11. **Kalpesh Gandhi (2015),** studied on title, Non- Performing Assets: A study of State Bank of Indiathey found that SBI Bank has been rising since 2010, so to decreaseNPA, Bank should use proper system of recovery.

12. **Sipra Debnath & Mihir Dash (2015)**, in their study entitled,A study of Non-Performing Assets in the Indian Banking Industry, the NPA ratios shows reductionswhich indicates the improvement in the asset quality of India's public sector and private sector banks.

13. **Neha Rani and Dr.Dinesh Gaba (2014,)** in their study titled, 'Analysis of Non-Performing assets of Public Sector Banks'', they found that there is a need to concentrateon non-priority sector for reducing NPA.

14**. B. Selvarajan and Dr. G. Vadivalagan (2013**), in their study titled,A Study onManagement of Non Performing Assets in Priority Sector reference to Indian Bank andPublic sector banks (PSBs), a loan is an asset for a Bank as the interest payments and therepayment of the principal create a stream cash flows.

15**. Vighneshwara Swamy (2012)**, studied Impact of Macroeconomic and Endogenousfactors on Non performing bank assets; they found that bank privatization can lead tobetter default risk management.

Objectives of the study:
- To study about the Non-Performing Assets of selected Banks.
- To study about the impact by NPA on Economic growth of the country
- To study about the action taken by selected Banks to reduce the NPA.

Hypotheses of the study:
H01: There is no significant relationship between Quality of Assets (Gross NPA & Net NPA) and Economic Growth Rate of selected Banks.

H02: There is no significant relationship between Return on Equity (ROE) and Economic Growth Rate of selected Banks.
H03: There is no significant relationship between Return on Assets (ROA) and Economic Growth Rate of selected Banks.

Research Methodology:
Research design: Descriptive research design in nature.
Data collection method: secondary data are used for this study which are collected from selected Banks website (annual published report)
Study period: 5-years annual published data which are from 2018-19 to 2022-23.

Limitations of the study:
- Time and Cost are constraints
- Only HDFC Bank & ICICI Bank were taken for this study.
- Other Banks were not taken for the study.
- Study period only 5 years annual published data.

Contribution to the society:
- Reduced NPAs can lead to healthier banking sector with improved financial stability, banks can increase lending to businesses and individuals which will create job opportunities which will stimulate to economic growth.
- As NPA decreases, banks can give lower interest rates on loans to borrowers, which will encourage more borrowing and investment, driving economic growth.
- Less NPAs means higher loan recovery rates for banks, which results in increased profits and lending tax contributions to the government, that can be utilized for social welfare programs and infrastructure development.
- Lower NPA levels will contribute to sustainable economic development because a healthy banking sector will help in economic stability and growth and development for the country.

Data Analysis & Interpretations
HDFC Bank
I. Gross NPA Ratio

Table 1

Year	Gross NPA	Loan Outstanding	Ratio(%)
2018-19	11,224.16	11,22,416	1.00
2019-20	12,649.97	12,64,997	1.00
2020-21	15,086.00	15,08,600	1.00
2021-22	16,140.96	16,14,096	1.00
2022-23	18,019.03	16,08,841.96	1.12

Statistical Analysis:

Mean	14624.024	1423790.19	1.024
Growth Rate	60.53	43.337	

Interpretation:
The total gross NPA Loan amount to total Loan outstanding ratio is a ratio that compares a company's total NPA Loan amount to Loan outstanding. It shows ideal position Below 10% and Quality of loan portfolio. Table 1 depicts in the year from 2018-19 to 2022-23 The total gross NPA Loan amount to total Loan outstanding ratio was first four years were 1% and fifth year was 1.12% respectively. So, all these years the ratio are less than ideal limit. So, it is a good sign of the Bank.

I. Net NPA Ratio

Table 2

Year	Net NPA	Loan Outstanding	Ratio
2018-19	3,214.52	8,24,235.897	0.39
2019-20	3,542.36	9,83,988.888	0.36
2020-21	4,554.82	11,38,705	0.40
2021-22	4,407.68	13,77,400	0.32
2022-23	4,368.43	16,17,937.03	0.27

Statistical Analysis:

Mean	4017.562	1188453.36	0.348
Growth Rate	35.89	96.29	

Interpretation:

The Net NPA amount to total Loan outstanding during the year that compares a Net NPA amount to total Loan outstanding during the year. It shows ideal position below5%; one of the requisites for operation freedom is low level of NPA Table 2 depictsin the year from 2018-19 to 2022-23 The Net NPA amount to total Loan outstanding during the year ratio was 0.39,0.36,0.40,0.32 and 0.27respectively. So, all these years the ratio are less than the ideal limit.So, it is good sign of the Bank.

III. Return on Assets Ratio

Table 3

Year	EAT	Total Assets	Ratio
2018-19	21,078.17	12,44,540.69	0.0169
2019-20	26,257.32	15,30,511.26	0.0171
2020-21	31,116.53	17,46,870.52	0.0178
2021-22	36,961.36	20,68,535.05	0.0178
2022-23	44,108.70	24,66,081.47	0.0178

Statistical Analysis:

Mean	31904.416	1811307.8	0.0174
Growth Rate	109.26	98.151	

Interpretation:

The net profit after tax to total Assets ratio indicate compare the net profit to total assets Table 3 depicts in the year from 2018-19 to 2022-23 The Return on Equity ratio during these study periods were0.0169,0.0171,0.0178,0.0178 and 0.0178 respectively. So, all these years the ratio was increase during these study period so it is good for bank.

IV. Return on Equity Ratio

Table 4

Year	EAT	Equity	Ratio
2018-19	21,078.17	149,206.35	0.141
2019-20	26,257.32	1,70,986.03	0.153
2020-21	31,116.53	2,03,720.83	0.152
2021-22	36,961.36	2,40,092.94	0.153
2022-23	44,108.70	2,80,199.01	0.157

Statistical Analysis:

Mean	31904.416	208841.032	0.1512
Growth Rate	109.26	87.79	

Interpretation:

The net profit after tax to total Equity ratio indicate compare the net profit to equity Table 4 depicts in the year from 2018-19 to 2022-23 The Return on Equity ratio during the year ratio was 0.141,0.153,0.152,0.153 and 0.157 respectively. So, all these years the ratio was increase during these study period so it is good for bank.

ICICI Bank

I. Gross NPA Ratio

Table 5

Year	Gross NPA	Loan Outstanding	Ratio(%)
2018-19	45,676.04	6,52,514.857	7.00
2019-20	40,829.09	6,80,484.833	6.00
2020-21	40,841.42	5,10,517.75	8.00
2021-22	33,294.92	8,32,373	4.00
2022-23	2,99,860.70	1,04,48,108	2.87

Statistical Analysis:

Mean	92100.434	2624799.68	5.574
Growth Rate	556.49	1501.20	

Interpretation:

The total gross NPA Loan amount to total Loan outstanding ratio is a ratio that compares a company's total NPA Loan amount to Loan outstanding. It shows ideal position Below10% and Quality ofloanportfolio. Table 5 depicts in the year from 2018-19 to 2022-23 The total gross NPA Loan amount to total Loan outstanding ratio was 7,6,8,4 and 2.87 respectively. So all these years the ratio are less than ideal limit. So it is a good sign of the Bank because the bank total NPA are reduced during these study periods except 2020-21.

II. Net NPA Ratio

Table 6

Year	Net NPA	Loan Outstanding	Ratio(%)
2018-19	13,449.72	5,87,324.017	2.29
2019-20	9,923.24	6,44,366.234	1.54
2020-21	9,117.66	4,34,174.286	2.10
2021-22	6,931.04	8,55,683.951	0.81
2022-23	51,500.70	1,00,98,176.5	0.51

Statistical Analysis:

Mean	18184.472	2523945	1.45
Growth Rate	282.91	1619.35	

Interpretation:

The Net NPA amount to total Loan outstanding during the year ratio that compares a Net NPA amount to total Loan outstanding during the year . It shows ideal position below5%; one of the requisites for operation freedom is low level of NPA Table 6 depicts In the year from 2018-19 to 2022-23 The Net NPA amount to total Loan outstanding during the year ratio was 2.29,1.54,2.10,0.81&0.51respectively. So all these years the ratio are less than the ideal limit . So it is good sign of the Bank.

III. Return on Assets Ratio

Table 7

Year	EAT	Total Assets	Ratio
2018-19	3,363.30	9,64,459.15	0.003
2019-20	7,930.81	10,98,365.15	0.007
2020-21	16,192.68	12,30,432.68	0.013
2021-22	23,339.49	14,11,297.74	0.016
2022-23	31,896.50	15,84,206.65	0.201

Statistical Analysis:

Mean	16544.61	1257752.27	0.048
Growth Rate	848.36	64.25	

Interpretation:

The net profit after tax to total Assets ratio indicate compare the net profit to total assets Table 7 depicts In the year from 2018-19 to 2022-23 The Return on Equity ratio during the year ratio was 0.003,0.007,0.013,0.016&0.201 respectively. So all these years the ratio was increase during these study period so it is good for bank. It means the proper utilization of assets that results to increase the profit every year.

IV. Return on Equity Ratio

Table 8

Year	EAT	Equity	Ratio
2018-19	**3,363.30**	**1,08,368.04**	**0.0310**
2019-20	**7,930.81**	**1,16,504.41**	**0.068**
2020-21	**16,192.68**	**1,47,509.19**	**0.109**
2021-22	**23,339.49**	**1,70,511.97**	**0.136**
2022-23	**31,896.50**	**2,00,715.38**	**0.158**

Statistical Analysis:

Mean	**16544.616**	**148721.798**	**0.156**
Growth Rate	**848.36**	**85.21**	

Interpretation:

The net profit after tax to total Equity ratio indicate compare the net profit to equity Table 8 depicts in the year from 2018-19 to 2022-23 The Return on Equity ratio during the year ratio was 0.310,0.068,0.109,0.136 and 0.158 respectively. So, all these years the ratio was increase during these study period so it is good for bank.

Hypotheses Testing

First Hypothesis

H01: There is no significant relationship between Quality of Assets (Gross NPA & Net NPA) and Economic Growth Rate of selected Banks.

H11: There is a significant relationship between Quality of Assets (Gross NPA & Net NPA) and Economic Growth Rate of selected Banks.

Sub hypothesis 1

H01a: There is no significant relationship between Gross NPA and Economic Growth Rate of selected Banks.

H11a: There is a significant relationship between Gross NPA and Economic Growth Rate of selected Banks.

HDFC

Year	Gross NPA	Economic Growth Rate					
2018-19	1.00	6.45	Correlation coefficient Results=-0.2762	Level of Significance=5% Degree of Freedom=3	t-test table value=3.24	t-test Results=0.498	**H01: Accept & H11: Fail to Accept**
2019-20	1.00	3.87					
2020-21	1.00	-5.83					
2021-22	1.00	9.05					
2022-23	1.12	7					

H01a: There is no significant relationship between Gross NPA and Economic Growth Rate of selected Banks.

H11a: There is a significant relationship between Gross NPA and Economic Growth Rate of selected Banks.

ICICI Bank

Year	Gross NPA	Economic Growth Rate					
2018-19	7.00	6.45	Correlation coefficient Results=--0.7364	Level of Significance=5% Degree of Freedom=3	t-test table value=3.24	t-test Results=1.89	**H01: Accept & H11: Fail to Accept**
2019-20	6.00	3.87					
2020-21	8.00	-5.83					
2021-22	4.00	9.05					
2022-23	2.87	7					

Sub hypothesis 2

H01b: There is no significant relationship between Net NPA and Economic Growth Rate of selected Banks.

H11b: There is a significant relationship between Net NPA and Economic Growth Rate of selected Banks.

HDFC

Year	Net NPA	Economic Growth Rate					
2018-19	0.39	6.45		Level of Significance=5%	t-test table value=3.24		
2019-20	0.36	3.87					

2020-21	0.40	-5.83	Correlation coefficient Results= -0.6259	Degree of Freedom=3		t-test Results=1.39	**H01: Accept & H11: Fail to Accept**
2021-22	0.32	9.05					
2022-23	0.27	7					

ICICI Bank

Year	Net NPA	Economic Growth Rate					
2018-19	2.29	6.45	Correlation coefficient Results= -0.5696	Level of Significance=5% Degree of Freedom=3	t-test table value=3.24	t-test Results=1.20	**H01: Accept & H11: Fail to Accept**
2019-20	1.54	3.87					
2020-21	2.10	-5.83					
2021-22	0.81	9.05					
2022-23	0.51	7					

Second Hypotheses:
H02: There is no significant relationship between Return on Equity (ROE) and Economic Growth Rate of selected Banks.
H12: There is a significant relationship between Return on Equity (ROE) and Economic Growth Rate of selected Banks.
HDFC

Year	ROE	Economic Growth Rate					
2018-19	0.141	6.45	Correlation coefficient Results= -0.0468	Level of Significance=5% Degree of Freedom=3	t-test table value=3.24	t-test Results=0.0811	**H01: Accept & H11: Fail to Accept**
2019-20	0.153	3.87					
2020-21	0.152	-5.83					
2021-22	0.153	9.05					
2022-23	0.157	7					

H02: There is no significant relationship between Return on Equity (ROE) and Economic Growth Rate of selected Banks.
H12: There is a significant relationship between Return on Equity (ROE) and Economic Growth Rate of selected Banks.
ICICI Bank

Year	ROE	Economic Growth Rate					
2018-19	0.0310	6.45	Correlation coefficient Results= 0.0851	Level of Significance=5% Degree of Freedom=3	t-test table value=3.24	t-test Results= 0.1479	**H01: Accept & H11: Fail to Accept**
2019-20	0.068	3.87					
2020-21	0.109	-5.83					
2021-22	0.136	9.05					
2022-23	0.158	7					

Third Hypothesis
H03: There is no significant relationship between Return on Assets (ROA) and Economic Growth Rate of selected Banks.
H03: There is a significant relationship between Return on Assets (ROA) and Economic Growth Rate of selected Banks.

HDFC Bank

Year	ROA	Economic Growth Rate					
2018-19	0.0169	6.45	Correlation coefficient Results= -0.1868	Level of Significance=5% Degree of Freedom=3	t-test table value=3.24	t-test Results= 0.3293	**H01: Accept & H11: Fail to Accept**
2019-20	0.0171	3.87					
2020-21	0.0178	-5.83					
2021-22	0.0178	9.05					
2022-23	0.0178	7					

ICICI Bank

Year	ROA	Economic Growth Rate					
2018-19	0.003	6.45	Correlation coefficient Results= 0.2674	Level of Significance=5% Degree of Freedom=3	t-test table value=3.24	t-test Results= 0.3293	**H01: Accept & H11: Fail to Accept**
2019-20	0.007	3.87					
2020-21	0.013	-5.83					
2021-22	0.016	9.05					
2022-23	0.201	7					

Findings, Conclusions and Suggestion
Findings:

HDFC Bank

- The total gross NPA Loan amount to total Loan outstanding ratio is a ratio that compares a company's total NPA Loan amount to Loan outstanding. It shows ideal position Below 10% and Quality of loan portfolio. Table 1 depicts in the year from 2018-19 to 2022-23 The total gross NPA Loan amount to total Loan outstanding ratio was first four years were 1% and fifth year was 1.12% respectively. So, all these years the ratio are less than ideal limit. So, it is a good sign of the Bank.
- The Net NPA amount to total Loan outstanding during the year that compares a Net NPA amount to total Loan outstanding during the year. It shows ideal position below 5%; one of the requisites for operation freedom is low level of NPA Table 2 depicts in the year from 2018-19 to 2022-23 The Net NPA amount to total Loan outstanding during the year ratio was 0.39,0.36,0.40,0.32 and 0.27 respectively. So, all these years the ratio are less than the ideal limit. So, it is good sign of the Bank.
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Conclusions:

In the above analysis we concluded that there is no significant relationship of economic growth with quality of assets, ROE & ROA of both the banks i.e. HDFC & ICICI Bank. Many parameters used in this research to find out the relationship and reasons behind Economic Stability and growth of the Country , but the results shows negative relationship of economic growth with the Quality of Assets, ROA & ROE. To improve their financial indicators, companies should priorities internal aspects including operational efficiency, strategic decision-making, and risk management. Understanding the subtleties of these measures can help businesses navigate economic swings and achieve long-term growth.

Suggestion:

- Maintain reliable and current records on NPAs to give stakeholders a comprehensive picture of the institution's asset quality.
- Increase transparency in financial reporting by including NPA levels, provisioning coverage, and NPA resolution activities in annual reports and regulatory filings.
- Communicate regularly with investors, regulators, and rating agencies to foster trust and confidence in the institution's ability to properly handle NPAs
- Create effective NPA resolution methods to recover non-performing loans and assets in a timely manner.
- Use debt restructuring, asset sales, and legal measures if needed to collect payments from failing borrowers.
- Form a dedicated NPA management team to supervise the recovery process and ensure compliance with regulatory requirements.

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