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CREDIT RISK MANAGEMENT IN BANKING-AN ANALYSIS

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ABSTRACT

Credit risk is the oldest form of risk that is faced by the bankers across the globe. It is the risk of default on loans. Credit risk is the biggest risk the bank face by the virtue of nature of business, inherits. If credit can be defined as "nothing but the expectation of a sum of money within some limited time" then credit risk is the possibility that this expectation will not be fulfilled. Credit risk is old as lending. The management of credit risk must be incorporated into the fiber of banks. Credit risk systems are currently experiencing one of the highest growth rates of any systems area in financial services.

Banks need to practice it in some form or the other. They need to understand the importance of credit risk management and think of it as a ladder to growth by reducing their NPA's. Moreover they must use it as a tool to succeed over their competition because credit risk management practices reduce risk and improve return on capital. The present study highlights the credit scoring, credit rating, usual parameters for credit rating, impact of Basel accord on Credit risk and Strategies to mitigate Credit Risk.

KEY WORDS: Credit Risk, Basel Accord, Credit Scoring, Credit rating, Financial Institutions.