

11. CREDIT RISK MANAGEMENT IN BANKING SECTOR IN INDIA

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Abstract

Every organization is exposed to certain level of risk. Some risks are known and can be well predicted in advance before happening of the event whereas some risks are completely uncalculated which needs to be mitigated very carefully as there is no information about its consequences. Therefore companies need to be well prepared to face such uncalculated risks. Banking sector is considered as one of the most important element of any economy and its progress leads to the progress of the country. Banks are exposed to many types of risks like interest rate risk, operational risk, liquidity risk, credit risk etc. The paper is an attempt to understand the causes and the procedures adopted by banks to mitigate the credit risk. The study is based on primary and secondary data which is collected by way of structured questionnaire form banks employees and secondary data is collected from websites, journals etc.

Keywords: RBI, NPA, Loans and Advances

Introduction

For any developing economy banking sector is of vital importance for economic progress. The financial sector ensures proper distribution of capital, establish competitiveness, and bring financial stability to the developing nations. The banking business played a crucial role in increasing the national growth in the modern era, driven by technological improvements in financial exploration and deregulation.

Objectives of the Study

- To understand the causes of credit risk in banking sector.
- To study the management and mitigating techniques of credit risk in banking sector.

Research Methodology

The paper is established on Primary data collected from 23 employees of Public, Private and foreign banks in Mumbai. Secondary data is collected from published information of RBI, Annual reports of Banks, research journals and online sources.

Literature Review

Credit Risk Management framework in India is on the correct track irrespective of sector and size of bank which is built on the RBI's guiding principle.