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# Determinants of Non-Performing Assets of Indian Scheduled Commercial Banks: A Panel Data Analysis

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## Abstract

The gross NPA ratio of the Indian scheduled commercial banks is found to be cyclical in nature. It stood at 15.7% at the end of 1996-97 then it came down to 5.2% at the end of 2004-05. It came down further to 2.3% at the end of 2010-11 but thereafter steadily increased to 11.9% at the end of 2017-18. Based on the data for the period 2005-06 to 2017-18, this study has revealed, based on a panel regression, that rate of return on total investment of the borrowers, rate of growth of the economy, rate of growth of bank credit and average rate of interest charged by banks to the borrowers have persistent effect on the gross NPA ratio of banks. Priority sector lending, lending without security, investment in debt instruments of companies, business per employee and motivation of the employees of banks also affect gross NPA ratio of banks.

**Keywords:** Non-performing assets, growth of the economy, growth of bank credit, profitability of the borrower, interest rate.

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