Seminar on

"Non-Performing Assets in Indian Commercial Banks: Causes and Their Macroeconomic Impact"

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Abstract

The biggest challenge for the Indian banks is the problem of mounting bad loans. The reasons for the bad loans can be attributed to both bank’s specific factors and macroeconomic conditions. This paper using Berger and De Young (1997) model explores inter-temporal relationships among NPAs, efficiency, capitalization and other macroeconomic factors and investigates the reasons for bad loans based on four hypotheses such as bad management, bad luck, skimping and feedback effects in the period 2005-2015. Various panel data techniques such as stochastic frontier model, Granger causality, dynamic panel models, etc. have been employed for bank level data. The results reveal that NPAs are sensitive to bank level factors. It is also found that there is a macroeconomic-bank linkages in India.