A study on development of economy through the banks

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***Abstract*: The banking system is an integral part of any Indian economy. Economists have expressed a number of different views on the effectiveness of banking systems in promoting economic development. As an economic institution, the bank is expected to be more direct and positively linked to the performance of the economy than most non-economic institutions. They are not only money dealers, but are in fact developing dealers. Banks are important agencies for generating savings in society. They are also the main credit agents they redirect and use the funds to allow for greater use of resources in a counter.**

Need for study:
How banks are making effective progress in the development of the Indian economy.
How are commercial and nationalized banks doing?

Research gap:
As the new changes bring competition into the current scenario, this study consists of the role of banks in economic development banks and the performance of nationalized banks.

Purpose of the survey:
Examining the nature and development of the banking sector for economic development
To access the performance of the banking sector.

Research method:
This study is mainly based on secondary data different tools used for the study may indicate different results, since the approach distinguishes some changes in the development procedure by concern can often make bank analysis misleading.
The survey can only cover data of limited duration
It is only a review of the preliminary report on concern.
The analysis must be carried out on the basis of certain assumptions, which is why the assumptions are based on.

Data collection tools:
The study is based solely on secondary data. The data required for the study will be collected in journals and reports on trends, newspapers, magazines and advances in banking in India, public publications, books and websites.

Richa verma[2007]: He conducted a study on operationally and productively efficient public sector banks in India showed that after much better liberalization of public sector banks, they have become more innovative and have a larger market share in today's market age.

Gupta Sumeet and Verma Renu (2008): analyzes the overall financial performance of the major private sector banks in India using the CAMEL model. Ten major private sector banks were taken - Axis Bank, Bank of Rajasthan, City Union Bank, HDFC Bank, ICICI Bank, Kotak Mahindra Bank, Karnataka Bank, Karur Vysya Bank, South Indian Bank, Yes Bank. The ranking of these banks was achieved by calculating the average of the different 5-year financial ratios from 2003 to 2007 on the 1-10 rating scale. For the comparative analysis of overall performance, the composite ranking method was used on the basis of the group's results. The analysis shows that Karur Vysya Bank ranked first in the overall performance followed by City Union Bank and Kotak Mahindra Bank, Bank of Rajasthan achieved the lowest composite ranking among all the banks under review. In conclusion, transparency and good governance will be the main driving force in the current scenario

COMPANY PROFILE
After independence in 1947, the government considered that loans from colonial banks were biased against working capital for trade and large enterprises. Because of these views, all the major private banks were nationalized in two stages: in 1969 and then in 1980. Subsequently, these banks were subject to quantitative borrowing targets to expand their rural networks and were geared towards extending credit to priority sectors. These nationalized banks were increasingly being used to finance budget deficits. Their activities have therefore remained insignificant. In this context, the first wave of financial liberalization took place in the second half of the 1980s, mainly in the form of interest rate deregulation. Based on the 1985 Report of the Chakra Arty Committee, the coupon rate on government bonds was gradually increased to reflect supply and demand condition Bankers until then, were used for the 4-6-4 method (loans of 4%; Lend at 6%; Go home at 4) to work. The new wave ushered in a modern perspective and working methods for traditional banks. All this has led to the rise of retail in India. Not only did people demand more from their banks, but

they also had more. Following the 1991 Narasimham Committee report, significant reforms took place in the same year. The reforms included:
A shift from banking supervision of micro-level intrusive interventions to credit decisions to prudential rules and supervision;
Reducing the CRR and the LRT
Deregulation of interest rates and inflows
Data analysis method
The authors attempt to examine the relationship between credit growth and GDP growth in different sectors of the Indian economy. This is done using co-integration and granger causality tests. The natural logarithm of the level series was used for the current study.

Root test of the device

It is possible to use the root test of the AugmentedDickeyFuller (ADF), Phillips Perron (PP) and is supported with the help of Kwiatkowski, Phillips-Schmidt-Shin (KPSS), for root analysis.

ADF off-time test car:Δyt'α 't-yyt-1'
"JΔyt-j-st. Variables α and - must take into account the possibility of drift and
stochastic trend in the time series. Further delays in regression should lead to a higher-order authorization process. Testing a device is part of thet-1 coefficient. 1.0.The rejection of the complete hypothesis simplifies the fact that the series has no common advantage. The null hypothesis is not rejected, the series is still discriminated 30, and the ADF test is performed until the null hypothesis is rejected. If the series has an AR structure, the higher order time variables are part of the AR structure. In such a scenario, phillips Perron (PP) Unit root test offers an alternative. Unlike the ADF test, the PP test does not take into account delayed difference variables to account for autocorrlation, but applies a non-parametric correction for all differential correlations and low steel density of other terms. However, thePPtest has the disadvantage that it works well only for large samples. As a result, the KPSS test receives additional support for the existence or absence of unit roots. The KPSS test is used to supplement other tests of the device as it evaluates the entire hypothesis processofatrendstationary against an alternative hypothesis of a unit root process. The rejection of nullity in the KPSS test is therefore a strong indicator of the existence of a unit root and complements the ADF and PP test, which is based on the non-rejection of the null hypothesis for the existence of unitroot.

Samintegration Test

When two or more variables follow a first-order integrated process or L(1), if there is a linear combination of these variables so that the residual value is I(0) (stationary), the variables would be co-integrated. Co-integration analysis test for a long-term relationship between variables and is necessary to avoid the risk of false regression. There are two main procedures for performing integrationco tests.

Angels and Granger (1987) formulated one of the first co-integration tests. They propose a test, which consists of estimating co-integral regression using the smallest ordinary squares (OLS), to estimate the differentindividualcertified seats. AndreformulatedJohansen(1988, 1991) uses the maximum probability procedure to determine the presence of common integrated vectors in non-stationary interminal series. The zero H0hypothesis isfor no co-integration in relation to the alternative H1incidence ofco-integration. For the purposes of the current study, the Johansen test for co-integration was used. In order to test the time series for co-integration, it is necessary that they are all integrated into the first order, i.e. they must be integrated into the first order.

Granger Causation

A time seriesis said tobe barn-to-to-do causing another set of time 'Yt'if the currentvalue y t can be betterpreditedif there are no100% delayed values or vice versa. Instant causality is said to exist in the system when the current value of the X time series is used to predict the current value of Y and not just the delayed values of X. There are several tests that are used to test Granger causality in econometric series. The current study uses
The test is based on the procedure simply contained in Granger (1969).

Exploitation of amethodologiesimilartoLevineetal. (2000), over the years, "t" and "t-1" have been on average and expressed as a fraction of real GDP. The natural logarithm of this variable was then used for other readings.
The GDP deflator is calculated for each year using REAL GDP prices 2004-2005 to deflate nominal GDP at current prices. This GDP deflator is then used to deflate nominal credit data in order to obtain real credit.

Conclusion
Nationalized banks have also implemented innovative systems for mobilizing resources. However, India measures its economic growth in the context of the April-March fiscal year. This is the announcement in the 2019-2020 preliminary budget of direct money transfer programs for farmers, and middle-class tax cuts will boost public finances by about 0.45 percent of GDP. These measures will support growth through short-term RBI consumption, lowering its benchmark policy in February and changing policy directions to neutral in relation to calibrated tightening. Inflation measures have fallen steadily in 2018.

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