Abstract

This study analyses the various determinants of Net Interest Margin of public and private sector Scheduled Commercial Banks in India for the period 2008-09 to 2014-15. The size of bank is seen to negatively affect Net Interest Margin, and so are the amounts of Non Performing Assets and deposits with the banks. NIM of banks are higher for banks with higher capital adequacy ratio. Operating expenses of the banks like salaries, fees paid to various parties like lawyers, auditors, cost of repair and maintenance, directors' remuneration, depreciation etc. have a positive impact on NIM. This can be explained by the need for higher margins to finance large operating expenses. Aggregate loan amounts and NIM are positively related. Size of the bank is not a significant factor determining NIM for public sector banks and private sector banks separately.