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The Role of Commercial Banks in Economic Growth in the UK

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Abstract- This study investigates the role of commercial banks in fostering economic growth in the United Kingdom. The first chapter presents the research background, problem statement, and the study's aims and objectives. Additionally, it discusses the significance of banking on economic expansion, focusing on credit provisions as stimulants for job creation, production, and investment. A literature review in Chapter Two assesses theoretical and empirical findings on commercial banks' contributions to the UK economy. The methodology, detailed in Chapter Three, employs qualitative data analysis through thematic analysis to examine insights from policymakers and banking professionals on lending's impact on GDP. The study findings emphasize commercial banks' positive role in financial inclusion and economic stability, while addressing the need for robust credit management to mitigate associated risks. Final recommendations underscore enhanced risk management, improved financial inclusion, and a balanced approach to supporting infrastructure projects aligned with national economic goals.

Indexed Terms- Banks, United Kingdom, Economy, Growth

I. INTRODUCTION

This chapter deals with the provision of the research background of this study along with the problem statement of the research. In addition, the research aim, objectives, and questions are also provided in this section. Likewise, the rationale of this research based on the role of commercial banks on economic growth in the UK is also mentioned in this chapter. Lastly, the dissertation outline is provided in this chapter which elaborates the entire framework of the proposed research.

Background

Commercial banks are financial organisation that provide both private citizens and corporate clients with a variety of services, such as checking and savings accounts, loans, mortgages and credit cards (Ouenniche and Carrales, 2018). By offering financial services and assistance to people, corporations and governments, commercial banks contribute significantly to the expansion of economies. As per Aramburu and Pescador (2019), the term "economic growth" represents a gradual rise in the overall picture of growth in the economy and efficiency within a nation or territory. The gross domestic product (GDP) represents the entire value of goods and services generated inside a nation over a given period, often a year, and is the standard unit of economic growth measurement. Likewise, the study by Ouenniche and Carrales (2018) illustrated that businesses thrive and add new employees while the economy is booming, which can lower unemployment and boost salaries. This can then result in higher consumer expenditure, which fuels the expansion of the economy. In addition, giving credit to people and businesses is one of the commercial banks' most significant responsibilities. Investments made with the help of this financing have the potential to generate job creation and boost the economy. Banks can aid companies in growing their operations, purchasing new machinery or creating new goods or services by lending them money (Slepov et al., 2017). By offering checking and savings accounts, debit and credit cards and other payment methods, commercial banks help with payments. This makes it possible for people and companies to deal swiftly and easily, which can stimulate economic activity. Commercial banks around the globe contribute to risk management in the economy by providing insurance and other loss-avoidance financial products (Campiglio et al., 2018). Additionally, banks can lessen the impact of economic shocks and lessen the possibility of financial crises by distributing risk across a sizable customer base. Besides, banks are essential in helping people, companies mobilize their savings and use the money they raise from deposits to lend to potential borrowers. This enables people and companies to spend money on profitable ventures that may promote economic expansion (Njimanted, Akume and Aquilas, 2017). The UK's commercial banking market makes a major contribution to the nation's economic growth by providing finance along with other economic amenities to consumers and companies across. According to Alkhazaleh (2017), several major financial institutions, notably Barclays, HSBC and Royal Bank of Scotland, predominate the UK sector of banking. These lenders, alongside the smaller banks, have a sizable market share throughout the UK and offer both companies and customers an assortment of offerings. Due to changing market circumstances and legislative demands, UK bank revenue has changed recently. However, as a result of the COVID-19 pandemic's effects affecting the economy, the UK banking industry recorded a net income of £8.5 billion in 2020, compared to £17.8 billion of dollars in 2019 (Mohsin et al., 2021). Furthermore, residential mortgages, personal financing and commercial loans are merely some of the financing options offered by UK banks to both companies and their customers. Because of lenders' efforts to diversify their collection of loans and promote the country's growth, the marketplace for lending has experienced a tremendous expansion in the past decade. The country's degree of economic development can be greatly influenced by mortgages and financing, which serve as essential sources of finance for people as well as businesses. As stated by (Dell'Ariccia, Rabanal and Sandri, 2018), the credits may offer companies the capital they require to make investments into innovative initiatives, grow their business, as well as produce new products and amenities. Moreover, higher production, greater numbers of jobs and eventually greater gross domestic product and economic expansion may all result from this kind of investment. Additionally, credit as well as loans can assist clients pick up things that generally could not possibly be in a position to afford, such as a house or automobile (Alsamara et al., 2019). Besides, spending by consumers in a country could increase as a result, strengthening the economy and boosting GDP and the economy. Having the capacity to repay a financial obligation or receive financing may also be determined by the borrower's trustworthiness. Buyers are more probable to be awarded financial services if they possess an excellent credit rating and have a track record of returning loans granted, and this may foster economic expansion. Nevertheless, debtors with inadequate credit may consider it difficult to get loans, which can restrict their capacity to save as well as spend money and impede the development of the economy (Bermejo Carbonell and Werner, 2018). In general, credit and financial assistance can help boost the economy by giving customers and firms the money they ought to require to make investments, expand and consume products. Therefore, it is crucial to keep in mind that inappropriate financing and borrowing can additionally lead to instability in the economy, particularly occurred during the financial crisis of 2008.

II. RESEARCH PROBLEM

The UK economy has been significantly impacted by the COVID-19 epidemic, experiencing a recession and a drop in GDP (Asteriou and Spanos, 2019). This has brought to light how crucial it is to comprehend how commercial banks assist economic growth, especially during times of crisis. This research can offer insights into how banks might support economic recovery and growth by examining the effects of lending policies and credit provision on GDP and economic growth in the UK. As stated by Ouenniche and Carrales (2018), commercial banks in industrialised nations have supported economic growth by lending money to companies, encouraging innovation, fostering the construction of infrastructure, preserving financial stability and facilitating global trade. Additionally, various contributions have boosted production, raised living standards and helped create jobs in various nations. According to Ouenniche and Carrales (2018), large-scale construction projects like highways, roads and shuttle systems can often be funded through lenders. Such investments could result in greater trading, improved accessibility to financial markets, and better efficiency, all of these may contribute to the growth of the economy. Commercial lenders offer mortgages along with various funding options to enterprises so that they can grow their businesses, undertake capital-raising projects, and conduct experiments. Banks' financial assistance to enterprises aids in their expansion and boosts the nation's overall economic growth. Understanding how lending practices and credit availability affects GDP and economic growth in the UK is important, especially in light of economic shocks like the COVID-19 epidemic (Boumparis, Milas and Panagiotidis, 2019). Therefore, the goal of this study is to investigate how commercial banks contribute to the development of UK economies, with an emphasis on how loans and credit impact GDP and the rate of economic growth. Besides, this study seeks to fill this knowledge gap in the literature and offer policy-relevant insights, bank-friendly methods and scholarly contributions to the field of banking and economic growth. The growth of an economy increases its ability to compete on a global scale, bringing capital from abroad and boosting its role in world trade (Aramburu and Pescador, 2019). In addition, improved revenue from taxes might enable government entities to make investments in their facilities and deliver improved amenities to their citizens. Strengthening the economic development of a country serves as an essential factor for raising the quality of life for its people, generating employment, bringing capital investment, boosting its level of competitiveness internationally, maintaining financial viability, and eradicating unemployment (Alkhazaleh, 2017).

Research Aim, Questions and Objectives.
Research Aim: This research aims to analyse the role of commercial banks on economic growth in the UK. This study also aims to evaluate how loans and credit affect the GDP and consequently the level of the economic growth of the United Kingdom.

Research Questions

- What is the influence of commercial banks on economic growth in the UK?
- How do loans and credit affect the GDP and economic growth level in the UK?
- What are the challenges faced by commercial banks in stabilising the economy of the UK?

Research Objectives

- To analyse the influence of commercial banks on the UK's economic growth
- To examine the impact of loans and credit on the GDP and level of economic growth
- To explore the challenges faced by commercial banks while enhancing the economic stability of the UK

Research Significance
The influence of financial institutions on economic development has already been examined, yet there might be a gap in the literature regarding the particular function of financial institutions in the UK. Utilising this research, the research project can close this gap in existing research and advance understanding of how financial institutions affect the UK economic conditions. When determining the guidelines, monetary policies, and numerous other matters which influence financial services and the economy at large, regulators might find it difficult to have an improved awareness of the essential part that financial institutions play in the expansion of the economy (Dell'Ariccia, Rabanal and Sandri, 2018). Besides, for policymakers to consider, this research can offer recommendations that are supported by data regarding the role of credit and loans in influencing the economic growth of a country. The study can give commercial banks in the UK useful information related to the expansion of the economy with the assistance of commercial banks. Banks can improve their lending practices and create new products and services to better support economic growth and manage risk by understanding the role they play in it (Slepov et al., 2017). The current economic situation has highlighted the significance of the banking industry in fostering economic growth and stability, particularly in the wake of the COVID-19 pandemic. Research on the contribution of commercial banks to UK economic expansion is particularly pertinent and essential for boosting sustainable development. This study has significant ramifications for policy choices, useful bank insights and scholarly contributions to the literature. It is crucial for understanding the role of commercial banks in the expansion of the UK economy. Thus, this study can offer commercial banks useful guidance by analysing how loans and credit impact the UK's GDP and economic expansion. In addition, banks can utilise this information to better manage risk and encourage economic growth by modifying their lending policies and offerings. Besides, the results of this research might broaden the knowledge regarding the challenges faced by nations in upgrading their economy and add significantly to the collection of knowledge in the field of financial institutions. The outcomes of the proposed study may serve as a base for further research in this field of study. Overall, this study will be theoretically and practically significant, advancing the knowledge of how commercial banks affect UK economic growth and potentially influencing industry and governmental decisions. In order to achieve sustainable economic growth and stability,

borrowers as well as lenders must adopt appropriate financing and repayment methods (Asteriou and Spanos, 2019).

Dissertation Outline

This research deals with the examination of the role of commercial banks on economic growth in the UK. The first chapter comprised the research background, the problem statement and the research significance. Moreover, the aim of this research, the objective as well as the research questions are also provided in this chapter. The previous literature regarding the influence of commercial banks on the UK's economic growth in the form of theories, models and empirical literature is elaborated in the second chapter. The third chapter of this research elaborates on the techniques and methods utilised for the collection and analysis of data. Chapter four is concerned with the analysis of findings and the discussion of the outcomes. The last chapter of the study provides the conclusion and recommendations related to the subject matter.

III. LITERATURE REVIEW

Commercial Bank Role in Economic Growth.

Commercial banks perform a dynamic and complex role in economic expansion. By lending to businesses and individuals, banks have fostered economic growth, which has increased production, employment, and consumption (Anh, 2020). In this section, the effects of commercial banks on economic development in the UK will be examined. Understanding the economic role of banks is the initial step hence banks facilitate the relationship between depositors and borrowers (Sembiyeva, Zhagyparova, and Makysh, 2019). They lend savings deposits to borrowers. Banks can stimulate economic development by lending to businesses, the engines of the growth industry. Banks offer credit to consumers in numerous nations, including the UK, particularly for mortgages (Mohamed, 2020). The mortgage industry is essential, and mortgages generate wealth. The housing market and the economy as a whole benefit when banks extend mortgage loans to consumers (Anyanwu, Ananwude, & Okoye, 2017).

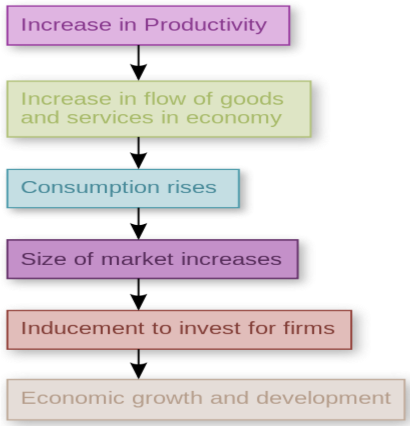

Figure 1: Economic Growth and Development: Source; Anh, (2020)

It's important to remember that there are complications in the link between banks and economic expansion. In times of economic crisis, banks may be a source of instability and danger, despite their potential to be a keyfactor in promoting growth (Peng, Latief and Zhou, 2021). This is because when economic conditions worsen, banks frequently face increasing credit risk, which results in a rise in bad debt levels and puts their stability in jeopardy. Because they are the primary source of credit in the UK economy, commercial banks play a critical role in economic growth. Through loans to people and companies, as well as by offering a variety of financial services including savings accounts, investments, and insurance, the banking industry is essential in supplying credit to the larger economy (Dudhe, 2017). The UK property market, which is a major factor in economic growth, was financed in large part by the banking industry as well. Overall, commercial banks play a complicated and diversified function in the expansion of the economy. To prevent instability and danger, banks must be handled carefully even if they serve a crucial role in fostering economic progress (Panizza, 2023). The empirical study of bank lending and economic growth in the UK will be covered in the section after this one.

Commercial Banks in the UK Economy History

Since the first banks were created in the 1700s, commercial banking in the UK has a long and colourful history. Since that time, the UK economy has grown significantly and the banking industry has contributed significantly to that expansion. Early on, saving and lending were just two of the many services offered by small, family-run banks in the UK (Ryan-Collins and Van Lerven, 2018). The

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importance of banks in the UK has grown as the economy has expanded and the demand for credit has increased. The Bank of England was founded in the middle of the 19th century as a result of a collaboration between several banks. It was the nation's central bank and was in charge of setting interest rates and producing currency (Velasco, 2022). The UK's banking industry has developed over time to become among the most sophisticated and cutting-edge in the world. The UK adopted a fractional reserve banking system in the middle of the 20th century, which allowed banks to lend out more money than they had in deposits and so increased the amount of credit available to the economy (Kebede and Tegegne, 2018).

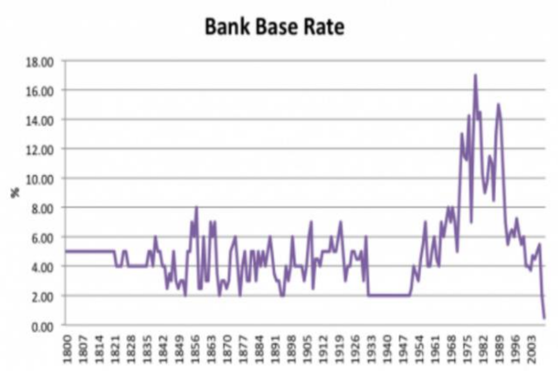

Figure 2: Commercial Bank Base Rate: Source; Kebede and Tegegne (2018).

The Function of Banks in Supporting Economic Growth

Providing financing to businesses is one of the primary ways in which banks promote economic expansion. According to Gaspar (2016), banks lend funds to businesses to finance their expansion and development. As a consequence, the economy expands through increased production of goods and services, expansion of employment opportunities, and promotion of innovation. In along with loans, banks offer a variety of other financial services that can aid businesses in managing their finances and fostering growth (Baklouti, Gautier, and Affes, 2016). Assistance with investments, handling debt, and analysing one's financial situation are all part of these packages. The provision of loans to consumers is another crucial function that banks serve in fostering economic expansion. Gololo (2017) explained that consumers rely on credit to finance a variety of expenditures, including the purchase of goods and services, the construction of homes or home enhancements, and the financing of education, all of which contribute to economic growth. In addition, banks offer a variety of savings and investment options that help customers save for the future and accumulate wealth, both of which contribute to economic development (Panizza, 2023). The provision of loans to individuals and businesses is only one way in which banks contribute to economic expansion. In addition, banks serve as a link between savers and consumers, connecting those with funds and those in need of loans (Farajnezhad, Suresh, and Ramakrishnan, 2019). By connecting savers and borrowers, banks increase the amount of credit available to the economy, which in turn promotes economic development, according to Islam (2023). Promoting innovation is yet another way in which banks can foster economic growth.

Banks may provide monetary and non-monetary assistance to business owners by funding their innovative endeavours, which in turn may increase economic activity by creating new jobs (Tura, 2022). Finally, by managing risk effectively, banks play a crucial role in nurturing economic growth. It is crucial for banks to manage credit risk, market risk, and liquidity risk (Elahi, 2017) to ensure their own and economic sustainability. If banks are unable to effectively manage risk, they may accrue losses and even endanger the stability of the entire financial system, which could have a significant impact on the economy as a whole. In conclusion, banks are necessary for economic growth because they provide credit to individuals and businesses, function as an intermediary between savers and borrowers, foster innovation, and manage risk effectively.

Commercial Banks and Economic Growth

It is still unclear how commercial banks and economic growth are related, even though this link is significant and complicated (Gaspar, 2016). Banks may influence economic growth in a variety of significant ways, though. First, through financing to firms, banks may have a favourable effect on economic expansion. Credit is necessary for businesses to invest in new production techniques, expand their operations, and recruit new staff members, all of which support economic growth (Adhikari and Jha, 2020). This financing may be made available by banks, which may aid in boosting output and adding employment. Second, by giving clients credit, banks may significantly contribute to promoting economic growth (Baklouti, Gautier and Affes, 2016). Gololo (2017) demonstrated that consumers frequently use credit to pay for products and services, make improvements to their houses, and pay for their children's education, all of which support economic growth through consumer spending on goods and services. By giving people the opportunity to acquire assets that will create revenue in the future, credit may also serve to boost investment in the economy (Ouenniche and Carrales, 2018). To foster innovation, banks can also be quite important. Banks may encourage the development of new goods and services, which can support economic growth, by extending loans to creative businesses and entrepreneurs. In addition to financial help, banks can offer non-financial assistance to businesses in the form of guidance on management, marketing, and financing (Aramburu, and Pescador, 2019). It is crucial to remember, that there might be drawbacks to the connection between banks and economic expansion. Particularly, an increase in bad debt due to excessive loan expansion may have detrimental effects on the financial sector and the economy at large (Al-Eitan, Al-Own and Bani-Khalid, 2022). It is crucial that banks manage credit risk adequately and that lending rules be strictly enforced by regulators because of this. In conclusion, the connection between commercial banks and economic growth is complicated and dynamic, with the potential for banks to both encourage economic growth and provide hazards to the economy. Banks must continue to be managed well to foster economic success since they play a crucial role in promoting economic progress (Tura, 2022).

Economic Growth and Empirical Analysis of Bank Lending

The link between the banking system and the economy can be better understood by doing an empirical examination of bank lending and economic growth (Gaspar, 2016). The amount of bank lending has a big effect on the economy and can change how much activity and growth (Workineh, 2016). The empirical examination of bank lending and economic growth will be described in this section. The Solow growth model is one of the most often employed empirical models for investigating the connection between bank lending and economic development (Adhikari and Jha, 2020). This model makes the supposition that economic development is the consequence of advances in human capital and technology, which are financed by savings and investment. Banks can inspire investment by providing loans for the purchase of capital equipment and new company ventures (Islam, 2023) for both established businesses and start-ups. Bank lending may be a significant factor in fostering economic development because it makes currency more readily available and encourages investment. The credit channel model is an additional empirical tool for studying how banking services contribute to GDP growth. The amount and quality of credit accessible to firms and consumers are both affected by bank lending, which in turn affects economic activity (Girma, 2018). Institutions can potentially boost economic activity by providing loans to companies. With these funds, businesses can increase their output, staff up, and undertake innovative projects. Bank lending can also promote the economy (Gololo, 2017) since it allows individuals to obtain credit they can utilise to make purchases. Bank lending has been shown to contribute positively to economic growth in studies using empirical data. Several studies (Tura, 2022) have found that when bank lending rises, the economy and investment follow suit. However, it is crucial to keep in mind that the connection between banking activity and economic expansion is intricate and complicated. Interest rates, the nature of regulations, and political stability are just a few of the factors that can have a role. The empirical research on bank lending and economic growth reveals, on balance, that bank lending is associated with increased economic activity and growth. It is of the utmost importance to guarantee that the banking system is appropriately regulated and that lending practises are reasonable in order to prevent the emergence of credit crises and sustain financial stability.

The Role of Credit in Economic Growth

Credit enables individuals, businesses, and families to finance large purchases and investments, such as starting a business, paying for college, purchasing a home, or investing in the development of a company, which stimulates economic growth (Ouenniche and Carrales, 2018). Inspiring economic expansion, credit enables consumers, firms, and households to make substantial purchases and investments otherwise out of reach. According to Baklouti, Gautier, and Affes (2016), the credit extended by financial institutions fosters economic development by facilitating the circulation of funds. Credit is vital for economic expansion because it encourages investment. Gaspar (2016) argues that investment is one of the most important factors in economic growth. Therefore, firms require capital to purchase new machinery, structures, and other capital assets in order to increase output and expand. Companies require credit to obtain cash without using their own capital or issuing shares, which can be challenging and time consuming (Adhikari and Jha, 2020). Consumers' access to credit facilitates the purchase of durable goods like homes and cars, ultimately benefiting the economy. By sustaining consumer demand for goods and services, banks help households obtain credit, thereby fostering economic growth (Panizza, 2023). Credit also enables families to make large purchases, such as starting a business or paying for their children's education, which may bolster the economy over time (Gololo, 2017). It is crucial to remember that not all credit is beneficial for the economy. Excessive levels of borrowing and credit expansion, as revealed by Farajnezhad, Suresh, and Ramakrishnan (2019), can have negative effects on economies. Therefore, banks need to control credit risk to ensure that credit is extended to consumers who are likely to repay loans. Credit is essential for economic expansion because it enables individuals and businesses to finance purchases and investments. To avoid exorbitant debt and credit crises, credit must be responsibly extended.

The Impact of Credit on GDP

The Gross Domestic Product (GDP) is a key factor that credit may influence (Workineh, 2016). As defined by Baklouti, Gautier, and Affes (2016), a country's GDP is the total dollar value of all goods and services produced within its borders during a specific time period. Increasing GDP can be as simple as increasing credit availability for businesses. Credit facilitates investment, which is one of its primary effects on the GDP (Gaspar, 2016). According to Adhikari and Jha's (2020) research, the potential of businesses to increase output and expand operations is contingent on investment, a crucial component of economic expansion. Credit is an essential form of financing for businesses because it enables them to acquire cash without having to use their own funds or acquire additional funds through share issuances, which can be more difficult and time-consuming. Credit also plays a significant part in sustaining the demand for goods and services (Girma, 2018). Banks assist in supporting consumer demand for goods and services, a key factor in economic growth, by giving people the financial means to acquire credit (Adhikari and Jha, 2020). Having access to credit also enables families to fund significant purchases like homes and vehicles, which can promote long-term economic growth and prosperity. It is crucial to remember that not all credit is advantageous for the economy. Credit bubbles can occur as a result of excessive borrowing and credit expansion, which could be bad for the economy as a whole (Ouenniche and Carrales, 2018). As a result, it is crucial for banks to properly monitor credit risks and make sure that credit is given to deserving customers who are likely to pay back their debts (Gaspar, 2016). In conclusion, credit may significantly affect GDP through encouraging investment and economic growth. To prevent the hazards of excessive debt and credit booms, it is crucial to make sure that credit is appropriately handled.

The Link between Credit, Economic Growth, and Inflation

Each of the three variables including credit, economic expansion, and inflation is interrelated with the others and can have a big influence on each (Tura, 2022). By giving families and companies the financial resources to obtain credit for significant expenditures and purchases, credit may promote economic growth. Firms and consumers are able to make large purchases and investments with the help of credit, which boosts overall demand for goods and services and, in turn, the economy (Baklouti, Gautier, & Affes, 2016). Nevertheless, uncontrolled credit expansion can also lead to credit crises and price inflation. As a consequence of increased demand for goods and services, prices may increase when there is an excess of credit on the market. In addition, Ouenniche and Carrales (2018) cautioned which rising household debt and excessive debt as a result of the rapid expansion of credit availability could hinder economic development and stability. To prevent the risks of over-debt and credit crises, which can lead to inflation, banks must prudently manage the risks associated with credit and lend credit. Credit could be a powerful tool for stimulating economic expansion and elevating client demand for goods and services (Adhikari and Jha, 2020). Yet, banks need to properly manage credit risks to prevent excessive debt and credit crises, both of which can have detrimental consequences on the economy by fueling inflation and reducing consumer spending..

The Implications of the Results

It is more likely that the economy will develop at a quicker rate if banks increase their lending activity. These findings have multiple implications, one of which is that banks play an important role in fostering economic development (Panizza, 2023). Banks can have a role in economic growth by providing loans to businesses and individuals for large-scale acquisitions and investments (Ouenniche & Carrales, 2018). The fact that the banking sector is a crucial component of the economy is another conclusion drawn from these findings. The economy is significantly impacted by the lending operations of banks, who are essential in connecting savers and borrowers. These findings also show how crucial it is for financial institutions like banks to operate efficiently in order to support economic expansion (Gaspar, 2016). To guarantee that economic development is sustained over time and that the economy is shielded from the negative impacts of excessive debt and credit bubbles, banks must be strictly controlled.

Limitations and Directions for Future Research

There are a number of limitations to this study as well as areas for further research on the connection between bank lending and economic development. Our capacity to show causal linkages between bank lending and economic development is constrained by the research's use of cross-sectional data, which is one of its major limitations. It's likely that other elements, such governmental regulations or technological advancements, are also having an impact on economic expansion. Because the study is based on national data, it is impossible to investigate how bank lending and economic growth relate at the regional or local level. This is another research weakness. The research has limitations in terms of the variables that were employed. Other elements, like interest rates or the credit standard, may also have an impact on the rate of economic expansion. Future study on the connection between bank lending and economic development might go in a number of different areas. To corroborate the findings, it would be one step to duplicate this study using other datasets and techniques. An alternative course of action would be to investigate the connection between bank lending and economic expansion at the local or regional level or to look at the link using longitudinal data. Last but not least, future study may look at the connection between credit quality and economic growth or the impact of interest rates on the connection between bank lending and economic growth.

Summary

The current study focuses on the role and effectiveness of commercial banks in enhancing economic growth of the UK. This section provides an in-depth view regarding the way banks have crucial role in proving credits on holistic level, which stimulate job creation and increase production. The empirical analysis and existing literature reveals positive association between economic growth and banking lending however, detail exploration is required the way credit influence economic growth in terms of enhanced investment, employment and consumption. Additionally, the study fills the gaps by identifying credit risk management strategies and recommends specific approaches that can mitigate risks and overcome the challenges related to loan credits. This will provide useful guidelines to leaders and policy makers of commercial banks which can then improve their performance through overcoming and mitigating financial risks.

IV. METHODOLOGY

This chapter provides the methodology employed to carry out the contemporary investigation regarding the importance of commercial banks in the growth of economies. The research methodology employed best aligned with the overarching aims and objectives of the investigation, as it provides the solid foundation for exploring and generating knowledge in studying the role of commercials banks in the growth of the economies.

Research Philosophy

The notion of research philosophy relates to the collection of fundamental opinions and tenets that assist for conducting investigation and getting knowledge. According to Cooper, Hedges and Valentine (2019), the view of research philosophy plays an ultimate role in regulating decision-making practices, impelling the selection of research techniques, the analysis of data, and the overall course of the investigation endeavour. As a result, investigators can guarantee rationality, rigour, and rationality all through their study, as well as deliver a foundation for the discussion and elucidation of research outcomes, by being acquainted of and articulating their research philosophy. As per Savin-Baden and Major (2023), the choice of research philosophies is reliant upon several features, including the nature of the investigation problem and questions, as well as the researcher's viewpoint and values. Hence, the adoption of an interpretivism perspective on research offers an appropriate framework for examining the importance of commercial banks in economic growth. As a philosophy of study, interpretivism emphasise the subjective aspect of reality as well as the importance of understanding what individuals experience in their own environment (Paul, 2017). It argues that people's experiences of the world are not the result of an unchanging objective reality but rather of a social construction. Therefore, interpretivism is utilised when examining the contribution of commercial banks in economic growth within the given context of study. This approach facilitates the incorporation of qualitative methodologies for the purpose of investigating the perspectives and encounters of various stakeholders, including bank directors, policymakers, and business owners. Therefore, within the framework of examining the impact of commercial banks on economic growth, adopting a interpretivism methodology ensured that the investigation is geared towards offering practical conclusions and suggestions that can effectively guide policymaking, banking operations, and strategies for economic development. Through the integration of qualitative information, this study has the capacity to discern various qualitative elements, which include the strategies and practises implemented by commercial banks. Hence, the adoption of interpretivism facilitates a comprehensive understanding of the intricate insight into significance of commercial banks for economic growth, thereby facilitating the formulation and execution of practical interventions. Therefore, the incorporation of interpretivism as a research philosophy offers a sturdy framework to tackle the intricacies and multifaceted aspects of the research subject matter, leading to exhaustive conclusions that can guide decision-making and enhance comprehension of the commercial banks' role in promoting economic growth. However, the focus on qualitative methods in interpretivism can reduce the scope of study and the depth of analysis. As per Busetto, Wick and Gumbinger (2020), while thorough interviews, focus groups, and observation of participants can shed light on a wide range of individual experiences, they cannot show the broader patterns and trends that can be uncovered through the use of quantitative tools. The inability to quantitatively evaluate and compare results can also be hindered by a lack of data.

Research Approach

The research approach pertains to the comprehensive strategy or framework that a researcher employs in order to tackle their research inquiries or objectives (Ragab and Arisha, 2018). Sileyew (2019) contends that the research approach process delineates the methodical and structured procedures employed to gather, scrutinise and construe data with the aim of producing significant insights and conclusions. For the present investigation inductive research approach is employed to explore the significance of commercial banks in the expansion of the economies. To better comprehend the complexity at play in the study of commercial banks' contributions to economic growth, researchers may wish to take an inductive approach. According to Azungah (2018), using a bottom-up approach, inductive studies begin by collecting concrete evidence about how commercial banks operate and what effect they have on economic expansion. Researchers could find patterns and themes that could have been missed using deductive methods by evaluating qualitative data, like interviews with bank personnel, focus groups with stakeholders, and analysing documents of economic reports. Researchers can learn more about the unique ways in which commercial banks assist in economic growth by using this inductive method. For this reason, banks can shed light on complex aspects that could impact growth outcomes if their operations and interactions with financial systems are studied. While investigating the part commercial banks play in economic expansion is important, academics should not lose sight of the difficulties inherent in inductive research. Cleff (2019) provided that extensive economic and financial data analysis can be laborious and expensive. Mays and Pope (2020) provided that since researchers' interpretations can shape the evolution of theories, they must maintain analytical rigor to reduce the possibility of prejudice and subjectivity. Commercial banks play an important part in most economies, and inductive research may provide valuable context-specific insights regarding this role. However, due to the study's limitations, extrapolating the results to other economies may be difficult. Researchers should consider the applicability of their findings and make the conditions under which their hypothesis stand merit explicitly obvious. Therefore, when investigating the impact of commercial banks on economic development, an inductive research strategy is the best bet for getting to the bottom of the subject and uncovering all its nuances. Researchers can advance the knowledge of how commercial banks affect economic expansion by carefully evaluating qualitative data and creating based ideas. Therefore, to assure the validity and dependability of their study findings, however, they must overcome the obstacles of resource-intensive assessment and possible restrictions in generalisability.

Research Choice

The selected research choice for this study entails a mono method approach, encompassing the integration of qualitative data gathering and analysis techniques. This methodology facilitates a thorough comprehension of the research subject matter through the inclusion of various viewpoints (Almalki, 2016). Vivek and Nanthagopan (2021) poised that mono-method research, characterised by the utilisation of a solitary technique for data collection, has the capacity to mitigate the possibility of biases that could emerge from employing multiple methods. Nevertheless, Almeida (2018) opposed the previous notion and provided that it is possible that the utilisation of a single method can result in a deficiency in terms of the comprehensive and profound understanding that can be acquired by employing multiple methodologies. In contrast, Sovacool, Axsen and Sorrell (2018) assert that multi-method research entails the utilisation of various data collection methodologies to acquire and analyse information, commonly employed in intricate research endeavours to subject the gathered data to rigorous examination. Therefore, this practice has the prospective to offer a more widespread and intricate understanding of the subject problem under investigation.

In order to fully understand the respondents' points of view, the current study uses a mono technique of data collection and analysis. Interviews are a common method for collecting qualitative data, as they allow for a deeper dive into an investigation's factors while still protecting the nuanced subtleties of respondents' perspectives. Researchers can dig further into their research topic using qualitative approaches in the mono methods approach, leading to a more holistic and in-depth grasp of the issue at hand. Hence, the use of mono method for investigation is a valuable method for validating and improving the credibility of research outcomes. However, in this particular situation, the shortcomings of single-method qualitative research must be acknowledged. Research that relies entirely on qualitative data can be unable to draw broad conclusions due to a lack of quantitative measures and statistical analyses. Due to the limited sample size and context-dependent character of qualitative data, it can be difficult to generalise conclusions from mono qualitative investigations to a larger population (Foster, 2023). The researcher may want to try incorporating quantitative data to supplement the mono qualitative technique and overcome these limitations. They may, for instance, verify the information gained from the qualitative interviews by comparing it to readily accessible economic indicators and financial statistics. Finally, qualitative research that relies solely on interviewing participants and analysing their responses might shed light on the critical role commercial banks play in economic development (Peláez and Usma, 2017). Researchers can learn a great deal about the interplay between banks and economic growth through in-depth interviews and qualitative investigation. Recognising these caveats and thinking about strategies to better the research by, for example, combining qualitative and quantitative data, is essential.

Research Strategy

The survey investigation strategy is an appropriate selection for examining the impact of commercial banks on economic growth through the utilisation of a mono-method technique that integrates qualitative investigation approaches (Morgan et al., 2019). Therefore, in order to comprehend the influence of commercial banks on the growth of the economy, it is imperative to collect qualitative information that can furnish insights regarding the variables. Survey facilitated the acquisition of qualitative information from a substantial sample of individuals, encompassing diverse groups such as proprietors of businesses, or economic policymakers. Nevertheless, it is crucial to recognise the inherent constraints associated with surveys when attempting to comprehensively capture the intricate dynamics among commercial banks and the phenomenon of economic growth. Mohajan (2018) hold the view that surveys can fail to capture the intricate details of particular economic environments or the subjective experiences of individuals impacted by banking practises. Hence, it is imperative to supplement the survey data alongside qualitative methodologies, like interviews or case studies, in order to acquire a more profound comprehension of the viewpoints, encounters, and contextual elements that impact the involvement of commercial banks in the process of economic growth (Pessoa et al., 2019.).

Similarly, researchers can gain a greater knowledge of people's perceptions on the significance of commercial banks in economic growth by using qualitative surveys to explore people's subjective experiences and contextual influences. Dawadi, Shrestha and Giri (2021) assert that qualitative surveys have the potential to enhance the quantitative findings by providing a more comprehensive and holistic perspective on the research topic. Nevertheless, it is crucial to acknowledge that qualitative surveys possess certain limitations. Williams and Cutler (2020) indicated that conducting such analyses can be a labour-intensive task that necessitates meticulous examination of the collected responses in order to discern recurring themes, patterns and valuable insights. Moreover, the inherent qualitative characteristics of the data implies that the obtained findings could be influenced by subjectivity and contextual factors (Baalouch, Ayadi and Hussainey, 2019), thereby restricting their applicability to broader populations.

Research Design

The contemporaneous study employs an exploratory investigation design in order to study the topic. The primary objective of this investigation is to acquire an unfathomable understanding of the association between commercial banks and economic progression. This investigation seeks to articulate hypotheses and explore various aspects that can influence this association. Therefore, data for qualitative analysis is collected from policymakers along with bank directors operating within the UK. The population under consideration consists of directors and policymakers, from which samples are chosen in order to facilitate a comprehensive analysis. Gupta and Gupta (2022) poised that the resolve of a suitable sample size is dependent upon the nature of the investigation, wherein an equilibrium must be struck between the necessity for a sample that is representative and the applied constraints that can be present. For sampling purpose the qualitative investigation of this study embraces a sample size of 10-12 contributors. Qualitative data is acquired via semi-structured interviews, enabling participants to articulate their experiences and viewpoints through sentences, thereby offering comprehensive and contextualised information.

The acquisition of data obtained from interviews were collected using a probability sampling approach. Convenient sampling is commonly utilised in non-probability sampling. By employing this methodology, the researcher was able to carefully choose participants who possessed the necessary expertise and were directly pertinent to the subject matter under investigation. This rigorous selection process guaranteed a varied and enlightening sample.

The utilisation of an exploratory research design, which incorporates a mono method approach encompassing qualitative data collection and analysis (Taherdoost, 2022), facilitate the researcher in acquiring a comprehensive understanding of the intricate insight regarding commercial banks and economic growth. Although the outcomes are anticipated to be descriptive and introductory, they can offer valuable discernments for the enhancement of research inquiries and the path of imminent investigations (Goans, 2019). However, it is crucial to distinguish the restraints accompanying with this method, including the possible for bias in the selection of partakers and the incapability to establish causal relations (Mele and Belardinelli, 2019). Hence, it is imperative to conduct additional research employing more stringent methodologies in order to substantiate the findings and derive more conclusive inferences.

Data Analysis

The data analysis in a mono method study design entails the examination of qualitative data that was gathered throughout the research endeavour (Bergin, 2018). This enables researchers to acquire a holistic comprehension of the research subject matter through the examination of diverse data sources and the derivation of insights from various viewpoints.

As the present investigation involves the mono method design of research for examining the importance of commercial banks in the economic growth of nations, therefore, it employed qualitative data analysis techniques, specifically thematic investigation. According to Terry and Hayfield (2021), thematic analysis is a crucial component of the qualitative data analysis procedure. Therefore, it is utilised to scrutinise the interviews carried out with policymakers and bank directors. In this analysis, the researchers aimed to identify recurring themes, trends, and perspectives pertaining to the importance of commercial banks in fostering economic growth. Therefore, thematic analysis is a valuable qualitative method that can yield in-depth insights by capturing the nuanced viewpoints and lived experiences of participants (Castleberry and Nolen, 2018).

Indeed, thematic analysis is a useful method for delving deeply into qualitative data and illuminating underlying patterns and themes (Kiger and Varpio, 2020). In order to fully understand the function of commercial banks in economic growth, it is important to critically assess its limitations. Researchers may be hampered in their efforts to quantify the specific influence of commercial banks on growth in the economy due to the qualitative characteristics of thematic analysis. Furthermore, researchers' perceptions and preferences could impact the analysis conclusions, making theme identification a potentially biased process (Thompson Burdine, Thorne and Sandhu, 2021). The dearth of causality assessment and the potential reliance on a small sample size in theme analysis raise concerns about the generalisability of results (Daly and Reed, 2022). The analysis may also be flawed since it fails to account for important contextual elements that affect the relationship between commercial banks and economic growth. To overcome these gaps, researchers may want to combine qualitative results from thematic analysis with quantitative data for a fuller picture of the topic at hand. To further improve the reliability and validity of studies examining the part commercial banks play in economic expansion, it is important to recognise the importance of context in interpreting results and to warn against making sweeping generalisations. Taken together, the mono method investigation provided an extensive examination of the significance of commercial banks in growth in the economy by utilising thematic investigation. Thematic analysis offers a comprehensive qualitative examination, encompassing the contextual and sophisticated elements of the subject matter.

Time Horizon

The contemporary investigation is based on the cross-sectional time horizon. One advantage of a cross-sectional time horizon is that it provides a glimpse of the connection between commercial banks and economic growth at a particular juncture. It offers an in-depth examination of the present state of affairs, allowing for an evaluation of the contemporaneous consequences of various variables on economic growth. As a result, the study determined the similarities and differences in commercial banks' influence to economic growth by analysing a wide range of banks in a variety of economic settings. Similarly, from a data-gathering and analysis standpoint, a cross-sectional time horizon is generally the most convenient (Kesmodel, 2018). Compared to longitudinal studies, which entail following the same banks and economies across an extended period of time, collecting data from an assortment of banks and economies within a given time frame is more doable. Therefore, rapid data collection times make cross-sectional studies more practical and economical. However, one must recognise the restrictions imposed by a cross-sectional time horizon. Therefore, it is difficult to establish causal linkages or evaluate the long-term consequences of banking practises on economic growth because it does not reflect the dynamics and shifts over time (Papageorgiou et al., 2019).

Ethical Consideration

Several ethical factors are taken into consideration when conducting mono-method research into the impact of commercial banks on economic development. Researcher first ensured that all participants had a thorough understanding of the study's goals and their own rights before obtaining their informed permission. Additionally, Gupta et al. (2018) demonstrated that shielding the privacy and confidentiality of the partakers is a top precedence. For that reason, safety practices were in place to avert data from being retrieved by the wrong parties. Moreover, the researcher made every effort to minimise risk by not asking personal or invasive questions and keeping individuals free from manipulation. Researcher was forthright in disclosing all relevant information concerning the study's goals and anticipated outcomes. Ethical approval is obtained, and reporting is done in an honest, unbiased manner. Avoiding stereotyping and discrimination requires a strong commitment to cultural awareness and diversity. Therefore, researchers executed the mono method investigation ethically and ensured the welfare and rights of its subjects by adhering to these ethical principles.

V. DATA ANALYSIS

This chapter emphasise on the analysis of data and delivers a comprehensive discussion on the role of commercial banks in the growth of economies in the UK. The reseach focused on a example of 10 participants working in commercial banks in the UK. These participants were nominated to experience semi-structured interviews, which were then examined using qualitative methods. The study employed a qualitative thematic analysis method to examine the data collected concerning the influence of commercial banks on economic growth. In the following chapter, an analysis of different themes was carried out using the data met from the chosen participants. Furthermore, the precise methodologies entailed in the implementation of thematic analysis were deliberated upon. A summary of the chapter is provided at its conclusion.

Qualitative Analysis

According to Dzwigol (2020), thematic analysis is a qualitative research methodology that helps in finding a comprehensive and planned comprehension of the research process. Additionally, it permits for the collection of dependable data to substantiate conclusions regarding the subject matter. The adoption of this practise in the current context was focused by the objective of evaluating the impact of commercial banks on the promotion of economic growth in the UK. To achieve this objective, the research study working a methodology that involved the collection of qualitative data through interviews.

Thematic Analysis

The thematic analysis helps as a valuable approach for examining qualitative data, allowing researchers to efficiently identify and discover patterns and themes within the data. Thematic analysis is a methodological approach that involves the systematic classification of data into discrete groups, which are later inspected to discern recurring themes and found interrelationships (Perannagari and Chakrabarti, 2020). The use of this method offers compensations in investigating the way people observe and derive rank from their encounters (Byrne et al., 2022). Thus, this research apply theme analysis as a methodological approach to inspect the significance of commercial banks in helping economic growth within the UK. This methodology allows the discernment of fundamental themes and patterns inherent in the data acquired from the present study. As illustrated in Figure 3. The present study offered a thorough examination of the methodologies utilised in the ongoing inquiry.

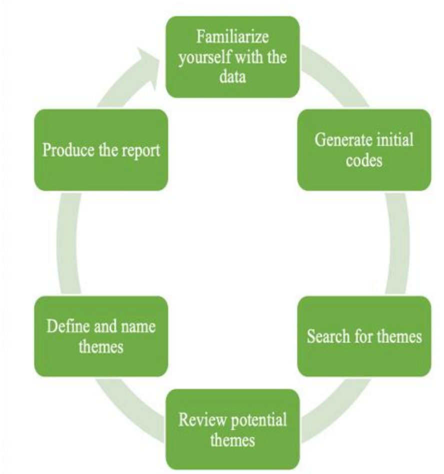

Figure 3: Thematic Analysis; (Byrne et al., 2022)

Familiarisation with Data

Relevant issues, such as missing numbers, anomalies and mistakes, can be spotted with the use of data familiarisation (Dawadi et al., 2020). Furthermore, it makes it easier to see connections between data points and to grasp the circumstances under which they were gathered. To prepare for the data analysis, ten commercial bank workers were interviewed systematically to acquire the necessary information.

Table1: Brief Profile of the Respondents for the present research

Codes	Experience level
H1	Bank Clerk experience in the bank for 1 year
H2	Senior Bank Official having experience in the commercial bank for 6 years
H3	Banking Associate working for 6 years in the bank

H4	Operational Manager having experience for 4 years
H5	Human resource manager experience 3 years
H6	Managing director having experience of 1 year
H7	Probationary Officer working for 6 years in the commercial bank
H8	Bank clerk in the sector for 7 years
H9	Loan officer having experience in the sector for 4 years
H10	Financial Accountant for 6 years in the sector

Preliminary coding

The second method employed in thematic analysis is preliminary coding, which serves the purpose of categorising the gathered and familiarised data into distinct categories (Kalpokaite and Radivojevic, 2019). Given their importance in processing raw data, codes can serve as a valuable asset for research investigations. The two manual and specialised programmes can be employed for initial coding. To identify patterns and establish connections among disparate data elements, it is necessary to decompose the data into smaller components. Following the completion of the initial coding process, the researcher proceeds to engage in additional comprehensive analysis and coding.

Formulating Initial Coding

This methodology facilitates the researcher in enhancing their understanding of the data and identifying patterns and trends. The utilisation of initial coding can prove beneficial for researchers as it facilitates the identification of relationships among different datasets and enhances comprehension of the data. The initial theme structure employed during the coding process is depicted in the accompanying image. The coding process was guided by the primary categories and their corresponding themes.

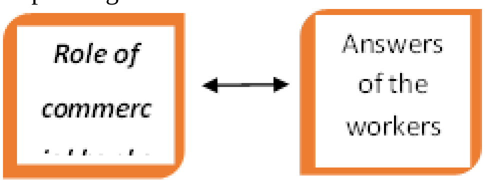

Figure 4: The Initial Thematic Framework of the Coding Process; Source: (Self-made)

Table 2: Code Development

Responses Studied	Initial codes
..Commercial banks play a pivotal role in the United Kingdom's economy by effectively directing funds from individuals who save to individuals who borrow, thereby facilitating the process of investment and consumption... Likewise, "the acquisition of loans by individuals enables them to engage in substantial transactions, such as the purchase of residential properties or automobiles… ….thereby fostering consumer expenditure. The aforementioned surge in investment and consumption plays a significant role in fostering economic expansion….	Enhancement in Economy Channelling fund Increasing consumption and investment
…The provision of loans by banks to people, as well as companies, has a positive impact on consumption and investment expenditure… …The act of consuming more results in an augmented consumption of goods and services, subsequently fostering the potential for economic expansion…. …Investment expenditures made by businesses have the potential to generate improvements in productivity and augment production capacity, thereby exerting a positive influence on the GDP…	Higher demand for goods and services Economic growth Productivity gain Enhancement of GDP

…The volatility of economic circumstances necessitates that banks adeptly manoeuvre through periods of downturns in the economy and financial crises… …During these times, banks may encounter difficulties in effectively managing non-performing loans and sustaining profitability…. …The profitability of banks can be significantly affected by fluctuations in interest rates, particularly when there is a discrepancy between the rates for which they borrow and lend….	Financial crisis Fluctuation in interest rate

Generating Themes

The themes that emerge from the analysis of the codes are enumerated below, and their identification is contingent upon the objectives and inquiries of the research.

Table 3: Finalising Coding

Coding	Themes
Enhancement in Economy Channelling fund Increasing consumption and investment	Importance of commercial banks on the UK's economic growth
Higher demand for goods and services Economic growth Productivity gain Enhancement of GDP	Effect of loans and credit on the GDP and level of economic growth
Financial crisis Fluctuation in interest rate	Problems of commercial banks while enhancing the economic stability of the UK

Reviewing themes

Following a comprehensive examination during the fourth stage of thematic analysis, it was determined that all subjects exhibited associations with relevant codes, responses, and pre-established thematic maps. The themes that emerge from the analysis of codes are subsequently identified and categorised based on the specific objectives and inquiries of the research study.

Theme 1: Importance of commercial banks on the UK's economic growth

Theme 2: Effect of loans and credit on the GDP and level of economic growth

Theme 3: Problems of commercial banks while enhancing the economic stability of the UK.

Data Analysis

Theme 1: Importance of commercial banks on the UK's economic growth

The impact of commercial banks on the growth of the economy in the UK is substantial. According to the findings of respondent H7, "commercial banks in the UK play a vital role in the economy by effectively directing funds from individuals who save to individuals who borrow, thereby facilitating both investment and consumption activities. The functions encompassed by these entities involve the provision of loans to both businesses and individuals, the provision of diverse financial services, as well as the facilitation of economic activities". Another participant, identified as H6, explained that "commercial banks serve as intermediaries between individuals who save money and those who borrow money. This role enables the smooth transfer of funds from entities with excess funds to those with a deficit in the economy. Banks facilitate economic growth by directing savings towards productive investments, thereby promoting the growth of businesses, construction endeavours, and creative enterprise".

This employs that commercial banks play a crucial role in the economy of the UK, as they serve as intermediaries between savers and borrowers, facilitating investment and promoting consumption. They make substantial contributions to economic growth using loans, banking services, and the facilitation of economic activities. However, it is imperative to emphasise the importance of implementing prudent lending practices and effective risk control to uphold financial stability. Additionally, the provision of loans by commercial banks to businesses facilitates the opportunity for said businesses to engage in various endeavours such as project investments, operational expansion, and job creation. Likewise, when individuals acquire loans, they can engage in substantial transactions, such as acquiring residential properties or automobiles, thereby fostering consumer expenditure. The aforementioned upward trend in consumption and investment catalyzes economic expansion.

According to the statement provided by Respondent H8, “commercial banks contribute to the advancement of financial inclusion by offering banking services to populations that have limited access to such services, including underserved communities and marginalised groups”. Banks facilitate an economy that is more equitable by granting individuals access to financial products and services, thereby expanding the scope of economic participation to encompass a wider demographic. Although the commendable efforts of commercial banks to promote financial stability are acknowledged, there are still challenges that hinder their ability to effectively reach and serve marginalised communities. Various factors, such as increased transaction costs, limited accessibility to banking services, and inadequate financial literacy, can potentially hinder the achievement of a fully inclusive economy. To effectively overcome these challenges, it is imperative to engage in a continuous process of innovation and foster cooperation among policymakers and communities.

According to the study carried out by respondent H1, “It has been ascertained that financial institutions play a significant role in both the provision of funds and the efficacy of monetary policy. Central banks exercise authority over the monetary supply through the manipulation of interest rates and modifications to lending practices. Consequently, these factors bear implications for the phenomenon of inflation, the process of making investment choices, and the broader panorama of the global economy”.

The significance of commercial banks for establishing the money supply and putting impact on monetary policy cannot be overstated. Central banks utilise interest rates and providing practises as mechanisms to exercise authority over the money supply and demand, thereby exerting an impact on inflation, expenditures, and the wider realm of economic activity. Nevertheless, it is imperative to maintain a careful equilibrium between fostering economic expansion and mitigating the risk of inflationary tendencies to ensure the successful execution of monetary policy.

Theme 2: Effect of loans and credit on the GDP and level of economic growth

The provision of loans by banks to people, as well as companies, has a positive impact on both consumption and investment expenditure. According to respondent H3, “An increase in consumption results in a corresponding rise in demand for products and services, thereby potentially stimulating economic growth. Investment expenditures made by businesses have the potential to generate productivity enhancements and augment production capacity, thereby exerting a positive influence on the GDP”. As per the statement provided by respondent H5, “loans serve as a means for businesses to facilitate the expansion of their operations, allocate resources towards research and development endeavours, and embrace novel technologies. This expansion has the potential to result in heightened productivity and enhanced competitiveness, thereby making a significant contribution to overall economic growth.

According to the statement provided by Respondent H9, “Loans and credit frequently assume a crucial function in financing infrastructure endeavours, encompassing the construction of roadways, bridges, power plants, and networks for communication. These investments contribute to the enhancement of the country's economic infrastructure, resulting in increased productivity, reduced transportation costs, and the attraction of additional business activity”.

The efficacy of loans and credit in financing infrastructure projects is contingent upon the judicious selection and proficient management of said projects. Insufficient project planning or encountering cost overruns may result in the accumulation of debt burdens and the emergence of inefficiencies. Ensuring adequate supervision and congruence with overarching economic objectives are crucial to optimise the advantages derived from infrastructure investments. Loans play a significant role in facilitating business expansion, investment in research and development, and the adoption of technology, all of which have the potential to enhance productivity and competitiveness, thereby exerting a positive influence on economic growth. Nevertheless, businesses must practise judicious financial management to guarantee timely loan repayments and prevent excessive leveraging. Failure to do so may result in financial instability, thereby nullifying the anticipated benefits of growth. According to the statement provided by respondent H9, "Mortgages represent a substantial element within the realm of credit. The availability of convenient mortgage loans can result in a rise in both homeownership rates and construction endeavours, thereby generating consequential impacts on interconnected sectors, including construction and real estate".

Mortgages play a pivotal role within credit markets, facilitating home ownership and stimulating construction activities, thereby generating consequential impacts on the real estate and construction industries. Nevertheless, an overreliance on mortgage loans can also result in the formation of real estate bubbles and financial crises, thereby emphasising the necessity for responsible lending practices and efficient regulatory supervision. The provision of sufficient credit access to SMEs plays a pivotal role in facilitating their expansion and development. SMEs frequently play a significant role in both employment generation and fostering innovation. The extent to which these enterprises can obtain credit has the potential to exert a positive impact on economic growth. Nevertheless, it is imperative to exercise prudent control over the expansion of credit, as an overabundance of lending can precipitate financial instability and exacerbate economic downturns, as evidenced by the events of the 2008 global financial crisis.

Theme 3: Problems of commercial banks while enhancing the economic stability of the UK

Banks function within a framework of stringent regulations that are specifically formulated to uphold and safeguard financial stability. Conforming to these regulations may occasionally curtail their capacity to extend loans or engage in investments on ventures that carry higher risks but offer the potential for substantial rewards. As stated by respondent H10, "It is imperative for banks to evaluate and effectively handle a range of risks, encompassing market risk, credit risk, and risk related to liquidity. Inadequate management of these risks can result in financial instability, which can have repercussions not only for the banking institutions themselves but also for the overall economy". The effective evaluation and management of risk by banks play a critical role in ensuring financial stability. Failure to account for liquidity, market, and credit risks can have far-reaching consequences for the financial system as a whole. The severe repercussions of lax risk management are vividly demonstrated by the 2008 financial crisis, demonstrating the crucial significance of stringent risk protocols.

Given the unpredictability of the economy, it is critical for the banking sector to be able to expertly manage downturns and other financial disturbances. Banks may have trouble maintaining profitability and effectively managing non-performing loans during these times. Respondent H6 suggested that "banks' ability to remain solvent is threatened by changes in interest rates, particularly when they have a difference between the rates that they borrow money and the rates at that they lend it out. Especially when there is an increase in the disparity between financing costs and lending rates, interest rate fluctuations can have a significant effect on a bank's profitability. Costs associated with obtaining funds climb as interest rates rise". This has the potential to put pressure on profit margins unless banks can transfer the higher rates to consumers. The maintenance of stable earnings is a crucial objective for banks, necessitating the implementation of effective strategies to manage interest rate risk.

The emergence of financial technology (fintech) firms has caused significant disruption to conventional banking frameworks. To maintain competitiveness and relevance within the contemporary financial environment, commercial banks must undertake necessary adaptations to accommodate technological advancements. As stated by respondent H2, "Alterations in consumer behaviour, such as a transition towards digital banking and internet-based transactions, have the potential to impact the demand for conventional banking services and products".

Consumer behaviour modifications, such as the transition towards digital banking and online transactions, possess the potential to exert a substantial influence on the demand for conventional banking services. To maintain relevance and competitiveness within the rapidly evolving financial landscape, banks are required to adapt to shifting preferences and allocate resources towards the development of digital infrastructure. Neglecting to adhere to this practice may result in a decrease in market share and relevance.

Respondent H8 asserted that, based on my empirical analysis, “banks are subjected to rigorous regulatory obligations to ensure stability and protect the integrity of the financial system. The adherence to these regulations can incur significant expenses and consume substantial time, thereby affecting the operational efficiency and economic viability of the bank”.

Stringent regulatory requirements play a crucial role in upholding financial stability; however, an excessive or inadequately executed regulatory framework can impose burdensome constraints on banks. The imperative of maintaining a robust financial system while simultaneously facilitating banks' capacity to foster economic growth and deliver vital financial services necessitates a delicate equilibrium between regulatory oversight and banks' operational efficiency.

Effectively addressing these challenges necessitates a nuanced approach that entails the prudent management of risks, adherence to regulatory frameworks, and the ability to adapt to dynamic economic and technological environments. The maintenance of stability and efficiency within commercial banks plays a pivotal role in promoting sustainable growth in the economy of the UK.

Discussion

Commercial banks play a multifaceted and dynamic role in facilitating economic growth and development. Banks have historically played a crucial role in facilitating economic progress by extending credit to both businesses and individuals. This practice has effectively contributed to the expansion of production, job creation, and the stimulation of consumption (Farajnezhad, Suresh and Ramakrishnan, 2019). Correspondingly, the primary data indicates that commercial banks play a pivotal role in the UK's economy by serving as intermediaries between individuals who save and those who borrow, thereby facilitating investment and stimulating consumption. As financial institutions play a significant role in fostering economic growth through the provision of loans, banking services, and the facilitation of various economic activities. Nevertheless, it is crucial to underscore the significance of implementing sound lending practices and efficient risk management to maintain financial stability. On a similar note, the study by Aramburu, and Pescador (2019); Ouenniche and Carrales, (2018) elaborated that it is imperative to bear in mind that there exist complexities in the relationship between banks and economic expansion. During periods of economic turmoil, financial institutions such as banks can pose a significant risk and contribute to instability, despite their potential to play a crucial role in fostering economic growth (Peng, Latief and Zhou, 2021). This phenomenon occurs due to the exacerbation of economic conditions, leading to heightened credit risk for banks. Consequently, there is a corresponding escalation in levels of bad debt, thereby jeopardising the stability of these financial institutions.

Commercial banks in the UK economy assume a pivotal role in fostering economic growth due to their status as the main provider of credit. As per Thompson (2017), banks play a crucial role in promoting economic equity by providing individuals with opportunities to access a range of financial products and services, thereby broadening the scope of economic engagement to include a more diverse demographic. However, the primarily collected data recognised that commercial banks have made commendable efforts in promoting financial stability, but there remain obstacles that impede their capacity to effectively reach and cater to marginalised communities. Several factors, including increased transaction costs, limited accessibility to banking services, and inadequate financial literacy, can potentially hinder the achievement of a fully inclusive economy. To successfully address these obstacles, it is crucial to actively participate in an ongoing cycle of innovation and cultivate collaboration between policymakers and communities.

Further, the study of Ouenniche and Carrales (2018) argued that banks have the potential to contribute to economic growth by providing financial assistance for substantial acquisitions and investments through the provision of loans to both individuals and firms.

According to Gololo (2017), the banking sector assumes a vital function in enabling the supply of credit to the wider economy through the extension of loans to people and companies. Additionally, it offers a wide array of financial services, including deposit accounts, opportunities for investment, and insurance products, which have the potential to contribute to the overall economic development of the nation. Correspondingly, interview responses support the idea by demonstrating that the effectiveness of loans and credit in funding infrastructure projects relies on the careful selection and skilled management of such projects. The lack of adequate project planning or the occurrence of cost overruns can lead to the accrual of debt burdens and the emergence of inefficiencies. For this reason, the respondent suggested that to maximise the benefits obtained from infrastructure investments, it is imperative to prioritise adequate supervision and alignment with overarching economic objectives. Moreover, the study of Gaspar (2016) examined that investment plays a significant role in facilitating economic growth, and it is imperative for companies to have sufficient access to financial resources to finance the procurement of new machinery, structures, and other capital assets. Since these investments are essential for enhancing production capacity and facilitating the expansion of business operations. Similarly, investment has been identified as an important factor of commercial banks by interview respondents, since investment possesses the capacity to generate improvements in productivity and increase production capacity, consequently exerting a positive impact on the GDP and thus economic growth.

Moreover, the study by Baklouti, Gautier and Affes, (2016) and Panizza (2023) indicated that credit can also impact the economic growth of the country. Since, credit in fostering investment, thereby exerting a significant influence on the overall GDP. As per Tura (2022), credit can provide individuals with sponsorship without requiring the use of their funds or the acquisition of additional funds through share issuances, which can be a more challenging and time-consuming process. The availability of credit allows households to finance substantial expenditures such as housing and transport, thereby fostering sustained economic development and well-being. Likewise, it has been analysed from the current study credit has a positive impact on economic growth, which is contingent upon the ability of these enterprises to acquire credit. However, it is crucial to exercise cautious oversight over the growth of credit, as an excessive amount of lending can lead to financial instability and worsen economic downturns, as demonstrated by the occurrences during the global financial crisis of 2008. Moreover, Ouenniche and Carrales (2018) asserted that the escalation of household debt and the resultant over-indebtedness, stemming from an excessive expansion of credit, can potentially have adverse consequences on both the stability and growth of the economy. Hence, it is imperative for financial institutions to effectively mitigate credit risks and extend credit prudently to mitigate the perils associated with excessive indebtedness and credit bubbles, which have the potential to precipitate inflationary pressures.

Summary

This chapter focuses on conducting data analysis with the help of the thematic analysis method of a sample of 10 participants from commercial banks in the UK. This study analysed the crucial role that commercial banks play in promoting economic growth by facilitating investments, consumption, and financial inclusion. Nevertheless, it is imperative to acknowledge and confront various obstacles, including but not limited to risk management, regulatory compliance, and technological disruptions, to ensure long-term stability and facilitate continuous growth. The chapter offers into the complex and diverse role that commercial banks play in the economy of the UK. These insights are substantiated by qualitative data and thorough discussions on the themes that have been identified from the responses.

VI. CONCLUSION AND RECOMMENDATION

Conclusion: Financial services such as checking and savings accounts, home loans, and debit cards are only some of the many products and services offered by commercial banks. Commercial banks greatly aid economic growth by catering to the demands of customers (consumers, corporations, and governments) with their extensive offering of banking products and services. Commercial financial companies play a vital role in the management of risks, which is critical to the well-being of the global economy, by providing insurance along with additional loss-prevention methods.

Additionally, banks can mitigate the impact of downturns in the economy and financial crises by distributing the associated risk across a wide customer base. Furthermore, financial institutions are critical in assisting individuals and organisations in allocating funds. They make it easier for people and organisations to pool their resources and give loans to those in need. Because of this, individuals and companies can more readily put money into initiatives with a positive impact on economic growth. The commercial banking industry in the UK is crucial to the country's economic growth because of the services and opportunities it provides to consumers and businesses.

Because of the rapid spread of COVID-19, the British economy has shrunk and GDP has fallen. The present financial crisis has demonstrated the importance of understanding the role commercial banks play in fostering economic expansion. The purpose of this research is to shed light on how financial institutions may help revive and expand the economy. It does this by studying how changes in lending practices and access to credit have affected GDP and UK economic expansion. By lending money to businesses, commercial banks in industrialized countries have helped spur innovation, speed up the building of infrastructure, provide monetary stability, and open up new avenues for international trade, all of which contribute to economic growth. Additionally, many other contributions have greatly improved productivity, raised living standards, and helped to create new employment opportunities in many different countries.

Financial institutions typically back massive building projects including the creation of freeways, roads, and shuttle systems. These investments have the potential to yield increased trading activity, enhanced accessibility to financial markets, and improved operational efficiency, all of which can positively impact economic growth. Commercial lenders provide mortgage loans and a range of financing alternatives to enterprises, enabling them to expand their operations, pursue capital-intensive initiatives, and engage in experimental endeavours. The provision of financial assistance by banks to enterprises facilitates their expansion and contributes to the overall economic growth of the nation. Hence, it is crucial to comprehend the impact of lending practices and credit accessibility on the GDP and economic growth in the UK, particularly in the context of economic disruptions such as the COVID-19 pandemic. The objective of this study was to examine the role of commercial banks in fostering the advancement of UK economies, specifically focusing on the influence of loans and credit on GDP and the rate of economic growth.

The varied and essential function that commercial financial institutions play in stimulating economic growth is an essential component in the development of growth and prosperity within communities. By granting credit to companies as well as individual consumers, commercial banks play an essential part in the process of making economic advancement possible. This practise helps to increase production, which in turn produces employment possibilities and boosts consumption, all of which contribute to the expansion of the economy as a whole. Within the confines of this particular structure, we have analysed the impact that commercial banks have had on the evolution of economic growth, with a particular focus on the state of the economy in the UK. Because they act as middlemen between people who save money and others who borrow money, banks are an extremely important part of the economy. This function enables the smooth movement of capital, thereby fostering the growth of various industries and facilitating the development of the housing market. Nevertheless, it is important to acknowledge that the relationship between commercial financial institutions and growth in the economy is multifaceted and carries inherent risks. During periods of economic situations of crisis, banks can potentially contribute to instability and pose risks, as the likelihood of credit risk escalates, resulting in a surge in non-performing loans and compromising their overall stability. The effective management of credit risks is of utmost importance in ensuring financial stability and promoting sustained economic advancement.

An examination from a historical standpoint illuminates the significant and profound impact that commercial banking has exerted on the economic expansion of the UK. Over the course of its development, the banking sector in the UK has undergone significant transformations, resulting in its emergence as one of the most proficient and technologically advanced industries globally. Banking crises that highlighted the need for more stringent regulation and oversight, however, showed that the organisation ran into a number of difficulties. Innovation, risk-taking, and rapid expansion are just a few of the defining features of UK commercial banking history that have left an indelible mark on the modern state of the sector. Banks play a significant role in promoting economic growth through the provision of monetary services to companies and customers. By providing capital for business expansions and other financial services, banks play a crucial role in fostering economic expansion. This impact can be seen in the form of higher output, new job opportunities, and the encouragement of innovation. Furthermore, financial institutions help the economy grow by encouraging consumer spending through the provision of credit for large purchases like homes and cars.

Numerous empirical studies have found a favourable association between lending by banks and economic growth, highlighting the crucial role that bank lending plays in boosting economic activity and encouraging general growth. However, the dangers connected to excessive debt as well as credit bubbles, which have the ability to inflict destruction upon the financial sector and the wider economy, make it important to vigilantly monitor credit risks and lending methods. Because it makes it easier for both consumers and businesses to get the money they need to make important purchases and investments, credit is often regarded as a key factor in promoting economic growth. Credit has a considerable impact on GDP because it stimulates investment, demand from customers, and innovation. However, in order to maintain economic stability and reduce the possibility of inflationary pressures, it is crucial to adopt a comprehensive approach in controlling credit.

Methodologically speaking, the focus of this particular investigation is on investigating the role that commercial banks play in promoting economic expansion. The research followed an interpretivist methodology, with a focus on learning about the participants' unique perspectives. Qualitative research approaches like interviews were utilised to get feedback from decision-makers including bank CEOs and regulators. By taking an inductive approach, we were able to learn more about the specific ways in which commercial banks contribute to economic growth while also appreciating the limitations of any extrapolations we might make. Qualitative data were collected and analysed as part of a single-method research design for this study. Therefore, it allowed for a comprehensive comprehension of the topic at hand. In this study, qualitative data was gathered from a sizable sample using a survey research methodology. The thematic analysis benefited from this, and new, insightful qualitative information was produced. Exploratory designs are useful for generating new ideas, but they do have their limitations when it comes to establishing a causal link. The utilisation of a time horizon that is cross-sectional made it possible to acquire a snapshot representation of the connection that exists between commercial banks and the expansion of the economy. The incorporation of ethical issues into the research allowed for the participants' rights and privacy to be protected throughout the process. In conclusion, the study technique and the many approaches that were chosen allowed for the establishment of a solid framework that would allow for the investigation of the role that commercial banks play in the promotion of economic expansion. This research has generated useful knowledge that can be utilised to inform policy decisions and lay the groundwork for future academic inquiry. However, it is important to keep in mind the inherent limitations that are associated with each method that was used.

The findings highlight the critical role played by commercial banks in promoting economic growth in the UK. Investment, consumer spending, and other economic activity would not be possible without the mediation provided by commercial banks. They play a crucial role in promoting economic growth through the provision of lending capital and banking services. This enables businesses to allocate funds towards investments and expand their operations, while also empowering individuals to engage in substantial financial transactions. In addition, commercial banks play a crucial role in facilitating financial inclusion through the provision of services to communities that have historically been underserved and marginalized. Despite the laudable endeavors, there persist challenges in the endeavor to reach and cater to these communities, thereby demanding ongoing innovation and collaboration among policymakers and society. Moreover, the significance of commercial banks in shaping the money supply and implementing monetary policy cannot be overstated. Central banks employ interest rates and lending practices as tools to manage inflation and steer economic activity. Achieving a harmonious equilibrium between promoting economic expansion and effectively controlling inflation is of utmost importance in the effective implementation of monetary policy. In order to maintain financial stability and promote the positive influence of commercial banks on the economic growth of the UK, it is crucial to acknowledge the significance of responsible lending practices and efficient risk management.

The evidence regarding the influence of loans and credit on gross domestic product (GDP) and economic growth highlights the favourable consequences that loans have on investment, consumption, expenditure, and the enhancement of infrastructure. The provision of loans by banks to people and businesses has a positive impact on economic growth through various mechanisms. Firstly, it stimulates demand for services and goods, thereby contributing to overall economic activity. Secondly, it facilitates investment in endeavours aimed at enhancing productivity, which in turn leads to increased economic output. Lastly, it enables the financing of infrastructure projects that not only enhance productivity but also reduce transportation costs. Nevertheless, the efficacy of these loans is contingent upon prudent financial administration, responsible lending methodologies, and proficient project planning and execution. Responsible loan management is of utmost importance for both businesses and individuals, as it serves as a crucial measure to mitigate the risks of financial instability and the burdens associated with debt. In order to prevent real estate booms and financial crises, mortgage loans must be carefully regulated. Mortgage loans are also essential for boosting construction operations and homeownership rates. The availability of credit for SMEs is crucial for facilitating their growth, fostering job creation, and driving innovation, thereby exerting a positive impact on overall economic development. Nevertheless, it is imperative to exercise prudence and ensure a harmonious equilibrium in managing the expansion of credit in order to avert any potential financial instability and subsequent economic downturns. In the broader context of economic growth, loans and credit exert a substantial influence, yet their optimal utilisation and vigilant oversight are imperative to fully capitalise on their advantages and mitigate potential hazards.

Commercial banks have been shown to suffer a number of issues that could make the UK's economy less stable. Stringent regulations, which are implemented with the objective of preserving financial stability, have the potential to restrict banks' capacity to provide loans or participate in higher-risk investments that may yield significant returns. The proficient assessment and control of risks, encompassing market risk, risk related to credit, and liquidity risk, are of paramount importance for the maintenance of financial stability, as insufficient risk management has the potential to result in instability that can have far-reaching consequences on the economy. Furthermore, financial institutions are required to effectively navigate periods of economic decline and financial turmoil, while simultaneously addressing the challenges associated with non-performing loans and maintaining sustainable profitability in the face of fluctuating interest rates. The advent of fintech companies has caused significant disruptions in traditional banking systems, necessitating banks to adjust their operations to incorporate digital banking as well as online transactions in order to maintain competitiveness. Nevertheless, the implementation of these adaptations may result in financial costs and potentially affect the overall effectiveness of operations. Achieving a harmonious equilibrium between regulatory mandates and operational efficacy is imperative in order to safeguard financial stability while simultaneously promoting economic expansion. In order to effectively tackle these challenges, it is imperative to implement astute risk management strategies, adhere to regulatory requirements, embrace technological progress, and strike a careful equilibrium between stability and effectiveness within the realm of commercial banking. These measures are crucial for fostering long-term and sustainable growth in the economy in the UK.

Recommendations: In order to ensure financial stability and effectively address potential risks, it is imperative for commercial banks operating in the UK to prioritise the improvement of their risk administration practices. This encompasses comprehensive assessment and control of market risk, risk related to credit, and liquidity risk. Through the proactive identification and mitigation of potential risks, financial institutions can effectively ensure their own stability while simultaneously making a valuable contribution to the broader financial well-being of the nation (Ouenniche and Carrales, 2018).

Commercial banks play a pivotal role in fostering economic growth; however, it is imperative to make sure that financial services are made readily accessible to all strata of society. It is imperative for banks to proactively engage in efforts aimed at fostering financial inclusion through the provision of customised products and services that cater to the specific requirements of communities with limited resources and marginalized populations. This may entail the reduction of transaction costs, the enhancement of physical accessibility to banking services, and the promotion of initiatives aimed at improving financial literacy (Gololo, 2017).

Infrastructure projects have the potential to make a substantial contribution to economic growth. It is imperative for commercial banks to give precedence to the judicious allocation of funds towards infrastructure projects, while ensuring that these investments are in line with wider economic goals and are accompanied by efficient project management (Gaspar, 2016). Banks have the potential to support economic development, job creation, and enhanced production capacity through the provision of funding for efficiently managed infrastructure projects.

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