

Relationship between Growth of Non-Performing Assets and Credit Risk Management Practices in Indian Banks

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Abstract : The study attempts to analyze the impact of credit risk management practices of Indian scheduled commercial banks on their non-performing assets (NPAs). The data on credit risk practices was collected by administering a questionnaire to risk managers/executives at different banks. The data on NPAs (from 2012 to 2016) is sourced from Prowess, a database compiled by the Centre for Monitoring Indian Economy (CMIE). The model was estimated using cross-sectional regression method. As expected, the findings suggest that there is a negative relationship between credit risk management and NPA growth in Indian banks. The study has implications for Indian banks given the high level of losses, and the implementation of Basel III norms by the central bank, i.e. Reserve Bank of India (RBI). Evidence on credit risk management in Indian banks, and their relationship with non-performing assets held by them.

Keywords : credit risk, identification, Indian Banks, NPAs, ownership

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