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# Liquidity Risk and Credit Risk: Impact on Banks



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## **A b s t r a c t**

The present paper is an attempt by the researchers to investigate on the causes of bank fragility and formulation of joint management of default risk that is liquidity risk and credit risk taking into consideration the bank specific factors so as to ensure bank stability. The main focus of the study is on the bank specific factors affecting liquidity risk and credit risk in Indian commercial banks. Data are taken from the annual accounts of 50 scheduled commercial banks comprising public sector banks, private sector banks, and foreign banks for a duration of 17 years from 2000-2016. Panel data regression model is applied using E-Views 9 to study the impact of bank specific determinants on the liquidity risk and credit risk. The result of the analysis shows bank size and profitability have significantly affected the liquidity risk and credit risk of the banks in case of public sector banks, and private sector banks.

*Keywords: Bank Specific factors, liquidity risk, credit risk, Bank stability.*