

## **ABSTRACT**

This paper basically investigates for any evidence of Stress –Testing (in terms of credit risk) that the Indian Public Banking System faces using an Arellano – Bover System – GMM estimator over a period of fourteen years (1995 -1996 to 2008-2009). It also attempts to ascertain the determinants of NPAs of the Indian Public Banking System and also presents an overall review of the NPAs. The results suggests that the growth in the GDP does not exert any significant impact on the NPA and the significant variables determining the NPA were Lagged NPA, Size of the banks, Return on Assets and Proportion of loans to the priority sector (at 10 percent level of significance).