

Impact of Non-Performing Assets on Operational Performance of Foreign Banks in India and Macro-Economic Determinants

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Abstract

Banks are prime intermediaries in mobilizing resources and channelling resources to various sectors of the economy, free and adequate flow of bank credit has a positive impact on the growth of the sector and directly contributes towards increased national income, national production and employment. The main objective of the study is to examine the Impact of non-performing assets on operational performance of foreign banks and macro-economic variables. The study period covers ten years from 2007-08 to 2016-17. For the purpose of the study, ten banks have been selected based on the banks which have the highest share in Non-performing Assets. The banks are Citi Bank, Standard Chartered Bank, HSBC In India, Deutsche Bank, Development Bank of Singapore, Barclays Bank, AB Bank, SBM Bank (MAURITIUS) Ltd, CTBC Bank, Abu Dhabi Commercial Bank. The data analysis is done using ratio analysis, descriptive statistics like mean, standard deviation, coefficient of variation, compound annual growth rate, multiple regression and Ordinary least square. The study concludes that the banks should take essential steps to curtail the mounting NPAs. This will allow the overall development of the economy and carry hope among the investors across the world in the Indian economy.

Keywords: Foreign Banks, Descriptive Statistics, Operational Performance, Non-performing Assets and Macro Economic Variables

Introduction

The British initiated the process of setting up of foreign banks in India after 1850. Foreign banks are those banks

whose branch offices are in India, and have their head office in a foreign country. The banks were allowed to set up their subsidiaries in India from the year 2002. Foreign banks play a relatively minor role in the Indian economy, as reiterated in Global Development finance 2008. Globalization has compelled the banking sector to reach out to more customers in order to expand their business, especially in the priority sectors. They are opening banking business even in foreign countries. During the war period the turnover of foreign banks was affected adversely due to the lower demand for credit and reduction in general industrial activity. The operational performances of the foreign banks have measured through the ratio analysis and descriptive statistic for the study. The profitability ratios has been used in order to assess the relative efficiency of the foreign banks, different ratios of return on total assets and various heads of expenditure to total assets of foreign banks for the study.

Operational Performance of Select Foreign Banks in India

(i) Gross profit to total assets (GP to TA), (ii) Net return on total assets (NR to TA), (iii) Interest income to total assets (II to TA), (iv) Interest expended to total assets (IE to TA), (v) Net interest income or margin (Spread) to total assets (NIM to TA), (vi) Provisions and contingencies to total assets (P&C to TA), (vii) Operating expenses to total assets (OE to TA), (viii) Capital adequacy ratio (CAR).

Review of Literature

Vani Shree Sah (2017) in their article attempted to study the NPAs of Indian Banks. NPAs have impact on bank's

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the profitability and the net-worth. The banks must to take initiatives to reduce the NPAs. Gross NPA reflects the quality of the bank loans and the Net NPA reflects the bank's actual burden. It was concluded that the trends of gross NPAs, net NPAs are impact of NPAs and the recent government actions to reduce the NPAs.

Prasanth Kiran and Marry Jones (2016) in their study entitled to "Effect of NPAs on the profitability of banks-A selective study". It has been made on public sector banks in India to assess the effect of NPAs on the profitability of banks. For this study, SBI and 5 nationalized banks were selected and the relation between their gross NPAs and net profit was considered. The result highlights that except for SBI all the other banks demonstrate a negative correlation between their gross NPAs and net profits. But for SBI the net profit is not affected by gross NPAs and also it is in continuous profits. These days government is focused in mounting economy which wants vast financial resources.

Vivek Rajbagadur Singh (2016) in his study investigated the NPAs in Scheduled Commercial Banks which includes public sector banks, private sector banks and foreign banks which are listed in the second schedule of the Reserve Bank of India Act, 1934. It is based on secondary data. The conceptual framework of NPAs and it also highlights the trends, status and impact of NPAs on scheduled commercial banks during the period of 14 years i.e. from 2000 to 2014. The NPAs level of the banks is high when compared to the foreign banks. It is not possible to bring as zero NPAs and also study suggests to the bank management should speed up the recovery process.

Statement of the Problem

India has been growing in the last few years even as lenders have come under presser due to unpaid dues. Non-performing assets is an emerging issue in banking system all over the world. Especially in foreign banks in India have facing NPAs risk and also foreign banks are reducing their branches count. They are facing stiff competition from the all other banks and the banks will burden of growing NPAs if the capital becomes low. If there is very demand for credit and banks lend indiscriminately. The problem of higher NPAs persists for years without getting

recognized as well as hampering normal bank lending. In 2015-16, the number of foreign banks reduced from 46 to 44 last year. Spectra of NPAs have continued to haunt the foreign banks in India meanwhile, 50 per cent of foreign bank respondents stated their bad loans is increased In the terms of profit the banks it's weighed down by higher provision and a write-off of NPAs which had risen sharply in the last year. Bad loans as a per cent of total loans rose from 10.2 per cent in 2017. The NPAs could go worsen it will immense economy, if the macroeconomic conditions deteriorated, among the bank groups foreign banks have the highest provision coverage with 88.7 per cent when compared to other sector banks. The health of the banks will be affected if the growth of NPAs is accumulated and the subsequent NPAs resolution has effect on the bank capital as well as the profitability will be affected in terms of operational performance of banks. The study focused on the status of NPAs of foreign banks in India, recovery of NPAs and operational performance of NPAs. The following research questions are,

- What extent effect of the NPAs on operational performance and macroeconomic variables?

Objective of the Study

- To examine the impact of non-performing assets on operational performance of foreign banks and macro-economic determinants.

Hypothesis of the Study

- There is no significant impact of Net NPAs to total assets on Operational Performance of select foreign banks in India and macro-economic determinants.

Methodology

- The present study is an analytical in nature.

Sources of Data

The study is based on secondary data only. The relevant data have been collected from the RBI publications like "Annual Report on Trends and Progress of Banking in India", 'Annual Report of RBI', and the publications of RBI like RBI bulletin, IBA (Indian Banks' Association), websites and magazines.

Period of the Study

The present study covers a period of the ten years from 2007-08 to 2016-17.

Sampling Design

There are 44 foreign banks in India. In this sector, ten banks have been selected on the basis of the level of NPAs for the study. The ten banks are Citi Bank, Standard Chartered Bank, HSBC In India, Deutsche Bank,

Development Bank of Singapore, Barclays Bank, AB Bank, SBM Bank (MAURITIUS) Ltd, CTBC Bank, Abu Dhabi Commercial Bank are taken for the study.

Statistical Tools for Analysis

The analysis of data are done using statistical tools like, Mean, standard deviation, coefficient of variation, Compound annual growth rate, Augmented dickey fuller test and ordinary Least Square.

Table 1: Descriptive Statistics of Operational Performance of Select Foreign Banks in India

<i>Gross profit to total assets of select foreign banks</i>										
<i>Banks</i>	<i>AB</i>	<i>ABU</i>	<i>BARCLAYS</i>	<i>CITI</i>	<i>CTBC</i>	<i>DBS</i>	<i>DEUTSCHE</i>	<i>HSBC</i>	<i>SBM</i>	<i>SCB</i>
MEAN	8.30	1.71	2.29	5.18	1.98	1.73	4.18	3.16	2.12	4.05
SD	1.79	0.77	1.24	3.93	1.07	0.81	0.88	0.72	1.30	0.41
CV	21.54	45.26	54.31	75.96	53.95	46.58	21.07	22.80	61.33	10.07
CAGR	-0.01	-0.12	0.10	0.00	0.02	-0.01	-0.01	-0.02	-0.07	-0.02
Net Return to total assets of select foreign banks										
MEAN	8.30	1.71	2.29	5.18	1.98	1.73	4.18	3.16	2.12	4.05
SD	1.79	0.77	1.24	3.93	1.07	0.81	0.88	0.72	1.30	0.41
CV	21.54	45.26	54.31	75.96	53.95	46.58	21.07	22.80	61.33	10.07
CAGR	-0.01	-0.12	0.10	0.00	0.02	-0.01	-0.01	-0.02	-0.07	-0.02
Net Return to total assets of select foreign banks										
MEAN	4.37	1.40	0.28	1.90	0.25	0.58	1.95	1.47	0.12	1.85
SD	1.24	1.41	1.31	0.51	1.98	0.80	0.55	0.33	1.84	0.57
CV	28.25	100.68	468.54	26.85	778.55	138.00	28.62	22.45	569.54	30.71
CAGR	-0.01	-0.21	0.43	0.01	0.01	-0.27	-0.02	0.02	0.06	-0.03
Interest income to total assets of select foreign banks										
MEAN	4.22	7.28	6.73	6.88	7.98	6.19	7.22	6.42	8.43	7.14
SD	0.94	1.16	2.22	0.59	1.61	1.03	0.69	0.65	1.53	0.61
CV	22.25	16.05	32.92	8.50	20.16	16.71	9.58	10.17	18.15	8.52
CAGR	-0.07	-0.04	-0.04	-0.01	0.00	-0.04	0.00	-0.02	-0.02	-0.01
Interest expended to total assets of select foreign banks										
MEAN	0.63	3.97	2.97	2.52	2.62	3.45	2.25	2.67	4.85	3.06
SD	0.19	0.91	0.73	0.37	0.95	0.88	0.67	0.39	1.82	0.74
CV	30.56	22.94	24.69	14.64	36.40	25.57	29.88	14.52	37.60	24.19
CAGR	0.03	0.00	0.01	-0.01	-0.05	0.00	0.03	0.01	-0.03	0.00
Net interest income to total assets (net interest margin) of select foreign banks										
MEAN	3.56	2.98	3.44	4.26	5.18	2.44	4.82	3.64	2.86	4.10
SD	0.94	1.28	1.26	0.33	1.30	0.64	0.78	0.49	0.97	0.25
CV	26.31	42.99	36.69	7.70	25.17	26.28	16.27	13.45	34.10	6.04
CAGR	-0.08	-0.13	-0.03	-0.01	0.05	-0.06	-0.01	-0.02	-0.02	-0.01
Provisions and contingencies to total assets of select foreign banks										
MEAN	3.95	0.69	1.76	2.00	2.29	1.14	2.07	1.64	2.52	2.15
SD	0.97	0.51	1.16	0.59	1.75	0.42	0.45	0.84	1.82	0.50
CV	24.47	74.54	65.84	29.44	76.48	36.96	21.81	51.02	72.43	23.22
CAGR	0.00	-0.14	0.02	-0.02	0.26	0.07	0.00	-0.05	0.10	-0.01

Operating expenses to total assets of select foreign banks										
MEAN	6.41	1.79	2.69	3.06	3.62	1.42	3.19	2.26	1.07	2.50
SD	1.41	0.99	1.31	2.12	1.34	0.57	0.90	0.24	0.31	0.22
CV	22.02	55.24	48.56	69.28	37.04	40.20	28.23	10.43	29.11	8.98
CAGR	0.07	-0.13	-0.12	0.00	0.05	0.07	-0.08	-0.03	0.00	-0.03
Capital adequacy ratio of selected Foreign Banks										
MEAN	32.86	45.09	17.86	15.78	39.01	15.91	14.96	16.21	41.48	12.25
SD	8.61	18.21	1.97	1.91	7.58	1.87	0.81	2.35	6.24	1.02
CV	26.20	40.39	11.04	12.12	19.44	11.72	5.43	14.49	15.04	8.29
CAGR	-0.03	-0.07	-0.02	0.04	0.07	-0.01	0.00	0.06	-0.02	0.03

Source: RBI Published Data and Annual Reports

Impact of Non-Performing Assets on Operational Performance of Foreign Banks

Relationship between Net NPAs to Total Assets And Other Dependent Variables of Foreign banks

The following table describes the relationship between independent variable like Net Non-performing assets to total assets and other dependent variables like gross profit to total assets, net return to total assets, interest income to

total assets, net interest income to total assets provision and contingencies to total assets, operational expenses to total assets and capital adequacy ratio using Regression for foreign banks.

Relationship between Net NPAs to Operating Performance of Select Foreign Banks.

H_0 – There is no significant impact of Net NPAs to total assets on Operational Performance of select foreign banks.

Table 2: Model Summary of Net NPAs to Total Assets on Operational Performance of Select Foreign Banks

Ratios	R	R Square	Adjusted R Square	Std. Error	F	Sig.
Net NPAs to total asset on gross profit to total assets	.38	.14	.04	.145	1.37	0.27
Net NPAs to total assets on net return to total assets	.838	.701	.664	.10472	18.793	.002*
Net NPAs to total assets and interest income to total assets	.229	.053	-.066	.03310	.444	0.524
Net NPAs to total assets and interest expended to total assets	.985	.969	.966	.03219	253.39	.000*
Net NPAs to total assets and net interest income to total assets	.717	.514	.453	.04677	8.457	.020*
Net NPAs to total assets and provision and contingencies to total assets	.218	.047	-.072	.09795	.398	0.546
Net NPAs to total assets and operational expenses to total assets	.992	.983	.981	.02694	466.16	.000*
Net NPAs to total assets and capital adequacy ratio	.990	.980	.977	.02591	389.56	.000*

Source: Calculated data

*Indicates statistical significance at 5 per cent level

The table 2 shows the significant impact of Net NPAs to total assets on Operational Performance of select foreign banks. Net NPAs to total assets significantly impact on return to total assets (0.002), interest expended to total assets (0.020), net interest income to total assets (0.000),

operational expenses to total assets (0.000), and capital adequacy ratio (0.000) at 5 percent level. Hence, the null hypothesis is rejected it refers there is significant effect of the NPAs on operational performance of select foreign banks in India.

Effect of NPAs on Macroeconomic Variables

In this section, attempts to analyze the effect of NPAs on macro economic variables using ordinary least square and analyze the growth rate of macroeconomic variables of India.

Growth of Macroeconomic Variables in India

Table 3: Growth of GDP (In percentage)

Year	Gross domestic product	Inflation rate	Gross Domestic Savings	Exports	FER
2007-08	22.30	22.40	6.37	14.60	43.51
2008-09	17.50	19.90	8.35	-4.69	48.41
2009-10	16.90	17.20	10.88	19.62	45.73
2010-11	21.50	15.90	11.99	15.58	46.67
2011-12	17.00	13.50	8.86	6.81	53.44
2012-13	14.10	14.20	9.31	7.79	58.60
2013-14	13.90	14.10	10.91	1.78	61.03
2014-15	9.00	10.70	6.65	-5.59	64.15
2015-16	10.90	9.30	4.91	5.37	67.19
2016-17	8.20	15.30	4.94	5.15	65.12
MEAN	15.13	15.25	8.32	6.64	55.38
SD	4.83	3.92	2.53	8.29	8.92
CV	31.92	25.73	30.41	68.72	79.53
SKEW-NESS	0.01	.370	-0.04	0.03	-0.025
K U R - TOSIS	-0.99	.071	-1.37	-0.725	-1.85
CAGR	0.10	0.04	0.03	-0.10	0.04

Source: computed data

The above table 3 demonstrates that Mean, Standard Deviation, CV, Skewness, Kurtosis, Compound annual growth rate of macroeconomic determinants in the study period. The mean value of GDP is 15.13. The CAGR of GDP is 0.10 per cent. The GDP is highest in the year 2007-08 by 22.30 per cent followed by in the year 2010-11 is 21.50 per cent and low in the year of 2016-17 is 8.20 per cent. The mean value of Inflation rate is 15.25. The CAGR value of Inflation rate is 0.04 per cent. The Inflation rate is high in the year 2007-08 by 22.40 per cent followed by in the year 2008-09 is 19.90 per cent and less in the year of 2015-16 is 9.30 per cent. The mean value of Gross Domestic Savings growth rate is 8.32. The CAGR value of Gross Domestic Savings growth rate is 0.03 per cent. The Gross Domestic Savings growth rate is high in the year 2010-11 with 11.99 per cent which is followed in the year 2013-14 with 10.91 per cent and lowest in the year of 2015-16 is 4.91 per cent. The mean value of Exports is 6.64. The CAGR value of Exports growth rate is -0.10 per cent. The Exports is high in the year 2009-10 by 19.16 per cent which is followed in the year 2010-11 is 15.58 per cent and less in the year of 2014-15 with -5.59 per cent. The mean value of FER is 55.38. The CAGR value of FER is 0.04 per cent. The FER is high in the year 2015-16 with 67.19 per cent which is followed in the year 2016-17 with 65.12 per cent and lowest in the year of 2007-08 with 43.51 percent.

Augmented Dickey Fuller (ADF) test

The NPAs of foreign banks on GDP

Table 4: Augmented Dickey Fuller Test of the NPAs on GDP

Variables	Level		1st Difference		2nd Difference	
	t-statistic	Probability	t-statistic	Probability	t-statistic	Probability
NPAs	-3.780	0.083	-3.990	0.025*		
GDP	-6.161	0.007*				

The above table 4 portrays that the augmented dickey fuller test results of NPAs and GDP. NPAs are stationary at first difference $I(1)$ with the probability value of 0.025 and GDP is stationary at level $I(0)$ with the probability

value of 0.007. Hence, it is concluded that the above variables are stationary.

H_{01} : There is no significant effect of the NPAs of foreign banks on GDP.

Table 5: Ordinary Least Square Model of NPAs on GDP

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.807647	8.223123	0.219825	0.8315
GDP	2.915700	1.137271	2.563769	0.0335
R-squared	0.451036	Mean dependent var		22.33800
Adjusted R-squared	0.382416	S.D. dependent var		7.521248
S.E. of regression	5.910688	Akaike info criterion		6.568258
Sum squared resid	279.4898	Schwarz criterion		6.628775
Log likelihood	-30.84129	Hannan-Quinn criter.		6.501871
F-statistic	6.572912	Durbin-Watson stat		2.232979
Prob (F-statistic)	0.033450			

From above table 5, it can be observed that the result of ordinary least square regression for impact of NPAs of foreign banks on Macro economic variables for the study period. The calculated t-value is 0.220 whose significant value is statistically significant at 5 per cent level. Therefore, the null hypothesis is rejected. It can be

concluded that there is a significant difference between the NPAs of foreign banks and GDP of India. The value of Durbin Watson statistics 2.23 is that the model indicates there is no auto correlation problem.

The NPAs of Foreign Banks on Inflation Rate

Table 6: Augmented Dickey Fuller Test of the NPAs on Inflation Rate

Variables	Level		1st Difference		2nd Difference	
	t-statistic	Probability	t-statistic	Probability	t-statistic	Probability
NPAs	-3.780	0.083	-3.990	0.025*		
INFL	-2.103	0.478	-2.402	0.169	-5.244	0.037*

The above table 6 portrays that the augmented dickey fuller test results of NPAs and Inflation rate. NPAs are stationary at first difference $I(1)$ with the probability value of 0.025 and Inflation rate is stationary at second

difference $I(2)$ with the probability value of 0.037. Hence, it is concluded that the above variables are stationary.

H_{01} : There is no significant effect of the NPAs of foreign banks and Inflation rate.

Table 7: Ordinary Least Square Model of NPAs on Inflation Rate

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	18.76572	9.001792	2.084665	0.0706
INFL	0.429496	1.039844	0.413039	0.6904
R-squared	0.020880	Mean dependent var		22.33800
Adjusted R-squared	-0.101510	S.D. dependent var		7.521248
S.E. of regression	7.893764	Akaike info criterion		7.146880
Sum squared resid	498.4921	Schwarz criterion		7.207397
Log likelihood	-33.73440	Hannan-Quinn criter.		7.080493
F-statistic	0.170601	Durbin-Watson stat		2.043042
Prob(F-statistic)	0.690427			

From above table 7 it can be observed that the result of ordinary least square regression for impact of NPAs of foreign banks on Macro economic variables for the study period. The calculated t-value is 2.085 whose significant value is 0.690 which is greater than five per cent level of

significance. Therefore the null hypothesis is accepted. It can be concluded that there is no significant difference between the NPAs of foreign banks and Inflation rate of India. The value of Durbin Watson statistics 2.04 is that the model indicates there is no auto correlation problem.

NPAs of foreign banks of GDS

Table 8: Augmented Dickey Fuller Test of the NPAs on GDS

Variables	Level		1st Difference		2nd Difference	
	t-statistic	Probability	t-statistic	Probability	t-statistic	Probability
NPAs	-3.780	0.083	-3.990	0.025*		
GDS	-9.044674	0.000*				

The above table 8 portrays that the augmented dickey fuller test results of NPAs and GDS. NPAs are stationary at first difference I(0) with the probability value of 0.025 and GDS is stationary at level I(0) with the probability

value of 0.000. Hence, it is concluded that the above variables are stationary.

H₀₁: There is no significant effect of the NPAs of foreign banks and GDS.

Table 9: Ordinary Least Square Model of NPAs on GDS

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	48.30274	66.20281	0.729618	0.4864
GDS	-0.816501	2.080366	-0.392480	0.7050
R-squared	0.018891	Mean dependent var		22.33800
Adjusted R-squared	-0.103747	S.D. dependent var		7.521248
S.E. of regression	7.901777	Akaike info criterion		7.148909
Sum squared resid	499.5046	Schwarz criterion		7.209426
Log likelihood	-33.74454	Hannan-Quinn criter.		7.082522
F-statistic	0.154040	Durbin-Watson stat		2.141479
Prob(F-statistic)	0.704954			

From above table 9 it can be observed that the result of ordinary least square regression for impact of NPAs of foreign banks on Macro economic variables for the study period. The calculated t-value is 0.729 whose significant value is 0.705 which is greater than five per cent level of significance. Therefore the null hypothesis is accepted. It

can be concluded that there is no significant difference between the NPAs of foreign banks and GDS of India. The value of Durbin Watson statistics 2.14 is that the model indicates there is no auto correlation problem.

The NPAs of foreign banks of Export

Table 10: Augmented Dickey Fuller Test of the NPAs on Export

Variables	Level		1st Difference		2nd Difference	
	t-statistic	Probability	t-statistic	Probability	t-statistic	Probability
NPAs	-3.780	0.083	-3.990	0.025*		
Export	-3.969	0.067	-3.711	0.035*		

The above table 10 portrays that the augmented dickey fuller test results of NPAs and Exports. NPAs are stationary at first difference $I(1)$ with the probability value of 0.025 and Export is stationary at first difference $I(1)$

with the probability value of 0.035. Hence, it is concluded that the above variables are stationary.

H_{01} : There is no significant effect of the NPAs of foreign banks and Export.

Table 11: Ordinary Least Square Model of NPAs on Export

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	23.82584	3.199959	7.445673	0.0001
EXPORT	-0.224021	0.310898	-0.720562	0.4917
R-squared	0.060946	Mean dependent var		22.33800
Adjusted R-squared	-0.056436	S.D. dependent var		7.521248
S.E. of regression	7.730570	Akaike info criterion		7.105099
Sum squared resid	478.0937	Schwarz criterion		7.165616
Log likelihood	-33.52549	Hannan-Quinn criter.		7.038712
F-statistic	0.519209	Durbin-Watson stat		2.279885
Prob(F-statistic)	0.491694			

From above table 11 it can be observed that the result of ordinary least square regression to analyze the impact of NPAs of foreign banks on Macro economic variables for the study period. The calculated t-value is 7.446 whose significant value is 0.492 which is greater than five per cent level of significance. Therefore the null hypothesis is

accepted. It can be concluded that there is no significant difference between the NPAs of foreign banks and Exports of India. The value of Durbin Watson statistics 2.27 is that the model indicates there is no auto correlation problem.

NPAs of foreign banks of FER

Table 12: Augmented Dickey Fuller Test of the NPAs on FER

Variables	Level		1st Difference		2nd Difference	
	t-statistic	Probability	t-statistic	Probability	t-statistic	Probability
NPAs	-3.780	0.083	-3.990	0.025*		
FER	-3.113	0.172	-2.686	0.122	-8.384	0.005*

The above table 12 portrays that the augmented dickey fuller test results of NPAs and FER. The NPAs are stationary at first difference $I(1)$ with the probability value of 0.025 and FER is stationary at second difference $I(2)$

with the probability value of 0.005. Hence, it is concluded that the above variables are stationary.

H_{01} : There is no significant effect of the NPAs of foreign banks and FER.

Table 13: Ordinary Least Square Model of NPAs on FER

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	10.32668	16.13903	0.639858	0.5402
FER	0.216873	0.288059	0.752879	0.4731
R-squared	0.066165	Mean dependent var		22.33800
Adjusted R-squared	-0.050564	S.D. dependent var		7.521248
S.E. of regression	7.709055	Akaike info criterion		7.099525
Sum squared resid	475.4363	Schwarz criterion		7.160042

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Log likelihood	-33.49762	Hannan-Quinn criter.		7.033138
F-statistic	0.566827	Durbin-Watson stat		2.128229
Prob(F-statistic)	0.473093			

From above table 14 it can be observed that the result of ordinary least square regression to analyze the impact of NPAs of foreign banks on Macro economic variables for the study period. The calculated t-value is 0.639858 whose significant value is 0.473093 which is greater than five per cent level of significance. Therefore the null hypothesis is accepted. It can be concluded that there is no significant difference between the NPAs of foreign banks and FER of India. The value of Durbin Watson statistics 2.12 is that the model indicates there is no auto correlation problem.

Suggestions

- The high level of NPAs have been found in Citi bank, SCB, Deutsche bank, these banks should take steps to reduce the NPAs in order to increase the efficiency of financial position of the banks as well as the borrowers, through timely declaring of repayment to the credit takers.
- Banks should be careful while making advances to personal loan seekers, industrial credit seekers. The banks should not take risks in giving loan without adhering to the norms with a purpose to raising the credit growth rate.
- Suitable lawful measures should be taken against willful defaulters. The banks should be provided monopoly to take action against the confirmed cases. The legal system must be revamped, to make certain that needless delays in the legal measures can be minimized.

Conclusion

The study concluded that the non-performing assets of foreign banks in India. The level of NPAs is high in Citi bank, SCB, and Deutsche bank among other select foreign banks in India. The foreign banks profitability is satisfactory and also restricted to expand their business in India is the huge priority sector requirement. The capital adequacy is lacking in Deutsche bank, DBS bank, Citi bank, and Barclays bank. So, it will affect the bank's

strength, bank's profitability and the operations of the bank. For that reason the study concludes that the banks should take essential steps to curtail the mounting NPAs. This will allow the overall development of the economy and carry hope among the investors across the world in the Indian economy.

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