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BANKERS' OPINION ON THE DETERMINANTS OF CREDIT RISK IN INDIAN COMMERCIAL BANK DURING COVID-19

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Abstract:

The focus of this research is the investigation of banker views of credit risk determinants in Indian commercial banks in the Covid-19 scenario. The Descriptive Research Style was introduced throughout the review. To get back across the understanding of the banker, the analysis used the form extensively. Bankers are elected from eight commercial banks operating in the Republic of India by means of a sampling methodology. Loan officers, relationship managers, credit consultants, credit administrators and credit-related role holders who work at every bank and head office were happy to fill the questionnaire. Respondents were asked to include their understanding of credit risk determinants by considering banks' particular determinants, industry-specific determinants and macro-economic determinants. As a result,Based on the data produced by the report, the banks identified clear determinants with improperly negotiated credit terms, impaired disposition honesty, inadequate credit risk appraisal, subsequent interest rate and currently the Covid-19 scenario region identified the key triggers of non-performing loans. In addition, based on bank-specific factors, the study found that the amount of information sharing among banks at once results in non-performing loans. In addition, the study finds that the increase in speed, condition and rate from political economy influences reduces the efficiency of the loan. Anybody learned that in the time of the pandemic corona time citizens area unit demand to be separated within the house because of this many people lost their regular jobs so that they don't have the cash to pay for the necessary items and debts to persuade them to keep the loan.The analyser recommend that to cut back credit risk the bank's research and development department or the corporate designing division ought to perform an exact quantitative and analysis on Non-performing loan determinants thus on an act throughout a proactive and defensive manner.

Keywords: Non-performing Assets, Bankers perception, Bank distinctive determinants, trade Specific determinants, Macro-economic determinants, Covid-19

1.1 INTRODUCTION

The national economy of every country relies heavily on institutions that leverage monetary capital, from those with a surplus of funds to those with a deficit. Among these institutions, a bank might be the most appropriate one. Banks play a giant role in every country's economy. Availing loans to those who want them is one of the ways by which banks contribute to the growth of the economy. Usually, banks create a bridge between suppliers of funds and borrowers such that the smooth flow of funds takes place within the economy. While such employment takes place within the economy, trade is typically exposed to various risks. Among these risks, the most common within the banking industry are credit risk, interest rate risk, operating risk, liquidity risk, interchange risk area units. Although the aforementioned risks are considered to be the product of the most common banking risks, the credit risk lies in the value of all of them inside banks' central activities. In addition, risk resulting from a pandemic scenario such as Covid-19 has an impact on the banking industry's credit risk. Credit risk may be a risk that occurs if borrowers totally or partially fail to pay their debt within a specified amount. Credit risk is an intrinsic risk partner in nursing within the awful nature of banking operations. Multiple variables have an impact on credit risk. These variables may also be internal factors that are bank-specific variables or external factors that are on the other side of banks' borders. Various internal considerations include the bank's credit appraisal, credit observation and follow-up, quality size, form of possession, and additional sorting. The external factors on the selection side include domestic product (GDP) rise, pace, percentage, interchange rate, and additional sorting. Knowing the value of credit risk within the banking industry, various studies focusing on the determinants of credit risk are being carried out in both developed and developing countries. The following is a selection of such research area units. In the study produced by Das and Ghosh (2007) entitled "Determinants of Credit Risk in Indian State-owned Banks," gross domestic product was found to be the main determinant of credit risk as a result of macro-level determinants, while real credit growth and bank size were the major determinants of credit risk at the bank level. Alternatively, banks reveal that the loan loss allowance for non-current loans, credit loss provision, and non-current loans to loans are the many predictors of credit risk and therefore of failure in the study carried out by Samad (2012) regarding the credit risk determinants within the North American country. In addition to the studies given above, in many countries there are many studies that are carried out under the same or similar titles. . In the report entitled "The impact of Corona Virus on NPA and Gross Domestic Product of the Indian Economy" by S.Prasanth Dr. S.Sudhamathi (2020). The monetary space should be the inspiration of the financial structure of any matter state throughout this paper reporting the condition of the Indian monetary system within the pre-Covid-19 number. It is a fundamental role in every country's development. Significant problems with raising non-performing quality (NPAs) were resolved by the Indian monetary half. The paper was intended to examine the problems of NPAs in Indian monetary exchange. The terrorist group resembles the crown that has fascinated the entire nation. That is the rationalisation that there should be an appropriate model of Associate in Nursing to estimate the long-term NPAs for the Indian bank to beat the problem before it becomes NPAs. Besides the assumption of its NPAs, the manoeuvre of the bank is calculable. A giant amount of NPAs indicates a highly realistic problem concerning the foremost severe spectrum of credit defaults affecting banks' profitability and overall assets and disintegrating the benefit estimate. The banks, however, provide the gross domestic product of the entire world. Similar area unit studies were performed on Indian banks. Nevertheless, to the researchers best knowledge, there is no study conducted in the Republic of India by accentuating credit risk determinants supported by bankers'perception, hence this study is carried out by mainly involving bankers'perception of credit risk determinants in Indian business banks in the Covid-19 scenario. The predominant literature gap on the topic is thus increased and some possible policy consequences are drawn in addition.

1.2 STATEMENT OF THE PROBLEM

To increase the wealth of the shareholder, that is to suggest, the primary aim of every financial institution, it is easy to worry about the risks that allow the company to survive. As banks are key components of any nation's national economy, their success usually matters not only to shareholders, but also to the health of a country's economy. Therefore the significant risk above all others is credit risk, and determinative variables that have an impact on credit risk are extremely important and critical. That is why a number of recent studies have drawn growing attention to the issue of bank credit risk. We will observe that credit risk has been the primary risk in a passing bank if we choose to look at experiences in established associate in Nursingd developing countries. Indeed, (Fofack, 2005) witnessed that the inability to assemble loans given to customers was the main issue behind the collapse of the numerous banks around the world. Credit risk is in line with the survey report, the most difficult problem in the Indian banking sector. This survey shows that whether or not business banks in the Republic of India area unit are currently undergoing efforts to control bank lending activities, the risk management of banks is weakly observed and this indicates higher-up considerations. Therefore the area unit of NPAs is still a big concern and a reflective downside within the Indian banking industries). Unless properly handled, the severity of the credit risk on the health of the bank area unit is extensive. Credit risk management would be better if the determining factors of this risk area unit were known and the banks created strict follow-up on those factors. In order to read the perception of bankers, this study aims to examine the determinant factors of credit risk in Indian business banks during Covid-19.

1.3 RESEARCH QUESTIONS

The following principal queries area unit raised to handle the problems and attain objectives of the study;

1. what is the result of bank-specific determinants on npa due to covid-19 scenario in Indian business banks?
2. To what extend the trade inside that a bank operates to have an effect on the quality of loans?
3. what is the result of political economy variables on NPAs?

1.4 OBJECTIVES OF THE STUDY

1.4.1General objective

The main objective of this study is to explore the perception of bankers on the determinants of credit risk in Indian business banks.

1.4.2Specific objectives

additionally to the aforesaid general objective, the study additionally has the following specific objectives To identify the numerous bank's specific determinants of credit risk in Indian business banks throughout Covid-19 scenario To investigate the numerous macro-level determinants of credit risk To investigate the numerous industry-level determinants of credit risk

2 LITERATURE REVIEW

In supplying loans to its clients, the key profit-making practise of economic banks. While doing so, these banks aim to be exposed to credit risk. Credit risk as outlined by the Banking Path Metropolis Committee (2000) is that the possibility that a bank recipient or counterparty will not be able to fulfil its obligations as per the agreed-upon period, and the most relevant sources of credit risk for many banks, the loans area unit. Efficient credit risk management can be a critical part of a holistic approach to risk management and an integral part of any bank's long-standing success. Credit risk management may also be a tool for handling risks by risk assessment, the implementation of management strategies, and the reduction of social control tools for risk victimisation. Area unit of credit risk/nonperforming loans (NPL) which aims to be correlated with bank-specific determinants, industry-specific determinants or macroeconomic determinants. Bank-specific determinants of NPLs can arise from bank credit terms, credit size, credit evaluation, loan diversification and portfolio, credit observation and follow-up, loan valuation, bank size and form of ownership. Completely different field unit studies conducted by many researchers by taking those variables into account. For example, NPAs were found to be determined by lenient credit terms in the study conducted by Rajan and Sarat (2003) on Indian business banks and Jimenez and Saurina (2005) on the Spanish banking sector. A increase in credit volume is exposed to a decline in non-performing loans, according to Boudriga A., et al. (2009) and Dash and Kabra (2010). As a consequence of the nature of borrowers' credit quality, this could be effectively measured a lot, perhaps until banks concentrate on their credit operation. The study conducted by Hu et al (2006) concerning the relationship between NPAs and the structure of ownership of business banks found that lower NPAs were registered by banks with higher government ownership. In their analysis on business banks in the African country, Waweru and Kalani (2009) found that one of the internal factors that result in the prevalence of NPAs is the high interest rate paid by banks. Boudriga A. et al. (2009) and Thiagarajan S. et al. (2011) argue that the efficiency of banks and NPAs are negatively correlated. In addition, non-performing bank loans may also be influenced by industry and thus the structural climate under which businesses and individuals work. A number of institutional environment variables that may have an impact on NPAs are the level of information sharing among banks and procedural laws area unit. Countries should take effective steps to reinforce the legal system, enhance the functioning of government agencies and minimise corruption in order to contribute to the reduction of the credit risk of banks and to check the soundness of the financial structure. In addition, the political economy climate affects the efficiency of a loan portfolio within the banking sector that may occur as a consequence of the gross domestic product (GDP), the real effective exchange rate, the annual inflation rate, in addition to the annual percentage, among others. Fofack, (2005); Dash and Kabra, (2010); Vogiazas and Nikolaidou (2011) indicate that political economy variables have a significant negative relationship with NPAs, specifically the 000 gross domestic product growth.

In evaluating NPLs' vulnerability to macroeconomic and bank-specific factors in India, Dash and Kabra (2010) ensured that the real effective macro factor exchange rate has a major impact on NPAs. The goal of the paper was to explore the problems of NPAs within the Indian financial industry.

S.Prasanth and S.Sudhamathi (2020) propose that NPAs imitate crowns that have fascinated the entire nation. That is the reason that an appropriate model for estimating the long-term NPAs concerning the Indian bank should be available to resolve the difficulty before it becomes NPAs. Together with the assumption of its NPAs, the bank's strategy is calculated. The main severe amount of credit defaults affecting the profitability and overall assets of the banks and disintegrating the benefit estimate is highly beneficial to a large degree of NPAs. It includes the banks, but the entire country's GDP.

2.1 RESEARCH GAP

Similar analysis is additionally administrated on Indian banks. However, to the researcher's first-rate information, there isn't any determine regarding distributed in india via accenting determinants of credit score hazard based all on the understanding of bankers therefore, this finds out regarding is undertaken utilizing typically involving the appreciation of bankers on savings threat determinants in Indian commercial Banks throughout Covid-19 situation. By doing thus, this literature gap on the priority count are usually increased, and additionally, some viable coverage implications is drawn.

3 RESEARCH GRAPH & METHODOLOGY

This points out how a descriptive lookup design has been used. The basic supply of statistics was substantially used to analyse the banker's knowledge of the determinants of deposit risk in Indian industrial banks and to collect the purpose of the analysis. The questionnaire would not be used to accumulate records from the main source.

The regular questionnaire is structured by making close-ended questions essentially within the framework of a five-point Likert scale to be filled by clerks, loan officers, managers employed at each headquarters of the establishment.

The variability of business banks that are operational up to this quest length in India is 88. From this, the hunt centred on Indian industrial banks that have banking deals using a purposeful sampling technique between the intervals of 2004 and 2020. Because of the number, the researchers selected eight scheduled banks from the list of 88 banks. 100 respondents (bankers) from the selected banks operating in specific positions engaged in the analysis by using the purposeful sampling methodology. Finally the data gathered from respondents are evaluated and represented using a table, estimates, and percentages for descriptive assessment of statistical equipment.

4 DATA ANALYSIS AND INTERPRETATION

4.1 General Characteristics of Respondents

Records for this were obtained from 100 respondents (bankers) serving in particular custom roles at branches and headquarters of banks. nhOut of those respondents, 33 of them are between the ages of 20-30, 43 of them are between the ages of 30-40, 7 of them are between the ages of 40-50, 17 of them are between the ages of 50-60, 39 of them are first diploma holders, and the last 61 responds are diploma holder 6 respondents are in the position of Clerk, 54 respondents are in the role of Officers, 34 respondents are in the role of Department Manager, and 6 respondents are in the role of Other ,Groups. The researchers therefore consider the statistics produced from them as valid on the basis of the profile of the respondents as clearly concrete.

Types of banks loan contributing to Non-performing Assets (NPAs)

Respondents are requested to illustrate the forms of loans their financial organization is presenting and its contribution to NPAs. Accordingly, their response has been confirmed within the table4.1

Table 4.1 Thebanks lending activity which is highly contributing for NPA

Statement	Options	Frequency	Percent
The banks lending activity which is highly contributing for NPA	Agriculture	14	14
	Domestic trade and services	6	6
	Manufacturing	17	17
	Export and import	3	3
	Educational Loans	50	50
	Other	10	10

As seen in Table 1, the first non-performing loans of the sampled banks derive from the loans issued for the Educational Loans and Manufacturing functions, while the smallest non-performing loan element is covered by export and import loans. Put in an entirely different manner, respondents were asked to note that banks should vote for restricted deposit default initiatives. They therefore need the steps specified in their response, such as: improving physical follow-up, strengthening the preliminary monitoring of applicants, finding suitable collateral and collateral substitutes, giving discounts (another incentive) for deposits, fines (sanctions) for late repayments and offering technical assistance after the extension of the mortgage to be considered by banks in order to be able to use the banks.

4.2DESCRIPTIVE STATISTICS

In the following section, the estimation and understanding of the findings obtained from respondents on the determinants of credit score vulnerability is explored. The estimation is established by classifying the determinants into three different parts as specific determinants of the establishment, specific determinants of the industry and macroeconomic determinants as follows.

4.2.1 Bank precise determinants of NPA

Banks ought to understand the factors of the risk of deposits in order to preserve long-term profitability and therefore be outstanding at handling such risks. In contrast to macroeconomic variables common to all or most banks working within the same economy, NPA-impact institution-related variables are not always equivalent to an unusual bank from one establishment. This suggests that one trait can also affect the NPA of one institution, but no longer the opposite. A monetary organisation has many types of essential determinants. The next sector is concerned with the study and deciphering, as calculated by bankers, of specific credit score threat determinants of outstanding financial institutions.

4.2.1.1 Credit terms

Banks usually set up or use credit score phrases to use them when providing their customers with loans. Such savings terms have their very own impact on the enjoy ability of loans or the efficiency of loans. Thus, while well-established deposit phrases restrict the risk of mortgage defaults, the financial institution would be subjected to an excessive amount of defaults by the horrible credit score phrases. From Table 4.2, it is noted that 73 percent of respondents claim that deposit periods that are no longer desirable are demonstrated by the state of affairs such as Covid-19 motives mortgage default. 73 percent of respondents say that if deposit phrases are not properly understood by debtors only under situations such as Covid-19, 53 percent say that if deposit phrases are not properly understood by debtors

Table 4.2: statements relating to credit terms and occurrence of NPA

S.no	Statement	SA	A	N	DA	SDA	Mean	Standard Deviation
1	Credit term which are not properly mention due to the situation like Covid-19 causes loan default	42	31	13	8	6	2.05	1.192
2	If credit terms not well understood by borrowers in case of situations like Covid-19, they may default	31	42	10	4	13	2.26	1.300
3	If credit terms are poorly negotiated, it leads to loan non performance	30	23	23	13	11	2.52	1.337

Source: Survey Outcome and own computation

Note: SA – Strongly Agree A – Agree N – Neutral DA – Dis Agree SDA – Strongly Dis Agree

4.2.1.2 Credit size

Banks supply loans in exclusive quantities for extraordinary corporations of shoppers. The staffs of the banks are requested exceptional questions associated with the degree of relationship between the extent of credit score and deposit risk. Accordingly, as introduced within the following table 4.3, aggressive lending at some point of Covid-19, For banks whose deposit increase is rapid, there's large NPA, banks excellent chance urge for food like COVID-19 and compromised integrity have finished a greater superb settlement amongst the large quantity of respondents through being primary motives for NPA's. From Table 4.3, it's located that sixty-two percentage of respondent says that NPA quantity or ratio will emerge as excessive if there's aggressive lending.43 per cent of respondent says that For banks whose deposit increase is rapid, there's big NPA and forty-seven Percentage disagree that For banks whose deposit boom is rapid, there's big NPA, sixty-three Percentage says that If a financial organization includes a high-quality threat appetite, like Covid-19 it'll purpose NPAs. seventy-four Percentage says that when there's Compromised lending in banking, it ends up in mortgage default. These objects have a classy deviation fee of 1.169, 1.198, 1.314 and 1.054 respectively. On the various hand, the discovering from respondents printed that the contribution of banks non-stop credit score boom toward NPA is just about less in contrast to different associated factors. This precise discovering of the find out about is comparable the findings made by using Boudriga A., et al., (2009) and Dash and Kabra, (2010), whilst the findings of Fernandez de Lis, et al. (2000) and Thiagarajan S., et al. (2011) describe the reverse

Table4.3: Statements relating to credit size and occurrence of NPA.

S.NO	Statement	SA	A	N	DA	SDA	Mean	Standard Deviation
1	NPA volume or ratio will become high if there is aggressive lending	35	27	15	23	-	2.26	1.169
2	For banks whose credit growth is rapid, there is huge NPA	15	28	29	18	10	2.80	1.198
3	If a bank has a great risk appetite, like Covid-19 it will cause NPAs	32	31	17	9	11	2.36	1.314
4	When there is Compromised lending in banking, its leads to loan default	39	35	16	7	3	2.00	1.054

Source: Survey Outcome and own computation

4.2.1.3 Diversification and length of loan

Theoretically, diversification reduces hazard taking because it makes feasible the compensation for losses in some product by using positive aspects in others. The degree of savings threat differs between styles of loans and training of borrowers. Banks' share of NPA will be influenced by utilizing the composition of its mortgage portfolio. Having probability to lend cash to assorted vary of debtors banks can correctly minimize their impaired loans (minimizing hazard of character borrower). From Table 4.4, it's discovered that seventy-three percentage of respondent says that Diversification of a mortgage into extraordinary sectors decreases the ratio of default. Respondent neutrally says that Loans furnished on a lengthy-time period foundation tends to flip to NPA than quick and centre time loans.

Table 4.4: Statements relating to diversification and period of loan and occurrence of NPA

S.NO	Statement	SA	A	N	DA	SDA	Mean	Standard Deviation
1	Diversification of a loan into different sectors decreases the ratio of default	30	43	24	-	3	2.03	0.904
2	Loans provided on a long term basis tends to turn to NPA than short and middle term loans.	16	17	36	14	17	2.99	1.283

4.2.1.4 Credit assessment

Having appropriate savings appraisal on the borrower involving the power, money, collateral and various relevant components of the borrower is prime to embellish the loan's satisfactory. The banks' workers were asked one-of-a-kind questions relating to the link between deposit appraisal and credit score risk and their answer as seen in table 4.5. It is found that 80% of respondents state that a borrower's excellent first-rate savings approves a mortgage quality. Ninety-three percentage shows that assessment of weak deposit opportunity will result in mortgage default. Ninety-three percentage shows that the lack of competent human strength of deposit

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appraisal and assessment influences the quality of mortgages. Almost all statements posted within the table are consistent with the response generated from the staff's huge settlement of the staff about the statements. This suggests that a great deposit quality, understanding the banks' purchaser coverage and proper mortgage underwriting ends up in excessive quality of loans. In the different side, inadequate savings incentive appraisal and lack of skilled workforce will cause mortgage default in savings estimation and assessment.

Table 4.5 Credit assessment

S.NO	Statement	SA	A	N	DA	SDA	Mean	Standard Deviation
1	A good credit quality of a borrower approves a loan quality	32	48	20	-	-	1.88	0.715
2	Easily admitted borrowers usually default	24	10	40	12	14	2.82	1.313
3	Policy of banks about Know your customer leads to high quality of loans	31	58	4	4	3	1.90	0.882
4	Good loan underwriting ensures loan performance	22	54	7	13	14	2.23	1.062
5	Poor credit risk assessment would lead to loan default	53	40	3	4	-	1.58	.741
6	Lack of skilled man power in credit assessment and analysis affects loan quality	69	24	7	-	-	1.38	.616

4.2.1.5 Credit monitoring and follow-up

The loan provision should be active in recording and controlling the use of borrowers' loans by including our financial institution bodies in order to ensure the efficient use of the loan as properly on the lower prevalence of loan default. Table 4.6 indicates that 78 percent of respondents claim that tight deposit monitoring guarantees in the situation such as COVID-19. Forty nine percent and 34 percent neutrally agree that poorly measured and advanced loans can also be characteristic throughout COVID-19 if well tracked. And 65 percent believe that there is a clear link between mortgage follow-up and NPA occurrence, 43 percent agree and 33 percent agree neutrally that banks with the higher rate range for loan monitoring sooner or later of COVID-19 have lower NPAs. The findings of respondents as checked in Table 6 indicate that a significant number of respondents (78 percent) (mean 1.99 and standard deviation) In addition, the present vast number of respondents do not forget that NPAs are reduced if banks I track strict financial savings guarantees in the course of a situation such as COVID-19 (ii) control their loans and (iii) assign further loan monitoring budgets.

Table 4.6: Statements relating to credit monitoring/follow-up and occurrence of NPA

S.NO	Statement	SA	A	N	DA	SDA	Mean	Standard Deviation
1	Strict credit monitoring ensures during situation like COVID-19	31	47	14	8	-	1.99	.882
2	Poorly assessed and advanced loans, During COVID-19 if properly monitored, may perform well.	19	30	34	14	3	2.52	1.049

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3	There is direct linkage between loan follow-up and occurrence of NPA	38	27	14	14	7	2.25	1.290
4	Banks with higher budget for loan monitoring during COVID-19 have lower NPAs	10	33	33	11	13	2.84	1.161

4.2.1.6 Cost of loan

As it is recognized the important supply of earnings for banks is hobby income. within the suggest whilst the fee of the hobby that banks cost over their lending will affect NPLs. during this regard bankers, these who took section during this find out about are requested to produce their settlement degree for the statements raised associated with the connection between the fee of loans (interest rate) and also the incidence of NPLs. Accordingly, their response because it is introduced within the following Table 4.7 it's discovered that fifty per cent of respondent says Loan fee (interest rate) at some point of COVID-19 influences mortgage performance.57 per cent agree that Charging excessive activity charge because of COVID-19 ends up in loan default indicates the bulk of the respondents (50%) (mean 2.96 and widespread deviation 1.263) agreed that the general performance of loans are going to be affected as a results of the rate of interest. The response generated suggests that banks which cost greater activity charge over their lending will face greater NPA ratios whilst banks with decrease lending charges will have a decrease ration of NPAs.

Table4.7: Statements relating to cost of loan (interest) and occurrence of NPA

S.NO	Statement	SA	A	N	DA	SDA	Mean	Standard Deviation
1	Loan price (interest rate) during COVID-19 affects loan performance	6	44	17	14	19	2.96	1.263
2	Charging high interest rate due to COVID-19 leads to loan default	31	26	19	14	10	2.46	1.329

4.2.1.7 Banks size

Banks collect belongings in one-of-a-kind ways during their working periods. These properties are large in some banks and miniature in others. In fact, giant banks with higher belongings will have higher sources of increasing savings officer protocols and education and extra experiments to cope with horrible debtors higher and higher than banks with less assets in screening mortgage customers. In certain cases, the calculation of bank assets was found to be a purpose for the NPA. In this learning, an effort was made to perceive the effect of evaluating financial institutions on the prevalence of NPA. Table 4.8 reveals that the fifty-four percentage of respondents suggests that the degree of a financial institution's asset affects mortgage performance. 40 percent accept and 25 percent neutrally suggest that as the asset stage of banks rises, NPL also increases. Thus, finding that the process of a financial institution's property affects mortgage performance as per most of the respondents indicates. And also the boom in the reserves of banks would impact the loan magnitude.

Table 4.8: Statement relating to banks size (asset) and occurrence of NPA

S.NO	Statement	SA	A	N	DA	SDA	Mean	Standard Deviation
1	The level of asset of a bank affects loan performance	19	35	28	18	-	2.45	.999
2	When banks asset level grows, NPL also grows.	6	34	25	19	16	3.05	1.192

4.2.1.8 Ownership type

Banks may be set up with distinctive ownership shapes that are often often private ownership structures or government ownership structures. Some study has indicated that it is the personal impact of the degree of NPA incidence that the ownership shape of banks would have. In this regard, banks are indicated to have extra incentives in some empirical literature country to take part in interventions that are dysfunctional because they are more vulnerable to too enormous problem. The finding of this information as seen in the following desk, independent of those literature works, indicates that the majority of respondents (47 percent) agree that mortgage default as valid is now not synonymous with ownership of banks. However there is a discovery that is made with the assistance of Walter and Werlang (1995) and that in comparison to personal banks, found banks with higher government ownership reported a decline in non-performing loans.

Table 4.9:Statements relating to Banks ownership type and occurrence of NPA

S.NO	Statement	SA	A	N	DA	SDA	Mean	Standard Deviation
1	There is no relationship between Loan default due to COVID-19	23	24	19	24	10	2.74	1.323

4.2.2 Industry specific determinants of NPA

The sector under which banks work is the personal impact that the banks can have on loans that are good. There are distinct market specific components that are prevalent for the function of NPA. The process of record sharing between banks and the new mortgage legal guidance on collateralized assets are the most frequent among these items. Most of the respondents heard about this in this respect (73 percent) (mean 2.02 and well-known variance 0.829) cited that the degree of data exchange between banks had a direct effect on NPL. Furthermore the proportion of respondents (39 percent) showed that banks' new foreclosures legal instructions limit the degree of NPA.

Table 4.10: Industry specific determinants and occurrence of NPA

S.NO	Statement	SA	A	N	DA	SDA	Mean	Standard Deviation
1	Level of information sharing among banks has a direct effect on NPA	29	44	23	4	-	2.02	.829
2	The existing foreclosure laws due to situation like COVID-19	13	26	29	21	11	2.71	1.140

4.2.3 Macro-economic determinants of NPA

The macroeconomic situation has had a significant effect on the scale of the banking sector's mortgage portfolio. This is learned by thinking about four macro-economic components, namely; GDP, inflation rate, unemployment price, and overseas change rate, have attempted to advance questions for respondents to assess the extent of their effect on NPA prevalence. The answer from the respondents was then provided, as seen in table 4.11 below.

Their response, as presented in table 4.11, indicates that all these components have their own effects on the performance of mortgages. If we see these elements one after the other one by one, 38 percentages accept and 38 percentages neutrally suggest that an amplification of GDP will reduce the frequency of NPA to some degree, based entirely on the respondents. Therefore this capacity banks working in foreign locations that fly and grow in GDP would see a decline in the NPA ratio. As accepted by the majority of study respondents, loans would have a first-class decline in situations where inflation is expanding. The bankers have suggested that there is a rise in NPAs in overseas areas where there is a non-stop increase in unemployment. Finally, an alternative fee has been shown to have an impact on the exceptional loan in a comparable pattern abroad. In the following, 39% of respondents believe and 29% say neutrally that a loan's output would be specifically affected by the foreign exchange rate..

S.NO	Statement	SA	A	N	DA	SDA	Mean	Standard Deviation
1	A rise in GDP due to COVID-19 situation is associated with a fall in NPL ratio	16	22	38	10	14	2.84	1.229
2	A rise in inflation rate due to COVID-19 situation decreases a loan quality	28	38	23	4	7	2.24	1.120
3	Unemployment growth due to COVID-19 situation leads to a rise on NPA	30	49	11	10	-	2.01	.904
4	Foreign exchange rate is directly related to loan performance	13	26	29	21	11	2.91	1.198

5. CONCLUSION

The study's results showed that the main non-performing loans from the sampled commercial banks are the result of loans issued for agricultural and domestic trade and services purposes, while export and import loans cover the smallest proportion of non-performing loans. The study also found that multiple factors contribute to the incidence of credit losses in Ethiopian commercial banks, with contributing factors such as bank-specific factors, industry-specific factors and macroeconomic factors. The emergence of non-performing loans in such banks is induced by these variables having varying magnitudes.

While numerous bank-specific factors contribute to the incidence of NPAs, it has been noted from the response produced that NPAs are increasing primarily as a result of poorly negotiated loan terms, impaired lending integrity, inadequate credit risk management, and lack of qualified credit assessment and analysis staff.

With regard to industry-specific and macro-economic factors, in the response of bankers, the level of knowledge sharing among banks has gained weight as having a direct effect on NPLs from industry-specific variables, while a rise in inflation rate from macro-economic variables and the foreign exchange rate is observed as having a significant direct impact on credit efficiency.

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