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Investigating the impact of financial institutions on economic growth and development: Evidence of India

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Abstract
This paper aims to examine the impact of financial institutions on the economic growth and development of India from 2000 to 2024. Additionally, the current analysis examines the impact of non-banking financial companies (NBFC), commercial banks (Banks), and urban cooperative banks (UCB) on economic growth and development indicators such as GDP growth, human development index (HDI), and per capita income (PCI) in India. The empirical outcome reveals that financial institutions such as NBFC, UCB, and commercial banks (BANK) do not have any significant impact on GDP growth. On the other hand, the present investigation shows that NBFC and commercial banks (BANK) do not have any impact on the human development index (HDI), while UCB seems to have a positive impact. This demonstrates the implications of UCB from a development perspective. Ultimately, the relevant findings suggest that commercial banks (BANK) contribute positively to the country's per capita income growth, whereas NBFC and UCB have a slight negative influence. Therefore, we can conclude that commercial banks significantly contribute to India's per capita income growth.

Keywords: Financial Institution, NBFC, UCB, commercial bank, HDI, GDP, PCI and India

1. Introduction

In today's modern era, financial institutions play an important role in the entire economic and monetary system. The financial institution leads to the development of a sophisticated financial system that finally links the country's savings and investments and promotes wealth creation. The growth and development level of financial institutions reveals efficiency in the allocation of funds and capital for the production process, which ultimately determines the level of economic growth and general welfare (Allen and Carletti, 2012) [4]. We can classify the financial system of the economy into two categories: the financial market and financial institutions. However, the financial institutions actively contribute to the financial market by facilitating effective financial transactions. The financial system works as an intermediary to channelize the funds from households to firms that finally stimulate the productivity and growth of the economy (Cecchetti *et al*., 2011, Deltuvaitė *et al*. 2014) [13, 48]. When we talk about the Indian financial system, the financial institutions include banks and NBFCs. Conversely, we can further classify banks into three categories: public sector, private sector, and foreign sector banks. The growth of the banking sector since independence is significant; for example, in 1969 the total numbers of nationalised banks in India were 14, which advanced to 20 in 1990 before LPG policy implementation. Additionally, India witnessed various structural reforms in the banking sector after the LPG policy in 1991. According to the RBI data base, the total number of banks in India is 109 as of now in 2024. Of these banks, 12 are public sector banks, 21 are private sector banks, 43 are regional rural banks, and 33 are state cooperative banks. On the other hand, the NBFC sector also exhibited remarkable growth in the Indian financial sector; for example, in 2000, the total number of NBFC in India was 8,451, which advanced to 9327 in 2024 according to the RBI data base. The role of financial institutions is not limited to the mobilization of funds from households to producing sectors; however, these intermediaries play a key role in credit allocation, payment and fund transfer, risk mitigation, and liquidity services that play a significant role in economic growth and development.

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Researchers have focused on the impact of financial institutions on economic growth and development. For example, Schumpeter (1911) [45] confirmed the positive role of financial markets and institutions in economic growth. While there have been many perspectives on the relationship between financial development and growth, it is generally accepted that financial development improves capital efficiency and thus stimulates economic growth (King and Levine, 1993; Beck & Levine, 2004) [27, 9]. Realizing the implication of financial institutions and development, several authors have pondered over the factors that contribute to the development of these institutions and, ultimately, to economic growth. Many investigations on the above topic confirmed the significant role of financial institutions, such as banks, NBFCs, and insurance companies, in stimulating financial development and thereby economic growth (Sandberg, 1978; Arena, 2008; Curak *et al*., 2009; Acaravci *et al*., 2009; Adams *et al*., 2009; Kaushal and Ghosh, 2016) [44, 8, 16, 2, 3, 26]. However, several studies challenge the notion of a universal positive impact of financial institutions on productivity, arguing that each country's unique economic policies may influence the influence of these institutions on economic growth (Al-Yousif, 2002; Demetriades and Khaled, 1996) [6, 19]. Moreover, there is a scarcity of research in the Indian setting that investigates the impact of financial institutions on economic growth and development. For example, Kaushal and Ghosh (2016) [26] investigated the impact of the insurance and banking sectors on the economic growth of India. Furthermore, Sahoo (2013) [43] examined the implication of bank credit and market capitalisation of firms on economic growth and concluded that these variables have a long-run nexus with economic growth and also lead to advancement of production of output and national income.
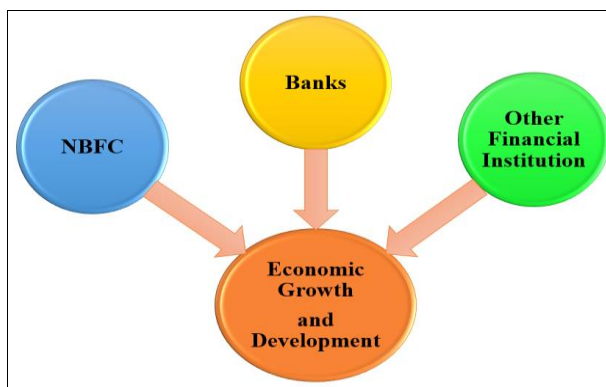

Fig 1: Implication of Financial Institution on Economic growth and Development.

Source: Author Creation

It is a well-accepted fact that the Indian banking sector has seen a significant transformation throughout the era after nationalisation, namely from 1969 onwards, and has become a crucial institution for facilitating fast economic development. The extensive network of financial institutions helps the economy increase its savings for more effective use, which ultimately supports economic growth and development, as shown in figure 1. In the era of information technology and integrated financial and banking systems, assessing the impact of these institutions on economic growth and development is a challenging task due to the intricate dynamics and complexities involved. Despite the positive influence of financial institutions on economic growth and development, there is a lack of research on this topic in the Indian context. Moreover, only a handful of studies have examined the impact of financial institutions on economic growth and development, particularly in the Indian context. However, even fewer researchers have explored the impact on economic growth and inequality in this context. However, the majority of these studies are specifically focused on western and developed economies. Furthermore, we cannot generalize the conclusions of these investigations from an Indian perspective, given that the structure and outlook of the Indian economy differ significantly from those of western countries. Finally, research pertaining to the impact of financial institutions on economic growth and development seems to be inconclusive. Therefore, the current paper aims to bridge this gap by offering fresh perspectives on the aforementioned theme through a unique research methodology. In various ways, the current paper advances the understanding of the above theme. Initially, it examines multiple financial institution indicators, like number of non-banking financial companies (NBFC), commercial banks (Banks), and urban cooperative banks (UCB), to uncover their influence on on economic growth and development indicators such as GDP growth, human development index (HDI), and per capita income (PCI), a method not previously explored by researchers in the Indian context. Secondly, it enhances current knowledge by conserving a large set of annual data, spanning from 2000 to 2024. The huge data set helps us to draw a solid conclusion about reality. Finally, this research enhances our current understanding by implementing several data analysis techniques. These techniques enable us to conduct a more inclusive and insightful analysis, ensuring greater accuracy and reliability in interpreting the results.

Our study's significance lies in the findings it uncovers, which hold valuable implications for policy formulation for both policymakers and investors. By comprehending the relationship between financial institutions and growth and development possibilities, policymakers may enhance their ability to create and execute initiatives aimed at stimulating the growth and development process. The knowledge gained from our study will be a valuable asset in developing efficient strategies that may increase economic productivity and prosperity. The first part presents the introduction. The next section of the document presents a review of existing literature. However, Section 3 covers the discussion of data and technique, whereas the remainder of 4 focusses on the analysis of the results. Section five ultimately discloses the final outcome of the analysis.

2. Literature Review

Numerous studies have investigated the macroeconomic implications of financial institutions. Out of these sets of investigations, most specifically focus on the impact of financial institutions on financial inclusion. Mukherjee and Chakraborty (2012) [14], for example, examine the impact of financial institutions on financial inclusion in India by considering the NBFC, self-help groups, and regional rural banks. The author confirms that these financial institutions have a favourable impact on financial inclusion. Conversely, Uma and Rupa (2013) [24] investigate the function of self-help groups in promoting financial inclusion in India. The

outcome of research confirms that self-help groups lead to a positive impact in promoting financial inclusion in India. On the other hand, several studies examine the impact of financial institutions on economic growth. For example, Jeanneney *et al*. (2006) [23] examine the implication of financial development on productivity growth by considering the 29 Chinese provinces for the period 1993–200. The investigation's pertinent outcome reveals that it is technical efficiency improvement in the financial sector that supports growth and productivity. Christopoulos and Tsionas (2004) [15] investigate the long-term impact of financial development on economic growth using data from 10 economies. Based on the empirical outcome, the authors confirm the existence of a causal relationship between financial development and economic growth. On the other hand, studies do not show the presence of reverse causality. Additionally, Liang and Reichert (2006) [29] conclude that the existing causal relationship between financial development and economic growth is dynamic, and such a nexus changes with the change in the economic growth cycle. Cavenaile *et al*. (2014) [12] support this conclusion by confirming that the indicator of financial development, such as banking development, only influences economic growth after reaching a threshold level. However, before the threshold level, such relationships become negligible. On the other hand, Ang and McKibbin (2007) [7] investigate the impact of financial development and economic growth in Malaysia and conclude that in the long run, financial sector reform does not cause economic growth. Furthermore, the study concludes that it is economic growth that drives higher levels of financial development. Moreover, there are several studies that show the presence of a bidirectional relationship between financial development and economic growth. For example, Abu-Bader and Abu-Qarn (2008) [1] confirm the existence of bi-directional causality between financial development and economic growth in the Egyptian economy. The study also suggests improving the speed of financial reforms to enhance economic growth. Furthermore, several investigations, such as Madiefe (2015), Elie (2015) [22], Tabi *et al*. (2011) [47], and Djoumessi (2009) [20], confirm the positive impact of the financial development on economic growth in Cameroon and some sub-Saharan African countries, such as South Africa. Despite several empirical evidences, there is little literature demonstrating the negative impact of financial development on economic growth. For instance, Al-Malkawi *et al*. (2012) [5] reveal that financial development may lead to an unfavourable impact on economic productivity. Additionally, Bernard and Austin (2011) [10] and De Gregorio & Guidotti (1995) [17] also conclude that financial development may lead to an unfavourable impact on the economic growth in several countries. Moreover, there is an ample amount of literature that confirms the non-significant relationship between financial institutions and economic growth (Levine and Zervos (1998) [28], Ram (1999) [42], Bloch and Tang (2003) [11], Mishra *et al*. (2019) [33], Mishra, (2020) [32], Mishra *et al*. (2019a) [34] and Mishra *et al*. (2021) [33]). Puatwoe *et al*. (2017) [40] examine the impact of financial sector development and economic growth in Cameroon, Africa, using the Auto Regressive Distributive Lag (ARDL) model. Based on the empirical results, the author concludes that in the long run, all indicators of financial development have a significant positive impact on Cameroon's economic growth. On the other hand, Kass-

Hanna *et al*. (2022) [25] show that digital and financial literacy are essential factors in nurturing inclusion and financial resilience. Additionally, the necessary findings confirm the need to redefine traditional financial literacy to include digital literacy, as it has significant implications for governments seeking to enhance households' long-term financial resilience through a comprehensive approach. Ozil (2018) [38], on the other hand, find that financial inclusion leads to more financial and banking activity as well as growth, which ultimately enhances overall social development. Additionally, Sharma (2016) [46], by applying the Granger causality method, investigates the relationship between financial inclusion and economic growth. The necessary outcome reveals a connection between outreach and development, as well as between deposits and the gross domestic product (GDP). Hence, the author finally concludes the existence of a significant relationship between financial inclusion and economic growth. From an Indian economic perspective, there are few works of literature that shed some light on the implications of financial institutions and development. For example, MacDonald *et al*. (2022) [30] investigate the impact of cyclical financial conditions on India's GDP growth. Based on the relevant outcome, the authors conclude that on a cyclical basis, a negative shock to credit or a rise in macro vulnerability all shift the distribution of growth to the left, with lower expected growth. Additionally, Van *et al*. (2019) examine the impact of financial inclusion on economic development from an Asian perspective, including India. The relevant outcome reveals the existence of significant correlations between large numbers of bank branches, ATMs, domestic credit in the private sector, and the increased rate of development in the economy. Pal *et al*. (2014) [39] asserted a substantial connection between financial exclusion, poverty, and inequality, and the inability to access financial services. Chakraborty (2008) [14], on the other hand, investigates the influence of financial industry advancements on India's economic expansion during the period after reforms. The findings indicate that the investment-output ratio has a statistically significant positive impact on the actual rate of GDP growth, regardless of the measure used to assess stock market performance. A rise in market capitalization hinders economic development, but an increase in the money market interest rate has a notable positive impact. Furthermore, Dudhe (2021) [21] examines the impact of financial inclusion on the growth of the economy in the Indian context. Based on the multivariate analysis, the author confirms that the advancement of financial inclusion in India works as a stimulus for economic growth. Pushp *et al*. (2023) [41], on the other hand, investigate the impact of financial inclusion on economic growth and development by considering the moderating effect of Internet subscribers in India. Based on their empirical findings, the authors conclude that internet users have a negative impact on the relationship between financial inclusion (FI) and Sustainable Development Goals (SDG). Additionally, Kaushal *et al*. (2016) [26] analyse the correlation between financial institutions and economic development in the Indian economy. The authors' empirical findings lead them to infer that there is a long-term link between insurance institutions and economic progress, with one promoting the other. However, studies also show a direct correlation between the establishment and expansion of financial institutions and economic growth. Additionally, Mishra *et al*. (2024) [36] investigate the ripple impact of

financial inclusion on socio-economic development in India. The study highlights that ensuring access to financial resources for lower sections of society is crucial for promoting sustainable and socio-economic development in emerging nations like India.

Regarding the literature on the relationship between financial institutions and economic development and growth, it appears that these studies have yielded inconclusive conclusions. Furthermore, a substantial body of literature concentrates on the impact of financial institutions on economic growth, whereas another group of researchers solely considers the financial development of financial inclusion. Additionally, previous studies have neglected to consider the dynamic relationships between financial development, economic growth, and economic development from an Indian perspective, given that many Indian states continue to struggle with a lack of financial development. Hence, the present study strives to extend such investigation from an Indian perspective by exploring the possible linkages between financial institutions, economic growth, and development.

3. Data and Methodology
3.1 Data
The foremost intention of the current empirical analysis is to reveal the impact of financial institutions on economic growth and development. The current analysis relies on annual time-series data for the relevant variables. To measure the financial institutions, this paper considers three important variables, which include the number of commercial banks (banks), the number of non-banking financial companies (NBFC), and the number of urban cooperative banks (UCB). On the other hand, to reveal the economic growth, the GDP growth data in current price have been considered. Moreover, previous literature uses indicators like the human development index (HDI) and per capita income (PCI) to gauge economic development. This study collects the data pertaining to commercial banks (banks), numbers of non-banking financial companies (NBFCs), and the number of urban cooperative banks (UCBs) from the Reserve Bank of India data base, which is available on https://data.rbi.org.in/#/dbie/home. Additionally, the related data of GDP growth, human development index (HDI), and per capita income (PCI) have been retrieved from the World bank data base, which can be accessed freely by any one, which is available on https://data.worldbank.org/country/india . The data period of the current investigation includes annual time series data from 2000 to 2024.
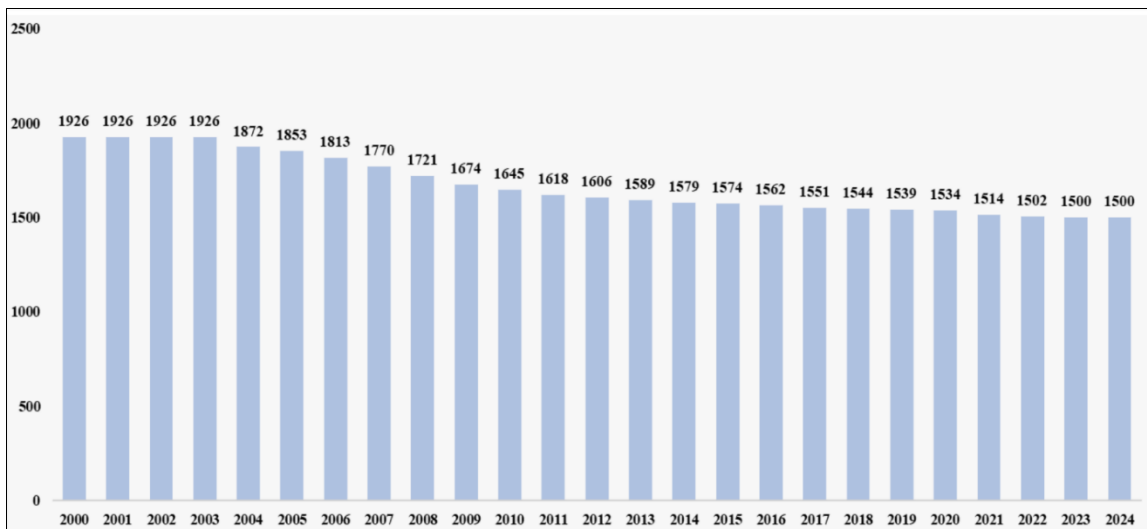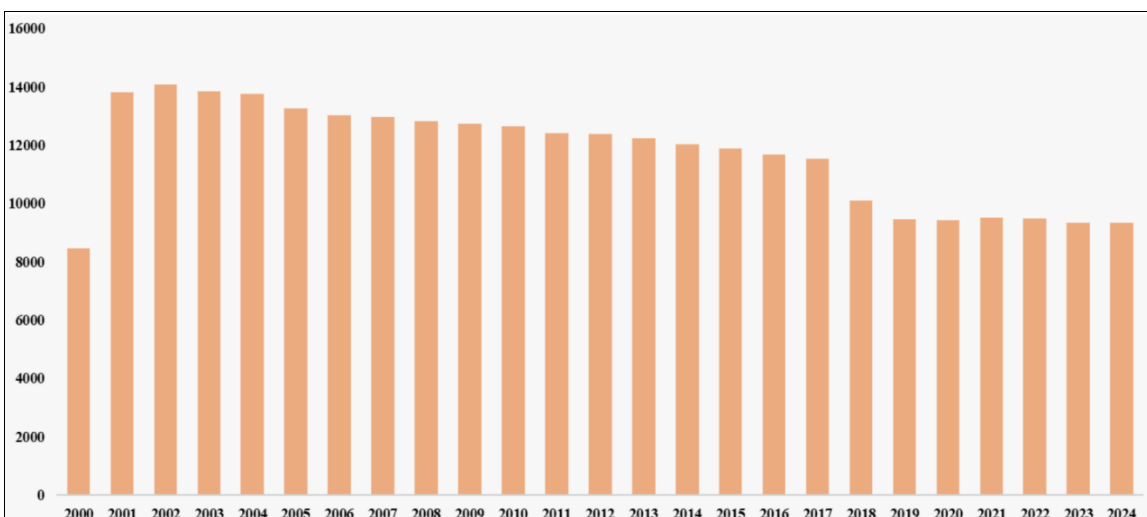

Fig 1: Number of NBFC from 2000 to 2024

Fig 2: Number of Urban Cooperative Bank from 2000 to 2024
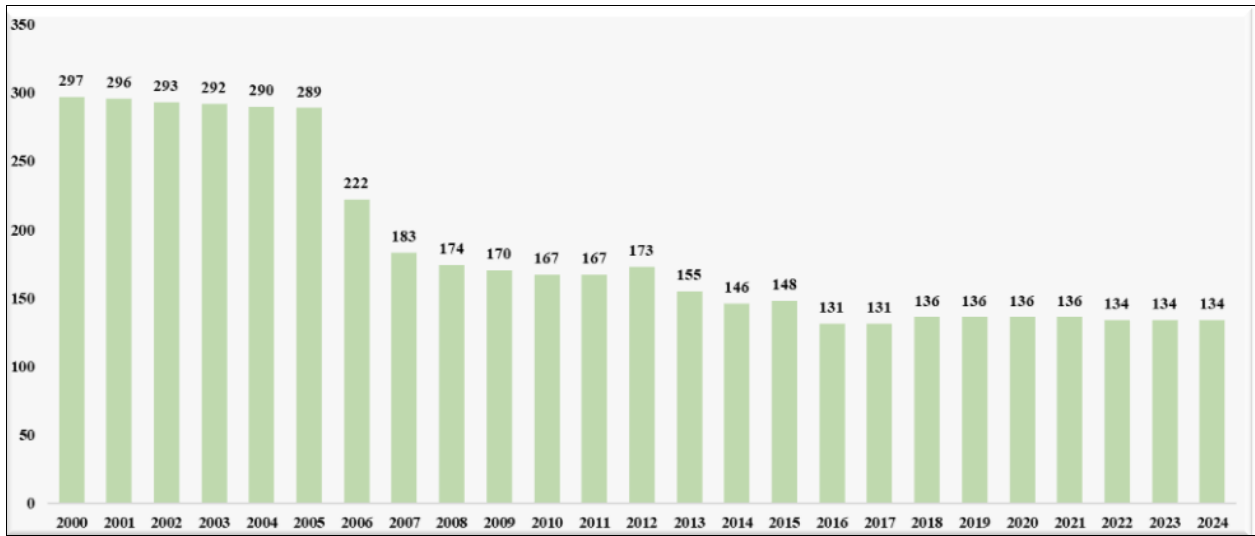
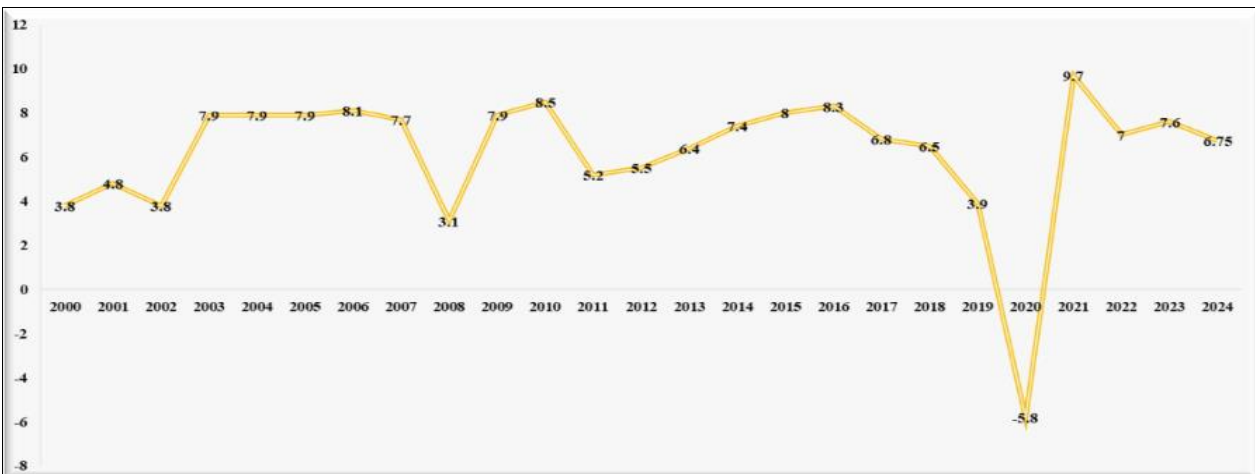**Fig 3:** Number of Commercial Bank from 2000 to 2024

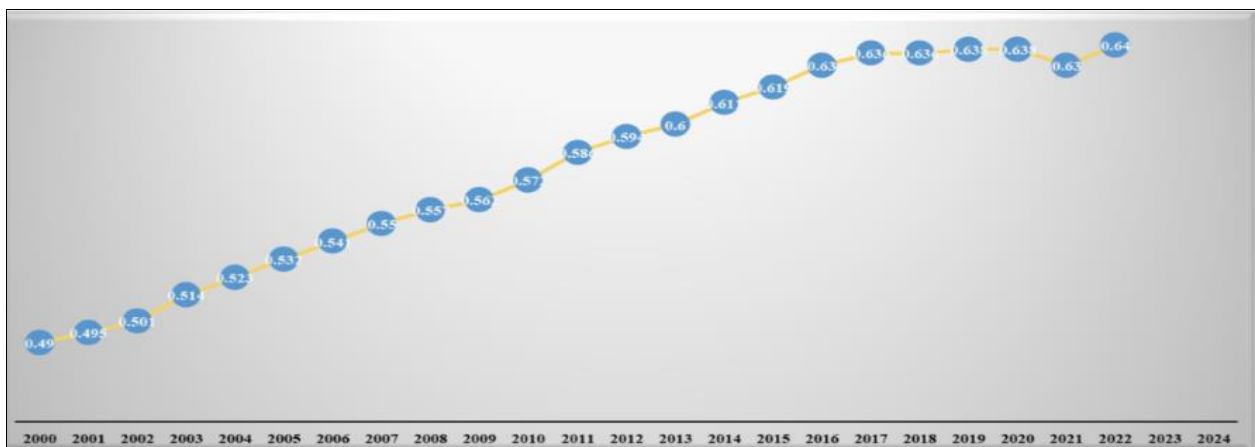**Fig 4:** Annual GDP Growth Rate from 2000 to 2024

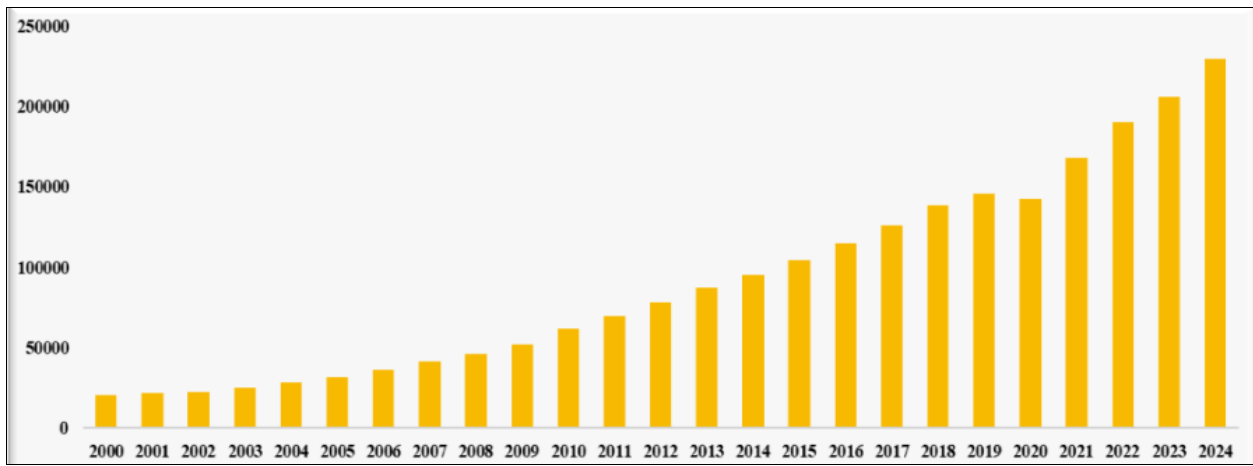**Fig 5:** Annual Human Development Index Value 2000 to 2024

Fig 6: Annual Per Capita Income from 2000 to 2024

3.2 Methodology

Regression Model

$$GDP = \alpha_1 + \beta_1(NBFC) + \delta_1(UCB) + \varphi_1(Bank) + \varepsilon_1 \qquad (1)$$

$$HDI = \alpha_2 + \beta_2(NBFC) + \delta_2(UCB) + \varphi_2(Bank) + \varepsilon_2 \qquad (2)$$

$$PCI = \alpha_3 + \beta_3(NBFC) + \delta_3(UCB) + \varphi_3(Bank) + \varepsilon_3 \qquad (3)$$

We have applied above regression model to estimate the impact of financial institution such as commercial banks (Banks), numbers of non-banking financial companies (NBFC) and the number of urban cooperative banks (UCB) the economic development indicators which includes the GDP growth, human development index (HDI), and per capita income (PCI). In the current model GDP, UCB and PCI are our response variable, while on the other hand NBFC, UCB and PCI are the regressor. Additionally, in the given model, α_1, α_2 and α_3 represent the intercept terms in the equation 1, 2 and 3. On the other hand, while β_1, β_2, and β_3 are the coefficients of NBFC. Likewise, δ_1, δ_2 and δ_3 represent the coefficient of UCB and φ_1, φ_2 and φ_3 are the coefficient of Bank. Alternatively, ε_1, ε_2 and ε_3 represent the error terms of the model 1, 2 and 3. To estimate the coefficient of above regression equation we apply the ordinary least square (OLS) technique, which provide the robust estimation of above the coefficient. The test of significance of the coefficient is accomplish with the help of students t test which is appropriate to apply when we are not above about the population standard deviation.

The null and alternation hypothesis under t test can be exhibited below

$$Null\ Hypothesis : Coefficient\ value = 0$$

$$Alternative\ Hypothesis: Coefficient\ value \neq 0$$

The null hypothesis states that the coefficient value is equivalent to zero. On the other hand, alternative hypothesis assumes that coefficient is significantly different from zero.

A larger t value shows that the coefficients are significant and substantial impact of independent variables on the response variables.

4. Result Analysis
4.1 Descriptive analysis

Table 1: Outcome Descriptive Analysis

	NBFC	UCB	BANK	GDP	HDI	PCI
Mean	11684	1670	187	6.2	0.6	91164.4
Standard Error	350.7	31.3	12.9	0.6	0.0	12564.7
Median	12225.0	1606.0	167.0	7.0	0.6	78023.6
Standard Deviation	1753.6	156.6	64.3	3.0	0.1	62823.5
Kurtosis	-1.2	-1.2	-0.8	9.9	-1.3	-0.6
Coefficient of variation	15 %	9.3 %	34.3 %	48.38 %	16.66 %	68.91 %
Skewness	-0.4	0.6	1.0	-2.7	-0.4	0.7
Range	5626.0	426.0	166.0	15.5	0.2	209072.4
Minimum	8451.0	1500.0	131.0	-5.8	0.5	20194.6
Maximum	14077.0	1926.0	297.0	9.7	0.6	229267.0

***Source*:** Author calculations

The current analysis begins with descriptive statistics that show the outcome of all the variables, including non-banking financial companies (NBFC), urban cooperative banks (UCB), banks (BANKS), gross domestic product (GDP), human development index (HDI), and per capita income (PCI) (see table 1). The relevant result shows that the average number of NBFCs, UCBs, and banks was 11684, 1670, and 187 for the period of 2000 to 2024. On the other hand, the mean GDP growth rate was 6.2%, while the average value of HDI and per capita income (PCI) were 0.6 and INR 91164.4 for the time period of 2000 to 2024. On the other hand, the outcome coefficient of variation reveals that among all the variables, per capita income (PCI) shows the highest level of variability in comparison to other variables, while the number of urban cooperative banks shows the least variability around their respective means. Furthermore, current analysis reveals that variables such as the number of banks, urban cooperative banks, and per capita income appear to be positively skewed, whereas the number of NBFCs, GDP growth, and HDI appear to be negatively skewed. Finally, the kurtosis result indicates that all the variables exhibit a platykurtic distribution with skewness values less than 3, whereas the GDP exhibits a leptokurtic distribution with a kurtosis value exceeding 3. After gaining insights from the descriptive statistics, the current paper also presents the results of the regression analysis, which are presented in tables 2, 3, and 4.

Regression Analysis Outcome

Table 2: Outcome Regression Analysis of GDP

	Coefficients	Standard Error	t Stat	P-value
Intercept	13.96	20.14	0.693	0.495
NBFC	0.00074	0.0004	1.531	0.140
UCB	-0.011	0.017	-0.664	0.513
Bank	0.0169	0.039	0.425	0.674

Source: Author calculations
Note: *** is significant at 1% and ** at 5%

Table 2 shows the outcome of GDP regression analysis, where NBFC, UCB, and banks are the explanatory variables. The above outcome exhibits that the regression coefficients of explanatory variables such as non-banking financial companies (NBFC), urban cooperative banks (UCB), and banks (BANKS) are not significant at the five percent level of significance. This further demonstrates that these variables do not have an impact on the economy's GDP growth. Hence, the relevant outcome shows that financial institutions have little impact on the economy's growth. The current research aligns with the findings of previous literature, concluding that financial institutions have a non-significant impact on economic growth. We have presented the results of other regression analyses below.

Table 3: Outcome Regression Analysis of HDI

	Coefficients	t Stat	P-value
Intercept	1.183***	17.06	0.000
NBFC	0.000	-0.362	0.720
UCB	0.0003***	-6.035	0.000
Bank	0.0001	0.752	0.459

Source: Author calculations
Note: *** is significant at 1%

Table 3 presents the results of the regression analysis for the human development index (HDI), using NBFC, UCB, and banks as the independent variables. The results above indicate that the regression coefficients of explanatory variables, such as non-banking financial businesses (NBFC) and banks (BANKS), are not statistically significant at the 5% level of significance. This further demonstrates that these factors have no influence on the nation's Human Development Index (HDI). However, the relevant results indicate that the regression coefficients of urban cooperative banks (UCB) are statistically significant at a significance level of five percent. Conversely, the coefficient of UCB is 0.0003, indicating that urban cooperative banks have a positive influence on India's human development index. From the observed results, it can be deduced that an increase of one unit in UCB corresponds to a 0.0003 increase in the HDI value of India. Therefore, based on the aforementioned result, it can be definitively established that financial institutions like NBFCs and banks do not contribute to the progress of human development in India, while UCBs have some beneficial impact on human development. The new study findings are consistent with earlier literature, which likewise suggests that financial institutions have no major influence on the human development of the country. Furthermore, the outcome of the regression analysis of per capita income (PCI) is shown below.

Table 4: Outcome Regression Analysis of PCI

	Coefficients	t Stat	P-value
Intercept	995433***	6.354	0.003
NBFC	-10.552**	-2.811	0.010
UCB	-42.344***	-3.950	0.000
Bank	669.42***	2.157	0.042

Source: Author calculations
Note: *** is significant at 1% and ** at 5%

Table 4 shows the regression analysis outcome of per capita income (PCI), where NBFC, UCB, and banks are the explanatory variables. The above outcome exhibits that the regression coefficients of all the explanatory variables, such as non-banking financial companies (NBFC), urban cooperative banks (UCB), and banks (BANKS), are significant at the five percent level of significance. This further demonstrates that these variables have a significant impact on the country's per capita income (PCI). On the other hand, the relevant outcome shows that the regression coefficients of non-banking financial companies (NBFC), urban cooperative banks (UCB), and banks (BANKS) are -10.552, -42.344, and 669.42. This signifies that NBFC and UCB have a negative impact on the per capita income, which further reveals that one additional number of NBFC and UCB leads to a fall in per capita income of INR 10.55 and INR 42.34, respectively. Conversely, we can infer that an increase in the number of banks propels the per capita income in India by INR 669.42. The above result demonstrates the role of banks as financial institutions in India's per capita income growth. The result is statistically significant at the five percent significance level. Therefore, we can conclude from the aforementioned results that financial institutions like NBFC and UCB have a slight negative influence on the per capita income of the Indian economy, whereas banks significantly boost it. The current research aligns with the findings of previous literature,

concluding that financial institutions have a mixed impact on per capita income growth (Bernard and Austin, 2011; De Gregorio & Guidotti, 1995) [10, 17].

5. Conclusion and Policy Implication

Current research strives to uncover the impact of financial institutions such as non-banking financial businesses (NBFC), urban cooperative banks, and commercial banks (BANKS) on the economic development and growth of India. Furthermore, the current empirical study aims to expand such comprehensive analyses by considering the impact of these financial institutions on the gross domestic product (GDP) growth rate, human development index (HDI), and per capita income (PCI). The current research aims to contribute to the advancement of knowledge on the current issue in various ways. Firstly, it scrutinizes various financial institution indicators to evaluate their impact on economic growth and development, an area of study not previously explored by Indian scholars. Furthermore, it enriches existing information by preserving a vast collection of yearly data spanning from 2000 to 2024. The extensive dataset allows us to formulate a definitive judgement on actuality. This study improves the existing knowledge by using several data analysis approaches, enabling a more comprehensive and insightful analysis with increased accuracy and dependability in interpreting the findings. Below is a summary of the relevant conclusions. Firstly, we can conclude that financial institutions like NBFC, UCB, and commercial banks (BANK) do not contribute to the nation's GDP growth, thereby raising questions about their functioning and efficiency from the perspective of the Indian economy. Secondly, we can infer that financial institutions like NBFC and commercial banks (BANK) have no influence on the human development index (HDI), whereas UCB appears to contribute positively to the nation's human development. This demonstrates the implications of UCB from a development perspective. Ultimately, the relevant findings suggest that commercial banks (BANK) contribute positively to the country's per capita income growth, whereas NBFC and UCB have a slight negative influence on India's per capita income (PCI). Therefore, we can conclude that commercial banks significantly contribute to the enhancement of India's per capita income. In terms of policy implications, our findings indicate that the National Bank for Foreign Exchange (NBFC) appears to be less effective in promoting the development and growth of the Indian economy. Therefore, policymakers should implement effective policies to enhance the contribution of these institutions to the country's growth and development. Commercial banks, on the other hand, seem effective for the nation's GDP and per capita income growth; hence, policymakers can take advantage of the banking sector by improving their operational efficiency. This research paper also incorporates certain limitations, particularly in terms of analysis technique. To be more specific, we have based all the inferences on simple regression analysis; however, we can conduct further robust analysis by applying multivariate time series analysis, which yields a more appropriate outcome when dealing with time series data.

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